

# Annual Report and Financial Statements

For the year ended  
31 March 2026



Published July 2026



YorkshireWater

# How to view this document

## Contents page

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

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

## Accessibility matters.

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

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

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

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



# Get in touch with us

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

**There are lots of ways to get in touch:**



Email us

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Send comments via our website link

**[yorkshirewater.com/get-in-touch/](http://yorkshirewater.com/get-in-touch/)**



Or write to us

**Ellington House, 9 Savannah Way,  
Leeds Valley Park, Leeds, LS10 1AB**

Throughout this report, unless otherwise stated, we refer to each financial year by the year end date, so “2026” refers to the financial year ended 31 March 2026. We will make it clear if we are referring to a calendar year.

The water industry operates in five-year periods which are called Asset Management Periods or “AMPs”. The year ended 31 March 2026 is the first year of AMP8, which means it is the start of the eighth five-year period since privatisation.



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## Interested to know more?

This Annual Report is supported by a number of other publications that can be found on our website at [yorkshirewater.com](https://www.yorkshirewater.com)

# This is Yorkshire...



# ...and we are



# YorkshireWater

**Yorkshire is the largest county in the UK, covering 2.9 million acres.** It has beautiful and diverse landscapes, 45 miles of coast and eight cities. Yorkshire was at the forefront of the Industrial Revolution, has hosted the start of the Tour de France, inspired Dracula and Wuthering Heights, and is home to two of the UK Cities of Culture. It even has its own pudding and its own day, with Yorkshire Day celebrated every year on 1 August.

**We love Yorkshire  
and our vision is for  
a thriving Yorkshire,  
right for customers  
and right for the  
environment.**

At Yorkshire Water, we are responsible for providing clean water across Yorkshire, as well as taking away and safely treating wastewater across the region. We take our responsibilities seriously and are doing all that we can to do better for our customers and the environment.



We serve **5.5m individual customers every day**, in **2.4m homes** and **146,000 businesses**.



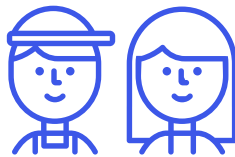
We supply over **1.3 billion litres** of fresh water every day, which is more than **500 Olympic-sized swimming pools**.



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



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



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



We manage nearly **68,000 acres of land**, much of which is open to the public. This is about the size of **38,000 football pitches**, making us the **second largest landowner in Yorkshire**.

The water industry as a whole is facing a time of significant change. The current five-year Price Review cycle has meant that there has not been enough long-term planning and investment historically, which has impacted upon the health of our assets. Climate change is also significantly impacting upon the sector, with many water company assets needing to be close to water and on low ground, therefore susceptible to flooding, as well as our water supply being affected by more regular drought conditions. The expectations on the sector have also increased, with changes to regulation and higher standards expected from all water companies and considerable media focus on all areas of performance.

There is a huge amount of work to do to get to where we want to be, and to meet the expectations of our customers and other stakeholders. In response to this we are investing more than ever before in Yorkshire in the five-year period from 2025 to 2030, with £8.3 billion of investment over the five years. During the year we had a drought in Yorkshire from June to December, followed by the wettest three months since 1871 from November to January, which has been challenging. We have worked hard throughout the year to keep the taps flowing and toilets flushing, recruiting over 1,200 new colleagues to help improve our customer service and improve our response times when things go wrong. We have made progress in some areas but have more to do in others, which is all set out in this report.

# Our performance this year

**We have increased our financial support for customers with 246,000 customers being helped with their bills** (2025: 167,000)

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

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**We are taking action to address our fall to 12<sup>th</sup> position in Ofwat's Customer Measure of Experience (C-MeX) league table out of 17 companies** (2025: 10<sup>th</sup> position)

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

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**Our Environmental Performance Assessment rating for the 2025 calendar year is expected to fall to one-star and we are taking big steps to address this** (2024 calendar year: two-star)

See our [Right for the environment](#) section for more details.

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**We have reduced the water lost from our network through leaks by 18.5% since 2020** (2025: 15.1% since 2020)

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

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**We continue to prioritise keeping our people safe. Sadly, our Lost Time Injury Rate has worsened slightly to 0.15 but remains extremely low within the sector** (2025: 0.14)

See [Our people](#) section for more details.

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**We have invested £989.8m in the year in our capital programmes to improve our services across Yorkshire** (2025: £889.8m)

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

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**We have seen an increase in total Regulatory Capital Value in the year to £10,423.6m** (2025: £9,475.5m)

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

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**We have achieved a Return on Regulated Equity of 4.90% in the year** (2025: 2.52%)

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

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Find out more about what we do at [yorkshirewater.com](https://yorkshirewater.com)



# Strategic report

# Welcome from the Chair



## The 2026 financial year has been one of both progress and challenge.

**We have invested more than ever before across Yorkshire as part of the biggest and most ambitious programme we have ever undertaken.**

**We are seeing the improvements we all want from this investment as projects complete, but there remains still more to do to reach the levels of performance we want to deliver.**

### Investment in Yorkshire

AMP8 will see the highest levels of investment in our history, with £8.3 billion to be spent across the five years, equivalent to around £3.2m every day. This has been the first year of the AMP and the investment is progressing well. We have spent £989.8m on capital programmes across the county, which has resulted in increased wastewater storage, reduced discharges to rivers, and improved water resilience. More detail on this can be found later in this report.

We have also recruited record numbers of colleagues into the business, with over 1,200 new joiners with the aim of providing a better experience for our customers, from finding and fixing more leaks, to preventing more pollution incidents, and responding more quickly to customer issues.

We are pleased to have seen improvements in the year in the form of a reduced number of discharges from storm overflows, lower leakage, and an improved run rate on serious pollutions in the second half of the 2025 calendar year.

The Board recognises the progress we are making, but we know that there is more to do. We have experienced a drought in the year which led to a hosepipe ban for our customers, our total number of pollutions has gone up, and we have

had to increase customer bills in the year in order to fund the record levels of investment we are now making. We understand that our stakeholders are impatient to see real improvement. We are encouraged that where we have made investments, we are seeing improvements, but we also recognise that we cannot invest in everything at once, and therefore change takes time.

Many of the projects we are undertaking to improve services are multi-year projects, which take time to deliver, and there can often be disruption for the local community while we are completing our work. We are conscious of the need to communicate better with our customers and communities to let them know what we are doing, how long it will take, and what the benefits will be, and we have invested in the year in a communications team particularly to focus in this area.

### Areas of Board focus in the year

The Board has spent much of the year focused on operational performance, both through operational deep dives in Board meetings, as well as in our newly formed Performance Review Committee.

We have reviewed the plans to improve performance in key operational areas and provided both challenge and support in relation to those plans, ensuring that these are adequately resourced and that the business has the right experience and capability in place to deliver.

We have also spent much time considering our impact on customers. We know that times are difficult financially, and that the increase in bills at the start of this financial year was difficult for many households in our region. We have monitored closely the support we are giving to customers who are struggling to pay their bills, and the Board has spent time in the year listening to customer calls and discussing how we can improve the experience of our customers when they need to contact us.

The Board has also welcomed the report from the Independent Water Commission in July 2025, and the regulatory reforms recommended in the report. We will ensure that we continue to provide support and input as appropriate as this reform progresses.

## Rebuilding trust

We have spent considerable time hearing thoughts from other stakeholders and considering how best to seek to rebuild the trust that has been lost across the sector. We are committed to greater transparency and are publishing a six-monthly progress report which is fully open about our performance against our targets, and will enable our stakeholders to have a better understanding of where we are making progress and the areas in which we still need to improve.

I have joined with Nicola, our Chief Executive, to meet with various stakeholders across Yorkshire during the year, including our regional mayors and local Members of Parliament. We have heard first-hand the frustrations people have with the sector, and with specific areas of performance that impact upon the local areas in which they live.

During the year we received criticism for the fact that fees paid to our executive directors from our holding company, Kelda Holdings Limited, had not been disclosed transparently. We accept that in order to be fully transparent we should make information on these fees available to readers of this Annual Report, and therefore have now included these in the information that can be found in our [Remuneration report](#).

## Our colleagues

The water sector is not an easy one to work in and the Board is very proud of our colleagues who provide some of the cleanest drinking water in the world, and treat wastewater and return it to the environment around the clock every day of the year. We appreciate all the efforts that they make, and their desire to do what is right for customers and right for the environment every day.

## Investor changes


In February 2026 we announced that two of the four shareholders in our ultimate parent company, Kelda Holdings Limited, were selling their shares, and that EQT were acquiring a 42% stake in the group as a result. This transaction has completed post year end and we are pleased to welcome EQT as new investors. This transaction signals confidence in our management team and in our plans for the future. It also improves our financial resilience as a business as we can be confident that a remaining intercompany loan balance of over £600m, including interest, will be repaid before the end of March 2027. We look forward to working with EQT on our journey to improve outcomes for customers and the environment, and to improve transparency for all stakeholders.

## Change of Chair

On 17 June 2026 we announced my intention to step down from the Board at the end of September 2026. I have very much enjoyed my time at Yorkshire Water and am grateful to those who have worked so hard for the business in my time as Chair. I wish the business all the best for the future and look forward to working with my successor on a smooth handover over the next few months.

## Thanks to my fellow Board members

I would also like to thank my fellow Board members, particularly those who have stepped down from the Board over the last year. They have all contributed considerable time and effort to their roles, in an often challenging environment, helping us to strive towards our vision of a thriving Yorkshire.



**Vanda Murray OBE DBA  
Chair**

6 July 2026

# Chief Executive's overview



**At Yorkshire Water, we remain firmly committed to doing better for our customers and the environment. 2026 has seen progress in a number of areas but we have not met the standards expected by our customers and stakeholders in other areas.**

We know that change is needed, and we are investing record amounts between 2025 and 2030 across Yorkshire to deliver cleaner rivers, more reliable services, fewer leaks, and significant upgrades to our water and wastewater infrastructure.

In the year we have recruited over 1,200 new people into the business, most of whom live in Yorkshire. These people are helping us improve our services and respond more quickly to incidents.

## Significant investment

We have made significant investments during the year right across Yorkshire. We have replaced 174km of water mains across our region, which exceeded our target for the year and is more than twice the length of mains replaced in the whole of the previous five years. Replacing pipes makes our network more resilient and reduces the risk of leaks.

We have completed 88 investment projects across the region over the past year, and started many more. These include investments to replace sewers, reduce discharges of untreated wastewater through increased storage and increased treatment capacity, reduce the amount of phosphorus entering local watercourses, improve reservoir safety, and install new boreholes in Malton, Brayton and East Ness.

More detail on the improvements we are making in each part of Yorkshire can be found in our full-year performance report, which is available on our website.

## Drought

This year has been one of exceptional weather, with a drought declared in Yorkshire from June to December, and less than 50% of the normal rainfall occurring from February to September. This created some major challenges for us and our stakeholders, with an increased demand for water and reservoir levels falling as low as 30.6% in some areas. We took a number of actions to mitigate the risk to our customers:

- We used our regional grid system to balance the supply and demand for water across Yorkshire, and used drought permits, granted by the Environment Agency, to extract more water from rivers where necessary.
- We invested in increasing our work to fix leaks. We recruited 80 additional colleagues into our Leakage team, and fixed over 11,000 leaks between April and September, which was a 15% increase on the same period in the previous year. We also reduced the time it takes to fix a leak by 36% over the same period.
- We asked our customers for support by not using their hosepipes during the drought and we are very grateful for the response we received, with the vast majority of our customers helping to reduce domestic consumption by 10% which helped to ensure there was enough water for those most in need.

We are now reviewing our Water Resources Management Plan, which is updated regularly, to ensure we are in the best position to respond to the growing pressures of climate change and to prioritise future investment in the right way to ensure we have a resilient water supply over the longer-term.

When the drought was over we experienced the wettest three months since 1871 between November and January. This also brought challenges, particularly for our wastewater network, which treats the rainwater that enters our combined sewers. The investment mentioned above is part of our ongoing plan to keep as much of this wastewater as possible in our pipes by minimising discharges and flooding.

## Pollution performance

We reported last year that we were taking significant steps to improve our pollution performance. Our progress this year has not been as we had hoped, with more total pollution incidents than in the prior year, and the same number of serious incidents. We have spent considerable time in the year visiting our wastewater assets, identifying issues and taking steps to prevent these from becoming more serious incidents, so we knew that this would impact upon the number of reported pollutions in the year.

We are also conscious that the requirements in relation to pollution reporting are changing, so we expect that numbers will grow again in 2027, although we will try to disclose results on a like-for-like basis where we can to enable a comparison. We cover more on this in our section on [Right for the environment](#).

We know that there is a long way to go. We are continuing to take steps to improve, and now have much greater visibility of our assets through installing more monitors, so that we can identify more potential issues earlier and prevent these from becoming pollution incidents. We have also recruited more colleagues, with a dedicated Pollution Incident team now in place and 80 additional colleagues in our Customer Field Services team, who amongst other things respond to pollution incidents.

We are also using new technology in the form of products such as SewerBall® which is a small ball that floats through the sewer network collecting data to identify issues before they lead to an incident.

Our focus in 2025 was principally on sewage treatment works and in 2026 has been on the network and rising mains. You can read more about this in our Pollution Incident Reduction Plan which can be found on our website.

## Customer experience

We have worked hard during the year to improve our customer experience but are disappointed that our C-MeX rating has fallen from 10th to 12th out of 17 companies during the year. This is still not where we want to be, and we are continuing to engage with our customers and listen to feedback to try to keep improving and responding to our customer needs.

We have restructured our operational teams internally to make it quicker and easier for customers to have issues properly assessed when they contact us, and the right colleagues sent out to resolve problems the first time.

We are also investing in digitising more of our customer journeys, such as internal and external sewer flooding, blocked toilets, water quality, burst pipes, and no water, so that customers can contact us and resolve more matters online if they would prefer to do that, but with a Yorkshire voice at the end of the telephone if a customer would still like to speak to us.

We also understand that the increase in water bills this year has been difficult for some of our customers. We want to help those who are struggling and we have multiple schemes available to provide support for those on low incomes, which have supported 246,000 customers in the year, with customers on the lowest incomes paying less.

## Our people

We have recruited over 1,200 people into our business this year and I want to welcome those people to our organisation.

Yorkshire Water is a 24/7 business; we have to provide clean water and treat wastewater around the clock, every day of the year.

It is not always easy to be a Yorkshire Water employee and at times our people, and colleagues employed by partner organisations, have faced unfair criticism, aggression and even violence, simply for being part of an organisation that has been the subject of negative media. I would like to thank all of our colleagues for their hard work and commitment to Yorkshire throughout this year, and for being part of the journey to do what is right for customers and right for the environment.

We announced on 17 June 2026 that Vanda, our Chair, would be leaving the Board at the end of September 2026. I would like to thank her for her huge contribution in her time with the business. She has built strong relationships with stakeholders and driven high standards of governance and oversight of the business. I am personally very grateful for her support, insight and challenge.

## Building trust

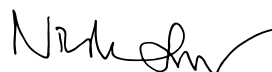
We are fully aware of the lack of trust that there is in the sector at the current time, and the need for us to improve performance to help rebuild that trust.

This year I have met with many stakeholders face to face, including at customer meetings and out on our local high streets, and have also taken calls in our call centre at our busier times, so I have heard first hand from many people across Yorkshire. We want to do better and to be among the best in the industry. We are working hard to do this, but change cannot happen overnight.

We are committed to being more open and transparent in our reporting and we produced a half-year performance report for our stakeholders, and are publishing a full year version alongside this Annual Report. This can be found on our website at [yorkshirewater.com/reports](https://yorkshirewater.com/reports)

We will continue to publish half yearly reports from now onwards to maintain this transparency and openness. We want to be clear on our plans, how these will bring improvements for Yorkshire, and how we are progressing with the delivery of these plans. We will be honest when things are not going well, but will also highlight where our work and investment is making a real difference.

We remain confident that our significant investment plan and the steps we are taking will deliver real benefits for Yorkshire, that you will see in the rivers, on the beaches, on the streets, and in your home.



**Nicola Shaw CBE**

**CEO**

6 July 2026

# Our strategy

In 2023 we launched a strategy focused on helping Yorkshire thrive. We regularly review the strategy to ensure it remains right for the business, and it very much continues to reflect what we are aiming for every day.



# Our vision

A scenic landscape photograph of a lake with a forested background and a small boat on the water. The sky is blue with light clouds. The water is calm, reflecting the surrounding greenery and sky. A small boat with a person is visible on the right side of the lake. The forest in the background is dense and green, with a small white building visible among the trees.

**Everything we do as a company has an impact on Yorkshire. We want Yorkshire to thrive, and we want to do what is right for customers and for the environment to contribute to that.**

We see ourselves as an anchor institution in the region. Our Business Plan from 2025 to 2030 years includes £8.3 billion of investment in Yorkshire, to invest in infrastructure, to create and sustain jobs, to support skills development and education, and to work with other organisations to deliver better outcomes across the region.

We know that our performance has not met what our customers expect in recent years, and we are working hard every day to bring about the change needed to return to being a water company that Yorkshire can be proud of. We want to deliver great value for Yorkshire, to be an inspiring and motivating place to work, and to improve the environment around us.

**Right for customers means that we will provide safe, clean, great tasting water and return wastewater safely to the environment.**

Our customer principles are ease, care and value. We want to be an easy organisation to interact with, to demonstrate that we care about our customers and the diverse range of needs that we know our customers have, and we want to deliver value for money, with bills that everyone can afford.

Our bills have had to increase in the 2025 calendar year, and again in the 2026 calendar year, as we need to invest more in our infrastructure, but at the same time we are offering even greater support to customers who struggle to pay their bills.

We listen to our customers and communities so that we can keep improving our customer experience. More information on what we have delivered for our customers in the year can be found in the section on [Right for customers](#).

Right for the environment means making our water go further and minimising the impact of wastewater on the natural environment of Yorkshire. We are very focused on reducing pollutions and saw an improved pollution run rate in the second half of the 2025 calendar year. We are also investing in improving our performance on sewer flooding and our river and coastal water quality.

We want to protect our water resources in the face of climate change and a growing population, which means reducing leaks and increasing customer awareness around water usage. The summer of 2025 saw a significant drought in Yorkshire, with there being less than 50% of the normal rainfall in Yorkshire from February to September. We have invested heavily in reducing leakage in the year and we are investing in the development of new boreholes and service reservoirs to strengthen our water resilience.

We have a big role to play in addressing climate change, and are working towards achieving net zero carbon emissions in our operations, and reducing the emissions created in building our assets.

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

## Our strategic pillars

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

### Improving asset performance

We manage over 85,000km of underground pipes, and hundreds of treatment works and pumping stations, across our clean and wastewater networks. In order to deliver value for our customers and to protect the environment it is essential that we manage our assets well, and invest in them when necessary, either to increase capacity or to improve the health of the asset. We need to keep investing in pro-active maintenance to reduce asset failure, as well as building new assets to improve the quality, resilience and capacity of the services we provide. Our aim is to do this while keeping bills as low as we can and protecting the environment through choosing nature-based solutions where possible. More information on how we are improving asset performance can be found in the sections on [Right for customers](#) and [Right for the environment](#).

### Creating an engaged, high-performing team

Our people 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 deliver for our customers. 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 as a united organisation, as well as partnering with key stakeholders. By working together, our people, our supply chain and our stakeholders can achieve more than any of us could by working alone. More information on our partnership working can be found throughout this report, including in the sections on [Right for the environment](#) and [Our communities](#).

## Our strategic foundations

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

### Strategic change

In order to keep improving the services we provide, we need to keep changing and improving the way we work, through technology, processes and data. Some examples of the strategic change projects currently ongoing are:

- reorganising our operating model for field and customer teams in the clean water part of our business;
- increasing our digital offering to customers to help make interactions with us easier for those who want to contact us digitally; and
- using data to ensure we maximise the use of our vehicles where possible so we can minimise unnecessary costs.

More information on our strategic change projects can be found throughout our [Strategic report](#).

### 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 and everyone else impacted by our activities, and ensuring we have a stable and sustainable business financially, so that we continue to provide value for our customers and all those who work with us. Our sustainable business foundation also includes compliance. Compliance with our statutory and regulatory obligations is of the utmost importance to us so that our stakeholders know they can trust us to be doing the right thing.

## Delivering our strategy

**Amongst other things, this year has seen us:**

- Doing **right for customers** through our mains replacement programme, which helps improve our service to customers by reducing the need to repair our water mains because of leaks or bursts. We can see that our mains replacement programme is working as the rate of burst mains repairs in the year was 189.0 per 1,000km of mains, which is substantially lower than during the last drought in the summer of 2022, when the rate was 219.3 per 1,000km of mains;
- Doing **right for the environment** through reducing the average number of discharges from storm overflows by 25.5% from a 2021 calendar year baseline. This is partly down to the dry weather in the year, but also reflects the benefits of the £180m investment programme to March 2025 and the £1.5 billion investment through to 2030 which is now underway;
- **Improving asset performance** through £989.8m of capital investment, including upgrades to clean water and wastewater treatment works, and creating additional stormwater storage capacity of 30,500m<sup>3</sup> in the year;
- **Creating an engaged high-performing team** through recruiting over 1,200 people to join our team in the year to 31 March 2026, reviewing and modernising our people-related policies, updating our training offerings, and ensuring all colleagues have career conversations with their line managers at least every six months; and
- Demonstrating a **joined-up approach** through the ongoing work of our Storm Overflow Alliance, working in partnership with four other organisations to reduce storm overflow discharges through sharing innovation and best practice.

All of this has been done while driving our strategic change projects forward, and ensuring our business is on a sustainable footing.

More information on what we are focusing on over the next four years is contained throughout this report.

# The six capitals

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

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

Using the six capitals framework helps us to make more informed decisions with a fuller understanding of their current and longer-term environmental and social implications. It also provides a means by which to measure progress towards our strategic objectives.

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



### Natural capital

The materials and services we rely on from the environment



### Human capital

Our colleagues' capabilities and wellbeing



### Intellectual capital

Our knowledge and processes



### Social capital

Our relationships and customers' trust in us

# Our business model

## What drives us

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

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

## Resources and relationships

- We own and manage 603 wastewater treatment works, 50 water treatment works, and over 2,600 sewage pumping stations.
- We also own and manage a vast water supply network, including 115 reservoirs, over 100 impounding reservoirs, 50 groundwater sources, and nearly 68,000 acres of land.
- We supply over 1.3 billion litres of clean, high-quality water to 5.5m customers daily.
- We have over 5,600 colleagues, of whom over 93% are based in the Yorkshire region.
- We work with over 1,100 suppliers and partners, of whom nearly a third are based locally in Yorkshire.
- We work within a highly regulated framework. Our key regulatory bodies include Ofwat, the Environment Agency, the Drinking Water Inspectorate, the Health and Safety Executive, the Information Commissioner's Office, and the Department for Environment Food and Rural Affairs.



# What we do

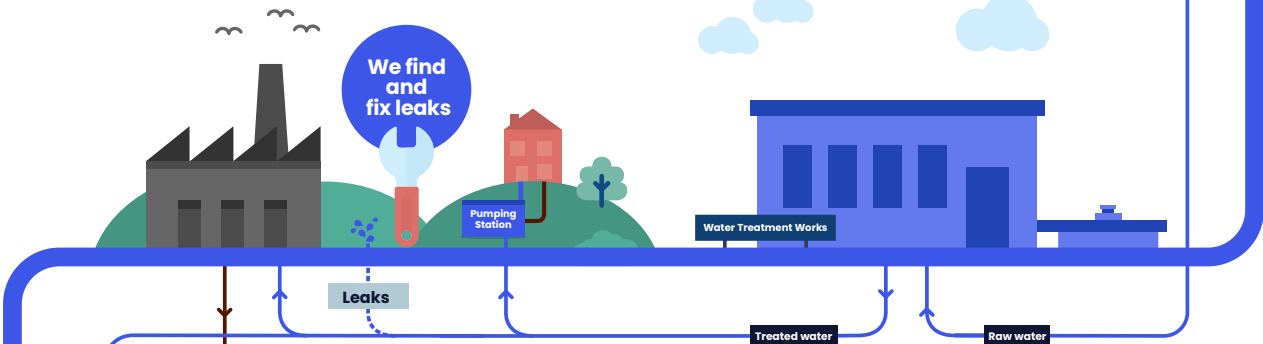
We're one of Yorkshire's biggest land owners



We collect water from three main sources

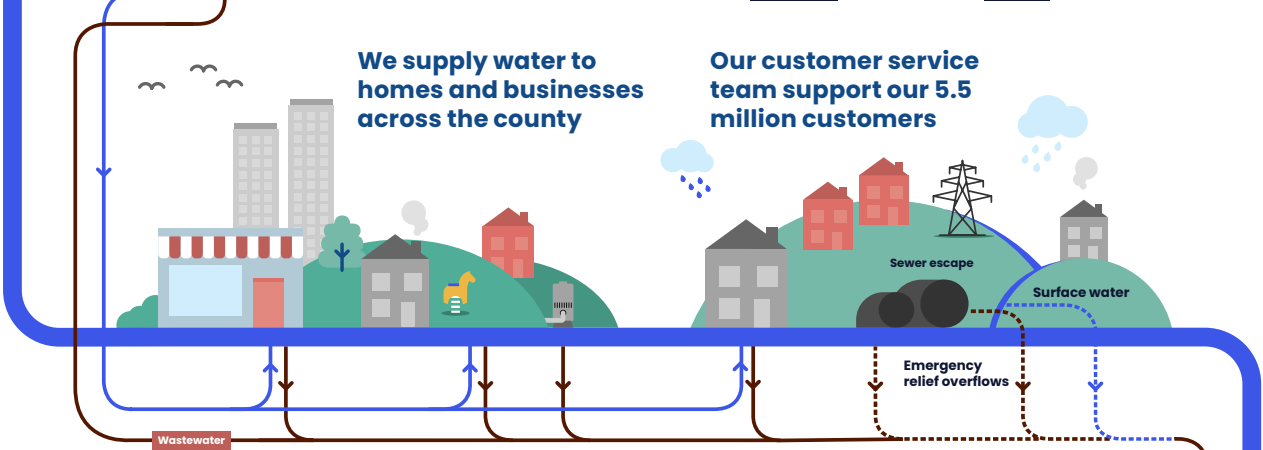


We have 603 wastewater treatment works and 50 water treatment works



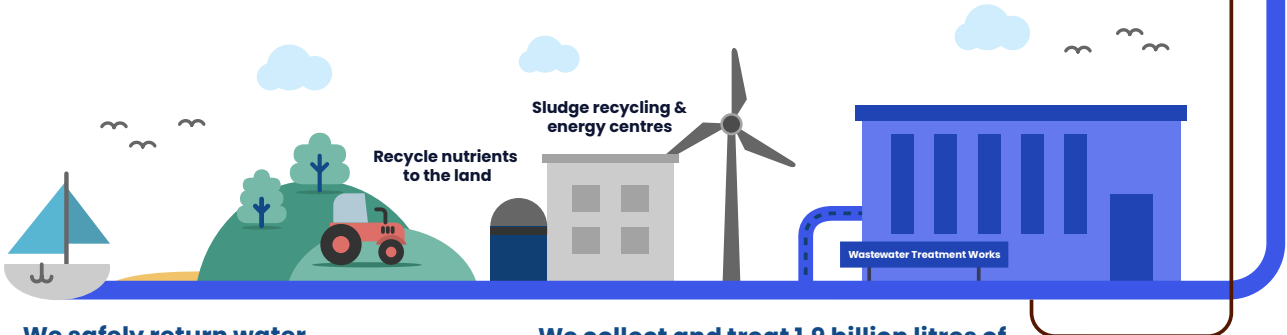
We supply water to homes and businesses across the county

Our customer service team support our 5.5 million customers



We safely return water back into the environment

We collect and treat 1.9 billion litres of wastewater and rainwater every day



# Our business model continued

## Creating value for our stakeholders

### Customers

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

More information on what we are doing for our customers and how we engage with them can be found in our [Right for customers](#) section.

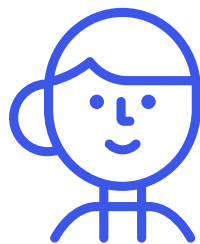
### Environment

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

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

We have provided over

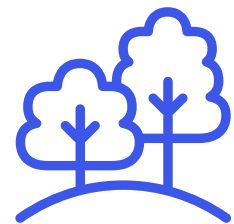
**£70m**



**of support to 246,000 customers** during the year.

We have invested

**£221m in the year**



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

We have mapped **six** of the customer journeys

that cause the most dissatisfaction to find the root causes to help us improve our customer experience.

We have reduced discharges from storm overflows by **25.5%**

since the 2021 calendar year.

## Colleagues

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

More information on what we are doing for our colleagues can be found in the [Our people](#) section.

## Communities

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

More information on what we are doing in our communities can be found in the [Our communities](#) section.

### Our colleague engagement

has increased from

**6.3 to 7.8**

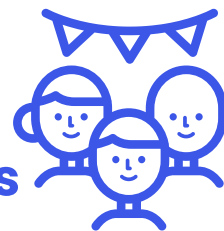
over the last three years.



### Our people have volunteered for over

**2,600 hours**

in the year to support local charities, schools and not-for-profit organisations.



### We have recruited over

**1,200** colleagues

into the business in the year

and supported over

**500** colleagues

in changing role, to better resource our plans and provide development opportunities for our people.

### We have reached over

**30,000** adults and children

in the year with educational support relating to water, the environment and career pathways.

## Investors

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

More information on the returns we are delivering for investors can be found in our [Chief Financial Officer's report](#).

## Suppliers

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

More information on our engagement with suppliers can be found in our [Section 172\(1\) statement](#).

We have delivered a Return on Regulated Equity of

**4.90%**

during the year.



Our supplier payment performance has improved from

**37 days in the first half of the year to**

**30 days**

in the second half of the year.



In the year we have invested

**£989.8m**

in fixed assets to ensure resilience into the future.

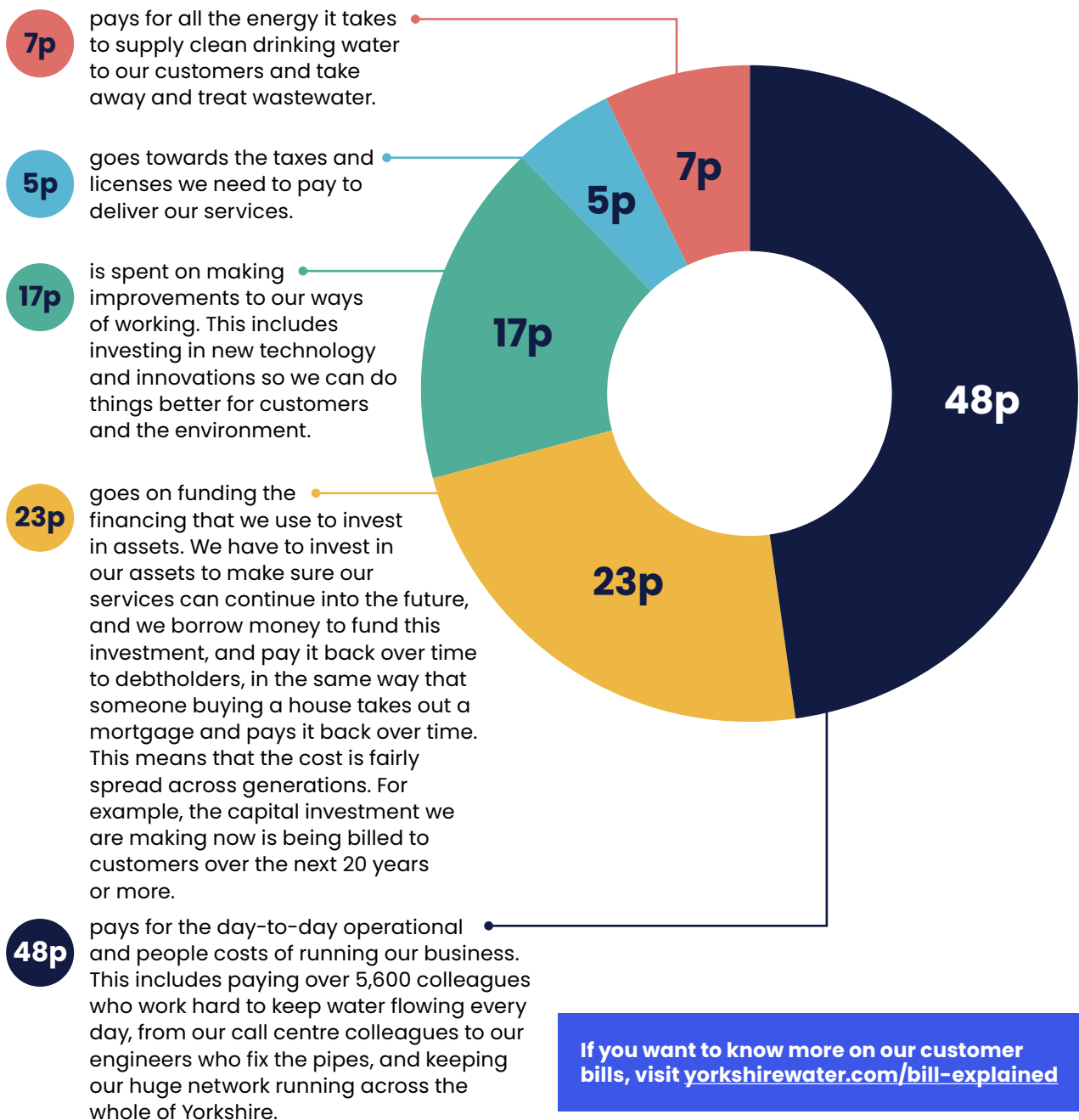
Our latest investment programme will support an average of over

**8,000 jobs**

within our supply chain.

# What customer bills pay for

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



# Understanding our sector



## 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 currently a five-year Price Review process, where all companies in the sector submit a business plan to Ofwat, having consulted with their customers and stakeholders and taking into account their statutory and other obligations. These business plans set out the services they want to deliver and the investments they need to make over the next five years. These are reviewed by Ofwat and they then decide how much companies can charge customers for the next five years.

The latest pricing decisions were made in the 2024 Price Review, which is also known as 'PR24'. This set the prices from 1 April 2025 to 31 March 2030.

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

### Trust in the sector

We know that trust in the sector and in us is low and we are doing what we can to restore that trust. We know that improved performance is vital to prove to our customers and stakeholders that we mean what we say.

We are open about the areas in which we need to improve, and in the 2026 financial year launched the most ambitious improvement programme in our history, with £8.3 billion of expenditure over five years to deliver cleaner rivers, more reliable services, reduced pollution, fewer leaks, and significant upgrades to our infrastructure.



Wastewater discharges into rivers and coastal waters are a matter of great public concern and we entirely understand why. We remain focused on eradicating harm from wastewater discharges, but this takes time. Our wastewater network is designed to allow the discharge of very dilute wastewater into watercourses when the network becomes too full, as this prevents wastewater from flooding our homes, gardens and streets. The picture above illustrates how these storm overflows operate.

At Yorkshire Water we have a high proportion of sewers that are combined with surface water so are more likely to overflow when there is heavy rainfall, so improving performance is something that takes time and investment.

We are making progress though, and in the year under review we have created 30,500m<sup>3</sup> of extra stormwater storage which is helping to reduce the number of discharges to our rivers and coastal waters. Further information on this can be found in our [Right for customers](#) section.

There is also much in the media about dividends. In the last five years Yorkshire Water has received £500m from shareholders, which has been paid to Yorkshire Water via the Kelda group. Yorkshire Water has paid dividends of £336.5m, which has all been retained within the Kelda group and used to repay interest and capital on loans held at a group level, as well as covering head office costs.

After the year end a transaction was completed to bring a new shareholder, EQT, into the Kelda group. EQT, along with our existing shareholders, GIC and T-Corp, have committed to paying a further £600m into the group before the end of March 2027.

## Regulatory reform

In July 2025 the Independent Water Commission published their final report on the water sector and proposed a series of regulatory reforms. We have welcomed the proposals, which align to many of the changes we were hoping to see to improve regulation for the benefit of customers and the environment. We are monitoring developments closely and will ensure that we support the new regulator when this is formed.

## Climate change

Climate change is impacting everyone across the world, and the water sector is no exception. Severe weather events have significantly impacted the sector in recent years with both drought conditions and extremely heavy rainfall. In the 2025 calendar year we saw the driest spring in Yorkshire for 132 years and the hottest summer on record, followed by exceptionally wet weather from November 2025 to January 2026, with some parts of the region seeing the wettest three-month period since 1871. 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.

## What makes Yorkshire different

Yorkshire is unique in many ways and we love our county. As well as all that is good about Yorkshire, there are some things that make operating here more challenging.

Yorkshire has a high concentration of areas with low income, with 29 of the 50 lowest-income neighbourhoods in England and Wales being in Yorkshire. We have around 320,000 customers on a very low income or benefits, and 188,000 customers who are in 'water poverty'. Water poverty means that the water bill is more than 5% of the disposable income of the customer after other housing costs have been taken into account.

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

The cost-of-living crisis has continued to impact many of our customers and communities during the year, particularly as food, energy and rental costs have remained high.

Water bills across the sector increased in April 2025, which we know has been difficult for some of our customers.

Prior to this increase, water bills were less in real terms than they had been ten years earlier, due to bills being kept low and investment being restricted, which has now contributed to the performance issues seen today.

We do not underestimate the importance of the affordability of our bills, as well as how understanding and inclusive we are in our interactions with customers. You can find out more about how we approach our customers, and the support we provide to our most vulnerable customers in our [Right for customers](#) section.

## Annual performance review

Each year Ofwat publishes an annual review of water company performance. Having moved to a rating of 'average' in October 2024, we were disappointed to move back to 'lagging' in October 2025, and we are working hard to move back out of this category.

The rating is based on how we have performed in relation to various performance commitments. More information on these performance commitments and what we are doing to improve performance is shown throughout this report.



# Key performance indicators (KPIs)

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

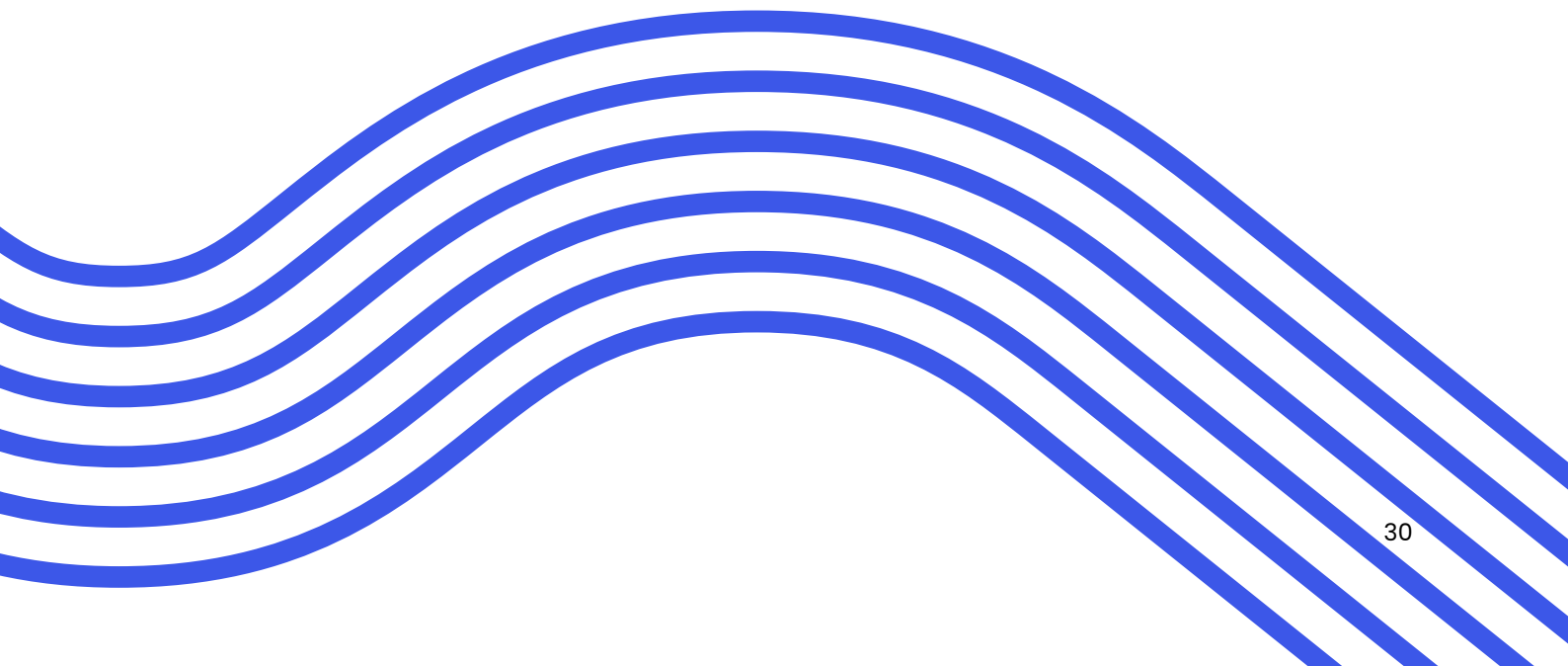
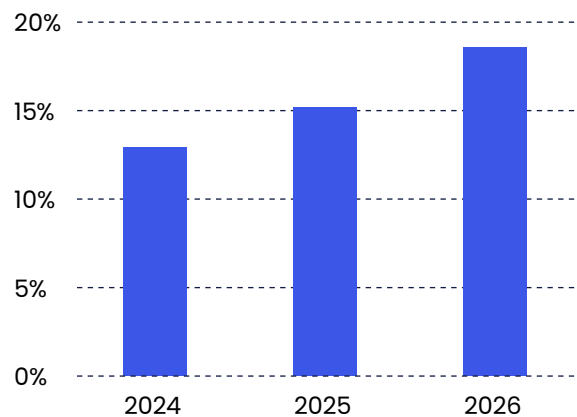
## Leakage reduction since 2020

- 2026: 18.5% since 2020**
- 2025: 15.1% since 2020**
- 2024: 12.7% since 2020**

We have continued to reduce leakage year-on-year, and are pleased to have reduced leakage by a further 3.4% to 18.5% since our 2020 baseline position, despite the drought conditions in 2025, which significantly increased the risk of leaks through dry ground which can lead to more burst pipes.

In order to continue the work we are doing, we have various projects and plans in place to help reduce leakage further throughout the AMP. More information on leakage can be found in the [Right for customers](#) section of this report.

Leakage reduction since 2020



## Pollution incidents (calendar year)

2026: 260

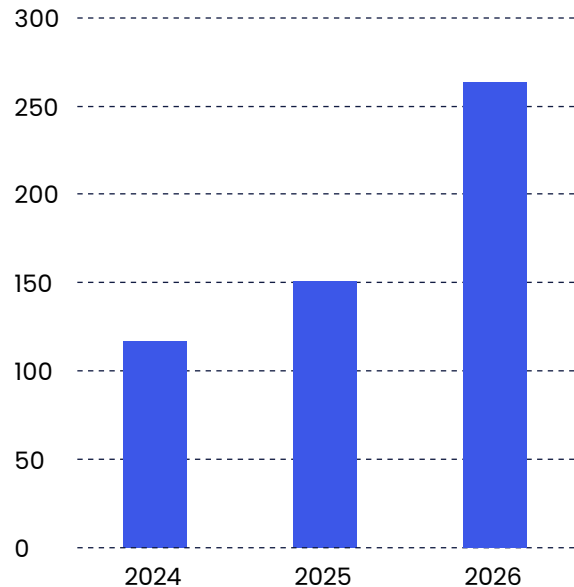
2025: 151

2024: 137

We are extremely disappointed to have seen a significant increase in pollution incidents this year.

We know that we need to do better and are making significant investments to improve the resilience of our assets and increase storage. We have also recruited a large number of colleagues into this area of our business during the year, to enable us to investigate and respond to incidents more quickly, and we are investing in technology that will allow us to detect and prevent more incidents before they occur. We have rolled out pollution training for all colleagues across the business, and have increased the number of site visits across our wastewater asset base to seek to identify potential issues earlier. More information on these steps can be found in the [Right for the environment](#) section of this report.

Pollution incidents (calendar year)



## Colleague engagement

2026: 7.8

2025: 7.6

2024: 7.2

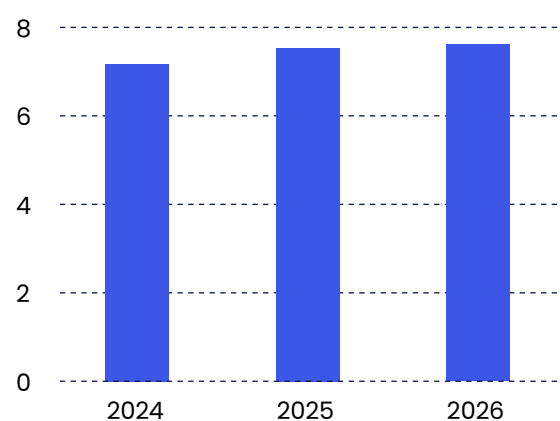
The Yorkshire Voice is our colleague engagement survey which gives all colleagues the opportunity to share their thoughts openly and anonymously. It runs twice a year, in September and March. The scores above represent the year end score in each year.

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

We were delighted to see an increase in the engagement score for the fourth year in a row. Also, 83% of our colleagues completed our survey in March 2026, an increase of 7% from the prior year.

Even though our engagement score has improved, we want to continue to progress and are aiming to be a top quartile utility company, which would require an engagement score of 8.2.

Colleague engagement



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

## Lost Time Injury Rate (LTIR)

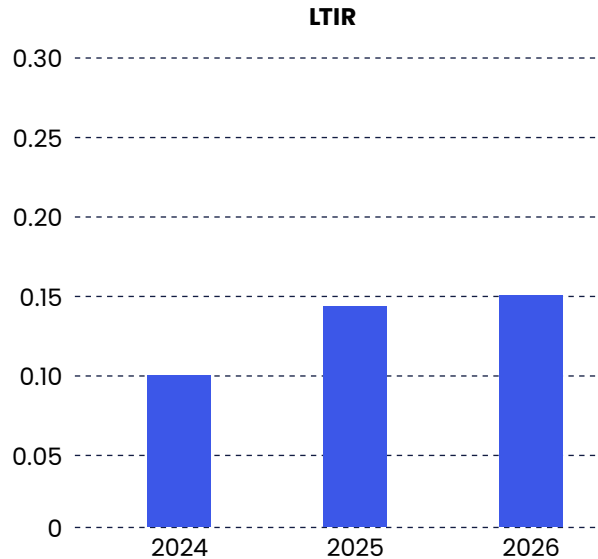
**2026: 0.15**

**2025: 0.14**

**2024: 0.10**

The LTIR is calculated as the number of hours lost as a result of an injury sustained at work, per 100,000 hours worked. We are disappointed to have a slightly worse LTIR in the year in comparison to the previous two years, but this remains low and we continue to strive to keep this as low as possible each year.

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



## EBITDA

**2026: £882.2m**

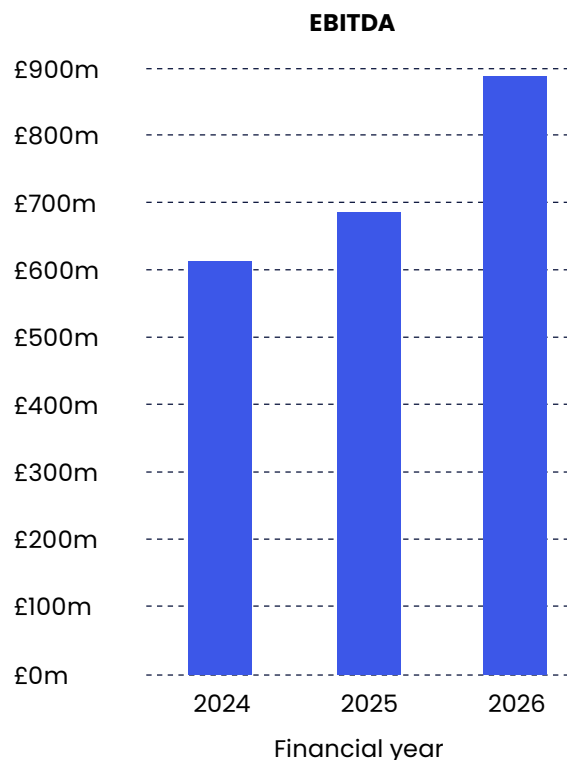
**2025: £686.4m**

**2024: £611.9m**

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

EBITDA has increased year on year, driven by higher allowed revenues, partially offset by higher underlying operating costs which includes increases in headcount and contracted activity to support our AMP8 investment programme. Further details can be found in our [Chief Financial Officer's report](#).

A reconciliation to the statutory measure is included in our [Alternative finance performance measures](#) section.



## Revenue

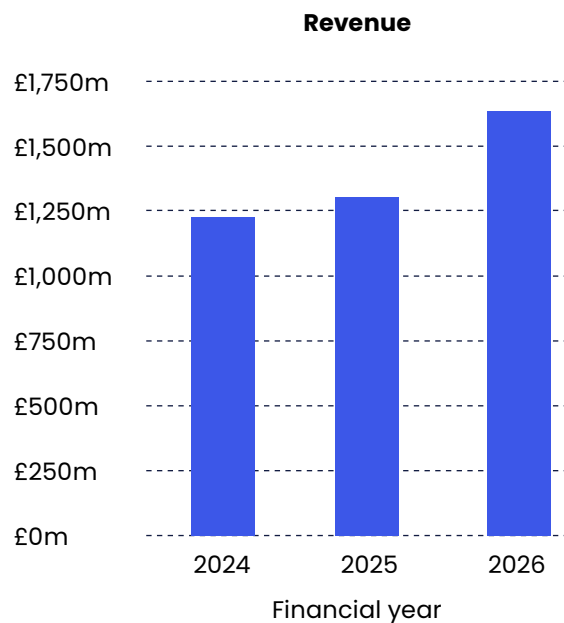
**2026: £1,639.8m**

**2025: £1,299.4m**

**2024: £1,227.0m**

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

Revenue has increased year on year due to increased water bills across the region. The increases help fund an £8.3bn investment programme, which includes Yorkshire Water's largest ever environmental investment package.



## Capital expenditure

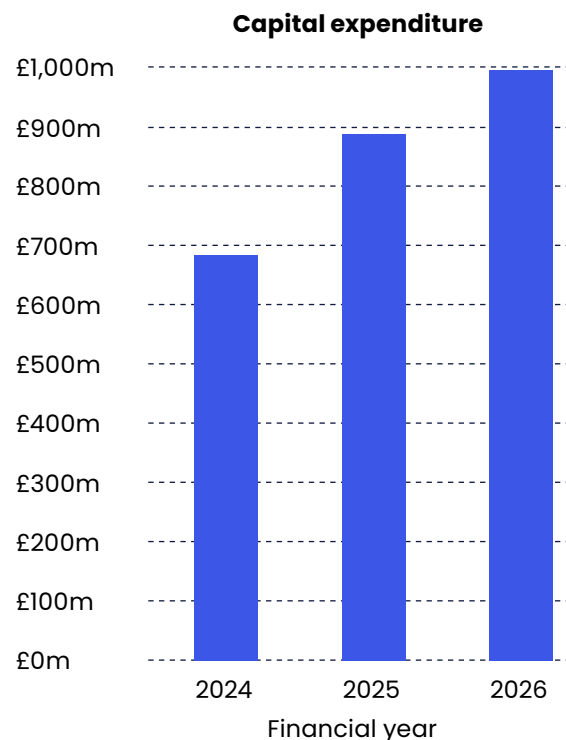
**2026: £989.8m**

**2025: £889.8m**

**2024: £684.6m**

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 increase is driven by the step change in investment in our infrastructure.



## Outcome Delivery Incentives (ODIs)

**2026: £88.8m ODI penalty**

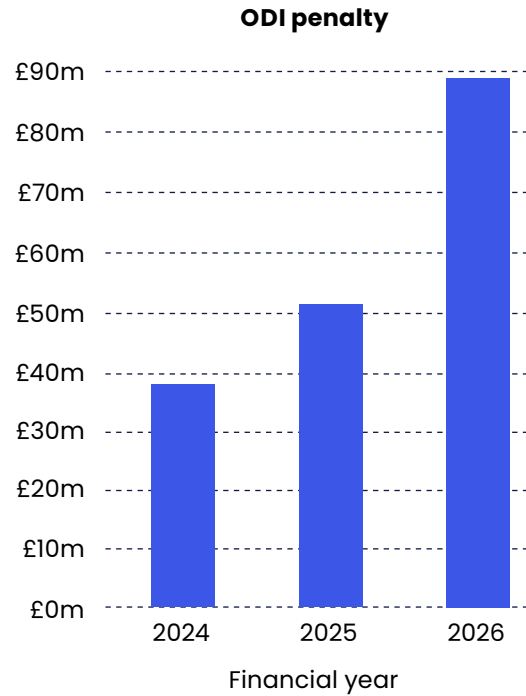
**2025: £51.9m ODI penalty**

**2024: £38.2m ODI penalty**

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

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

More information can also be found within our ODI report which is available on our website at [yorkshirewater.com/reports](http://yorkshirewater.com/reports)



## Regulatory Capital Value (RCV)

**2026: £10,423.6m**

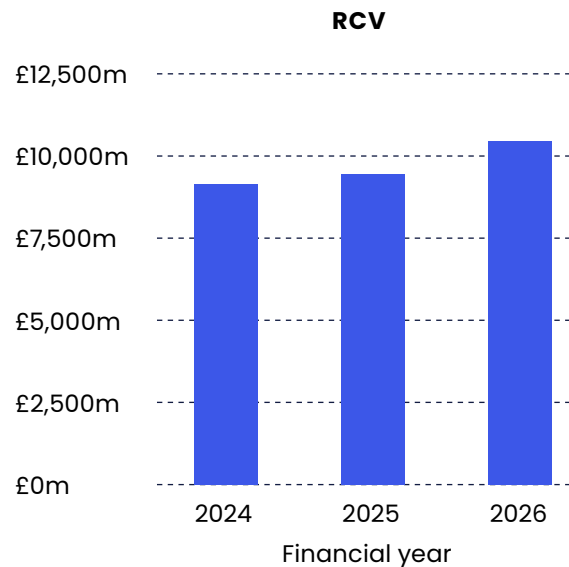
**2025: £9,475.5m**

**2024: £9,132.2m**

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

RCV has increased year on year due to the addition of the allowed capital investment, partially offset by allowed depreciation, together with inflationary growth of the opening balance.

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



## Adjusted net debt

**2026: £7,585.7m**

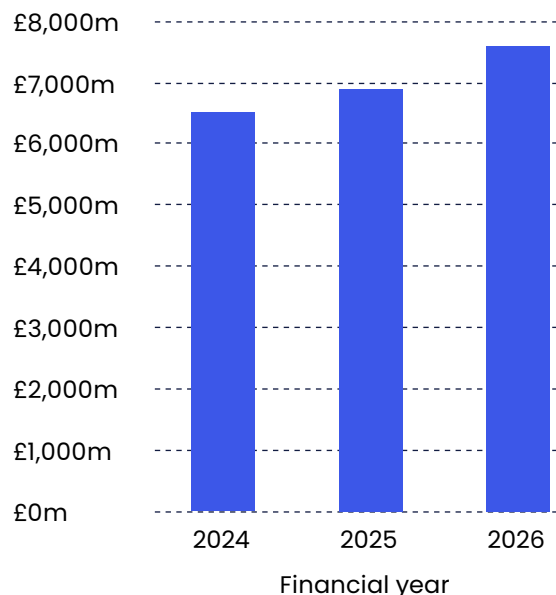
**2025: £6,873.9m**

**2024: £6,467.4m**

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

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

**Adjusted net debt**



## Gearing

**2026: 72.8%**

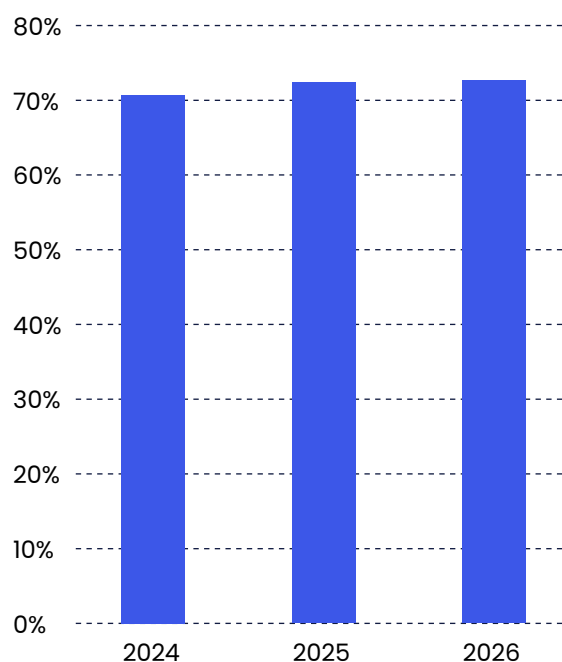
**2025: 72.5%**

**2024: 70.8%**

Senior net indebtedness for the Yorkshire Water Financing Group to RCV (Senior Regulatory Assets Ratio or gearing) is a key covenanted gearing ratio within our financing arrangements, and actual and forecast gearing levels are monitored on a regular basis. On a regulated basis, which accounts for swap liabilities differently to the covenanted gearing shown here, the gearing was 71.0%.

Gearing has remained broadly consistent year on year as the increases in RCV and net debt discussed above have been proportional. More information on gearing, including a reconciliation to the statutory measure, can be found in our [Alternative finance performance measures](#) section and our [Chief Financial Officer's report](#).

**Gearing**



# Alternative finance performance measures (AFPMs)

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

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

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

## EBITDA

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

### EBITDA is calculated as follows:

	2026 £m	2025 £m
Profit before tax	113.8	429.6
Add back/(deduct) net interest charge/(income) ( <a href="#">notes 6 &amp; 7</a> )	350.4	(105.4)
<b>Operating profit</b>	<b>464.2</b>	324.2
Add back depreciation and impairment of tangible assets ( <a href="#">note 11</a> )	346.3	311.7
Add back amortisation of intangible assets ( <a href="#">note 10</a> )	71.7	50.5
<b>EBITDA</b>	<b>882.2</b>	686.4

## Adjusted profit after taxation

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

### Adjusted profit after taxation is calculated as follows:

	2026 £m	2025 £m
Profit before taxation	113.8	429.6
Add back/(deduct) fair value movement on derivatives ( <a href="#">note 7</a> )	98.5	(309.6)
<b>Adjusted profit before effects of taxation</b>	<b>212.3</b>	120.0
Effects of taxation <sup>1</sup>	<b>(59.5)</b>	(36.8)
<b>Adjusted profit after taxation</b>	<b>152.8</b>	83.2

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

## Adjusted net debt and gearing

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

### Adjusted net debt is calculated as follows:

	2026 £m	2025 £m
Net debt ( <a href="#">note 16</a> )	6,473.3	5,764.0
Net amounts owed from group companies ( <a href="#">note 16</a> )	437.2	437.2
Fair value movements in amounts owed to subsidiary companies ( <a href="#">note 16</a> )	27.2	31.8
Unamortised issue costs ( <a href="#">note 16</a> )	128.8	127.0
Intercompany loans ( <a href="#">note 16</a> )	(6.0)	(7.6)
RPI bullet accrued ( <a href="#">note 17</a> )	526.1	522.3
<b>Adjusted net debt (Yorkshire Water)</b>	<b>7,586.6</b>	6,874.7
Yorkshire Water Finance Plc cash	(0.9)	(0.8)
<b>Adjusted net debt (Yorkshire Water Financing Group)</b>	<b>7,585.7</b>	6,873.9

## Gearing

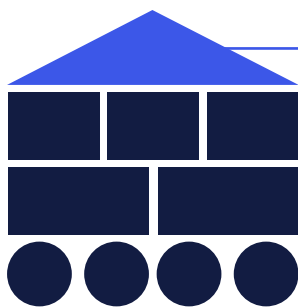
	2026 £m	2025 £m
Adjusted net debt (Yorkshire Water Financing Group) (above)	7,585.7	6,873.9
RCV	10,423.6	9,475.5
Gearing	72.8%	72.5%

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



# Right for customers





**A thriving Yorkshire:**  
right for customers,  
right for the environment.

## Our customer principles are ease, care, and value. We aim to make every interaction simple, show we care, and deliver real value.

Our teams truly care about our customers, and throughout the year we have implemented a number of improvements to make their experience better:

**We have brought our customer and operations teams together** – we have restructured the way that we work to bring teams together, so that the teams handling customer queries and raising work are working together with our operational experts to improve the number of first time fixes, and owning customer journeys from the first contact through to resolution.

**We have upgraded our technology to make things smoother for our customers** – we have introduced smart auto-scheduling tools that help us plan technician routes more efficiently and prioritise work without the need for manual steps. This means we can get to customers more quickly and keep things moving seamlessly.

**We have expanded and improved our digital channels** – we are continuing to enhance our online tools so customers can easily report issues and track the progress of their jobs in real time. We want to give customers more choice in how they contact us, so we are adding new channels like WhatsApp to make it even simpler to get in touch in a way that suits them.

We know that we still do not get it right all the time and we have set out in this section how we are listening to customers and the steps we are taking to improve our customer experience.

## Listening to our customers

We listen to our customers in multiple ways so we can understand what matters to them, how they experience our services, and where we need to improve. This year, we have broadened our engagement approach to ensure more customers can voice their concerns and needs, helping us better meet their expectations with our service.

## We hear from our customers through:

**Continuous customer insight** – we learn from our daily customer interactions by reviewing calls, complaints, digital journeys and feedback across our website, social media and text messages. These touchpoints help us understand real-time sentiment and identify emerging issues.

**End-to-end customer journey visibility** – this year we have begun a programme of work to create a clearer view of the complete end-to-end customer journey, helping us understand needs, pain points and improvement opportunities across every stage of the lifecycle. This has helped us to proactively identify issues and prioritise improvements across the business.

**The 'Your Water' online community** – we have a dedicated online community which provides thousands of customers with an easy, accessible way to share views and shape our plans, feeding into our decision-making.

**Strategic research programmes** – we carry out targeted research to better understand customer needs, preferences and expectations, whether in response to specific service challenges or to support long-term planning.

**The ‘Your Yorkshire Water, Your Say’ sessions**

– for the first time we have run regional *Your Yorkshire Water, Your Say* sessions, giving customers across Yorkshire direct access to our CEO and members of our Executive team, to ask questions and share concerns about their local priorities. These live events allow customers to directly influence improvements in their area.

**New consumer panels** – this year the Government introduced new consumer panels through the Consumer Council for Water, creating another independent layer of customer feedback. These panels bring together a diverse group of household customers to provide ongoing feedback on topical issues, with twice-yearly accountability sessions requiring attendance from our senior executives and published action plans following each session. Our first session was held in April 2026. The insights from these sessions directly influence how we respond to customer needs.

All of this helps us stay closely connected to the people and communities we serve, ensuring their experiences and needs guide the improvements we make.

**Our customer experience measures**

Our customer experience is measured through Ofwat metrics called the Measures of Experience (MeX). These cover household customers (C-MeX), housing developers (D-MeX), and business customers and water retailers (BR-MeX). These measures are applied to all water companies so that the ratings can be compared across the sector.

This year our C-MeX rating was 12<sup>th</sup> out of 17 companies, including water only companies, across the sector.

Key measure:

**C-MeX:**

**2025:** 10<sup>th</sup> against a target of 8<sup>th</sup> out of 17 companies

**2026\*:** 61.1 against a target performance commitment level of 62.6, placing us 12<sup>th</sup> out of 17 companies

**2027:** Target performance commitment level of 69.1

\* The C-MeX measure changed from 1 April 2025 and is now calculated using data from the UK Customer Satisfaction Index, so going forward will be expressed as a score rather than a ranking against other companies.

Our ambition is to perform much better in our household customer experience measure and we have made significant changes to address the recent decline in service satisfaction levels. This includes increasing our capacity for dedicated customer case management, both in our contact centre and in our field-based teams. This ensures that priority and complex issues are given the focus required to deliver the right outcome for our customers.

We are also investing in improvements to contact channels and communication, to ensure customers are kept updated about their issue, and we have recruited significant numbers of new colleagues to increase our capacity to reduce response times.

In D-MeX we ranked 17<sup>th</sup> overall.

Key measure:

**D-MeX Ranking out of 17 companies:**

**2025:** 16<sup>th</sup> against a target of 9<sup>th</sup>

**2026:** 17<sup>th</sup> against a target of 14<sup>th</sup>

**2027:** Target set at 14<sup>th</sup>

Our D-MeX performance declined in 2026, reflecting ongoing challenges within this part of our business and a slower pace of improvement relative to the rest of the sector. Whilst this is very disappointing, this has reinforced the need for a more fundamental shift in how developer services operates within Yorkshire Water.

To seek to address this, we have significantly increased the amount of insight we gather from customers. This includes direct engagement through developer days across Yorkshire, increased post-completion calls, and more regular customer feedback to understand issues as they arise rather than after the event.

We now have a developer services transformation plan in place, which focuses on what customers tell us they want; clearer ownership, more reliable delivery, better communication and easier access to information. We are working hard to improve processes and controls, and increase the use of digital tools and technology to support customers and our customer-facing colleagues.

While there is more to do, this shift to earlier engagement, customer-led insight and targeted change provides a stronger foundation for sustained improvement in D-MeX performance through the remainder of the AMP.

BR-MeX is a new measure for AMP8, and we have placed 14<sup>th</sup> out of 15 companies.

Key measure:

**BR-MeX Ranking out of 15 companies:**

**2026:** 14<sup>th</sup> against a target of 8<sup>th</sup>

**2027:** Target set at 8<sup>th</sup>

This is a disappointing start for us in the first year of the BR-MeX measure. Our ambition is to reach the top quartile for BR-MeX by the end of AMP8. The investment in our C-MeX resources, processes, and communication plans will also help improve the experience for business customers. On the water retailer side, we are seeking to provide improved support, retailer events, better market engagement, customer focussed financial policies and enhanced collaboration.

## Handling complaints

In July 2025 the Consumer Council for Water completed an assessment of our complaints experience and processes. We were really pleased that they assessed our processes to be effective in all cases reviewed, with multiple areas of good practice identified such as our communication approach and the additional support provided to vulnerable customers. Their assessment also highlighted some opportunity areas, which we have reflected in our improvement plans.

## Supporting our more vulnerable customers

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



Our 'By Your Side' strategy seeks to ensure we deliver high standards of service and support to all customers. Through this strategy we offer customers a variety of additional support; including using ReciteMe and British Sign Language on our website, providing translation services to help customers who speak English as a second language, and directing customers to support outside of Yorkshire Water, such as financial and mental health services.

We continue to be focused on ensuring that customers who require extra support are registered for our Priority Services Register. Being on the register gives customers access to services such as bills in alternative formats, bottled water in the event of a water outage, access to an interpreter to communicate with us, or a password for additional security should we need to visit their property.

In the last year, we have increased the number of customers on the register by 80,000. A key contributor to this has been maintaining and evolving our data sharing arrangements with external organisations to ensure, wherever possible, we are auto-enrolling or inviting customers to receive the services which are right for them.



## Making sure water is always there

The summer of 2025 was a difficult time for water resources, with Yorkshire officially in drought from 12 June to 10 December 2025.

Every day we collect, treat and distribute over 1.3 billion litres of water, which is equivalent to around 500 Olympic-sized swimming pools. Much of this comes from our reservoirs, which rely on rainfall to keep topped up. From February to September Yorkshire had less than half of its normal rainfall, which also meant increased demand for water as our customers coped with the dry weather.

Our reservoir levels fell as low as 30.6% at the beginning of September 2025 and we undertook significant work to try to ensure there was always enough water available for our customers.

We balanced the supply and demand for water across Yorkshire using our regional grid system of water mains. We also recruited 80 additional colleagues into our Leakage team to help repair over 11,000 leaks between April and September, which is 15% more than in the same period in 2024.

We introduced a Temporary Use Ban in July, also known as a hosepipe ban, and our customers responded brilliantly, cutting their consumption by 10%. Imposing a Temporary Use Ban is not something we ever want to do, but it is an essential step in the process to apply to the Environment Agency for temporary permits that allow us to increase the amount of water we take from certain rivers. These permits enable us to keep water flowing to our customers even when Yorkshire is in drought.

We are also taking steps to strengthen our resilience in future droughts, by developing new boreholes and new service reservoirs to increase the amount of water we have available. We are also reviewing our long-term Water Resources Management Plan, which takes into account the growing pressures from climate change and population growth and examines whether further investment is needed to enable supply to keep pace with demand over the next 25 years.

## Reducing leakage

Keeping our leakage as low as possible is part of our work to ensure there is always enough water for customers. In AMP7 we achieved our leakage targets every year, reducing leakage by over 15% across the five years. In 2026 we have continued to deliver sustainable leakage reduction, achieving an 18.5% reduction against the 2020 baseline, surpassing our regulatory target. Over AMP8 our target is to reduce leakage by 27.2% from the 2020 baseline.

Key measure:

### Percentage reduction of leakage from 2020 baseline:

**2025:** 15.1% against a target of 15%

**2026:** 18.5% against a target of 18.4%

**2027:** Target set at 20.2%

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

Our major 'Prevent' programmes have been to continue to improve our pressure management capabilities and network coverage, and to replace pipes which are at the end of their useful asset life. We have around 32,000km of water mains and this year to help reduce bursts and leakage, we replaced 174.7km of these, surpassing our regulatory target of 163km. This programme will deliver 1,085km of mains renewal by 2030.

We have also strengthened our Active Leakage Control programme by recruiting 80 new team members, representing an increase of around 30%. These roles span our core work programmes, focusing on 'Aware', where we identify issues more quickly, and 'Find', looking at how we locate leaks faster. As part of this expansion we have also created trainee opportunities, enabling us to attract new recruits from outside the water industry and build long-term capability within the business.

## Using smart meters to reduce water loss

In 2026 we installed 35,324 new smart meters on unmetered properties, against a target of 25,000, and upgraded 177,000 other meters to smart meters, against a target of 161,000.

In December 2025 we started a five-year programme to install 125,000 smart meters on previously unmetered properties, and upgrade a further 1.4 million meters to smart meters. We have exceeded both of our in-year targets, bringing the total number of smart meters in use to 307,000 meters.

Meters are used to reduce leakage by identifying where water is continuously flowing. We then work with the customer to identify and fix leaks that are causing this continuous flow, which has saved 6.71 megalitres per day in the year.

Smart meters are also used to improve customer billing accuracy and help inform customers of their water use through the Yorkshire Water 'my account' where customers can view their daily water consumption and understand how they can help reduce this.

## Managing pressure on our network

We have also been able to reduce leakage by managing pressure fluctuations on our network, which helps to reduce strain on our pipes and reduces bursts. In the year we installed 48 new pressure control devices on the network, covering around 1,000 properties per device. We also have over 1,500 Smart Pressure Control Valves, which help to stabilise the average network pressure. These have been used to optimise pressure control and reduce leakage by around six megalitres per day.

We are also in the process of upgrading our water pumping stations to improve their control of pressure, with eight upgraded in the year and plans to upgrade an additional 192 in the coming year.

## Interruptions to water supply

During the year we have seen an increase in the average water supply interruption per customer.

Key measure:

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

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

**2026:** 11:58 against a target of 5:00

**2027:** Target set at 5:00

The vast majority of long duration interruptions in the year were caused by power failures or third-party damage to our water network.

One incident alone, a power outage at our water processing site in Aughton caused by a fault on the power grid and beyond our control, contributed 3 minutes and 55 seconds to our under performance.

We understand the importance of being able to quickly restore services to customers whenever a supply interruption occurs, and we have made some strategic changes to our operations in the year, to help us better identify and tackle issues. These include improvements in reporting, implementing 'data only' reviews which are quicker and more accurate, paying compensation more quickly, progressing our capital investment and replacing 174.7km of our worst performing mains assets, and having restoration teams in place to react to incidents, as well as a new tanker contract with Water Direct.



## Water quality

Drinking water quality in this country is verified by extensive sampling at all stages of the treatment and distribution process, including at customer taps, with stricter and more regular testing than bottled water. Compliance across the sector is consistently high, with 99.97% compliance across nearly four million tests. The United Kingdom is one of only four nations in the world with the maximum score possible for Sanitation and Drinking Water in the 2024 Environmental Performance Index produced by Yale University, with the results consistently showing that our drinking water quality is amongst the best in the world.

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

Despite these efforts and the high quality achieved, we did not achieve our target for the number of customers contacting us regarding their water quality. Such contacts mostly relate to milky water, taste and odour, but are not necessarily indicative of poor water quality.

Key measure:

**Customer contacts about water quality per 1,000 resident population\*:**

**2026:** 0.95 against a target of 0.84

**2027:** Target set at 0.79

\* In 2025 this was measured as drinking water contacts per 10,000 properties and the result was 9.4 against a target of <8.1.

## Compliance Risk Index

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

We have also expanded our Water Quality Scientist team to increase our proactive monitoring of asset performance, improve the water treatment processes, and enrich our root cause analysis investigations, which we use when we have water quality failures.

Key measure:

**CRI score:**

**2025:** 3.61 against a target of 0.00

**2026:** 3.15 against a target of 0.00

**2027:** Target set at 0.00

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

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

## Keeping wastewater in our pipes

We collect over 1.9 billion litres of wastewater and rainwater every day from across our region. Our job is to treat this and return it safely to the environment.

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

In the year we have beaten our target for external sewer floodings but have performed poorly on internal sewer flooding, which we know is not good enough.

Key measure:

### External sewer flooding incidents per 10,000 sewer connections\*:

**2026:** 21.23 against a target of <23.05

**2027:** Target set at <21.25

\* In 2025 this was measured as an absolute number of incidents and the result was 5,684 against a target of <5,674.

Key measure:

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

**2025:** 2.21 against a target of <1.34

**2026:** 2.53 against a target of <1.54

**2027:** Target set at <1.46

Whilst performance has been disappointing, we have a clear understanding of the issues that affected our operations and are seeing many programmes of work making a difference, which gives us a good basis to build on going forward. We have recruited 100 new colleagues into our Sewer Flooding team, but have seen a disappointing number of repeat incidents which has shown us that we need to do more to ensure the quality and completeness of the work we are delivering. We are undertaking more competency assessments in this area as a result.

We have also increased the pace of our proactive property inspections to ensure that we are identifying and preventing more issues before they occur. This is all part of a new Sewer Flooding Turnaround Plan that has been put in place until we see performance significantly improve.

We are investing heavily in cleansing and maintaining our network to keep our sewers flowing, and we have installed 10,000 sewer alarms across our network, in addition to the 40,000 already installed, that alert us to blockages before they cause flooding.

We have also introduced an Intelligent Risk and Insight System through the StormHarvester platform, which increases our ability to predict and identify genuine blockages. We are also investing in new innovation, such as SewerBall® which is a small ball that floats through the sewer network collecting data and 360 degree video footage to identify issues which can then be investigated and fixed before they lead to an incident.





## Keeping our services affordable

Many of our customers continue to be impacted by the cost-of-living crisis and a significant increase in household expenses. In response to this, we have implemented our largest ever financial support package. We will be helping 345,000 households in the current AMP through our bill reduction schemes with bill reductions to the value of over £375m. This help will support the lowest income households across our region and those struggling with debt.

In this financial year we have surpassed our target for the number of customers we are supporting with bill help.

### Our bill help includes:

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

We continue to work collaboratively with external organisations across our region to ensure we are reaching those customers most under-represented in accessing our bill help. These partnerships include charities, local authorities and housing associations across our region. Where possible we utilise data sharing arrangements with these organisations to auto-enrol customers on to bill reduction schemes where data can verify eligibility without customers needing to apply.

Key measure:

### Number of customers provided with bill support:

**2025:** 166,906 against a target of  $\geq 83,000$

**2026:** 246,000 against a target of  $\geq 200,000$

**2027:** Target set at 242,350

## We continue to exceed our bill support target, providing £70m in bill reductions this year for customers who need it most.

The largest volume of support is provided through our social tariff, WaterSupport. This scheme has been redesigned for PR24 to provide three variable levels of discount to customers based on their circumstances. This tailors our support to our customer’s needs and provide a more affordable bill to the lowest income households.



### What financial support schemes are available 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 with three levels of discount based upon household incomes and whether or not customers have dependants.	This is a debt support scheme, funded by Yorkshire Water, for customers who have arrears with Yorkshire Water between £50 and £1,500 and at least one priority debt.	This is a debt support scheme for customers who receive a deductible income-based benefit.	This is a debt support scheme for customers who are struggling to catch up on previous water bills.

# Right for the environment





**A thriving Yorkshire:**  
right for customers,  
right for the environment.

## Environmental performance continues to be one of our main areas of focus, as it is still not where it needs to be.

**We have taken significant steps in the year to better understand our wastewater network and to identify potential causes of pollution. This has included:**

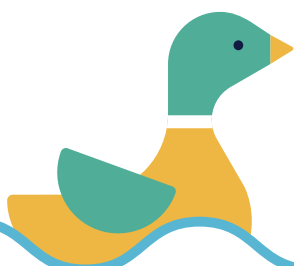
- Our senior leader team all completing pollution training, to learn how to identify potential pollutions when out on our sites, as well as when out and about in Yorkshire;
- An inspection programme of all 305 of our sewage treatment works with a descriptive permit over a six-week period, to identify where there may be issues. These visits assessed asset condition, inspected outfalls, and inspected the receiving watercourse. Any issues found were reported to the Environment Agency and action was taken to mitigate the issues;
- A programme of permit compliance surveys across 1,939 permitted sites to assure the condition and availability of key permitted equipment on site, such as screens and pumps; and
- The completion of capacity surveys across 184 storm tanks to check for any capacity shortfalls. Any issues found were mitigated via emergency schemes while long-term solutions are progressed.

All of this work has helped us to identify and implement actions to reduce the number of pollutions in the future, and to better understand where investment should be prioritised to provide the most benefit to the environment.

In the current AMP we are investing £1.5 billion to reduce storm overflow discharges. The Storm Overflow Alliance has been specifically set up to deliver this, which means we are working in alliance with other organisations to deliver innovative and cost-effective solutions. In the year under review we have started work on 175 schemes across Yorkshire to reduce discharges from storm overflows.

### Example: **Whitby**

In Whitby we have delivered a £1.3m scheme to separate surface water from wastewater in the sewer network. This has seen discharges into the River Esk reduce by nearly 75%.



Example:  
**Burn Airfield near Selby**

We have invested £2.3m to construct a new sewage pumping station and install a new storage tank near Selby at Burn Airfield. This has reduced storm overflow discharges in the year from 170 to seven, a reduction of 95%.

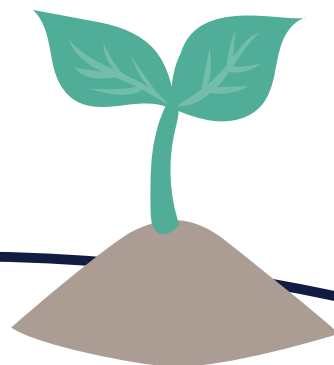
**We are also investing £165m over the current five-year Asset Management Period (AMP) to reduce our overflows into coastal waters, and we aim to get 16 out of our 21 bathing waters to a good or excellent status within the AMP.**

## Our environmental plan

In March 2026 we launched our Right for the Environment Plan. The key pillars of the plan are:

- River health improvement, investing in wastewater treatment works to enhance water quality and achieve 100% compliance at sewage treatment sites;
- Storm overflow reductions, investing £1.5 billion between 2025 and 2030 specifically to reduce storm overflow discharges by more than half
- Nature-based solutions, implementing 50 natural blue-green solutions, such as ponds or wetlands, to manage network capacity during heavy rainfall;
- Carbon net zero, committing to a 90% reduction in emissions by 2050, with a 43% reduction in operational emissions by 2030 through energy efficiency, renewable energy use, process emission reduction, fuel switching, and electric vehicles; and
- Biodiversity and water production, reconnecting 400km of river, removing barriers to fish passage, and enhancing biodiversity.

More information on what we are doing to do right for the environment can be found at [yorkshirewater.com/environment/river-health](https://yorkshirewater.com/environment/river-health)



## Serious pollutions

We have seen the number of serious pollutions in the 2025 calendar year remain the same as in 2024, at 13. This is too many. Last year, we reported that our CEO, Nicola Shaw, had personally led investigations into the 2024 incidents to understand the root causes, and to identify actions required to prevent these from occurring again. Several of the actions required have taken time to implement, for example increasing resource through recruitment. Between April 2025 and January 2026 we recruited 80 additional colleagues into our Customer Field Services team who, amongst other things, respond to potential pollutions. We also recruited a dedicated Pollution Investigation team. We are really pleased that we are beginning to see the results of the steps that we have taken. Of the 13 serious pollution incidents in the 2025 calendar year, ten occurred before the end of July, with only three occurring in the last five months of the calendar year. This shows that we are making progress, and we are working hard to keep progressing.

## Pollution performance

Key measure:

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

**2025:** 28.89 against a target of 19.50

**2026:** 49.75 against a target of 25.02

**2027:** Target set at 23.42

Reducing all pollutions is a priority for us but, while we have seen serious pollution incident numbers remain stable, our total pollution incident numbers have significantly worsened, which is extremely disappointing.

Our performance was made worse by the extreme weather conditions in the 2025 calendar year, for example the drought meant that some of our smaller wastewater treatment works were discharging into dry ditches, which meant even routine discharges were having a greater environmental impact than usual. Despite this, we know that we need to be significantly better.

**We have taken multiple steps to address this, some of which have been set out above. Others include:**

- Significant investment towards the end of the previous AMP and in the year under review. This can take time to show the full benefit, but provides the foundation for better future performance;
- Increasing our monitoring capability to enable us to identify potential issues earlier to prevent pollution incidents;
- Recruiting additional resource to investigate pollution incidents and prevent recurrences;
- Using innovative technology, such as SewerBall® to identify issues in the sewer before they become incidents;
- Rolling out compliance training across the organisation, so that all colleagues understand our environmental permit obligations and how they can spot issues early on, to help prevent incidents.

Our Pollution Incident Reduction Plan was updated and published on 31 March 2026 and this sets out the improvement plans in place for each type of asset which may cause pollution. This can be found on our website at [yorkshirewater.com/environment/pollution](https://yorkshirewater.com/environment/pollution)

## Upcoming changes to pollution definitions

From 1 January 2026 the Environment Agency has brought in new definitions that will impact the pollution figures being reported by companies across the sector. These will be disclosed in our Annual Report in 2027 and in other updates on our website during the 2026 calendar year.

### The three main changes are:

- Pollution incidents caused entirely by third parties, for example a farmer cutting through a sewage pipe on his own land, will now have to be included in the pollution numbers published by water companies.
- The definition of a 'dry day spill' has changed, so now a 'dry day' is if there is no rain after midnight, even if the previous day saw heavy rainfall right up until midnight. Rain can take days to run down from higher ground into a combined sewer, but under the new definitions any discharge that takes place from a storm overflow on a 'dry day', even if permitted by the Environment Agency storm overflow permit, will have to be included in the pollution numbers.
- Pollution incidents have historically been categorised from 1 to 4, depending on the seriousness of the incident. Category 1 incidents are considered 'major' and cause extensive or persistent damage to the environment, whilst Category 4 has 'no impact' and is simply a reported incident that, upon investigation, resulted in no actual impact to the environment. Category 4 has now been removed by the Environment Agency so that incidents that are found to have had no environmental impact will now be included in pollution numbers.

These changes have not impacted the numbers shown in this report but are likely to give the appearance that performance has declined in the Annual Report next year. We will report both on the new basis and on a like-for-like basis where possible to give full transparency over our performance in the year.

## Storm overflow discharges

We report storm overflows on a calendar-year basis, and in 2025 reduced both the number and duration of storm overflow discharges across the region. Total discharges have fallen by 25.5% from our 2021 baseline, when normalised to take account of rainfall. We announced in AMP7 a £180m investment in this area, which has targeted more than 100 storm overflows. Although some schemes are yet to deliver a full year of benefit, early results show meaningful reductions in discharges at a number of sites.

We are now well into our £1.5 billion improvement programme for AMP8, through which we are analysing all of our 2,184 storm overflows to prioritise improvements with the greatest environmental benefit. Alongside this capital investment, our teams continue daily operational activity, focusing on practical interventions to help reduce avoidable discharges wherever possible, through weir height increases, site optimisations, and process enhancements.

## Environmental Performance Assessment

Each calendar year companies in the sector are awarded a rating of one to four stars by the Environment Agency, covering a number of environmental measures. This is called the Environmental Performance Assessment. The 2025 rating will not be confirmed until October 2026, but we expect to receive a one-star rating, which is a fall from the two-star rating for the 2024 calendar year.

We have performed well on most metrics, other than pollution incidents as covered previously, and in relation to the Water Industry National Environment Programme (WINEP). For WINEP we have delivered all of the required commitments for the year ended 31 March 2026 but have five outstanding projects from AMP7 which we are continuing to work on. These have caused us to fail the WINEP metric which, when combined with the pollution outcomes, is likely to result in the one-star rating. The five outstanding WINEP projects are a complex set of projects in a congested urban area in South West Leeds, for which agreement on the best way to deliver the requirements was only reached with the Environment Agency in December 2024. We expect the projects to be complete before the end of 2028.

## Wastewater treatment discharge permit compliance

Key measure:

**Discharge permit compliance:**

**2025:** 98.4% against a target of 100%

**2026:** 99.0% against a target for 100%

**2027:** Target set at 100%

We have had three failing wastewater treatment works in the year, which is an improvement from five in the prior year. This reflects the steps we have taken to understand the root cause of the failures and the corrective actions to get back on track.

Discharge permit compliance measures whether our wastewater treatment works are compliant with discharge permits over the year. A 'failing' works is one that does not achieve full discharge permit compliance over the year.



# Keeping our rivers healthy

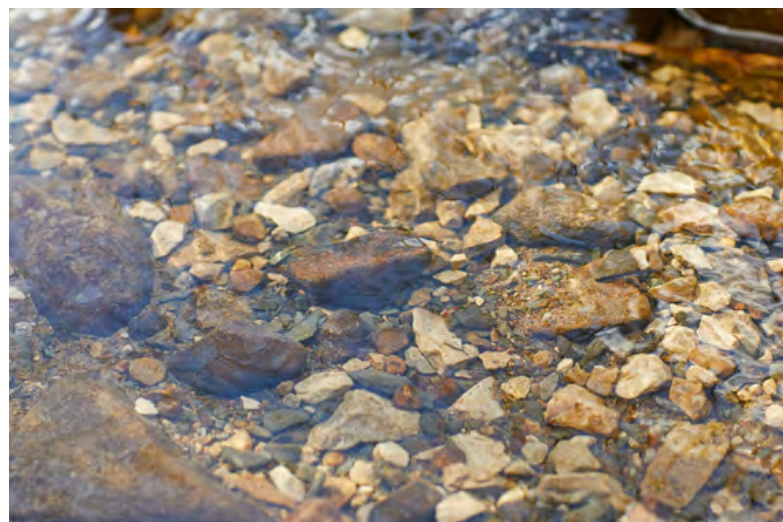
**The rivers in Yorkshire are more than just sources of water; they are places for people to enjoy, for wildlife to thrive and they sit at the heart of our communities. We know that the rivers are under pressure from urban development, pollution, and climate change and we recognise that we have a key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

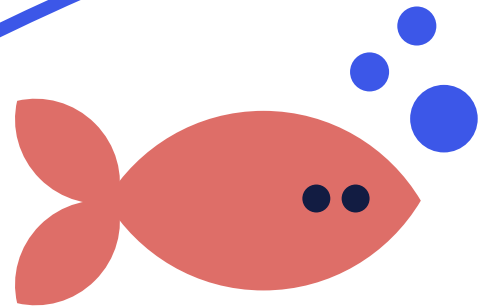
**We primarily impact rivers in three ways:**

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

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

We have a River Health team, which is responsible for leading our enhancement of water quality across Yorkshire's rivers and the broader water environment.





## Our Thriving Rivers Plan

### **We have created a Thriving Rivers Plan as part of our largest ever environmental improvement programme in this current AMP.**

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

#### **Our plan focuses on four key areas:**

1. Enhancing our rivers by reducing the impact of our operations;
2. Working collaboratively with others to look after rivers and with the Rivers Trust to deliver solutions that benefit everyone;
3. Using robust data to create our plans, and share them openly and transparently; and
4. Creating places for people to enjoy and wildlife to thrive.

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

### Case study: **Great Yorkshire Rivers**

Great Yorkshire Rivers is a partnership launched in 2022, led by three core partners; Yorkshire Water, the Environment Agency, and The Rivers Trust. The primary aim is to restore Yorkshire's rivers by removing barriers to fish migration. Its goals include improving river connectivity, enhancing water quality, promoting biodiversity, and creating healthier, more resilient aquatic ecosystems across the region.

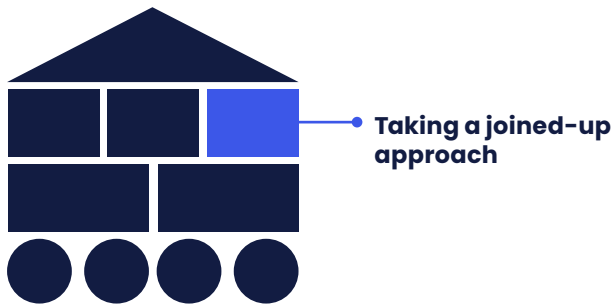
During the year the partnership has secured funding to match a £12.2m investment from Yorkshire Water, and opened up 9.2km of river through specific restoration projects in North Yorkshire.

The partnership is set to open over 510km of river habitat by reconnecting waterways across Yorkshire and enabling continued restoration efforts.

The benefits of reconnectedness were shown during the year, when Atlantic salmon were confirmed to be breeding in the River Don for the first time in over 200 years.



# Our partnerships



Taking a joined-up approach

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

We are expanding our approach to partnership working across the region, and have multiple partnerships in place through which we seek advice and expertise and work collaboratively to deliver solutions with a range of environmental benefits.

For example, through our Common Cause partnership with the National Trust, we are working to improve upland habitats and make our landscapes more resilient to climate change. In AMP8 we are actively looking at how we take this partnership to the next level and focus on areas of our work outside of our land holdings.

In June 2025 we formally established a Strategic Partnerships Centre of Excellence, through which we are seeking to build greater visibility, understanding and collaboration networks between Yorkshire Water partnerships and internal teams, ensuring we maximise partner inputs to strategic planning and integrate best practice and lessons learned across all we do.

## The Water Industry National Environment Programme (WINEP)

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

Our current WINEP includes requirements around managing and improving our land, protecting sources of clean water; managing the environmental impacts of our reservoirs and abstractions; and reducing the impacts of the wastewater we return to the environment. It includes achieving new targets within the Environment Act for reducing storm overflow discharges and phosphorus in rivers.

The five-year period from 1 April 2025 to 31 March 2030 sees our biggest ever investment in the environment since privatisation, and there are over 2,000 environmental projects within the programme.

This year we invested around £221m through our WINEP to improve the environment in Yorkshire across over 55 WINEP obligations. In addition, we have also completed delivery of an additional 31 obligations from AMP7, and are implementing the lessons learned from these into our AMP8 programme.



## Nature First

A principle for our Right for the Environment Plan is to pursue nature-based solutions in our investments and decision making.

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

## Managing our land

We are the second largest landowner in Yorkshire, with just under 68,000 acres of land, equivalent to around 41,000 football pitches. Roughly 13,500 acres of this is reservoirs and operational sites, with the remainder being mostly catchment land for our raw water sources. With this ownership, comes great responsibility to the environment and to the communities in Yorkshire that use our land.

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

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

Our land is heavily designated, with around 40% being Sites of Specific Scientific Interest, Special Areas of Conservation or Special Protection Areas, 26% being National Landscapes, 19% being National Parks, and 12% being Common Land.

Almost 60% is listed on the Priority Habitat Inventory and over 90% was deemed to be Disadvantaged or Severely Disadvantaged under previous agricultural designations, highlighting the challenge of farming in areas of environmental value.

Our Common Cause partnership with the National Trust will see us deliver moorland restoration works on land owned by the partners, including tree planting and the installation of natural flood management.

Our Ranger team is now established and covers three geographical areas. Whilst their focus is to ensure public safety at our recreational sites, they are already assisting with some conservation activities and engagement with local communities in each of the three main areas in which they operate.

To maximise the beneficial use and value from our estate, we continue to review land use and look at all options on a case-by-case basis. We are working on several initiatives including expanding our biogas production for injection into the national gas grid, increasing solar PV to supply at least 20% of the energy needed to run our operational sites, and exploring opportunities for onshore wind, supporting the Government drive to increase renewable energy generation.

### Our Beyond Nature® programme

Most of our non-operational land is tenanted to farmers and our Beyond Nature® programme, encouraging regenerative, nature-friendly practices, has continued to expand its reach and influence across the region, with over 27,000 acres now formally signed up.

Beyond Nature® provides extensive support, delivering one-to-one environmental, business and funding advice sessions, alongside guidance on nutrient and soil management plans and many successful grant applications.

Practical delivery and advisory support have formed the backbone of the impact of the programme, with environmental assessment and surveys also being key. Engagement and knowledge-sharing are at the heart of Beyond Nature®, hosting a wide range of events, including attendance at agricultural events, tenant evenings, farm walks, clinics, and webinars.

RegenFutureCo's Biohub Living Lab through Beyond Nature® stands out as an award-winning ecological initiative and a hub for innovation, hosting 70 workshops and fostering collaboration across food, farming, and industry sectors. The project has so far integrated 45 hydrological features into diverse restorative habitats, while other key elements include wildflower meadows, a coppice system, multilayered agroforestry, wetland plants, and a honeybee apiary, alongside an upcycling facility. Collectively, these efforts and activities underline Beyond Nature's role in enabling resilient farm businesses while delivering meaningful environmental outcomes across a changing landscape.

### Case study: Woodland creation in Butterley

This project saw the planting of 24,864 native broadleaf trees across a gross area of 78 acres above Butterley reservoir that will eventually sequester 7,000 tonnes of CO<sub>2</sub> equivalent and deliver natural flood management benefits.

The project involved complex helicopter lifting operations moving trees, shelters and stakes to a remote location on protected land and was grant funded by the White Rose Forest.





## Biodiverse catchments and wilder rivers

We rely on healthy rivers to deliver our services, and we are only able to achieve our corporate targets of wilder rivers and more biodiverse catchments by working with other stakeholders across our catchments.

At our Tophill Low Nature Reserve we have expanded the team with two extra roles in wetland plant propagation and practical conservation delivery, building expertise and outputs that we can share with stakeholders.

In September 2025 we completed the henge hide; an elevated two storey viewing facility offering low disturbance views of the reservoirs whilst facilitating disability access of this water body for the first time. An important theme is interpretation of historic land use via our Tophill Low Archaeological Survey team; a community led project to convey the lost wetland landscape which helps communities understand the need for living with water.

Away from our own sites, this year, we have supported around 74 acres of lowland wetland and floodplain restoration in the Derwent Valley, helping improve the ecological resilience of the river system on which we rely for our services.

We have continued to progress the Hull Headwaters Chalk Stream Flagship programme, collaborating closely with local stakeholders to deliver improvement projects on over 25,000m<sup>2</sup> of chalk wetland habitats.

Building on our extensive ecological survey work across our estate, we are now taking action to safeguard endangered species and improve degraded habitats. For example, working with the Yorkshire Crayfish Forum we have set up a new ark site for the endangered, white-clawed crayfish, with local bat groups we have rolled out a programme of installing over 800 bat boxes on our sites, and have identified 12 new populations of water vole on our upland Pennine estate.

In addition to our conservation work, we recognise the threat posed to our operations and to biodiversity from invasive non-native species. We are a proud member of the Aquatic Biosecurity Partnership and collaborate with others on improving national and local biosecurity to stop the arrival and spread of invasive species. Directly and through the Yorkshire Invasive Species Forum, we work closely with a number of local action groups to survey for and manage invasive species across our catchments.

## Case study: Sustainable Landscapes

Sustainable Landscapes launched in 2018, and is a partnership between Future Food Solutions and Yorkshire Water that works directly with farmers to improve raw water quality by promoting regenerative agriculture. The programme uses a catchment-based approach, provides cover crop seeds which prevent bare soil from washing away during the winter and provide nitrogen naturally into the soil, and offers access to soil health and weather monitoring tools and expert advice. These efforts reduce agrochemical run-off and support sustainable farming. For AMP8, Sustainable Landscapes has expanded from five to nine innovation groups, engaging 260 farmers across nearly 200,000 acres and supporting both ground and surface water abstractions in North and East Yorkshire.

## Bathing water

In Yorkshire, there are 18 coastal bathing waters and three inland bathing waters.

In 2025 eight of these bathing waters were classified as 'excellent', four as 'good', four as 'sufficient' and four, including the three inland bathing waters at Ilkley, Knaresborough and Wetherby as 'poor' under the official Environment Agency classifications. The remaining site at Skipsea is unable to be classified due to the bathing water being closed as a result of coastal erosion removing safe beach access at the site.

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

Throughout AMP8 we are continuing to develop and implement improvement actions from the outputs of the investigatory work, and have committed to reducing permitted discharges into bathing waters to two per season at Scarborough, Bridlington and Robin Hoods Bay by 2030.

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

## Bioresources

During the year we produced a record 158,890 tonnes of sludge at our wastewater treatment works and recycled this with 100% compliance with the Environmental Performance Assessment metric, whilst generating 91,293 megawatt hours of electricity. This represents an all-time high for our electricity generation.

Our Energy Generation team worked with our new Combined Heat and Power Maintenance provider to provide a new record high on top of the high in the previous year.

Our investment plans continue with our flagship Sludge Treatment Facility at Knostrop, to be integrated with a neighbouring Energy from Waste plant which will provide green heat and electricity, and a gas-to-grid plan producing renewable bio-methane for export to the grid, commissioning in 2027.

## Energy and carbon reporting

The impact of extreme weather events on our energy and carbon emissions has been evident this year with the 2025 drought requiring additional energy and chemical use for pumping and treatment of water supplies. Looking ahead our energy strategy will play an important role in helping us to achieve our net zero carbon goal and maintain our operational resilience and ability to adapt to climate change. More details about the interdependencies in these areas are outlined in our [Climate-related financial disclosures](#) section later in this report.

Our energy usage in kilowatt hours (kWh) and carbon emissions in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), management approach and improvement plans are summarised over the page.



## Energy

Our Energy Strategy Group, chaired by our Chief Financial Officer, has continued to oversee the prioritisation of identified energy saving opportunities as set out in our action plans. In the first year of delivery, work has focused on the prioritisation of opportunities to improve the efficiency of existing assets, and the selection and procurement of cost-effective solutions and we have delivered 5GWh of energy efficiency projects, but due to drought pressure our overall energy use this year has increased. Our aim to deliver an annual efficiency of 25GWh by the end of 2027 remains on track.

Our AMP8 investment programme includes significant new asset development with additional energy using equipment a key component. This energy use and consequential carbon emissions is modelled in our asset planning, and we are taking steps to identify alternative solutions and lower energy and carbon options to ensure our operations remain efficient.

The other key area of our energy strategy relates to our plans to increase our energy generation using renewable forms of energy (biomethane, solar and wind).

We have continued to optimise our bioresource use and have significantly expanded our procurement via private wire agreement of renewable supply and long-term power purchase agreements for grid connected renewables. We are well on track with our five year plans to reduce our reliance on purchased electricity from the grid by up to 20%.

The energy data in the following table is reported in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirement for qualifying large organisations to report their energy and use in kWh and energy intensity. Our overall energy use this year has increased by around 9% compared to the preceding year, primarily due to increased use of grid purchased electricity to accommodate our drought response. Our energy intensity for water treatment has increased significantly compared to the prior year, and our intensity for wastewater treatment is also marginally higher as new treatment has come online associated with the delivery of our Water Industry National Environment Programme. Energy data has been independently assured by Atkins as part of our annual performance reporting, and utilised for GHG data reporting in the following table.

## Energy performance

Fuel use, GWh		2026	2025
Grid electricity		536	489
Renewable electricity* generated and consumed		91	91
Diesel		79	64
Gas Oil		3	12
Kerosene**		-	-
Natural gas		27	22
Petrol		4	3
Battery electric vehicles***		1	n/a
Hybrid vehicles***		1	1
<b>Total</b>		<b>742</b>	<b>682</b>
Intensity ratios <sup>1</sup>	kWh per megalitre of water supplied	706	619
	kWh per megalitre of wastewater treated	586	575

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

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

\*\*\* Hybrid and battery electric vehicle energy use was de minima in prior years.

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



## Carbon

This year has been pivotal for our carbon reduction strategy with the update of our Net Zero Transition Plans out to 2050 endorsed by our Public Value Committee, and our baseline greenhouse gas GHG emissions across all scopes verified (for the first time for wider scope 3 emissions) against the ISO14064-1 standard, and our transition plans verified against the IWA 42 (ISO) Net Zero Guidelines both by BSI Assurance.

For the purposes of our SECR statutory annual emissions reporting our GHG inventory includes Scope 1 and Scope 2 emissions using location and market-based emissions reporting methodologies. Emissions are reported in tCO<sub>2</sub>e and carbon intensity per megalitre of water supplied and per megalitre of wastewater treated. As outlined in prior years, our strategic decision not to purchase certificate-backed green energy has resulted in higher market-based emissions, and these increase as location-based emissions decrease, due to use of the Government's residual-mix GHG conversion factors for electricity and fuel and energy related emissions. All emissions are UK onshore.

We calculate emissions using the water industry standard tool, the Carbon Accounting Workbook, to calculate our core scope 1 and scope 2 emissions, and other recognised tools and emission factors are used to calculate our scope 3 emissions. Our reporting approach uses 'location-based' and 'market-based' methodologies and aligns to the GHG Protocol standards with additional cross references to the ISO14064-1 reporting categories.

Under a location-based approach, we use standard emission factors published by the Government (in 2025) or other bodies. Under the market-based reporting approach, we use a combination of supplier-specific emissions values which reflect our procurement decisions, and the UK Government residual mix factors. Our core emissions sources by scope include:

**Scope 1 emissions** are those we directly release to the atmosphere, e.g., fossil fuels used in boilers or generators, company vehicles, and process emissions of methane and nitrous oxide (potent GHGs) from our treatment works. We also calculate our net land and biogenic CO<sub>2</sub> emissions.

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

**Scope 3 emissions** are all other indirect emissions, which as mentioned above we have verified across the wider categories for the first time this year and for which purchased goods and services, capital goods, fuel and energy, transport and waste related categories comprise the material emissions.

Our 2026 GHG emissions are summarised in the following table alongside our prior year, and show a significant increase in our scope 1 emissions following a water sector, Government and Ofwat agreed uplift in the emission factors for nitrous oxide, to align to international and the UK National Atmospheric Emissions Inventory calculations. This has increased our scope 1 process emissions from around 70,000 tCO<sub>2</sub>e a year to 253,000 tCO<sub>2</sub>e.

Our location-based scope 2 emissions have decreased by around 5% due to emission factor improvements despite our increased energy use in year, but as highlighted above, our market-based emissions have further increased in the absence of any green energy purchases.

As outlined in the energy section above – we have progressed our energy strategy this year, but remain in the early stage of delivery. Over the next two years we plan to scale up both our energy efficiency investment and self-generation/renewable programme, to further reduce our scope 2 and related scope 3 emissions.

We have agreed two regulatory performance commitments for AMP8 with Ofwat, for operational GHG emissions. One for our water operations and the other for our wastewater operations. These are reported using fixed emission factors from 2022 and performance tracked against both change from our 2025 baseline year (the last year of AMP7) and against agreed performance commitment levels.

Further details of our performance commitments which have been independently assured by PricewaterhouseCoopers (PwC) can be found in our Annual Performance Report, at [yorkshirewater.com/reports/](http://yorkshirewater.com/reports/)

## Greenhouse gas (GHG) emission performance

Measure	Units	2026		2025	
		Market-based	Location-based	Market-based	Location-based
Scope 1	kt CO <sub>2</sub> e	268	268	88	88
Scope 2	kt CO <sub>2</sub> e	226	96	190	102
Scope 3	kt CO <sub>2</sub> e	21	21	17	17
Total GHG emissions	kt CO <sub>2</sub> e	<b>515</b>	<b>384</b>	<b>295</b>	<b>207</b>
Intensity ratios	kg CO <sub>2</sub> e per megalitre of water supplied	293	140	242	141
	kg CO <sub>2</sub> e per megalitre of wastewater treated	534	451	261	200

# Climate-related financial disclosures (CFD)

**Our business is deeply interconnected with the environment around us. Almost every aspect of what we do is linked to climate and nature, which is why we take our climate-related and nature-related risks extremely seriously.**

## The information provided here fulfils our climate-related financial disclosure requirements under section 414CB (2A) of the Companies Act 2006.

### Introduction

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

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

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

This section contains information on how our climate-related risks, opportunities and interdependencies are identified and managed, their impacts on our strategy, and the performance metrics and targets we use to monitor and address them.

This year we have also voluntarily incorporated information on our approach to managing nature-related risks and opportunities within this report, aligning with the best practice recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). These are our first nature-related disclosures and we will continue to develop and mature our approach to these in the future.

Together, the information presented in this section highlights our commitment to reporting transparently on climate and nature-related matters and demonstrates how both considerations sit at the very core of our company strategy and future investment plans.

### Governance

The Board has ultimate responsibility for climate and nature-related matters, including associated risks and opportunities. These are considered throughout the year as outlined below.

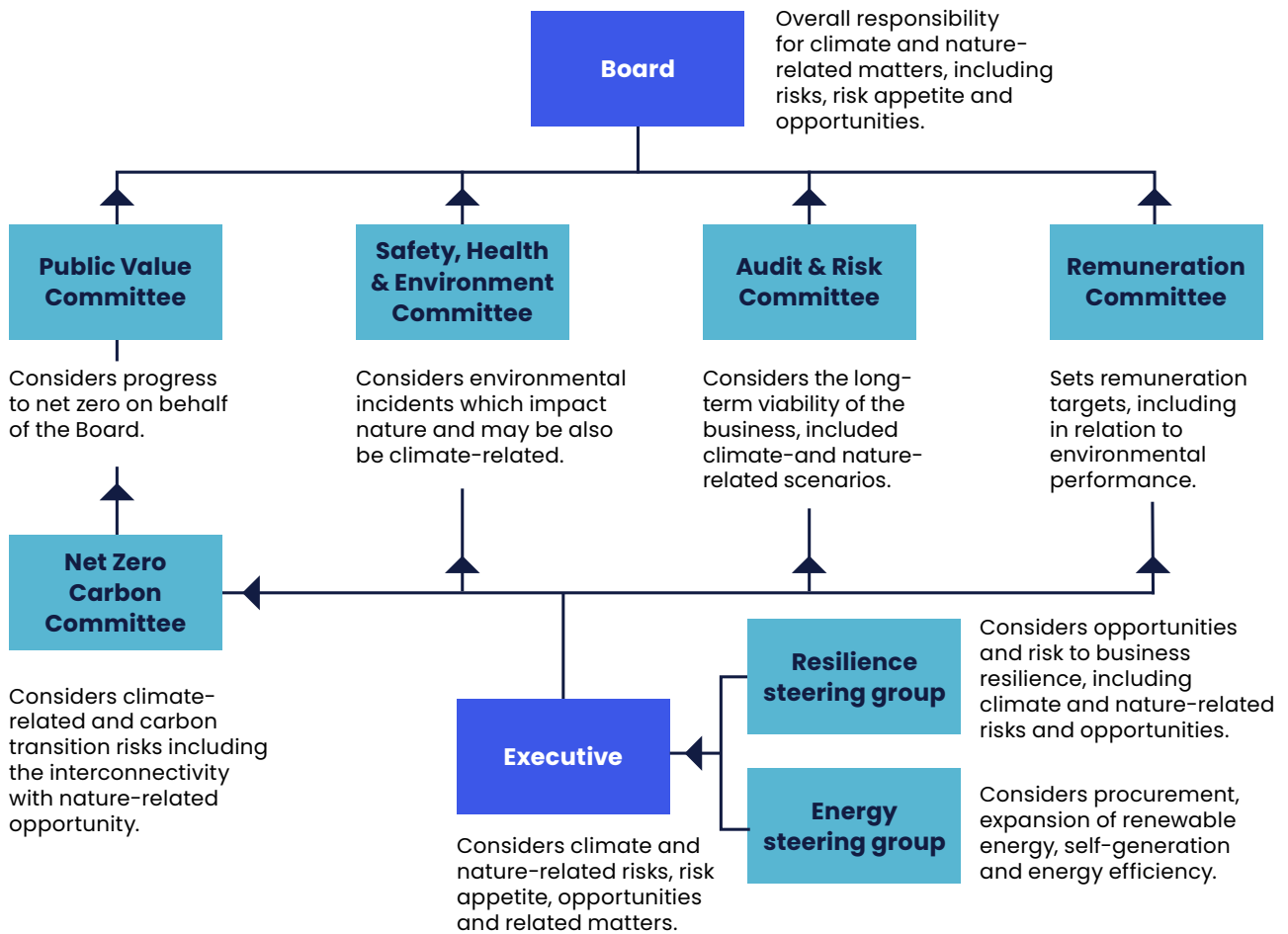
The principal risks and opportunities (which include, are driven by, and can impact climate and nature) for the business are reviewed by the Executive team and Board at least annually. This includes consideration of the risk appetite statements, the corporate risks that feed into the principal risks,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

The next diagram shows the flow of information on climate and nature-related matters between the Board and its committees. This includes:

- **Net Zero Carbon Committee:** Chaired by our CEO, Nicola Shaw, and is responsible for overseeing the development and delivery of our net zero transition plan, providing leadership over operational and capital decarbonisation, and overseeing the net zero transition risks and advising the Board via updates to the Public Value Committee.
- **Energy Steering Group:** Chaired by our CFO, Martin Gee, and has responsibility for energy procurement, expansion of renewable energy self-generation, and energy efficiency.
- **Resilience Steering Group:** Considers opportunity and risk to business resilience, including climate and nature-related risks and opportunities.

Details of the other committees can be found in committee reports within our [Governance report](#).





The overarching principal risk of ‘climate change and carbon transition’ is owned at Executive level by our Director of Corporate Affairs and Partnerships. Our net zero carbon emissions goal is owned by our CEO, Nicola Shaw, as Chair of the Net Zero Carbon Committee. Other principal risks that are driven by or influence climate and nature, are owned by other members of the Executive team.

In the event of a climate or nature-related risk materialising, we have a comprehensive incident and crisis management process in operation, which is categorised by Gold, Silver and Bronze:

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

## Climate and nature related risk management

The Board maintains oversight of all principal risks, many of which are influenced by climate and nature. Climate and nature-related drivers are fully integrated into our corporate approach to [Managing risks and uncertainties](#), as described in this report.

Risk identification follows both bottom-up and top-down processes and is embedded throughout our operational and strategic planning activity. Subject matter experts carry out horizon scanning to identify emerging risks, supported by our annual analysis of medium- and long-term trends. All risks are assessed using the corporate risk assessment matrix, ensuring consistent evaluation of likelihood and impact across service, financial, reputational, environmental, compliance, health and safety, and people dimensions.

Each principal risk – including those relating to climate change and carbon transition – is supported by a defined risk appetite statement, monitored through key risk indicators and a suite of material controls. Internal control systems ensure risks remain within acceptable levels, with leadership teams and risk owners reviewing early warning indicators and taking targeted action where exposure increases or conditions change. Progress and mitigation activity are overseen by the Executive and reported regularly to the Board.

Second line assurance provides insight and challenge to risk owners, working collaboratively with our sustainability subject matter experts. Risk appetite provides the baseline for assessment and monitoring. Through this process we also identify climate and nature-related opportunities, which are managed through the same disciplined framework.

This disclosure has been prepared with a specific focus on the activities of Yorkshire Water and exposures at the subsidiary level, rather than those of the wider Kelda group. This is because Yorkshire Water is the part of the Kelda group most likely to be affected by climate change, whilst also representing the largest proportion of the operations of the group by some margin. There are no other material group-level climate-related risks or opportunities beyond those included in these disclosures. However, should any be identified in future they will be included in subsequent disclosures.

More information on the structure of the group can be found in the [Chief Financial Officer's report](#).

Climate and nature-related risks are identified assessed and managed as part of the water industry's strategic planning framework every five years. Our approach is fed by the horizon scanning work mentioned previously, completed as part of our annual analysis of medium- and long-term trends, which involves research and annual insight into the medium- to long-term trends.

External climate-risk intelligence provides macro level horizon scans as a key feed into our risk process, with integrated reports – validated through engagement with colleagues and other stakeholders – providing clear action plans.

Given the location of our operations, climate and nature-related risks and opportunities are assessed primarily through a regional system-wide lens, whilst considering national and international insights. This is undertaken on a risk-specific basis to understand the impact periods that fall into line with our business plans and forecasts, helping us assess appropriate risk management, as shown in the table over the page.

Time periods for assessing risks are aligned with our ongoing business activities, covering management plans up to 2028 (short-term), our five-year regulatory planning cycle to 2030 (medium-term), and our strategic plans up to 2050 and beyond (long-term).

The time horizons remain fixed for this year's reporting, to allow for comparability across reporting periods – they will be changed when new strategic milestones are introduced.

	Short-term	Medium-term	Long-term
<b>Time period</b>	Up to 2028	Up to 2030	Up to 2050 and beyond
<b>Management approach</b>	Implementation of tactical response plans	Investment through regulatory AMP 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> <li>• Drinking Water Safety 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> <li>• Water Industry National Environment Programme</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> <li>• Strategic partnerships</li> </ul>



Case study:

## **Drinking Water Safety Plans – managing climate and nature-related risks to drinking water quality**

A Drinking Water Safety Plan is a proactive, source-to-tap risk management framework designed to ensure a reliable supply of safe drinking water. By understanding risks to water quality across the entire catchment, we can anticipate emerging issues, implement effective controls, and safeguard public health.

Within our drinking water catchments, we operate a rolling programme of proactive risk assessments every two years. Many of these risks relate directly to nature and climate pressures, for example:

- Degraded peatlands, resulting from historical land management and exacerbated by climate change, contribute to elevated levels of organic matter in our reservoirs, which can increase the complexity and cost of water treatment.
- Intensive agricultural activities within drinking water catchments may contribute to increased nutrient and sediment runoff into water bodies, deteriorating drinking water quality and necessitating more advanced and costly treatment processes.

The outputs from our risk assessments provide robust evidence to inform future investment decisions and ensure that our control measures remain effective in managing risks to drinking water quality.



# Climate and nature risk drivers

**Our business sits within the natural water cycle. We take water from the environment, treat and transport it for use, then return it to rivers and seas. Climate and nature are closely connected to our operations, making climate risks business risks.**

Climate and nature are embedded in our corporate risk management framework and play a key role in shaping our strategic decision-making and day-to-day management activities to maintain and build our business resilience. We have categorised nine of our 14 principal risks as 'climate-sensitive', meaning they are materially exacerbated by climate drivers.




For each of these risks outlined in the table below, we portray the impacts that have the potential to occur, which have been informed by the **actual impacts** that these climate drivers have generated in the past. The mitigations we outline for each of the risks are those we currently have in place to manage the risks (**existing mitigations**) and those which we are in the process of implementing/plan to implement within AMP8 and beyond (**planned mitigations**). In the majority of cases these are one and the same – whereby the planned mitigation is to continue, enhance, scale-up and evolve an existing activity, and as such we have labelled these as just 'mitigations'. Where relevant, we have also highlighted the **known opportunities** that we have seen start to materialise through climate change.

We also show the materiality of each risk across short-, medium- and long-term horizons, whilst providing an indication of how current risk positions may evolve under benign and adverse future climate scenarios (further information on our approach to scenario testing is provided in the **Climate-related scenario analysis** section).




We will continue to monitor our principal risks, through the performance commitments, taking into account the controls we currently have in place.

Given our current investment plans to introduce a number of risk controls, the principal risks we categorise as 'climate-sensitive' now may change in future. Our full list of principal risks can be found in the **Managing risks and uncertainties** section of this report, numbered using the same risk numbers of PR1 to PR14.







## Key:













Materiality of climate driver	Definition
 <b>Low</b>	Unlikely within the timeframe or minimal exposure
 <b>Medium</b>	Likely within timeframe or moderate exposure
 <b>High</b>	Very likely to happen or high exposure














## Driver type




 Physical – acute
 Physical – chronic
 Transitional (all types)













The symbols outlined in the following table are used to portray the time horizons of relevance to each risk and provide an indication of how current risk positions may evolve under benign and adverse future climate scenarios. The number of arrows shown, represent the extent of this change, as shown in the next table.





Magnitude of change	Direction of change
 Low	 Increase
 Medium	 No material change
 High	 Decrease




















Climate driver	Driver type	Impacts, mitigations & opportunities	Time horizons over which risks may materialise			Change in climate risk by 2050 if no further action taken	
			Short (<2028)	Medium (<2030)	Long (<2050)	Benign scenario	Adverse scenario
<b>Principal risk 2 (PR2): Treating wastewater</b>							
Frequency and severity of extreme storm events		<p><b>Impacts:</b> Flooding and damage to above ground assets and wastewater network overloading, resulting in service disruption, asset write-offs, power outages, pressure on emergency response, sewer flooding, bathing water quality deterioration and pollution events.</p> <p><b>Mitigations:</b> Flood risk screening for all new capital schemes, engineered flood defences, natural flood management schemes, vulnerable asset plans, network sensors and analytics, increased network capacity, sustainable drainage systems, Local Resilience Forums, business continuity plans, community resilience partnerships.</p>					
Wetter winters		<p><b>Impacts:</b> Wastewater network overloading, poor quality biosolids and saturated agricultural soils, resulting in increased use of overflows, sewer flooding, elevated treatment costs and associated energy use, environmental pollution, and restrictions on ability to recycle biosolids to land.</p> <p><b>Mitigations:</b> Surface water separation and storage, increased wastewater storage and network capacity, sustainable urban drainage systems, proactive maintenance programmes, close engagement with other stakeholders with regional water management responsibilities, increased sludge storage capacity, increased network capacity.</p>					






Climate driver	Driver type	Impacts, mitigations & opportunities	Time horizons over which risks may materialise			Change in climate risk by 2050 if no further action taken	
			Short (<2028)	Medium (<2030)	Long (<2050)	Benign scenario	Adverse scenario
<b>Principal risk 2 (PR2): Treating wastewater</b>							
Frequency and severity of heatwaves		<p><b>Impacts:</b> Reduced flows through wastewater network and accumulation of blockages leading to sewer flooding, pollution events and bathing water quality deterioration. Elevated treatment costs and a rise in associated carbon emissions. Increased odour generation and potential for microbial activity and instability from accelerated biological activity in biosolids stored on site. Power outages and failure of assets and equipment.</p> <p><b>Mitigations:</b> Proactive maintenance, network flushing programmes, elevated odour management and management of biosolids (i.e. moisture and temperature control), power resilience measures including cooling, automatic restart capability and secondary generation supplies.</p> <p><b>Known opportunities:</b> Reduced heating demand for wastewater treatment processes leading to cost efficiencies and greenhouse gas emission reductions.</p>					
Hotter, drier summers							
Sea level rise		<p><b>Impacts:</b> Accelerated coastal erosion, flooding, and restricted outfalls use, resulting in damage to assets, service disruption and potential pollution events.</p> <p><b>Mitigations:</b> Physical flood defences, relocation of assets, retrofit of assets, community resilience partnerships, monitoring of erosion rates.</p>					

Climate driver	Driver type	Impacts, mitigations & opportunities	Time horizons over which risks may materialise			Change in climate risk by 2050 if no further action taken	
			Short (<2028)	Medium (<2030)	Long (<2050)	Benign scenario	Adverse scenario
<b>Principal risk 3 (PR3): Enough clean, safe drinking water</b>							
Frequency and severity of extreme heat events		<p><b>Impacts:</b> Increase in customer demand and pressure on water resources, leading to increased operational costs and temporary outages if production capacity exceeded, temporary use bans, raw water quality deterioration, elevated cost of water treatment process and production of greenhouse gas emissions.</p> <p><b>Mitigations:</b> Drought plan and associated temporary use ban measures, public education, 24/7 Service Delivery Centre monitoring and response, diversification of water supply, demand reduction, leakage reduction, customer engagement channels and communication plans.</p>	●	●	●	⌆	⌆
Frequency and severity of extreme cold events		<p><b>Impacts:</b> Burst pipes and increased customer contacts leading to service disruption, increased production demand, and pressure on emergency response.</p> <p><b>Mitigations:</b> Asset management and mains renewal programmes, emergency response plans.</p>	●	●	●	⌇	⌇
Frequency and severity of extreme rainfall events		<p><b>Impacts:</b> Soil erosion and nutrient runoff leading to a reduction in raw water quality and increased treatment costs.</p> <p><b>Mitigations:</b> Catchment land management, dynamic source selection, water source blending and bulk transfers.</p>	●	●	●	⌆	⌆

Climate driver	Driver type	Impacts, mitigations & opportunities	Time horizons over which risks may materialise			Change in climate risk by 2050 if no further action taken	
			Short (<2028)	Medium (<2030)	Long (<2050)	Benign scenario	Adverse scenario
<b>Principal risk 3 (PR3): Enough clean, safe drinking water</b>							
Hotter, drier summers		<p><b>Impacts:</b> Pressure on water resources, wildfires, algae growth and cyanobacterial blooms in reservoirs, the introduction and spread of invasive non-native species, resulting in temporary use bans, raw water quality deterioration, increased strain on treatment processes, heightened chemical use and greenhouse gas emissions, taste and odour issues and damage to assets.</p> <p><b>Mitigations:</b> Diversification of water supplies, demand management, Drinking Water Safety plans, catchment land management, biosecurity programmes, infrastructure repair and maintenance programmes, smart meters for customers, regional water resource planning.</p>					
Emergence of renewable technologies with high water demands (e.g. green hydrogen production).		<p><b>Impacts:</b> Increased demand for water resources, resulting in production capacity and cost pressures, elevated greenhouse gas emissions and supply interruptions.</p> <p><b>Mitigations:</b> Customer engagement and incentivisation, diversification of water supplies, demand reduction, engagement with regional water resources groups.</p>					

Climate driver	Driver type	Impacts, mitigations & opportunities	Time horizons over which risks may materialise			Change in climate risk by 2050 if no further action taken	
			Short (<2028)	Medium (<2030)	Long (<2050)	Benign scenario	Adverse scenario
<b>Principal risk 4 (PR4): Climate change and carbon transition</b>							
Introduction of new statutory or regulatory requirements		<p><b>Impacts:</b> Increased carbon and energy footprint associated with new capital works or changes in operating processes, resulting in increased costs, greenhouse gas emissions, and slowing of progress to net zero.</p> <p><b>Mitigations:</b> Long-term strategic planning, asset management programmes, engagement with policy makers and regulators.</p>	●	●	●	^	^^
Temporary power outages linked to decarbonisation of the electricity grid		<p><b>Impacts:</b> Unexpected shutdowns of electrical equipment, resulting in asset damage and disruption to service provision.</p> <p><b>Mitigations:</b> Investment in power resilience and generation infrastructure, cross-sector collaboration to develop power resilience plans.</p>	●	●	●	^^	^^
Increased societal expectations to transition to a low carbon economy		<p><b>Impacts:</b> Demand for further progress from customers and other stakeholders, resulting in reputational damage if not achieved.</p> <p><b>Mitigations:</b> Strong stakeholder engagement and communication activities.</p>	●	●	●	^^	^^
Increased demand for low-carbon materials and technologies		<p><b>Known opportunities:</b> Reduced energy and chemical consumption. Emergence of resource recovery markets (e.g. for biosolids), resulting in new revenue streams. Increased renewables deployment resulting in greater security of energy supply.</p>	●	●	●	^^	^^

Climate driver	Driver type	Impacts, mitigations & opportunities	Time horizons over which risks may materialise			Change in climate risk by 2050 if no further action taken	
			Short (<2028)	Medium (<2030)	Long (<2050)	Benign scenario	Adverse scenario
<b>Principal risk 5 (PR5): Public and colleague safety</b>							
Frequency and severity of extreme weather events		<p><b>Impacts:</b> Physical and mental health impacts resulting in cognitive and performance decline.</p> <p><b>Mitigations:</b> Dynamic risk assessments, proactive scheduling and altered shift patterns, workplace ventilation and thermal control, regular communication with field teams.</p>					
<b>Principal risk 12 (PR12): Legal and regulatory compliance</b>							
Frequency and severity of extreme weather events		<p><b>Impacts:</b> Physical impacts on assets and operations resulting in breaches of compliance.</p>					
Wetter winters		<p><b>Mitigations:</b> Compliance framework, Integrated Management System, mandatory compliance training for all colleagues.</p>					
Hotter, drier summers							
Sea level rise							
<b>Principal risk 14 (PR14): People capability and capacity</b>							
Failure to attract and retain colleagues with the knowledge and skills required to adapt to climate change and transition to a low carbon economy		<p><b>Impacts:</b> Missed opportunities leading to reduced business performance, inability to retain and recruit colleagues with the required skills and knowledge.</p> <p><b>Mitigations:</b> People learning and development pathways, recruitment strategies, engagement with external learning providers.</p>					

Climate driver	Driver type	Impacts, mitigations & opportunities	Time horizons over which risks may materialise			Change in climate risk by 2050 if no further action taken		
			Short (<2028)	Medium (<2030)	Long (<2050)	Benign scenario	Adverse scenario	
<b>Principal risk 1 (PR1): Customer experience</b>								
Frequency and severity of extreme weather events.	 	<b>Impacts:</b> Increased frequency and severity of incidents (e.g. sewer flooding or temporary use bans), resulting in actual or perceived negative experiences and disruption for customers.  <b>Mitigations:</b> Customer engagement channels, Priority Services Register, specialist support teams, financial support schemes, stormwater investment programme, partnership working to reduce flood risk, investment in new water resources.	●	●	●	^	^^	
Wetter winters								
Hotter drier summers								
Sea level rise								
<b>Principal risk 5 (PR5): Supply chain issues</b>								
Frequency and severity of extreme weather events	 	<b>Impacts:</b> Domestic and international supply chain disruption resulting in price volatility and scarcity of business-critical goods and commodities.  <b>Mitigations:</b> Proactive supplier engagement, contract management and governance, supply chain diversification.	●	●	●	>	^^	
Wetter winters								
Hotter drier summers								
<b>Principal risk 13 (PR13): Financial sustainability</b>								
Frequency and severity of extreme weather events		<b>Impacts:</b> Late delivery of regulatory milestones and deliverables resulting in financial penalties, reputational damage, and increased pressure in future planning periods.  <b>Mitigations:</b> Strong planning and governance arrangements, proactive stakeholder management.	●	●	●	^	^^	

We recognise that climate and nature are deeply interconnected and that effectively managing both our nature and climate-related business risk is essential.

**Yorkshire is home to a diverse range of landscapes, from upland moors to nationally significant agricultural lowlands. Freshwater rivers include species such as trout and salmon, with our coastlines and inter-tidal habitats home to some of the richest marine wildlife in the UK.**

Together, these habitats not only sustain the biodiversity of Yorkshire but also contribute to the long-term resilience of our business and the wider regional economy.

Understanding our dependencies and impacts on Yorkshire's natural systems is an essential step in identifying and managing our nature-related risks and opportunities. Here, we summarise the key aspects of how we depend on, and have potential to impact, the environment in which we operate:



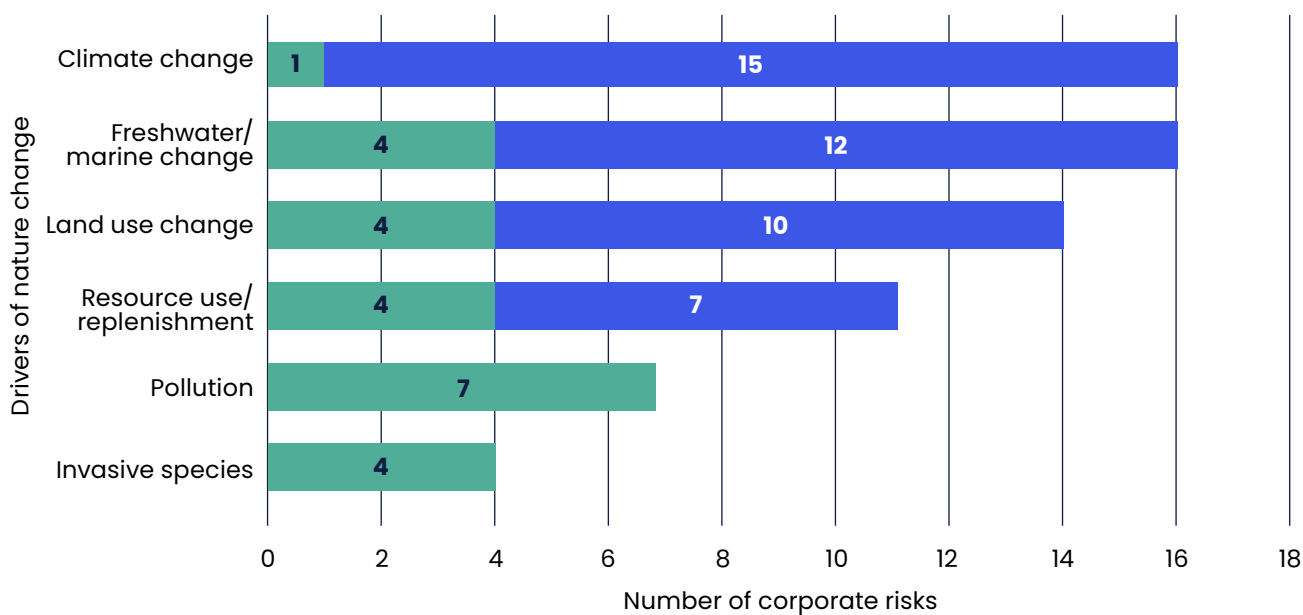
Our services and activities	Natural system	We depend on:	We can have an impact by:
<b>Land management and sourcing raw water</b>	<p><b>Atmosphere</b></p> <p><b>Catchment land</b></p> <p><b>Aquifers</b></p> <p><b>Rivers</b></p>	<p>Rivers, reservoirs and aquifers to provide us with high-quality raw water supplies.</p> <p>Catchment ecosystems to filter and store water in the landscape.</p>	<p>The way we manage habitats and biodiversity across our land holdings.</p> <p>Altering freshwater availability by abstracting water from the environment.</p>
<b>Treating and distributing drinking water</b>	<p><b>Atmosphere</b></p> <p><b>Soil</b></p> <p><b>Natural resources</b></p>	<p>Healthy soils to maintain the integrity of our underground pipe network.</p> <p>Provision of natural resources such as chemicals and energy.</p>	<p>Emitting greenhouse gas emissions stemming from water transport and treatment processes.</p> <p>Depletion of natural resources.</p> <p>Leakage from our clean water network.</p>
<b>Managing rainwater</b>	<p><b>Atmosphere</b></p> <p><b>Urban Green Spaces</b></p> <p><b>Rivers</b></p> <p><b>Coastal Waters</b></p>	<p>Stable rainfall patterns to prevent excessive rainwater entering our wastewater network.</p> <p>Vegetation and permeable surfaces to store and slow the flow of rainwater.</p>	<p>Conveying rainwater directly to rivers and coastal waters instead of into our wastewater network.</p>
<b>Collecting and transporting wastewater</b>	<p><b>Atmosphere</b></p> <p><b>Rivers</b></p> <p><b>Aquifers</b></p>	<p>Stable rainfall patterns and river and groundwater levels to regulate flows entering our wastewater network.</p>	<p>Containing and transporting wastewater to our treatment facilities.</p> <p>Sewer flooding and pollution incidents when things go wrong.</p>
<b>Treating wastewater and returning it to the environment</b>	<p><b>Atmosphere</b></p> <p><b>Treatment wetlands</b></p> <p><b>Natural resources</b></p> <p><b>Agricultural land</b></p> <p><b>Rivers</b></p> <p><b>Coastal Waters</b></p>	<p>Stable rainfall patterns and river levels to reduce flood risk to our treatment sites.</p> <p>Nature-based wetlands to treat wastewater flows.</p> <p>Provision of natural resources such as chemicals and energy.</p> <p>Availability of agricultural land to recycle treated biosolids.</p> <p>Rivers and coastal waters to receive treated wastewater back to the environment.</p>	<p>Emitting greenhouse gas emissions stemming from wastewater treatment processes.</p> <p>Depletion of natural resources.</p> <p>Releasing treated wastewater to rivers and coastal waters.</p> <p>Recycling treated biosolids to agricultural land.</p>

**Key for natural system (i.e. Biome):**

- Land
- Freshwater
- Ocean
- Atmosphere

Our corporate risk system holds all of our corporate risks and these form the basis of our 14 principal risks. The chart below shows the corporate risks, of which the principal risks are a summary, that we consider to be materially dependant on, or have potential to impact, nature and how these are associated with different drivers of nature change. This demonstrates the relevance of nature for our business operations and underlines the importance of managing our nature-related risks appropriately.

**Our nature-related corporate risks by driver**



- Impact on nature (where we affect the environment)
- Dependency on nature (where we rely on it)



Case study:

## Working in partnership to protect nature and build regional climate resilience

Yorkshire Water is committed to working with partners to address the shared challenges facing our region, including climate change and nature degradation. Through cross-sector, collaborative action, we aim to create a healthier, greener and more resilient region where people and nature can thrive.

**Below are two examples of our partnership work in action.**



### Creating long-term flood resilience in the Aire valley

The Aire Resilience Company (ARC) is a social enterprise that brings together partners with a mutual interest in flood risk reduction within the catchment of the River Aire in West Yorkshire. Its core purpose is to enable the delivery and maintenance of nature-based solutions to slow the flow of water into the River Aire and protect downstream communities from flooding.

As a Lead Partner for ARC, we are proud to be working with a coalition of forward-thinking organisations to bolster climate resilience for Leeds and the surrounding area. Not only will ARC help to safeguard the future of homes and businesses, but it will also offer long-term flood protection for some of our largest wastewater treatment works located along the River Aire.



### Transforming peatland landscapes to protect water quality and enhance biodiversity

Much of the drinking water we provide to customers is collected from carbon-rich upland peat catchments in the west of our region. Peatlands are internationally important habitats, yet are vulnerable to climate change due to the increased risk of wildfires and soil erosion, which in turn can reduce the quality of our raw water sources.

To strengthen climate resilience, we are working in partnership with the Yorkshire Peat Partnership and Moors for the Future to restore important peatland landscapes in the west of our region, with over £20m dedicated to activities in 30 catchments between 2025 and 2030. This work includes activities such as blocking drainage channels and revegetating bare peat with native plant species.

This work will help manage future risks to raw water quality, as well as reduce the risk of flooding and wildfire, support carbon sequestration, and enhance local biodiversity including species such as curlews, mountain hares and short-eared owls.

## Climate and nature strategy

Our corporate strategy is set out at the start of this *Strategic report*. As part of our strategy, we have three key documents that set out our long-term plans to 2050 and beyond. These are our Water Resources Management Plan (WRMP), Drainage and Wastewater Management Plan (DWMP), and Long-Term Delivery Strategy (LTDS). In developing these plans, we use a selection of future climate change scenarios (as outlined in the [Climate-related scenario analysis](#) section), alongside a wide range of environmental, regulatory, technological and societal possibilities. We employ advanced modelling techniques to produce outputs that shape the development of our five-year business planning cycles for the long-term, whilst staying aligned with our short-term needs.

This approach helps us protect the environment and build long-term business resilience to future risks, whilst achieving our strategic goals. Examples of the actions included in these plans, and the risks they help mitigate, include:

- developing new water sources to improve supply resilience in the face of rising demand, hotter, drier summers and risk of drought;
- increasing storage capacity in our wastewater network to reduce the use of storm overflows, particularly in the face of more frequent and severe extreme rainfall events; and
- improving and evolving our wastewater treatment processes, taking a nature-first approach, to protect the health of rivers and seas.

In the shorter term, our Water Industry National Environment Programme (WINEP) sets out £4.3 billion worth of investment in AMP8, targeting actions such as storm overflow reduction, phosphorous reduction, river restoration and bathing water quality improvements. These investments both mitigate our key climate and nature-related risks while also unlocking opportunities to restore nature. More information on work being delivered through WINEP, can be found in our [Right for the environment](#) section.

Our WRMP, DWMP and LTDS are all based on adaptive planning principles to account for future uncertainties and keep our future options open. This means they contain core pathways of low, or no-regrets, expenditure alongside several alternative investment pathways that may be triggered if certain circumstances, such as climate or nature-related changes, come to pass.

Our customers are central to shaping our future plans and we ensure their views are heard at every stage of our planning process.

Through our customer engagement work, we know our customers take the challenges of climate change and nature protection seriously. Despite ongoing cost-of-living challenges, our customers remain supportive of investment to address climate and nature-related risks and safeguard service levels for the future.

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

Over the last 12 months we have also progressed the development of our *Net Zero Transition Plan (NZTP)*, and it is our intention to publish a detailed and summary version later this year. The NZTP sets out our interim and long-term goals to 2050 and the investments we will make to mitigate our greenhouse gas emissions.

Our longer-term investment plans have also been updated to include investment that addresses and achieves a science-based reduction pathway for our wider scope 3 emissions. In particular; purchased goods and services, capital goods, fuel and energy related emissions and emissions associated with upstream and downstream transport and waste disposal.

Further details of our inventory and key emissions are included in statutory energy and carbon reporting in the [Right for the environment](#) section earlier in this report.

New operational carbon performance commitments agreed with our regulator as part of our final determination are reported separately as part of our regulatory annual performance reporting which can be found on our website at [yorkshirewater.com/reports](http://yorkshirewater.com/reports)

To ensure the credibility of our interim and long-term plans and alignment to a science-based reduction pathway, our transition plans and mitigation plans have been independently assured this year by BSI against the IWA42 (ISO) Net Zero Guidelines. This provides evidence that our reduction plans, and resource allocation, governance leadership and monitoring and reporting are credible and net zero aligned. The plan has also been through review and scrutiny with the Net Zero Carbon Committee.

## Case study: Our Net Zero Transition Plan (NZTP)

We have developed our first NZTP for Yorkshire Water, outlining our investments to mitigate our greenhouse gas emissions and achieve our interim and long-term goals for emissions reduction.

Our NZTP is underpinned by a baseline analysis of emissions across all material scopes, which have been independently verified by BSI against the ISO14064-1 standard. This clear view of our past and present emissions across all scope, has enabled emission forecasting over time out to 2050 facilitated by our planned mitigation investments, decarbonisation pathways (for energy and across our value chain), and the impact of growth and anticipated statutory and regulatory changes.

### **Our NZTP has been developed to achieve the following reductions in absolute location-based<sup>1</sup> greenhouse gas emissions:**

- A 43% reduction in operational greenhouse gas emissions by FY2031 from our FY2020 baseline.
- A 90% reduction in greenhouse gas emissions across all scopes (and material sub-categories) by FY2051 from our FY2020 baseline.
- Net zero emissions delivered through a combination of self-developed carbon insets and purchased offsets to net off the residual emissions to an agreed level.

Our plan has been collaboratively built with cross-business input, incorporating the most up to date thinking from a range of strategic programmes, such as our AMP8 business plan, energy strategy, and annual horizon scans.

This has yielded key areas of investment in the short-medium term, which includes:

- Energy efficiency to reduce the total amount of electricity we use



- Maximising our potential for self-generation and use of private wire renewables
- Process emission reduction (methane and nitrous oxide)
- Chemical use optimisation
- Fleet transition to zero or low carbon vehicles
- Reduction of the impact from new assets by use of the PAS2080 infrastructure management framework and taking where possible a nature-first approach.

The proposed plan will deliver carbon emission reductions at an efficient cost and drive a transition to net zero that aligns to a science-based reduction target, at a pace that is affordable for customers, and most representative of a just transition. We believe this will meet government and regulatory expectations and emerging requirements. Nonetheless, there remain uncertainties for our proposed plan, including:

- The rate of decarbonisation for the UK grid electricity and embedded Scope 3 emissions
- Regulatory support for required investment from 2030 onwards
- Potential revisions to the scale of our process emissions (currently under investigation by monitoring as part of our net zero enhancement funding<sup>2</sup>)
- Future compliance requirements for our wider operations.

<sup>1</sup> Location-based emissions are those using UK government average intensity emission factors without any market adjustments, net of self-generated energy.

<sup>2</sup> There has recently been an uplift in the emissions associated with nitrous oxide as part of the national emissions inventory from wastewater treatment. We are looking to integrate this into our forward reporting.

## Climate-related scenario analysis

The recent and projected shift in climatic conditions has the potential to significantly impact our operations, the services we provide and the broader environment within which we operate. This link is evident in that ten of our 14 principal risks are assessed as 'climate sensitive', even in a more benign climate future.

In response, we have ensured all of our long-term strategic plans are informed by quantitative climate modelling using a range of scenarios in line with national guidance from Defra, Ofwat and the Environment Agency. These plans set out the mitigating actions we will take to enhance our business resilience to climate change, whilst also taking advantage of the opportunities it presents.

Our latest scenario analysis aligns our AMP8 business plan (medium term) with our planning horizons for WRMP, DWMP and the LTDS (long term), using an intermediate level of forecasted future emissions (Representative Concentration Pathway (RCP) 6.0) to inform our 'core' investment pathway.

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

In our WRMP, we set out our plans to become resilient to a 1 in 500 year drought event by 2040. This includes actions to increase water supply availability while simultaneously reducing demand through actions such as tackling leakage and lowering per capita consumptions.

Our scenario analysis indicates we would face a supply demand deficit of 359 Ml/d (megalitres per day) in 2050 under the RCP 8.5 (the high climate change scenario), compared to 321 Ml/d in our preferred plan based on RCP 6.0 (the central climate change scenario).

To mitigate the risk of the high climate change scenario, our alternative adaptive pathway would deliver additional supply options to offset the deficit resulting from the high climate change scenario, with a need to make further investments to address the supply-demand deficit.

A decision on whether this will be required will be made by 2030 based on the latest climate projections, demand reduction progress, and the outcome of environmental investigations.

In our DWMP, we specify how we will keep our drainage and wastewater system strong and more resilient to future pressures, including climate change, population growth and urbanisation. Our plans include actions to reduce the volume of water entering our sewer network (for example, by using sustainable drainage systems) and actions to increase the capacity of our network (for example, through storage tanks and larger pipes).

Climate scenario modelling indicates that increased rainfall conditions under the high climate change (RCP 8.5) scenario would pose significant risks to the operation of wastewater discharges (i.e. storm overflows) and hydraulic sewer flooding that extend beyond those we have planned for in our core pathway.

Mitigating these risks requires us to create additional wastewater network storage capacity, separate a greater volume of surface water runoff at source, and attenuate surface water runoff to slow the speed at which stormwater enters our sewer network. We have an alternative investment pathway which represents the additional expenditure required to mitigate the high climate change scenario risks. We currently forecast this pathway could deviate from our core pathway from 2030 at the earliest. 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. 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.

We typically renew the analysis every five years, in line with water industry strategic planning framework cycles. As part of the next planned renewal, we have developed a suite of future scenarios that will enable analysis of both physical and transitional risks to better understand climate- and nature-related risks to our business over time.

Physical climate scenarios	Description	Rationale	Key assumptions and estimates
<b>Low</b> UKCP18 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> <li>Aligns with requirements of Defra, Ofwat and the Environment Agency.</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> <li>Water and sanitation services continue to be delivered using existing networks rather than decentralised (off grid) systems.</li> <li>No material changes in future government policy or legislative requirements.</li> <li>Changes in climate occur within the envelope of RCP 2.6 and RCP 8.5 scenarios.</li> </ul>
<b>Central</b> UUKCP18 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.		
<b>High</b> UKCP18 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.		

## Metrics and targets

We use metrics and targets to track our year-on-year performance, helping us understand the progress we are making in managing our climate- and nature-related risks.

We have categorised our metrics according to their alignment with climate risk areas, recognising that many of these metrics are equally relevant to how we manage our nature-related risks and opportunities.

Many of these metrics and targets are also regulatory performance commitments, demonstrating how climate and nature are integrally linked to the operational performance of Yorkshire Water. This in turn informs how we manage our climate risks going forward, helping us to understand the effectiveness of our mitigating actions in relation to operational performance.

Unless otherwise specified, all metrics are reported in line with the Ofwat Regulatory Accounting Guidelines, and undergo annual third-party assurance. Furthermore, the Greenhouse Gas Emissions metric is independently verified against ISO 14064-1.

Further information on our business performance, including additional details to contextualise performance against our targets, can be found in the [Key performance indicators \(KPIs\)](#) section of this report.

Risk area	Metric	Unit	Performance		Targets		Related principal risks
			2025	2026	2030	2050	
Acute	Unplanned outages	Unplanned outage of peak week production %	2.48	2.72%	1.6	1.0	PR2, PR3, PR12, PR13
	Total pollution incidents (Category 1-3)	Number of pollution incidents (category 1-3) per 10,000 km of sewer	28.89	49.75	9.13	0	
	Internal sewer flooding	No. per 10,000 sewer connections	2.21	2.53	1.76	0	PR1, PR2, PR4, PR12, PR13
	External sewer flooding	No. per 10,000 sewer connections	23.72	21.23	18.61	8.61	
	Discharges from storm overflows to rivers and coasts	Average number of discharges per storm overflow	30.72	27.23	26.86	9.02	
		Volume of wastewater receiving treatment at sewage treatment works	MI/yr	698,000	703,826	n/a <sup>^</sup>	n/a
Chronic	Per capita Water consumption	% reduction from a 2020 baseline	2.0%	1.4%	5.0%	18.5%	PR3, PR4, PR12
	Non-household water consumption	% reduction from a 2020 baseline	n/a <sup>^^</sup>	(3.6%)	5.0%	11.9%	
	Leakage	% reduction from a 2020 baseline	15.1%	18.5%	27.4%	48.8%	
	Water supply resilience*	Return period (years)	1 in 100-	1 in 100	1 in 200 (by 2028)	1 in 500 (by 2040)	

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

<sup>^</sup> It is not practical to set a target for the volume of wastewater received at treatment works because this is largely outside of management control.

<sup>^^</sup> Non-household water consumption has been introduced as a new metric this year and therefore last year's performance is not available.

We recognise that we have yet to set metrics and targets for wider transition risks such as supply chain disruption and regulatory changes. These risks remain 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, we are working to understand the increased taxation associated with the introduction of the Carbon Border Adjustment Mechanism (CBAM) to be enacted in 2027, with tax implications for imported high carbon construction materials such as steel and concrete.

Steps so far have been focussed on understanding the requirements, and team members have attended briefing sessions coordinated to support the understanding and interplay of taxation with transition both in terms of risk and opportunity.





# Our communities

Many of our colleagues live in the communities we serve. This helps us better understand how important it is to support communities across Yorkshire.



## Supporting communities through education

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

**During 2026, our education programme delivered over 38,000 hours of engagement. We have welcomed over 4,000 visitors to our education centres, whilst our in-school programmes reached over 30,000 students and adults.**

We deliver our education programme for free either face-to-face in schools, at our education centres, or online. We cater for all ages from primary school through to university. We have four education centres across our region, and all are accredited with the Learning Outside the Classroom Quality Badge.



During the year we introduced a new education programme along the East coast. Our Coastal Education Advisor has worked with a number of schools to provide water safety education through class workshops or full school assemblies. These sessions have focused on how to stay safe near open water, and how to 'float to live' should anyone get into difficulty.

This face-to-face programme complements our virtual water safety activities which take place all year round. During the year we have reached nearly 22,000 students and adults with water safety education.

In addition to the water safety activity, we have developed an education workshop focusing on Sustainable Urban Drainage Systems and how we can all help to 'slow the flow' of surface water entering the drainage network. A number of schools were offered the opportunity to have planters installed, bringing a real life example in to the school grounds.

## Sharing information on careers

Our Talent team has been very focused in the year on young talent and people looking for early career opportunities, and we have had a significantly increased presence at careers events, mainly in Yorkshire, but also nationally. We have attended all the universities in our region to speak to undergraduates about our industry and the graduate opportunities we provide.

We have also worked in partnership with Business in the Community to provide support to university technical colleges in Bradford, with mock interviews, CV building, and networking workshops.

We have increased our presence at key 15 to 18 year old careers events in York, Hull, Leeds and Huddersfield, to prepare for the recruitment of apprentice roles at the end of the financial year.

We have also started developing virtual reality software to enhance the understanding of our young Yorkshire Water customers so we can showcase the exciting things we do within a safe environment

## Volunteering opportunities for colleagues

In total, over 2,600 volunteering hours were recorded in the year by 556 colleagues from across our business supporting over 45 different organisations in Yorkshire.

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

## BD25

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



We worked closely with the City of Culture team to support their pioneering programme of events. The partnership generated opportunities for our colleagues to provide voluntary support and attend cultural events throughout the year.



**This year, 556 colleagues volunteered over 2,600 hours, supporting more than 45 organisations across Yorkshire.**

## Doing right by our communities

As reported last year, we continue to work in partnership with Participate to build on our initial community pilot of 'Doing Right by Meanwood', which also encompasses the wider LS7 postcode area. By collaborating closely with Meanwood Community Centre, we were able to use their facilities as the hub for much of our activity. Through facilitated workshops and meet and greet sessions, we gained valuable insight into the needs of the LS7 community and identified meaningful opportunities where our colleagues could make a real and positive difference.

The three streams of community work we have delivered in LS7 are:

- **Business school** – providing advice to local organisations from subject matter experts within Yorkshire Water on marketing and branding, bid writing, business planning, people policies, and corporate engagement.
- **Mentoring** – matching experienced senior leaders from within Yorkshire Water to local organisations for one-to-one mentoring sessions.
- **Volunteering** – matching groups of Yorkshire Water colleagues to local projects to help transform spaces within the community. Over the course of the programme, 75 colleagues volunteered to support four community based organisations in Meanwood.

## Supporting WaterAid

Our long-standing commitment to supporting WaterAid has continued this year, and we have held a variety of fundraising activities, including a golf day, a five-a-side football tournament, a ten-kilometre run, and our annual gala dinner. These events, alongside our regular lottery fundraising, have helped to raise over £100,000 for WaterAid in the year whilst also providing opportunities for colleagues to get involved and develop new skills.

**We have supported WaterAid since 2014 and are proud to have raised over £1.8m for the charity in that time.**



## Living with Water

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

The partnership has a 25-year strategy, the Blue-Green Plan, to deliver flood resilience to Hull and the East Riding.

This year, we have continued to make significant progress, with multiple projects underway or completing construction. We have also expanded our education and outreach initiatives in the year, delivering a T-Level project with Wyke Sixth Form's Eco-Group, giving young people the opportunity to learn about Sustainable Urban Drainage System construction and maintenance.

We attended 23 community events across Hull and the East Riding, engaging with 2,795 residents and giving education on the importance of sustainable urban drainage and personal resilience. We have a dedicated team of Living with Water community ambassadors, who are volunteers that contribute significant time and dedication to our partnership.

## Connected by Water

We also participate in a South Yorkshire alliance, called Connected by Water, where we are working with the South Yorkshire Mayoral Combined Authority, the Environment Agency and the councils in Sheffield, Rotherham, Doncaster and Barnsley, to build flood resilience and respond to the climate emergency.

The Connected by Water Action Plan began after floods devastated South Yorkshire in 2019. The partnership exists to work together to protect people, homes and businesses from flooding, and support communities to become more resilient and recognises the value of effective flood and water management for economic growth.

Projects have included transforming a pumping station in Doncaster to enable it to handle 20% more water during flood events, implementing the Rotherham Renaissance Flood Alleviation Scheme, which is an innovative, award-winning scheme that reduces the risk of flooding and supports redevelopment and regeneration in and around Rotherham town centre, and a flood alleviation scheme in Lundwood in Barnsley, to reduce the risk of flooding to homes and infrastructure.

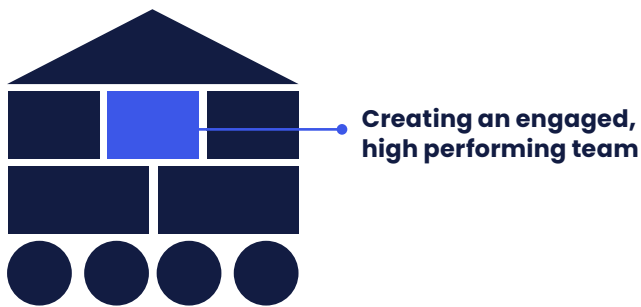






# Our people





## Health and safety

Health and safety remain at the heart of our corporate strategy, as part of our foundation of having a sustainable business.

July 2025 marked the ten-year anniversary of a fatal accident at one of our treatment works, which led to the sad loss of one of our colleagues, Mick Jennings. Since 2015 we have prioritised health and safety and have done all we can to ensure that our colleagues, and others working with us, are kept safe and well. Our health and safety vision is 'everyone, every day, safe and well'.

We are always aiming to improve and we set ourselves very high standards and then attempt to exceed them. We want our people to be as informed as possible so that we are all prepared for the unexpected, and are a learning and trusting organisation.

**As set out last year, our five strategic health and safety objectives over this AMP and next are:**

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

## Our approach to safety

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

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

## Occupational safety

Our Lost Time Injury Rate (LTIR) has risen slightly in the year, due to a number of minor incidents, which is disappointing. Despite this, our LTIR of 0.15 remains our third-best result to date. We will continue to focus our efforts in 2027 on improving performance and returning to best-ever levels, and have launched a campaign across the business to focus on health and safety basics, particularly in relation to slips, trips and manual handling, and encourage colleagues and partners to focus on getting these right to avoid incidents wherever possible.

Key measure:

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

**2025:** 0.14 against a target of 0.10

**2026:** 0.15 against a target set at 0.10

**2027:** Target set at 0.10

To maintain our focus on preventing serious injuries to colleagues, customers and partners, we will continue to strengthen health and safety leadership at all levels, and improve understanding of critical controls for high-risk activities. This includes challenging traditional safety thinking and progressing our Serious Injury and Fatality (SIF) Prevention Plan that moves beyond legacy accident models and instead focuses on high-energy hazards and control effectiveness.

## Health and wellbeing

Key measure:

**Sickness absence percentage:**

**2025:** 2.83% against a target of 3.00%

**2026:** 2.75% against a target set at 3.00%

**2027:** Sickness absence target removed

To support colleague health and wellbeing, we continue to provide specialist counselling through our Employee Assistance Programme, alongside access to physiotherapy and online GP services. In September 2025, we further strengthened our Occupational Health provision by introducing a registered mental health nurse, enhancing clinical capability and enabling more effective assessment, intervention and coordination of support for complex mental health needs. This bespoke approach improves insight into colleague wellbeing and the support required.

## Safeguarding our colleagues and customers

A comprehensive safeguarding review has been undertaken in the year by our newly appointed Customer Vulnerability and Safeguarding Manager. The review focused on assessing the effectiveness of current safeguarding procedures, governance and reporting arrangements across Yorkshire Water, covering both customer and colleague considerations. The review will inform strengthened safeguarding processes and procedures, improved integration with the health and safety incident reporting system, and enhanced colleague guidance and training to better identify, report and manage safeguarding concerns. These measures are designed to reduce risk to vulnerable individuals and strengthen organisational assurance.

The business also continues to promote our Speak Up Policy which encourages colleagues to report any concerns they may have, as well as empowering every colleague to have the authority to stop work should they feel unsafe.

## Process safety

Key measure:

### Process safety incidents:

**2025:** 2 against a target set at ≤5

**2026:** 4 against a target set at ≤3

**2027:** Target set at ≤3

Our Process Safety Management Plan continues to provide a robust, structured framework for managing the risks associated with our highest-hazard assets. Strong governance is in place through the Process Safety Steering Group, chaired by the Director of Health and Safety, with regular progress and assurance updates provided to both the Executive team and the Safety, Health and Environment Committee.

During the year, process hazard reviews were completed at a further three high-hazard sites, supporting our established approach of reviewing priority sites on a five-year cycle. These reviews provide systematic identification of potential major accident hazard scenarios, with resulting actions risk-prioritised and progressed through appropriate management ownership or further specialist assessment where required.

In line with our long-term strategy, the primary focus this year has been on strengthening process safety capability and awareness across the organisation. Targeted, face-to-face training has been delivered to both projects and operations teams, including a bespoke version of IChemE's Fundamentals of Process Safety for High Hazard Site Managers. The introduction of process safety fundamentals for operators has also commenced, alongside an increase in management-led audits, reinforcing operational ownership of process safety performance.

## Safety leadership

Key measure:

### Leadership safety site visits:

**2025:** 679 against a target of 555

**2026:** 713 against a target of 573

**2027:** Target set at 573

Safety leadership is driven by clear tone-from-the-top and is monitored through our Performance Excellence hubs. Our safety leadership programme focuses on visible senior leader engagement to demonstrate commitment to health and safety and to encourage active colleague participation. We exceeded our annual target for senior leader safety activities.

In the coming year, leaders will incorporate High Energy Control Assessment (HECA) conversations into planned safety site visits. HECA is a task-based assessment that confirms whether high-energy hazards are effectively controlled at the point of work, providing a real-time measure of protection focused on control quality rather than injury rates, to prevent serious injury or fatality.

## Public safety

Public safety remains a core priority, reflecting the scale of our network across Yorkshire and the significant public interaction with assets such as our reservoirs. Our Public Safety Steering Group provides oversight and assurance, focusing on key risks including visitor safety and redundant assets, alongside targeted education and awareness campaigns to help the public understand and avoid potential hazards.

## Contract Partner Safety

We work closely with contract partners across our operations and place the same priority on their health and safety as we do for our own colleagues. Regular engagement with partners, including the sharing of best practice and joint working groups, supports consistent standards. In 2026, our focus has been on reducing high-potential incidents that could, under different circumstances, have resulted in serious or fatal injury (SIF). This has been supported by the implementation of a SIF Prevention Plan aligned to global best practice, including improved incident classification and enhanced colleague education and training.



## Our culture

Our culture continues to support the delivery of our ten-year corporate strategy by setting clear expectations for how we carry out work across the organisation. We reported last year that we had rolled out an evolved set of behaviours across the business:



**Bring your best**

### Bring your best

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



**Make it better**

### Make it better

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



**Create connections**

### Create connections

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



**See it through**

### See it through

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

Throughout the year we have concentrated on embedding behaviours at key points where culture is experienced most strongly; including in leadership practices, team interactions, and performance conversations. This is supported by practical tools that help teams align policies, processes and ways of working with our desired culture.

Leadership remains central to this approach. We expect leaders at all levels to exemplify our behaviours consistently and visibly, reinforcing that **how** results are achieved matters as much as **what** is delivered.

Colleague feedback continues to inform our approach. Insight gathered from our twice-yearly Yorkshire Voice survey and other targeted engagement activity is used to monitor progress and identify areas where further focus may be beneficial.

We recognise that culture evolves over time. Our approach during 2026 reflects a continued shift from definition to embedding, with increasing emphasis on consistency, shared ownership, and alignment with business-as-usual processes, to support the long-term performance and resilience of the business.

## Attracting great people with the right skills

We have recruited a significant number of people into our business over the last year with over 1,200 new colleagues coming into the business, and over 500 colleagues changing role within the business as part of their career progression.

We want to continue attracting, retaining and engaging top talent, and so continue to focus on plans that will enable our people to enhance their performance and seize opportunities through a range of initiatives and talent development programmes.

## During this financial year, we have:

- Continued to develop our 'Early in Careers' programmes;
- Continued the development and growth of our graduate programmes to support our existing graduates and our 2026 intake. Later this year 53 new graduates will join the business, representing our largest graduate intake to date;
- We welcomed 42 new apprentices to the business in September 2025, with a further 33 apprentice roles in active recruitment for our September 2026 intake;
- We reached our largest number of active apprentices in March 2026, with 247 apprentices over 41 programmes and 27 providers; and
- We continue with our work experience offering, with a new Work Experience Tool Kit to support our people leaders in facilitating work experience opportunities within the business.

The application window for our annual Industrial Cadet scheme is now open; the scheme this year will see a focus on the development of practical engineering skills. Our cadets will continue to benefit from a guaranteed interview for a permanent role within six years of completing their programme.

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

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

We launched our ED&I strategy in 2024 and have continued to build on this throughout the year; with a focus in three key areas:

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

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

We include specific questions in our Yorkshire Voice survey around equality, diversity and inclusion and we are pleased to have seen increases in the scores for each of these questions over the last year, with an average score of 8.4 out of ten in the most recent survey.

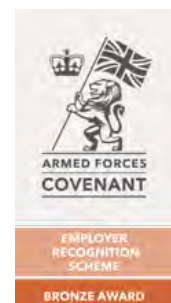
### Measuring our progress

Underpinning our ED&I strategy are stretching targets to increase the representation of women, ethnic minorities, and those under the age of 25 in our business.

Employee data disclosure is a critical enabler to measuring progress and we saw a significant uplift in disclosure this year as a result of a campaign called All Together Different. This has led to more accurate insights, informing our approach to recruitment, progression and retention. We are continuing to promote the benefits of data sharing as we respond to imminent equality action plan reporting requirements.

## Our activities this year

- We further advanced our work on disability inclusion securing our Disability Confident Employer Level 2 status. Through initiatives such as adopting a consistent approach to reasonable adjustments throughout the candidate journey; using strengths-based interviewing for graduates and apprentices, and upskilling people leaders on neuro-inclusion, we are better able to meet individual needs.
- We refreshed our people policies in line with our industry peers, including updating our ED&I Policy to include guidance around transitioning, gender expression and cultural identity. We undertook listening sessions with colleagues to inform our approach to policies and processes, and we launched a neuro-inclusive toolkit alongside our Supporting Attendance Policy to drive more equitable outcomes.
- We implemented a female-friendly approach to site standards, Personal Protection Equipment, and the roll out of improved sanitary facilities across all sites;
- We onboarded Me&MyMenopause as part of our Menopause Action Plan enabling women to better advocate for their health and wellbeing;
- Recognised the impact on colleagues of global events and racially motivated attacks creating safe space calls and improving communication around wellbeing support; and
- We continued our support for the armed forces as a signatory of the Armed Forces Covenant and Bronze Award holders in the industry-wide Defence Employers Recognition Scheme. Through this scheme, we are committed to employing reservists, armed forces veterans, including those who are injured and sick, cadet instructors and military spouses and partners. We have been actively visible at veteran hiring events and developing a recruitment tool kit to bridge the gap between military and commercial worlds.



## Our colleague networks and groups

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

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

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

We have had another fantastic year of excellent colleague-led events and communications. We have also taken part in various awareness days and months such as International Women’s Day, Pride, Black History Month, Neurodiversity Celebration Week and many more.

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

Our Women in Engineering group rebranded to Women in Water recognising the breadth of roles within our contract partner network. This continues to shape the future by creating an open community and safe space for women in our operational functions, building a network and sense of community in what can be, for some, quite isolating roles.

We have held quarterly in-person events this year with people attending from Yorkshire Water and the Partners for Yorkshire group.

## External relationships

We have external relationships with a number of third-party organisations to provide our colleagues with access to further support and to discuss best practice in relation to ED&I. These include our historic partnerships with Business Disability Forum, the Energy & Utility Skills Partnership, and more recently Women’s Utilities Network and InvestinEthnicity.



## 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	
	2026	2025	2026	2025
Statutory directors	7 (58.3%)	7 (58.3%)	5 (41.7%)	5 (41.7%)
Senior managers	30 (58.8%)	30 (66.7%)	21 (41.2%)	15 (33.3%)
Remaining employees	3,482 (72.5%)	2,856 (72.4%)	1,321 (27.5%)	1,091 (27.6%)

Ethnicity	White		Black and minority ethnic		Not disclosed/ Prefer not to say	
	2026	2025	2026	2025	2026	2025
Statutory directors	11 (91.7%)	11 (91.7%)	1 (8.3%)	1 (8.3%)	0 (0%)	0 (0%)
Senior managers	33 (64.7%)	26 (57.8%)	2 (3.9%)	1 (2.2%)	16 (31.4%)	18 (40.0%)
Remaining employees	3,377 (70.3%)	1,926 (48.8%)	406 (8.5%)	149 (3.8%)	1,020 (21.2%)	1,872 (47.4%)

In [note 4](#) to the [Financial statements](#), we disclose figures relating to a total of 4,481 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 2026. Both sets of numbers are provided in the format stated by the relevant regulatory requirements.

## Gender pay gap

In accordance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, we publish our gender pay gap information annually. The most recently published data is for 5 April 2025 and is included for information in the tables below. Gender pay gap information is reviewed and discussed each year by our Remuneration Committee. Data for 5 April 2026 is expected to be published no later than 5 April 2027. You can access our gender pay gap reports on our website at [yorkshirewater.com/careers/working-for-yorkshire-water/diversity-inclusion](https://yorkshirewater.com/careers/working-for-yorkshire-water/diversity-inclusion)

### Gender pay and bonus gap figures

Year	Mean gender pay gap	Median gender pay gap	Mean bonus pay gap	Median bonus pay gap
2025	4.1%	3.3%	6.1%	0.0%
2024	5.0%	4.3%	15.2%	0.0%

### % Receiving bonus

Year	Females	Males
2025	83.8%	87.0%
2024	94.8%	96.1%

## Pay quartiles

Year	Upper quartile		Upper middle quartile		Lower middle quartile		Lower quartile	
	F	M	F	M	F	M	F	M
<b>2025</b>	26.0%	74.0%	25.6%	74.4%	23.2%	76.8%	34.8%	65.2%
<b>2024</b>	24.5%	75.5%	25.8%	74.2%	19.0%	81.0%	36.2%	63.8%

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

This is our ninth year of reporting on our gender pay gap. During the past nine years, the gender pay gaps have fluctuated however, we are very pleased to report that for the 2025 reporting period, both the mean and median gender pay gaps at Yorkshire Water have reduced.

Although still in favour of males, largely due to our predominantly male workforce which accounts for 73.0% of colleagues, the mean pay gap has decreased to 4.1% and the median pay gap has reduced to 3.3%. These therefore remain low.

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

In 2025, the mean bonus pay gap fell to 6.1% from 15.2% in 2024. This change is again driven by increased female representation in the senior leadership of the business.

The median bonus gap has remained at 0% for the fifth consecutive year. This is a reflection of the majority of colleagues receiving the same bonus amount. The proportion of colleagues eligible for a bonus fell from the prior year due to the high volume of new starters who were not eligible for the reported bonus.

## 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 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 our disclosure rate for 2025 remained low at 53%, although this has since improved. Any review of the pay gap numbers must be set in the context of these disclosure numbers.

In 2025, our mean ethnicity pay gap decreased to 5.7% from 7.1% and the median ethnicity pay gap now sits at 8.2% compared to 9.6% in 2024. 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
<b>2025</b>	5.7%	8.2%	33.4%	0.0%
<b>2024</b>	7.1%	9.6%	(3.7%)	0.0%

## Working ethically and respecting human rights

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

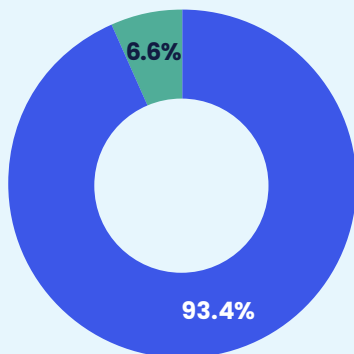
Our Code of Ethics sets out the ethics we expect from all those who work for and with us, including our policies on anti-corruption and anti-bribery. All our colleagues complete mandatory online training to ensure everyone understands these ethical standards.

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

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

### Colleagues that live in Yorkshire

As a major employer in Yorkshire, we want to ensure we are providing job opportunities to those who are based in Yorkshire. We are pleased to report that the vast majority of our colleagues live locally. This chart shows that over 93% of our colleagues on a full-time equivalent basis live within Yorkshire.



#### FTE Colleagues

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







# Chief Financial Officer's report

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

	2026	2025
<b>Revenue</b> Income receivable for services provided	<b>£1,639.8m</b>	£1,299.4m
<b>EBITDA</b> Earnings before interest, tax, depreciation, and amortisation – Reconciled to Operating profit in <a href="#">Alternative finance performance measures</a> section	<b>£882.2m</b>	£686.4m
<b>Operating profit</b> Revenue less operating expenses	<b>£464.2m</b>	£324.2m
<b>Profit for the financial year</b> Profit after taxation from our <a href="#">Financial statements</a>	<b>£78.9m</b>	£315.4m
<b>Capital expenditure</b> The amount spent to acquire, maintain, and enhance assets and infrastructure	<b>£989.8m</b>	£889.8m
<b>Regulatory Capital Value</b> The regulated valuation of Yorkshire Water	<b>£10,423.6m</b>	£9,475.5m
<b>Adjusted net debt<sup>1</sup></b> Yorkshire Water Financing Group net debt as defined by our financial covenants	<b>£7,585.7m</b>	£6,873.9m
<b>Gearing<sup>2</sup></b> The ratio of covenanted net debt to the published RCV	<b>72.8%</b>	72.5%
<b>Lowest of our class A ratings</b> The lowest of our ratings from the major credit reference agencies	<b>Baa2</b>	Baa2
<b>RoRE (Return on notional Regulated Equity)</b> As reported in our Annual Performance Report	<b>4.90%</b>	2.52%

<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.

<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](http://ofwat.gov.uk)

## Our financial performance

Revenue was higher by £340.4m for the year (26.2% increase), driven largely by higher regulatory revenues allowed as part of our AMP8 Final Determination, offset by lower usage as a result of the Temporary Use Ban in place from July to December 2025 as a result of the drought.

Operating costs have increased by £200.4m from £975.2m to £1,175.6m in the year (21% increase). Excluding depreciation, impairment and amortisation of £418.0m (2025: £362.2m – see [note 3](#) of the [Financial Statements](#)), our underlying operating costs have increased from £613.0m in 2025 to £757.6m. This increase includes higher staff costs (25% increase) due to additional headcount and increased hired and contracted services (53% increase), driven by significantly increased investment in the network for AMP8, alongside standard inflationary rises on business as usual services. We continued to strengthen our cost control across the business throughout the year which has mitigated additional operational pressures resulting from the drought conditions experienced over the year.

Overall, the net impact of the above movements is an increase to EBITDA of £195.8m (29% increase) and an increase in operating profit of £140.0m year on year (43% increase). A reconciliation between EBITDA and the statutory measure can be found earlier in the [Alternative Finance Performance Measures](#) section.

Net fair value movements shifted from a £309.6m credit to a £98.5m charge. The £309.6m credit in the year to 31 March 2025 was predominantly due to an increase in forecast future interest rates during that year, combined with a decrease in forecast inflation, resulting in favourable derivative valuation movements. In the year to 31 March 2026, movements in forecast future interest rates were more muted, whilst forecast inflation rose, resulting in the £98.5m charge. Net interest payable increased by £47.7m, driven by interest due on new fixed rate debt issued. See our [Managing financial risk and hedging](#) section later in this [Strategic Report](#) for more detail.

We are therefore reporting a profit for the financial year of £78.9m (2025: £315.4m), a decrease of £236.5m. This corresponds to an adjusted profit after taxation of £152.8m (2025: £83.2m). A reconciliation between this and the closest statutory profit measure can be found in the [Alternative Finance Performance Measures](#) section.

We have revalued infrastructure assets as at 31 March 2026. The revaluation decreased the asset value by £145.7m (2025: £nil) which has been reflected in the revaluation reserve. Please refer to [note 11](#) to the Financial Statements for more detail.

## Return on notional Regulated Equity (RoRE)

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

1. Cost performance measures the efficiency of our operational and capital expenditure by comparing it to allowed costs;
2. Service performance is measured by the customer Outcome Delivery Incentive (ODI) and Price Control Deliverable (PCD) 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 4.90% on a real notional equity basis as reported in Tables 1F and 4H of our Annual Performance Report. This comprises the base return of 5.34%, cost of debt outperformance of 1.54%, tax performance of 0.00%, customer ODI penalty performance of minus 1.53% and cost performance of minus 0.44%.

## Cost performance

The cost impact on RoRE of minus 0.44% primarily reflects the impact of the additional costs incurred within our retail business. Costs incurred within our wholesale business were below our Final Determination allowance, however this was primarily due to timing differences in the profile of expected spend across AMP8 which reduces the impact on RoRE.

## Outcome Delivery Incentives (ODIs)

ODI underperformance of 1.53% on RoRE reflects a net penalty, excluding C-MeX and D-MeX, of £60.8m (2023 prices). While we continue to make progress, we have experienced challenges, which have impacted performance in some areas. We acknowledge that our ODI performance has been disappointing and we cover the reasons for this, and the steps we are taking to improve, elsewhere in this [Strategic report](#).

## Delivering and governing our investment programme

Our Business Investment Committee governs the delivery of our investment programmes. Capital additions for 2026 were £989.8m (2025: £889.8m) (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 capital investment programme is set to continue to increase throughout the AMP, as we deliver our largest enhancement programme to date. Focus areas for this investment will be new commitments under the Water Industry National Environment Programme and a significant investment in storm overflows.

## Managing and governing our borrowing requirements

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

Total borrowings, including amounts owed to other group companies, were £7,481.9m as at 31 March 2026 (2025: £6,691.7m) and Yorkshire Water adjusted net debt was £7,586.6m at 31 March 2026 (2025: £6,874.7m). 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 2026, Yorkshire Water's Regulatory Capital Value (RCV), which is one of the components for setting customers' bills, was £10,423.6m (2025: £9,475.5m).

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 2026, Yorkshire Water Financing Group's (YWFG) (being Yorkshire Water Finance PLC, Yorkshire Water Services Limited and Yorkshire Water Services Finance Limited) Senior RAR was 72.8% (2025: 72.5%). 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:

- Issued combined debt of £700m in July 2025 in the form of two public sustainable bonds with 2033 and 2040 maturity dates and coupon rates of 6.0% and 6.625% respectively;
- Renewed a liquidity facility in March 2026 at £155.0m with five banks, which is required as a standby facility to cover our operating and maintenance cost obligations; and
- Extended the date of issuance on the rolling five-year evergreen debt service reserve guarantee issued by Assured Guaranty UK Limited to maintain the five-year term. Required to cover Yorkshire Water's debt service obligations, the level of facility was increased to £250m.

To date, £3,450m 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>	BBB+	BBB-	Stable	April 2025
<b>Moody's</b>	Baa2	Ba1	Stable	December 2025
<b>S&amp;P</b>	BBB+	BBB-	Stable	February 2025

On 5 November 2025, 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 continue to target to hold at least 15 months of future cash requirements at all times. Activity during the year, has been focussed on continued achievement of this level.

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

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

The maturity dates of the company's portfolio of inflation linked swaps ranges from 2028 to 2063. The swaps held by the company gave rise to a net negative fair value at 31 March 2026 of £1,250.1m (2025: £1,193.0m net negative fair value). 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 2026, Yorkshire Water had hedged over 94% of its forecast baseload energy requirements for the year to 31 March 2027 and 97% of forecast requirements across AMP8. Hedges were made through a combination of forward commodity hedges, financial energy swaps and forecast self generation.

The percentage figures are presented relative to the purchased baseload volume. Yorkshire Water leaves an additional 10-15% of the total forecast electricity consumption 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 £34.9m (2025: £114.2m) is due to:

- A credit of 0.2m (2025: £23.2m charge) regarding 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. Further details are provided in [note 8](#) to the [Financial Statements](#); and
- A charge of £35.1m in relation to the non-cash movement in our deferred tax provision (2025: £91.0m).

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 2026 and 2025 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 2026 was 30.7% (2025: 26.6%) calculated by comparing the company's profit before tax of £113.8m (2025: £429.6m) and total (current and deferred) tax charge for the year of £34.9m (2025: £114.2m). 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:

	2026 £m	2025 £m
<b>Taxes, duties, and rates included in operating costs and a cost to Yorkshire Water</b>		
Business rates	47.6	57.7
Employer's National Insurance Contributions (NICs)	27.6	19.0
Carbon Reduction Commitment and Climate Change Levy	4.3	4.0
Abstraction licences and direct discharges	25.2	21.9
Fuel duty	1.2	1.2
	<b>105.9</b>	<b>103.8</b>
<b>Taxes, duties, and rates included in operating costs, remitted on behalf of employees</b>		
Employee's Pay As You Earn (PAYE)	36.3	30.0
Employee's NICs	10.5	8.7
	<b>46.8</b>	<b>38.7</b>
<b>Total taxes, duties and rates included in operating costs and a cost to Yorkshire Water</b>	<b>152.7</b>	<b>142.5</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)	42.1	35.6
<b>Total tax contribution</b>	<b>194.8</b>	<b>178.1</b>

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](http://yorkshirewater.com/about-us/tax)

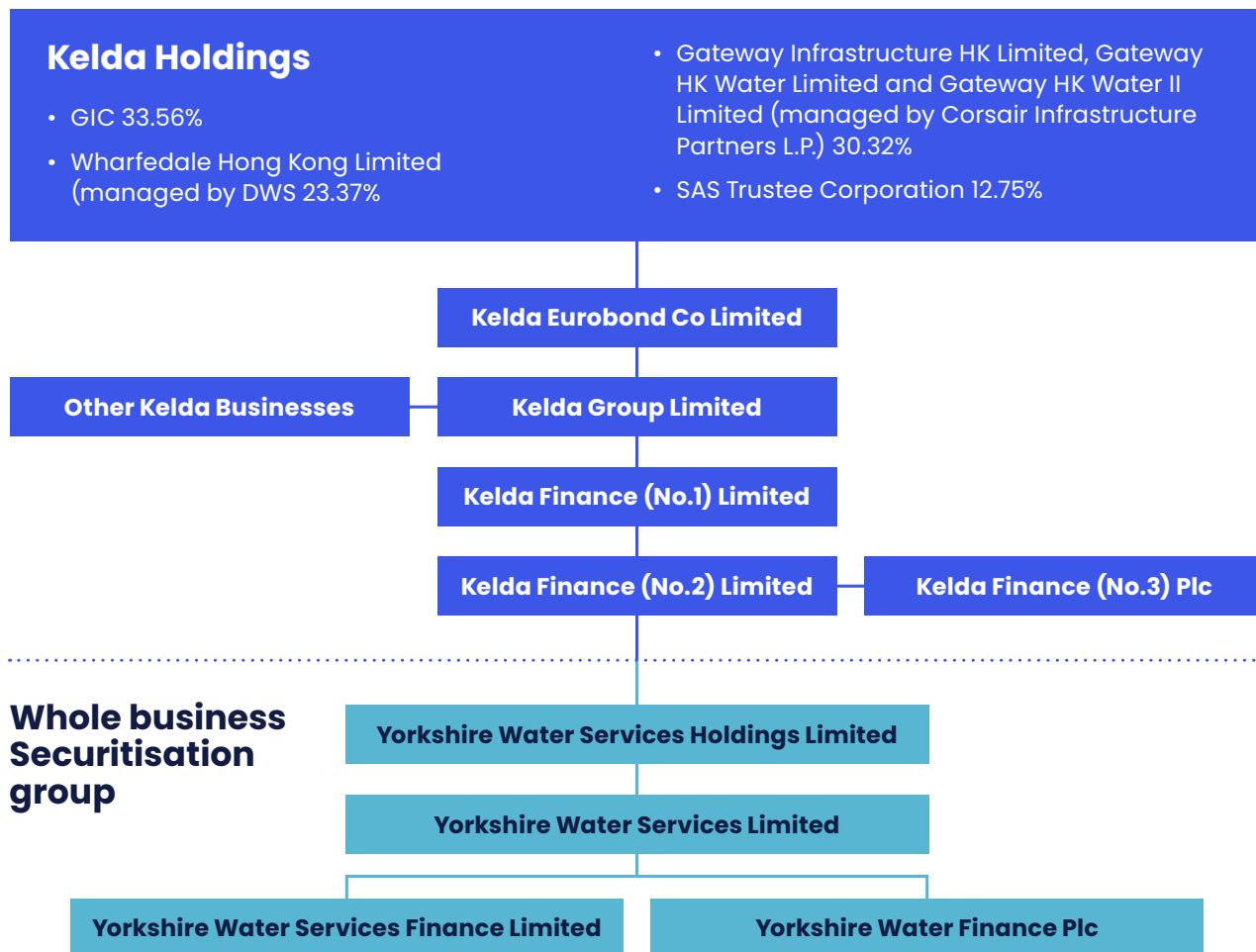
## Dividends

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

## Our corporate structure

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

## Summarised Kelda group structure as at 31 March 2026



## 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

**Managing our risks and uncertainties well helps ensure that we can meet our customers' needs, protect the environment, keep our colleagues safe and well, and ensure a sustainable business into the future.**



**Risk management is a fundamental part of our ways of working, helping us to predict and prepare for challenges. It is not about refusing to take risk, but ensuring that risk is carefully managed so it does not impact on us achieving our objectives.**

The Board sets and monitors the amount of risk we are prepared to accept through our risk appetite framework. Then we have a risk management framework to assess and manage the risks facing the business.

### Our strategic horizon scan

Strategic horizon scanning identifies and assesses key external trends and how they could impact Yorkshire Water, our customers and stakeholders, in the future. It covers political, legal, environmental, social, technology and economic categories. This can include both potential threats and potential opportunities.

Strategic trends typically develop over long periods of time, and the scan evaluates how these trends are evolving and how they might impact on how we operate in the coming years. This work informs our medium and long-term business planning to make sure we are resilient to future risks.

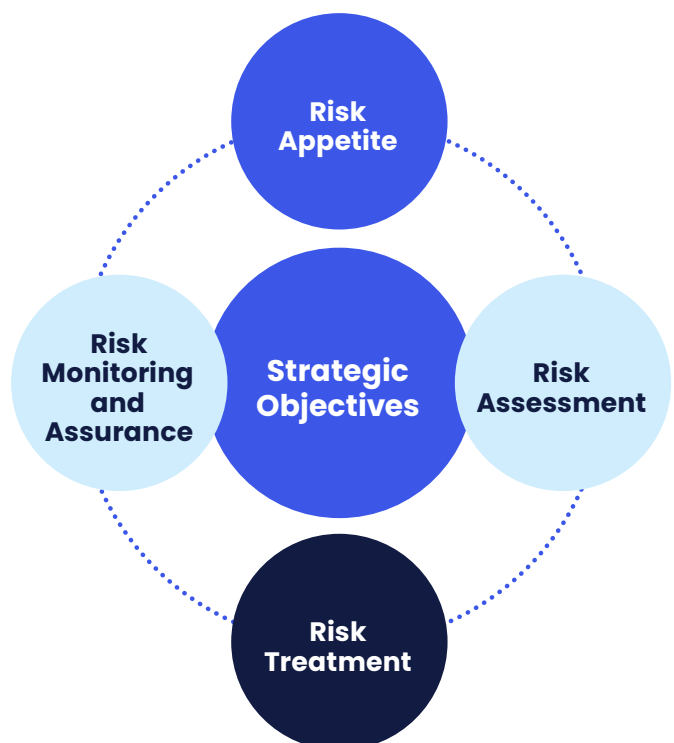
We take the outputs from each scan and build these into our forward planning, including into investment decisions, water and wastewater resource planning, and workforce planning. We apply an impact and likelihood score to enduring trends and manage them through our risk management process, to ensure a proportionate response and that the necessary controls are in place.

### Our risk management framework

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

The Board maintains oversight of risk management through a combination of updates and deep dives across its various Committees. Risk identification is embedded in all our operational systems and is also done through horizon scanning, which involves looking at medium to long term trends.

A risk assessment matrix ensures a consistent measurement of both the impact and likelihood of various risk categories, such as customer service, finance, reputation, compliance, health and safety, environment, and people. The impact ranges from very low, for example, a minor, contained environmental event to very high, for example, a category 1 pollution event. The likelihood and frequency of these risks is also assessed, providing an overall risk score.





**Impact**

**Likelihood**

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

During the year, an Executive Audit and Risk Forum was set up for the Executive team to spend time specifically reviewing audit and risk matters, including a regular review of the principal risks facing the organisation, to ensure these accurately reflect the latest risk position.

Our corporate risks and risk appetite statements are reviewed at least annually by the Executive team and the Audit and Risk Committee. This is supported by key risk indicators monitored by the business.

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

## Our principal risks

Our principal risks are our aggregated top risks from the corporate risk register which have the potential to threaten resilience, prevent us achieving our strategic objectives or take the business significantly beyond our risk appetite.

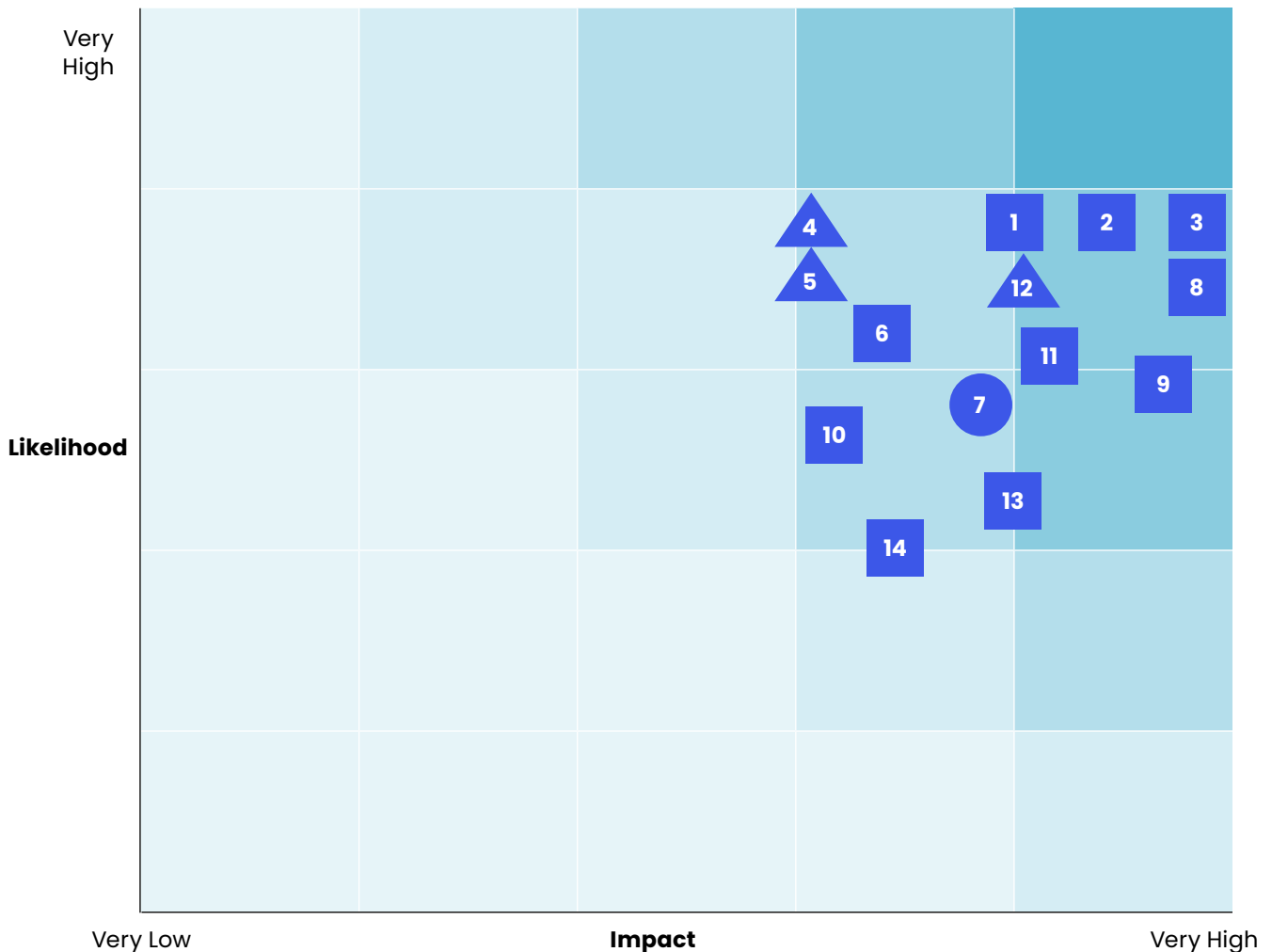
The heat map below illustrates our present level of risk exposure following the implementation of control measures.

The environment in which we operate is becoming ever more challenging. There are increasing expectations from customers, rapid advances in artificial intelligence and technology, more frequent extreme weather events, increased public scrutiny of the sector, and global geo-political tensions that add volatility, heightened security risks, and uncertainty across critical supply chains. At the same time, AMP8 is seeing record levels of investment, unprecedented capital expenditure, and deeper reliance on supply-chain resilience and capacity.

During the year we have kept our principal risks under review, and have included a new risk relating to the delivery of our capital programme, given the scale of this and how crucial this is to achieving the improvements in performance we are targeting in the current AMP. The risk included last year in relation to land and property management has been removed as a principal risk as it is not believed this is one of the key risks facing the business at the current time. The risk in relation to governance, conduction and organisational resilience has also been removed as it is felt that this is adequately covered as part of the other principal risks.


### Key

- New risk
- ▲ Increased risk since last year
- Static risk
- ▼ Decreased risk since last year




## 1. Customer experience

The risk of failing to meet the needs and changing expectations of our customers, due to weaknesses in systems, processes or decision-making, and evolving expectations around affordability, accessibility, engagement and service during incidents, may lead to poorer service outcomes, reduced trust and reputational harm.

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b> Right for customers</p>	<ul style="list-style-type: none"> <li>• Customer insight and engagement, using independent and direct channels, including the Customer Forum, Consumer Council of Water engagement, research and live customer engagement, to inform decisions and plans.</li> <li>• Inclusive and accessible customer support, delivered through ISO 22458 accredited inclusive service standards, maintenance of the Priority Services Register, multi channel contact options and prioritisation of customer needs within incident management arrangements.</li> <li>• Targeted affordability and vulnerability support through five customer support schemes, supporting customers who may struggle to pay.</li> <li>• Customer centred service design, including end to end journey reviews to identify customer needs, pain points and outcomes, and targeted improvements that deliver greater ease, care and value.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance in this area has worsened in the year, with us moving from 10th to 12th in the sector in relation to customer experience. We are taking a number of steps to seek to improve performance as set out below, and in our <a href="#">Right for customers</a> section.</li> <li>• Customer governance has been strengthened towards the end of the year, including establishment of a monthly Customer Committee and fortnightly Customer Clinics, improving oversight and responsiveness.</li> <li>• Customer involvement in decision making enhanced, with new and updated processes developed to meet Ofwat requirements for involving customers in decisions that may materially impact them.</li> <li>• Customer focused strategy embedded, including refreshed colleague behaviours aligned to the principles of ease, care and value.</li> </ul>

## 2. Treating wastewater

The risk of failing to transport and treat wastewater effectively, due to capacity constraints, operational issues, severe weather, poor asset management, or equipment failure, may lead to pollution and flooding, harm to customers and the environment, regulatory non-compliance and reputational damage.

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b></p> <p>Right for customers</p> <p>Right for the environment</p> <p>Improve asset performance</p>	<ul style="list-style-type: none"> <li>• Strategic planning and assurance through the Drainage and Wastewater Management Plan, providing long term visibility of capacity constraints, growth pressures, climate impacts, and investment priorities.</li> <li>• Operational resilience delivered by customer, field, asset management, river health, and pollution teams, supported by 24/7 central control and wastewater service partners to prevent, detect and respond rapidly to operational incidents.</li> <li>• Asset management and maintenance supported by improved asset data management and integration, enabling more effective condition monitoring, maintenance planning, and prioritisation of critical wastewater assets.</li> <li>• Monitoring and control through enhanced operational technology and sampling programmes, including real-time optimisation of assets, chemical dosing control, site inspections, and compliance monitoring to reduce the risk of pollution and flooding events.</li> <li>• Customer and community engagement programmes focused on the safe and appropriate use of the wastewater network, helping to prevent blockages, reduce misuse and protect network performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Pollution performance has been disappointing in the year and we are making significant investments to address this, as set out below and in our <a href="#">Right for the environment</a> section.</li> <li>• Pollution planning and assurance strengthened, with publication of a new, independently assured, Pollution Incident Reduction Plan in March 2026 in line with the Water (Special Measures) Act 2025, setting out performance, actions delivered, and forward plans.</li> <li>• Clear ownership and delivery accountability established, including appointment of a dedicated Pollution Reduction Manager, and strengthened cross-business coordination to drive pollution reduction activity.</li> <li>• Asset maintenance transition towards a more proactive maintenance schedule, backlog reduction, and closer alignment of Process, Technical, and Flow and Spills teams with operations.</li> <li>• Improved discharge permit compliance through tighter operational controls and progress on gas-to-grid capability to better utilise biogas and reduce operating costs.</li> </ul>


### 3. Enough clean, safe drinking water

The risk of disruption to the supply of clean, safe drinking water due to asset failure, insufficient capacity, raw water availability, quality issues, power disruption, inadequate maintenance, or extreme weather, may lead to customer detriment, regulatory non-compliance, increased costs and reputational damage.

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b></p> <p>Right for customers Right for the environment Improve asset performance</p>	<ul style="list-style-type: none"> <li>• Strategic planning and assurance through Drinking Water Safety, Water Resource Management and Drought Plans, supported by strong governance over reservoir safety, asset integrity and water quality compliance.</li> <li>• Operational resilience delivered by integrated field, asset, production, distribution and quality teams, supported by 24/7 central control, clean water partners and alternative water supply arrangements.</li> <li>• Asset and demand management focused on predictive and preventative maintenance, extensive mains renewal, pressure management, water efficiency audits and an expanding smart meter rollout.</li> <li>• Monitoring and incident response via continuous oversight of water quality, supply and raw water availability, with mitigation plans activated during low water conditions.</li> <li>• Power resilience and recovery strengthened through resilience groups, onsite power generation and uninterrupted power supply at critical sites to manage and recover from outages.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued improvement in drinking water quality, including a significant improvement in the Compliance Risk Index.</li> <li>• Maturing demand reduction programme, including significant pressure management, 174.7km of mains renewal, 307,000 smart meters in operation, and an extensive water efficiency audit programme.</li> <li>• Effective management of the 2025 drought, with minimal customer supply disruption, despite periods of high demand and localised pressure issues.</li> <li>• Ongoing monitoring confirms no Tier 3 PFAS inlet or treated water sites, with no concerning upward trends identified.</li> <li>• Maintenance effectiveness improved through delivery of the Maintenance Effectiveness Programme, strengthening planning, technology use, asset governance and delivery capacity.</li> </ul>


## 4. Climate change and carbon transition

**The risk that we fail to effectively adapt to climate change and transition to net zero greenhouse gas emissions, due to increasing frequency and severity of climate impacts, and uncertainty over future conditions, may lead to service disruption, regulatory failure, increased costs, and reputational harm.**

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b></p> <p>Right for customers</p> <p>Right for the environment</p> <p>Sustainable business</p>	<ul style="list-style-type: none"> <li>• Strategic planning and decision making, including adaptive pathway approaches within long-term plans, enabling flexibility in response to climate uncertainty.</li> <li>• Partnership and catchment based approaches to resilience and decarbonisation, including whole catchment management, nature based solutions and regional collaborations to reduce flood risk and enhance system resilience.</li> <li>• Investment in climate resilience, including flood response plans, vulnerable asset plans, natural flood management and delivery of power and flood price control investment.</li> <li>• Carbon reduction and transition planning, driven by delivery of the Net Zero Transition Plan, verified by BSI, and integration of whole life cycle carbon considerations into capital delivery and asset investment decisions.</li> <li>• Risk monitoring, governance and disclosure, supported by regular climate risk assessment and reporting through both climate and nature-based non-financial disclosures, and adaptation reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• The risk has increased in the year due to the higher frequency and severity of climate impacts, such as the drought in the year and the significantly wetter months that followed this.</li> <li>• Drought conditions in the year reinforced the need to strengthen long term water supply resilience and highlighted the interdependencies between climate adaptation and carbon mitigation investment.</li> <li>• Integrated water management plans initiated across 14 key locations, with an initial focus on reducing flood risk and improving catchment resilience.</li> <li>• Storm Overflows Discharge Reduction Plan in delivery, achieving a 25.5% reduction in storm overflow use since 2021, after normalising for rainfall, and building long-term resilience to changing rainfall patterns.</li> <li>• Renewable energy generation increased through bioresources and solar programmes, improving power resilience and reducing operational emissions.</li> <li>• Improved understanding of process emissions, following a sector led review of nitrous oxide emission factors, with updated emissions incorporated into the Net Zero Transition Plan.</li> <li>• Voluntary adoption of nature-related risk disclosures strengthening understanding of climate and nature interdependencies and our impact and dependency on nature.</li> </ul>


## 5. Public and colleague safety

The risk of failing to protect the safety, health and wellbeing of our colleagues, contract partners and customers, as a result of ineffective identification, design or operation of necessary controls, may lead to harm, regulatory intervention, disruption and reputational damage.

Change in year	Mitigations	Key updates
 <p data-bbox="167 683 295 750"><b>Strategic objective</b></p> <p data-bbox="167 761 319 817">Sustainable business</p>	<ul style="list-style-type: none"> <li>• Health and safety framework and standards aligned to ISO 45001, supported by policies, procedures and clear minimum standards for colleagues and contract partners.</li> <li>• Leadership, culture and capability, including mandatory safety training, life saving rules, the Stop Work principle and visible leadership through regular safety activities.</li> <li>• Monitoring, assurance and learning, including incident and near miss reporting, site visits, inspections, second line assurance audits and lessons learnt activity.</li> <li>• Process and asset safety management, supported by process hazard reviews, targeted control testing and action plans for higher risk operational activities.</li> <li>• Strong governance and oversight, with health and safety discussed at Board, Safety, Health and Environment Committee, and Executive level.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Lost Time Injury Rate has risen slightly in the year but remains low.</li> <li>• Serious Injury and Fatality (SIF) Prevention Minimum Standard introduced for contract partners, with plans to extend similar arrangements to colleagues, strengthening control of high potential incidents.</li> <li>• Health and wellbeing provision enhanced, including the appointment of a registered Mental Health Nurse, expanded Mental Health First Aider training and wellbeing leads across the business.</li> <li>• Increased second line health and safety assurance capacity, alongside continued improvement of audit and inspection processes.</li> <li>• Targeted health and safety basics campaigns continued, focusing on prevention of common causes of Lost Time Injuries, including slips, trips, manual handling, hand safety, and driving.</li> <li>• Collaborative safety improvement groups established to address priority risks, including site standards and public safety.</li> <li>• Strong partner engagement maintained through forums, reinforcing consistent safety expectations and shared learning across contractors.</li> </ul>

## 6. Supply chain resilience

The risk that disruption to the supply chain affects the availability and cost of critical materials, services or energy due to geo-political instability or increased demand from AMP8 delivery, may lead to operational disruption, delivery delays, cost escalation and reputational impact.

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b> Sustainable business</p>	<ul style="list-style-type: none"> <li>• Proactive supply chain management, supported by strengthened in house contract and supplier expertise, robust commercial agreements to secure value, and ongoing monitoring of short, medium and long term supply chain risks, including supplier financial health.</li> <li>• Supply chain resilience and geopolitical preparedness, supported by collaboration with key stakeholders and suppliers, key supplier relationship management, energy cost hedging, and targeted stockpiling or network expansion where appropriate.</li> <li>• Critical materials diversification and monitoring, including critical chemicals, use of alternative materials where appropriate, and ongoing monitoring of supply availability.</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain arrangements embedded to support AMP8 delivery, including strengthened governance and optimisation initiatives, framework agreements, and targeted actions to mitigate the risk of disruption to critical materials and services.</li> <li>• Ongoing conflicts have introduced significant instability across global oil, gas, energy prices and freight markets, which in turn creates operational and financial pressures.</li> <li>• Supply chain resilience strengthened through continued use of local suppliers where appropriate, aligned to our Sustainable Business Framework.</li> </ul>

## 7. Capital programme delivery

**The risk that we fail to deliver the AMP8 capital programme within regulatory allowances and milestones, due to its significantly increased scale and complexity, may lead to cost pressures, failure to meet performance commitments, regulatory intervention, reduced stakeholder confidence and reputational damage.**

Change in year	Mitigations	Key updates
<p><b>New</b></p> <p><b>Strategic objective</b></p> <p>Improve asset performance</p> <p>Right for customers</p> <p>Right for the environment</p>	<ul style="list-style-type: none"> <li>• Integrated capital programme governance, with clear ownership and accountability for regulatory milestones, scope and financial allowances at portfolio and programme level.</li> <li>• Robust planning and delivery assurance, including detailed planning, milestone tracking and escalation processes for projects with limited delivery contingency, supported by early warning indicators and formal hyper care arrangements.</li> <li>• Cost control and value for money challenge, through design assurance, application of the total expenditure hierarchy, affordability challenge against Final Determination allowances and disciplined scope management.</li> <li>• Supply chain and workforce readiness, supported by commercial strategies, partner performance management, capacity planning and strategic workforce plans to ensure the right skills and resources are available.</li> <li>• Regulatory reporting and oversight, maintaining transparency of delivery confidence, risks and mitigations through regular reporting and assurance to Ofwat and internal governance forums.</li> </ul>	<ul style="list-style-type: none"> <li>• AMP8 delivery has commenced, with a materially larger and more complex capital programme increasing pressure on sequencing, resources and supply chains.</li> <li>• We have delivered our biggest ever capital investment in a year as described in more detail elsewhere in this report.</li> <li>• Regulatory milestones and Price Control Deliverables identified as critical outcomes, with stronger focus on early identification of delivery risks and proactive escalation for projects with limited contingency.</li> <li>• Enhanced delivery controls introduced, including formalised hyper care triggers, updated technical assurance procedures to drive pace at early gateways, and deployment of artificial intelligence enabled schedule risk management.</li> <li>• Targeted acceleration planning underway, particularly across the wastewater Water Industry National Environment Programme, supported by strengthened workforce and capability planning.</li> </ul>


## 8. Technology and data resilience

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

Change in year	Mitigations	Key updates
 <p data-bbox="167 649 287 705"><b>Strategic objective</b></p> <p data-bbox="167 728 319 862">Sustainable business Strategic change</p>	<ul style="list-style-type: none"> <li>• Technology and data frameworks and governance, including information and operational technology frameworks, data quality standards and formal governance arrangements supported by change advisory boards and associated forums.</li> <li>• Resilience, continuity and recovery, underpinned by technology incident response processes, backup and recovery plans, and business continuity arrangements to minimise disruption from system failures or cyber incidents.</li> <li>• Monitoring, detection and protection, supported by technology asset monitoring tools, detection and response capabilities and data loss prevention controls to reduce the risk of data compromise or system failure.</li> <li>• Supplier and third party management, including supplier relationship frameworks, engagement policies and contract management arrangements to manage technology dependency and third party risk.</li> <li>• Capability and critical resource oversight, ensuring appropriate resourcing, specialist expertise and engagement with critical technology suppliers to support system resilience and recovery.</li> </ul>	<ul style="list-style-type: none"> <li>• Technology governance and assurance strengthened, including expansion and development of the Technology Governance, Risk and Compliance function.</li> <li>• Control and assurance maturity enhanced, through continual improvement of the technology audit control framework and strengthened review of technology and data risks.</li> <li>• Forward looking assurance activity established, with internal technology audit plans defined for 2027 to support proactive risk identification and oversight.</li> </ul>

## 9. Cyber and physical security

**The risk that our core operational capabilities are compromised through cyber or physical threats, may lead to disruption to services for customers, regulatory breaches, colleague impacts, financial loss and reputational damage.**

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b> Sustainable business</p>	<ul style="list-style-type: none"> <li>• Security frameworks, governance and assurance, including a security compliance framework with supporting governance, risk and oversight arrangements embedded at all levels of the business.</li> <li>• Technology and physical protection controls, including network security, endpoint protection, identity and access management and physical security measures proportionate to asset criticality.</li> <li>• Resilience, incident response and continuity, supported by incident response processes, business continuity plans and regular assurance to minimise disruption from security incidents.</li> <li>• People capability and security culture, including mandatory cyber and protective security training for all colleagues, supported by ongoing communications and awareness activity.</li> </ul>	<ul style="list-style-type: none"> <li>• Security governance and capability strengthened, including establishment of enhanced security governance delivering cyber security strategy, regulatory compliance and integrated risk management.</li> <li>• Regulatory and assurance milestones achieved, including sector profile Network and Information Systems compliance in April 2025, completion of the Cyber Security Assurance Framework internal audit in January 2026, and conclusion of the Security and Emergency Measures Direction regulatory return in March 2026.</li> <li>• Threat detection and security culture enhanced, through investment in advanced threat intelligence tools and continued training, development and phishing simulation activity for colleagues.</li> </ul>

## 10. Political and regulatory change

**The risk that we fail to effectively influence, anticipate and adapt to political, regulatory or statutory change, may lead to misalignment between external requirements and our plans, non-compliance, constraints on delivery for customers and the environment, and damage to stakeholder trust, confidence and reputation.**

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b> Sustainable business</p>	<ul style="list-style-type: none"> <li>• Horizon scanning including strategic annual reviews and structured monitoring of political, legislative and regulatory developments to identify emerging risk and opportunities.</li> <li>• Proactive stakeholder and regulatory engagement, supported by strong relationships and active participation in industry, cross sector and regulatory forums, enabling us to influence policy development, understand evolving expectations and maintain credibility and trust.</li> <li>• Integrated planning and regulatory readiness, ensuring emerging requirements are embedded into business planning, investment prioritisation and delivery decisions, and supporting orderly transition to new or evolving regulatory frameworks.</li> </ul>	<ul style="list-style-type: none"> <li>• Readiness activity progressed to support the pace and volume of change and the transition to evolving legislative and regulatory frameworks, with regulatory change increasingly reflected in planning, investment decisions and assurance arrangements.</li> </ul>

## 11. Delivery of required strategic change

**The risk that strategic change programmes do not deliver the intended benefits due to the scale and complexity of concurrent change across AMP8, may lead to failure to achieve our business plans and adverse impacts on colleagues, customers, the environment, and our reputation.**

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b></p> <p>Strategic change</p> <p>Right for customers</p> <p>Right for the environment</p>	<ul style="list-style-type: none"> <li>• Enterprise-wide change delivery framework providing consistent governance, controls and reporting across all strategic change programmes.</li> <li>• Portfolio-level governance and prioritisation, including the Strategic Change Board and alignment to Business Investment Committee and Maintenance &amp; Growth Board, to manage dependencies, sequencing and investment decisions.</li> <li>• Standardised business case and benefits management, with defined benefit ownership, financial challenge and rolling reviews to drive realisation of the AMP8 strategic change programme benefits.</li> <li>• Capacity and capability oversight, including integrated change roadmaps and scrutiny of organisational readiness</li> <li>• Independent assurance, including agile internal audit reviews and second-line risk oversight.</li> </ul>	<ul style="list-style-type: none"> <li>• Transition from AMP7 modernisation to a broader, enterprise-wide AMP8 strategic change portfolio, increasing scale and complexity.</li> <li>• Rolling reviews of strategic programmes commenced, covering scope, costs, benefits, and resource profiles to strengthen confidence in delivery.</li> <li>• Recognition that a number of historic benefit assumptions require reassessment, with action underway to improve consistency and transparency of benefit tracking.</li> </ul>


## 12. Legal and regulatory compliance

The risk of failing to comply with our legal and regulatory obligations due to the complexity and evolving nature of requirements, or weaknesses in how obligations are identified, interpreted or embedded across the business, may lead to harm to customers or the environment, financial penalties, increased regulatory intervention and reputational damage.

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b></p> <p>Right for customers Right for the environment Sustainable business</p>	<ul style="list-style-type: none"> <li>• Compliance framework and governance embedded across the organisation, supported by clearer accountability, improved data and reporting, and enhanced Board and Executive oversight.</li> <li>• Centralised obligation management, with the Compliance Register acting as the definitive record of legal and regulatory requirements, assigned ownership, controls, risk assessments and improvement actions.</li> <li>• Dedicated compliance capability, combining a central compliance team with a network of business compliance leads and subject matter experts providing oversight, challenge and assurance.</li> <li>• Integrated Management System and standards, including policies, procedures and controls accredited to relevant ISO standards to support consistent operational compliance.</li> <li>• People and culture strengthened through mandatory compliance training, targeted environmental responsibility training and a renewed focus on compliant behaviours.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance assessment methodology enhanced, improving transparency of compliance gaps and strengthening Executive and Board oversight.</li> <li>• Compliance roadmaps in place for all known areas of non compliance, sponsored by Senior Leaders and tracked to delivery.</li> <li>• Regular senior leadership compliance reviews established, reinforcing ownership and accountability.</li> <li>• Closer collaboration between compliance and risk teams, improving documentation, risk assessment and escalation.</li> <li>• Strategy and behaviours refreshed, reinforcing a culture of compliance and early identification of issues.</li> </ul>


### 13. Financial sustainability

The risk of failing to meet our financial obligations or access funding at acceptable market rates due to deteriorating financial metrics, credit rating downgrades, or capital market turbulence, may lead to increased financing costs, constrained investment capacity and reputational impact.

Change in year	Mitigations	Key updates
 <p data-bbox="167 672 287 739"><b>Strategic objective</b></p> <p data-bbox="167 750 319 817">Sustainable business</p>	<ul data-bbox="343 604 925 1456" style="list-style-type: none"> <li>• Long-term financial planning and viability assessment, including annual long-term viability reviews and stress testing to assess resilience under a range of financial, regulatory and market scenarios.</li> <li>• Board-approved budgeting and performance management, with annual budgets set with appropriate headroom against key financial metrics, supported by monthly reporting, analysis and corrective action where required.</li> <li>• Strong treasury and liquidity management, underpinned by Board-approved treasury policies, quarterly treasury reporting, financial risk management controls and a minimum 15-month liquidity target to maintain funding resilience.</li> <li>• Prudent capital and dividend governance, including a dividend policy aligned with Ofwat guidance and licence conditions, requiring explicit Board consideration of financial resilience prior to any distributions.</li> <li>• Specialist oversight and assurance, with regular support from internal and external financial, treasury and legal specialists, providing independent challenge and assurance over funding, covenant compliance, and market engagement.</li> </ul>	<ul data-bbox="949 604 1436 1456" style="list-style-type: none"> <li>• Successfully raised £700m of new debt finance in July 2025, evidencing continued access to funding at acceptable market rates.</li> <li>• Financial resilience metrics stable, with credit ratings remaining unchanged across all three rating agencies during the year.</li> <li>• Strong liquidity position sustained, with available liquidity in the Yorkshire Water Financing Group of £1,282.2m at 31 March 2026, sufficient to cover forecast cashflows until March 2028.</li> <li>• Shareholder support reinforced, following a change in shareholding after the year end and a reiterated commitment to the repayment of the final intercompany loan instalment by March 2027.</li> </ul>

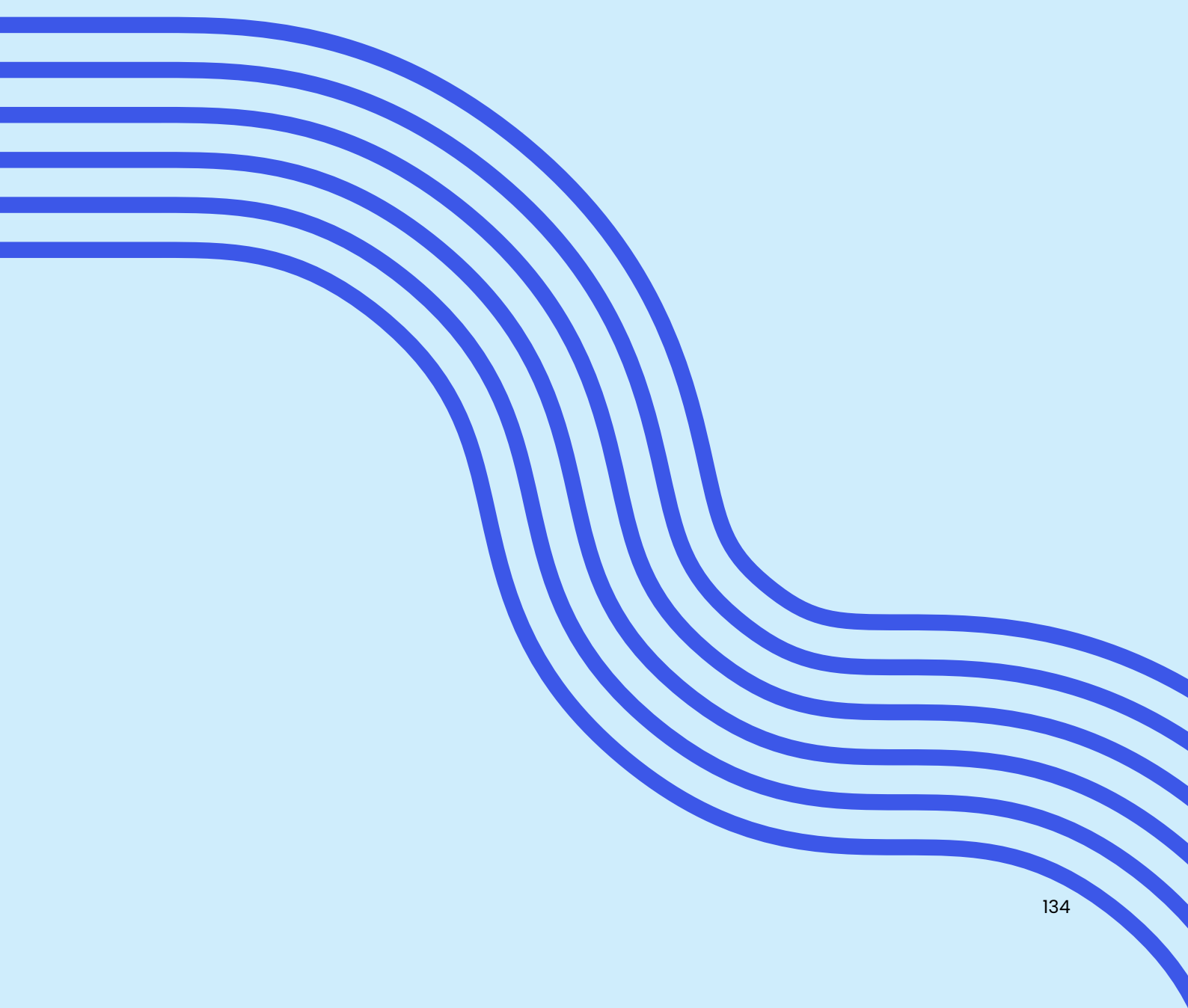
## 14. People capability and capacity

The risk that organisational capacity and capability are reduced due to challenges in morale, trust, succession, retention or the effectiveness of people policies, processes and career opportunities, may lead to delivery shortfalls, reduced resilience, increased costs and adverse impacts on performance and culture.

Change in year	Mitigations	Key updates
 <p><b>Strategic objective</b></p> <p>Engaged, high-performing team</p>	<ul style="list-style-type: none"> <li>• People policies, governance and support, with documented policies, standards and toolkits supported by an established HR business partner model to ensure consistent and compliant people management across the organisation.</li> <li>• Capability, performance and leadership development, including mandatory training, the Learning Academy, leadership pathways and the Performance Excellence Framework to build skills, succession and high performance.</li> <li>• Engagement, inclusion and culture, supported by regular colleague engagement surveys, Equality, Diversity and Inclusion initiatives, Trade Union engagement and a continued focus on wellbeing and colleague voice.</li> </ul>	<ul style="list-style-type: none"> <li>• The significant recruitment in the year has increased the risk rating slightly due to the need to ensure new recruits have the right capability, which is being mitigated by training and supervision. At the same time the additional capacity provided by the recruits has increased the resilience of the business, therefore reducing the overall risk rating to a static level.</li> <li>• Colleague engagement strengthened, with increased participation and improved engagement scores in the Yorkshire Voice survey, supported by leadership analysis and action planning.</li> <li>• People capability and behaviours refreshed, including launch of evolved behaviours in March 2025, refreshed hybrid learning, new People Leader Essentials and the introduction of a Licence to Recruit for hiring managers.</li> <li>• Improved people data and career support, enabled by deployment of Employee Central to enhance Equality, Diversity and Inclusion reporting, launch of a career toolkit to support career conversations, and introduction of the Thriving Together recognition portal.</li> </ul>



# Going concern and long-term viability



## Going concern

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

## Long-term viability

The Board has assessed the Long-term Viability (LTV) of the company, taking account of the current position, the potential impact of the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. Based on this assessment, the Board has a reasonable expectation that the business will be able to continue in operation and meet its liabilities as they fall due over the seven year period to March 2033. This takes the company through the Asset Management Period (AMP) 8 and beyond into the first three years of AMP9.

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

## Basis of assessment

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

- Support from shareholders with the planned equity contribution of approximately £600m during the year ending 31 March 2027 to support the repayment of the remaining balance of intercompany loans of £437m plus any accrued interest, further strengthening financial resilience during AMP8;

- The issuance of £700m of new debt throughout the year, through the issuance of public bonds in July 2025, resulting in 24 months liquidity at the year end;
- These financings demonstrate both the ability of the company to continue to raise finance and also the continued interest from global investors;
- The company's regulated gearing has increased to 71.0% at March 2026, up from 70.3% a year earlier, which reflects the significant capital investment made by the company over the last year. Supported by the intercompany loan repayment due in March 2027, regulatory gearing is forecast to reduce by around five percentage points by the end of AMP8, providing significant headroom to maximum gearing levels included within the company's securitised structure. Our regulated gearing is slightly different from the covenanted gearing shown in our [Key performance indicators \(KPIs\)](#) section, as these are calculated on slightly different bases; and
- The company's credit ratings with three agencies (Fitch, S&P and Moody's) all have headroom above the investment grade level.

A further critical aspect of the LTV assessment is that Yorkshire Water is a regulated long-term business with relatively stable revenues, which provide a higher degree of cash flow certainty. The water industry in England and Wales is currently subject to economic regulation, rather than market competition. Ofwat, the economic regulator, has a statutory obligation to secure that water companies can finance the proper carrying out of their statutory functions. Ofwat meets this obligation by setting price controls for five year periods (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 final determination received from Ofwat in December 2024. Our PR24 Business Plan includes a significant increase in investment in the business to £8.3bn (2023 prices) which will require additional financing to support.

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

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

The planned investment programme is expected to be largely funded through access to capital markets. Our strategic funding objectives reflect the long-term nature of the company's business and we seek to obtain a balance of securing long-term funding at the best possible economic cost. Our Treasury Policy requires us to target sufficient liquidity to cover non-discretionary cash flow requirements for a rolling period of 15 months or more to provide contingency in the event that capital market access is temporarily restricted. Our Treasury team actively manages the maturity profile of debt to avoid concentration risk and spread the timing of refinancing requirements. The weighted average maturity of debt at the balance sheet date was 12 years.

Our business plan for AMP8 includes a significant increase in the size of our capital programme. We have increased our run-rate across the last year to provide confidence that we can achieve the run rate required to deliver the AMP8 programme. We recognise the requirement for equity funding to contribute towards the financing of the capital programme. Our investors will have provided approximately £1.1bn of additional equity finance through the repayment of intercompany loans across the four years to March 2027, including approximately £600m expected in the coming year.

## Assessment period

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

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

We have an established forecasting process that provides a detailed medium-term plan through to the end of the AMP8 period in 2030. Ofwat's final determination for the AMP8 period was published in December 2024 which helps to provide greater clarity and robustness to our forecasting process through to 2030. Beyond 2030, there is much greater uncertainty as the variability of potential outcomes increases, which reduces the rigour of any forecasting beyond 2030.

Taking the above factors into account, the Board considers that a period of seven years through to 2033 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 the [Managing risks and uncertainties](#) section, and is intrinsically linked to the company's regular and ongoing risk management process. This extensive risk assessment covers:

- A comprehensive strategic horizon scan of the external risks that affect the sector, as well as risks specific to our company and their potential impact;
- The full range of risks, stresses and shocks which could impact the company over the short, medium and long-term as captured in the corporate risk register, such as strategic, financial, operational, climate, environmental 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 14 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:

- Three bottom-up specific risk based scenarios built up on an individual risk basis, as detailed within the viability assessment section below (medium, high and extreme);
- Five top-down generic scenarios including RoRE based financial penalties, 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 PR24 appeal process and those prescribed by Ofwat as part of the financial resilience assessment conducted for PR24.

In considering significant events in the past, we have paid attention to events across the 2020-25 period, with a particular focus on the financial year ending 31 March 2023, which is still considered to be an extreme year, with three significant risk events manifesting simultaneously:

- Major drought (the most severe dry weather period in 27 years, at that time);
- 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 close to the medium risk-based scenario 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.

Learning from the events of 2023 also means the company is in a more robust position to face similar challenges in the future. For example, while the Summer 2025 drought was ultimately more severe than the 2023 event, the associated cost impact was lower, reflecting improved operational readiness and mitigations.

More broadly, we recognise that current geopolitical uncertainty could increase the risk of cost and inflation shocks. However, these dynamics are within the bounds of our modelled scenarios and we consider the LTV assessment to reflect a robust range of downside conditions.

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

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

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

- Our business plan for the current financial year ending March 2027;
- Our AMP8 Business Plan for the period 2025–30, reflecting Ofwat’s Final Determination issued in December 2024; and
- Forecasts for the 2030–33 period based on our longer range plans, as set out in our PR24 long term delivery strategies, Water Resources Management Plan and Wastewater Management Plan; together with the assumption that Ofwat satisfies its statutory duty to secure that companies can finance the proper carrying out of their functions.

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

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

	1. Medium principal risk	2. High principal risk	3. Extreme principal risk	4. Cost overspend	5. RoRE under performance
Multiple risks assumed to occur simultaneously in a combined scenario.					
<b>Scenario</b>	<b>Medium risk frequency:</b> impact may occur once every five years.	<b>High risk frequency:</b> impact may occur once every two years.	<b>Very High risk frequency:</b> impact occurs every year for all seven years.	<b>Very high risk frequency:</b> impact occurs every year for all seven years.	<b>Very high risk frequency:</b> impact occurs every year for all seven years.
<b>Key risks</b>	All 14 principle risks				
<b>Stress test applied</b>	<ul style="list-style-type: none"> <li>Risks occurring lead to increase in cost to ensure base performance levels maintained.</li> <li>Cost underperformance in all years of the forecast.</li> </ul>				Increase in costs  Increase in penalties
<b>Amount modelled</b>	Maximum increase in costs of £158m (7% overspend) and £81m pa on average in AMP8 (4% overspend).	Maximum increase in costs of £206m (9% overspend) and £135m pa on average in AMP8 (7% overspend).	Maximum increase in costs of £228m (10% overspend) and £169m pa on average in AMP8 (8% overspend).	Maximum increase in costs of £238m (10% overspend) and £182m pa on average in AMP8 (9% overspend).	Maximum reduction in revenue of £107m (4% reduction) and £83m pa on average in AMP8 (4% reduction).
<b>Potential impacts without mitigation</b>					
Gearing within covenant limits	●	●	●	●	●
ICR covenants remain above default	●	●	●	●	●
IG credit rating	●	●	●	●	●
<b>Mitigations available</b>					
Focused risk management	✓	✓	✓	✓	✓
Coordinated cost savings	✓	✓	✓	✓	✓
Atypical cost classification	✓	✓	✓	✓	✓
Insurance proceeds	✓	✓	✓	✓	✓
WC management	✓	✓	✓	✓	✓
Engagement with rating agencies	✓	✓	✓	✓	✓
Re-profiling of capex			✓	✓	✓
Re-profiling of ODI penalties					
Debt restructuring			✓	✓	✓
Reduced dividends			✓	✓	✓

● Green impacts indicate that, absent mitigations, all metrics remain above their target thresholds

● Amber impacts indicate that, absent mitigations, a one year breach of individual investment grade trigger metric is possible. However, as rating agencies assess ratings across multiple factors and over longer periods, none of the sensitivities is expected to result in a sub investment grade downgrade – particularly given the mitigations available.

	6. Severe ODI	7. Extreme ODI	8. Financial penalty	9. Inflation spike	10. Interest rate rise
<b>Scenario</b>	Multiple risks assumed to occur simultaneously in a combined scenario.	Multiple risks assumed to occur simultaneously in a combined scenario.	Breach of law or regulations results in a significant one-off penalty.	Significant short term increase in inflation.	Increase in interest rates.
<b>Key risks</b>	All 14 principle risks			Political change Financial sustainability	
<b>Stress test applied</b>	Risks occurring lead to service failure resulting in ODI penalties.  Penalties every year.	Penalties in one year of each AMP.	Significant financial penalty in a single year.	Significant spike in inflation, plus increase in wedge between RPI and CPIH.	Increase in new debt and refinancing costs increase in Sonia rates.
<b>Amount modelled</b>	ODI penalties every year equivalent to 1% RoRE pa. Equates to a penalty of c£55m pa on average in AMP8.	ODI penalty in single year of each AMP equivalent to 3% RoRE. Equates to a penalty of £147m in AMP8.	6% revenue penalty applied to turnover in one year of each AMP. Equates to a penalty of £104m in AMP8.	Inflation spike to 10% in year one, followed by two years at 5%. 2% increase in RPI wedge.	2% increase in interest costs above those assumed within the base forecast for all years.
<b>Potential impacts without mitigation</b>					
Gearing within covenant limits	●	●	●	●	●
ICR covenants remain above default	●	●	●	●	●
IG credit rating	●	●	●	●	●
<b>Mitigations available</b>					
Focused risk management	✓	✓	✓	✓	✓
Coordinated cost savings	✓	✓	✓	✓	✓
Atypical cost classification			✓		
Insurance proceeds					
WC management				✓	✓
Engagement with rating agencies	✓	✓	✓	✓	✓
Re-profiling of capex					
Re-profiling of ODI penalties		✓			
Debt restructuring					
Reduced dividends					

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 PR24 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. The Aggregate Sharing Mechanism (ASM) and Outturn Adjustment Mechanism (OAM) also provide further potential mitigation against extreme ODI penalties.
<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.
<b>Reducing dividends</b>	Our dividend policy required the Board to ensure that: <ul style="list-style-type: none"> <li>• Dividends will not impair the financial resilience of the company</li> <li>• Dividends will take account of service delivery for customers and the environment over time</li> </ul> <p>Where payment of a dividend would impair the company's financial resilience, the Board would reduce or defer payment of dividends</p>

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

## Securitized financing arrangement

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

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

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

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

In addition, Yorkshire Water is required to have committed liquidity facilities to provide a robust mechanism for payment of interest costs during a standstill period. This provides creditors the comfort to allow a standstill period to be used to seek a resolution for a default.

Our LTV testing focuses on the default trigger levels within these covenants.

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

## Liquidity facilities

At 31 March 2026, Yorkshire Water has available committed credit facilities as follows, in addition to cash balances of £571m:

- £630m revolving RCF provided by a syndicate of six banks, due to expire in November 2029 and which was undrawn;
- £80m bilateral committed credit facility due to expire in 2027 and which was undrawn;
- £250m debt service reserve liquidity guarantee from Assured Guaranty that runs to March 2031. Yorkshire Water can request it is extended annually to maintain the five-year term; and
- £155m 364-day liquidity facility to cover operating and maintenance expenditures, provided by a syndicate of five banks and renewed annually in March.

The two liquidity lines are standby arrangements, which are unutilised at 31 March 2026 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 securitized financing arrangements. In addition, we are required to set aside 1/12th of our annual interest bill each month into a debt service account, which can build up before major settlements on debt and swaps.

As a result of the available facilities, the company has sufficient cash and available liquidity facilities to fund its financial commitments for at least the next 24 months.

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

## Stress testing conclusion

The stress testing above indicates that none of the scenarios would result in an impact to the company's expected liquidity, solvency or debt covenants that could not be addressed by mitigating actions and are therefore not considered to be a threat to the company's viability over the seven-year period through to 2033.

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

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

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

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

## Governance and assurance

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

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



# Section 172 (1) statement

**Most of our colleagues are also customers and they live surrounded by other customers, the communities we serve, the environment in which we operate, and the local suppliers that we support.**

**When Yorkshire Water impacts stakeholders in Yorkshire, this is felt across our organisation. That is why our Board does more than take a 'regard' to stakeholders, as required by section 172 of the Companies Act 2006 – it actively considers how the company affects them, now and in the future.**

Trust in the sector continues to be low and it is more important than ever for the Board to build trust amongst our stakeholders, through open, honest and constructive relationships so we can understand what matters most to them.

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

## **Stakeholder – customers**

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

### **How have we engaged?**

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

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

During the year the Board welcomed Jo Causon, CEO of the Institute of Customer Service, to a Board meeting to hear directly about trends in customer service, best practice across different sectors, and ways in which Yorkshire Water could improve the experience of its customers.

The Board also visited our Customer Management Centre during the year, listening to some customer calls, and spending time talking to colleagues who speak directly to customers every day.

Our CEO, Nicola Shaw, also spent time working as part of our contact centre team during the drought, taking calls from customers, as did a number of other members of our Executive team, which enabled them to hear first-hand some of the queries and concerns that customers were raising at that time.

## What has our engagement told us?

We know that the main priorities for our customers are:

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

## How has this impacted on Board decision-making?

During the year the Board approved the restructure of the operational part of the business to bring all of our customer-facing colleagues into one team, so that the oversight of delivery for customers and insight into customer experience is all in one place. This is to enable us to better understand how we can improve customer experience and to focus on the things that really matter to our customers.

The Board also requested that a Performance Review Committee be set up in the year to enable them to receive deep dives into key performance metrics, including the Customer Experience Measure (C-MeX). Through this Committee and through Board discussions, they received regular updates on the steps being taken to try to improve our customer experience during the year.

During the year, Ofwat published a new Consumer Involvement Rule and the Board has reviewed the requirements of this and approved the approach that it will take. This includes updates being provided at each Board meeting on feedback from consumer surveys and qualitative research, receiving a deep dive on consumer engagement at least annually, and meeting with independent consumer experts on an ad-hoc basis.

## 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 The Rivers Trust. This engagement is reported to the Public Value Committee and Board through updates on specific partnerships, environmental initiatives and through business cases for investment.

In March 2026 the Board met with Mark Lloyd, the CEO of The Rivers Trust, to hear directly from him on how Yorkshire Water might better engage with The Rivers Trust to work in partnership for the good of the environment.

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

## How has this impacted on Board decision-making?

As noted above, the Board requested that a Performance Review Committee be set-up in the year to provide more opportunity for deep dives into key performance metrics, which includes those directly relevant to the environment. The Board has heard detailed updates on leakage, sewer flooding, wastewater permit compliance, mains replacements, and pollution incidents, and has approved the plans to improve performance in these areas.

The Board has also received detailed information in the year on the work underway to protect water resources and to increase drought resilience, and has approved the plans in this area.

The Board also approved a restructure on the operational side of the business during the year, which created a new asset management function. This new function focuses specifically on asset planning and ensuring that our assets are working in the right way to protect the environment and deliver great service to customers, both in the short-term and into the future. The Board now hears regular updates from the asset management function at each meeting.

## Stakeholder – colleagues

Our colleagues are core to us being able to deliver a great service and understanding their thoughts and feelings is key to us improving our business performance, as well as the Board ensuring that the desired culture is embedded across the business.

### How have we engaged?

Board members engage directly with colleagues in a number of ways. The decision was taken during the year for Board members to periodically attend colleague listening groups, which are held several times a year across the business. Two Board members attended these in February 2026, feeding back what they had heard at the Board meeting in March.

The Board also engages with colleagues on site visits, which are done both collectively and individually. This year the Board visited our Customer Management Centre and engaged directly with colleagues who receive customer calls.

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

The Board had informal dinners with the senior leaders from the business and with the Executive team during the year, to provide an opportunity for open discussion and feedback to the Board.

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 progress against our diversity targets.

The Board receives updates on health and safety performance every month, regardless of whether a Board meeting is held. These are discussed at each Board meeting and there are deep dives into incidents, risks and any specific areas of concern at the Safety, Health and Environment Committee.

During the year the business appointed a registered mental health nurse, who attended the Safety, Health and Environment Committee, to speak directly to Board members regarding the provision of mental health support across the business.

### **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.

### **How has this impacted on Board decision-making?**

The Board has engaged with multiple advisors in the year on media sentiment and has regularly discussed how to ensure performance improvements and the investments being made are effectively communicated to stakeholders. The Board has approved the approach to communications and areas for further consideration. Board members have also sought to directly engage with certain key stakeholders to ensure they have the opportunity to hear directly from the business.

The Board also approved the recruitment plan to bring over 1,200 new colleagues into the business during the year, to drive the delivery of our business plan across the AMP. The Board has received regular updates on the recruitment progress, and has sought assurance over the training provided to new colleagues, and the support being provided to all colleagues during a period of considerable change.

During the year the Board approved the relocation of much of the office-based business from Bradford to Leeds, to enable colleagues to be based in one building, to help create stronger connections across the business, build better ways of working, and better support delivery for customers. This is a significant change for the business having been based in Bradford for over 25 years, and the Board had to consider the impact on colleagues, customers, communities, and the environment, in its decision-making.

## **Stakeholder – communities**

As an anchor institution within Yorkshire, we believe Yorkshire Water can play a significant role in helping and supporting the communities that we serve.

### **How have we engaged?**

As a business we engage with our customers regularly which also gives us insight into the communities that we serve.

During the year the Board and Public Value Committee has received feedback from local stakeholders which reflects the views and needs of our local communities.

We have schemes in place across the business which allow our colleagues to volunteer and support local community initiatives, whether that be through sharing expertise or by providing practical support to help improve community buildings or gardens.

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:

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

### **How has this impacted on Board decision-making?**

The Board has received regular updates on operational performance that directly impacts upon the communities we serve.

The Board also approved the capital spend in the year which directly impacts upon local communities; for example an £18m upgrade at Dewsbury Wastewater Treatment Works which will help improve water quality in the River Calder, a £5m programme to replace six kilometres of water mains in Rotherham to help reduce leaks by replacing older pipes, and a project to drill new test boreholes at East Ness Water Treatment Works to increase water available for supply as part of our long-term water resource management plan.

## Stakeholder – investors

As at 31 March 2026, Yorkshire Water had four investors, who owned shares in our ultimate holding company, Kelda Holdings Limited.

We announced in February 2026 that two of our investors had agreed to sell their shareholdings, and in June 2026 the transaction was completed, bringing a new investor into our business.

### How have we engaged?

All of our investors have a representative on the Yorkshire Water Board. Our investors are therefore directly involved at a Board level, which means we are able to ensure they are all treated fairly and their views are represented in Board-level decisions.

### What has our engagement told us?

The matters of key concern to our investors are:

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

### How has this impacted on Board decision-making?

As directors on the Board of Yorkshire Water, our investors are able to input to all Board discussions and decision-making. They do this with their legal duties as directors first and foremost in their minds, which ensures that they have regard to other stakeholders and not just the investors that they represent.

## 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 key suppliers during the year through the Safety, Health and Environment Committee, where partners 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.

### How has this impacted on Board decision-making?

The Board approves all of our supplier framework agreements and reviews the procurement decisions being made as part of these agreements, and the rationale behind the suppliers being proposed.

The Safety, Health and Environment Committee has heard directly from capital partners during the year and has fed the feedback from these meetings directly into discussions and actions raised at the Committee, to seek to further enhance our safety performance.

## Stakeholder – regulators

The water sector is a highly regulated sector and our regulators are therefore amongst our key stakeholders. We seek to build good relationships with each regulator to better understand their expectations and how we can best align to these.

### How have we engaged?

We have multiple interactions with our regulators at all different levels of our organisation.

Board members have had meetings with representatives from Ofwat, the Environment Agency and the Drinking Water Inspectorate during the year and have fed back to the Board what they have heard in each meeting.

The Board also receives updates at each Board meeting on the ongoing relationships with each regulator any feedback received. There is a standing agenda item at each Board meeting for the discussion of regulatory reform and stakeholder relationships, to ensure the Board is aware of the latest feedback and can feed this into decision making.

### 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.

### How has this impacted on Board decision-making?

During the year the Board was closely involved in the response from Yorkshire Water to the consultation on regulatory reform, and approved the submission that was made. The Board drew on its engagement with multiple stakeholders to ensure that the content of the submission was aligned to as many stakeholder interests as possible.



The Board also approved the submission to Ofwat in response to the Wastewater Network Investigation undertakings, reviewing the proposed response in detail to satisfy themselves that it both met the requirements from Ofwat and was the right approach for the environment.

The Board has continued to consider financial resilience during the year and has approved an updated version of the Kelda Group Model in the year, which is a 30-year financial model to ensure the financial resilience of the business over the longer-term. The Board has also set a Liquidity Policy which requires a minimum of 15 months of liquidity at any given time, and monitors performance in relation to this.

## Stakeholder – politicians

There are over 55 Members of Parliament in the area served by Yorkshire Water, and four regional mayors. We know that they all want to champion the causes that are important to their constituents.

### How have we engaged?

We engage regularly with local politicians, through email updates, meetings and visits, to help them understand the work that we are doing to improve our services.

Our CEO, Nicola, and our Chair, Vanda, have also met directly with local politicians during the year, and fed back the discussions at those meetings to the rest of the Board.

During the year the Board welcomed Emma Hardy, the Water Minister, to a meeting to hear her views on the sector and on Yorkshire Water directly.

We also maintain links to local councils, which is particularly important when severe weather incidents or significant operational incidents occur and we are then able to work together to mitigate the impact on customers and communities.

### What has our engagement told us?

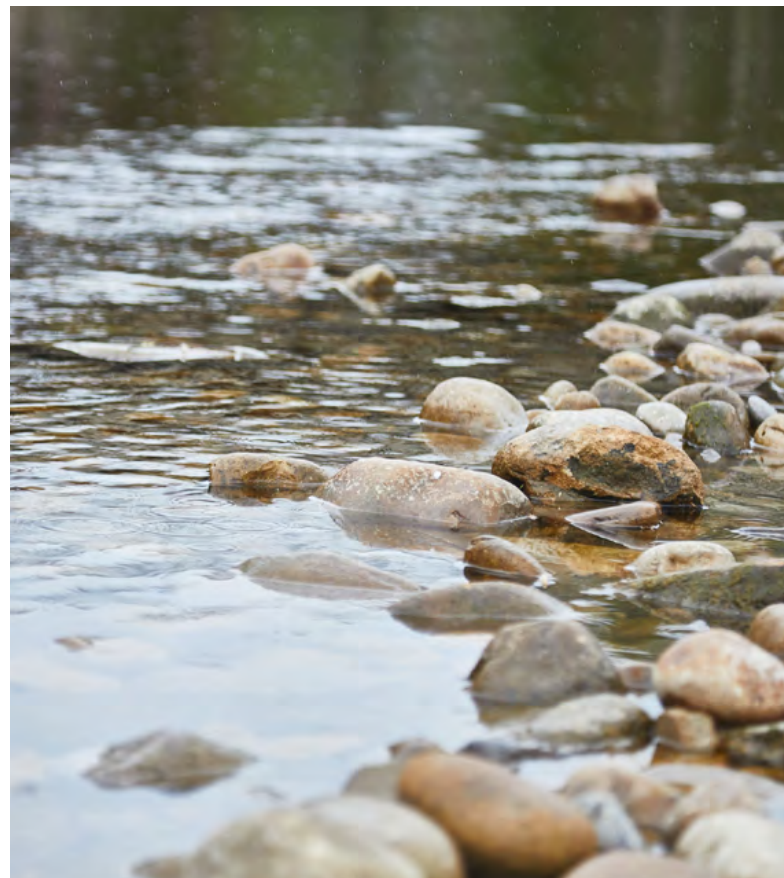
We know that our local politicians are interested in:

- Reducing the risk of flooding;
- Coordinating with other utilities when planning to dig up roads;
- Support for vulnerable customers; and
- Reducing storm overflow discharges.

### How has this impacted on Board decision-making?

During the year, Yorkshire Water received criticism from politicians and other stakeholders for not historically disclosing details of executive remuneration that had been paid from the parent company of the group, Kelda Holdings Limited. The Board listened to this criticism and took the decision to go beyond the statutory requirements in the future, by including remuneration paid from other group companies in the Remuneration Report each year.

The Board has continued to monitor the investment in reducing storm overflow discharges in the year, with £1.5 billion to be invested over the five years to 2030. The Board receives regular updates on the progress of the Storm Overflow Alliance and approved the programme of work for the Alliance during the year.



## 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. This has been updated and approved by the Board during the year.

In addition, the Board has considered the long-term regularly throughout the year in its monitoring of work on water resource management and the plans to improve drought resilience in the future.

The Board also considers future risks and opportunities through regular horizon scans, papers and presentations from subject matter experts on future considerations, as well as through the work undertaken by the Audit and Risk Committee on the long-term viability scenarios, which is covered further in our [Going concern and long-term viability](#) section.

## A reputation for high standards of business conduct

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

The Board accepted the criticism received during the year in relation to the lack of disclosure of executive remuneration paid by the parent company of the group, Kelda Holdings Limited, and has committed to be fully transparent on this in the future to help rebuild trust.

We seek to maintain high standards of business conduct in all that we do and we have a Code of Ethics, which we expect all colleagues and partners to follow. This sets out the ethical standards we expect from all those working on behalf of Yorkshire Water.

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

# Statement of non-financial information

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

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

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

Environmental matters in our [Right for the environment](#) section;

- Employees in [Our people](#) section;
- Social matters in [Our strategy](#) section;
- Respect for human rights in [Our people](#) section; and
- Anti-corruption and anti-bribery matters in [Our people](#) section.
- Climate-related financial disclosures in our [Climate-related financial disclosures \(CFD\)](#) section.

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

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

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

This report has been approved by the Board of Directors and is signed on behalf of the Board.



**Nicola Shaw CBE**  
**Chief Executive Officer**  
 6 July 2026

# Governance report



# Corporate governance statement



**Corporate governance is the system by which companies are directed and controlled. At Yorkshire Water we aim to demonstrate the highest standards, so that our customers and stakeholders can trust us and feel we are running the business responsibly to achieve ‘a thriving Yorkshire, right for customers and right for the environment’.**

## Board composition

At Yorkshire Water our investors are all represented on the Board. This has the advantage of ensuring that they are 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 different skills, experience and insight to the Board to increase our collective diversity and knowledge, and to help the Board make better decisions. All of our directors are subject to the same legal and fiduciary duties to ensure that they are promoting the success of the company, regardless of whether they are an executive director, non-executive investor director or an independent non-executive director.

During the year we were delighted to welcome Nicola Medalova to our Board as an independent non-executive director. Nicola is a director at National Grid and brings both engineering and environmental expertise to the Board, along with significant experience of working in utilities.

The Board also made the decision to appoint Martin Gee as our Chief Financial Officer with effect from 1 June 2025, to replace Paul Inman, who retired from the Board on 31 May 2025. Martin brings both financial and commercial experience to the Board, with 19 years of experience in finance and commercial roles with United Utilities, and most recently was the Chief Operating Officer of the Sapphire Utility Solutions business at Lanes Group. We are delighted that he has joined us.

We also welcomed Ray O’Toole back to our Board, as a non-executive investor director. Ray was previously an independent non-executive director on our Board from June 2014 to July 2023, and brings significant experience from the transport sector. Ray replaced Russ Houlden, who stepped down from our Board in June 2025. Russ had been a non-executive investor director with us for over three years and contributed significantly to our PR24 submission in 2024. We would like to thank Russ for his significant contribution during his time with the Board.

In January, Dame Julia Unwin also stepped down from the Board, having completed her nine year tenure as an Independent Non-Executive Director. Julia made a huge contribution to the Board during her time with us, and we are very grateful for her time and commitment over the last nine years.

Throughout this year one of our non-executive investor directors, Isabelle Caumette, has taken a break from the Board for personal reasons and Scott Auty has continued to act as her alternate throughout the year. We are grateful to Scott for standing in for Isabelle, and making a valuable contribution throughout the year.



Following a change to our ultimate shareholders after the year end, on 17 June 2026, Ray and Isabelle both resigned from our Board, and we welcomed Kunal Koya as the investor director for our new shareholder, EQT. Kunal is the Head of Active Core Infrastructure Europe for EQT and brings extensive experience of utilities and infrastructure to the Board.

Also on 17 June 2026, we announced that Wendy Barnes, Nicola Medalova and Simon Beer would be leaving the Board on 30 June 2026, that Andrew Wyllie would leave the Board on reaching his full term on 31 August 2026, and that I would step away from the Board on 30 September 2026.

I would like to thank all of those who have left the Board post year end for their hard work whilst with the Board, and their significant contribution in their time with us. We will be announcing new Board appointments shortly.

## Our governance report

This part of our Annual Report sets out who is on our Board, how the Board operates and provides an insight into what the Board has done during the year, the people and organisations it has interacted with and how it is meeting the Ofwat Board Leadership, Transparency and Governance Principles and also the extent to which we comply with the UK Corporate Governance Code.

The Board has continued to consciously seek to engage multiple stakeholders during the year, including our customers, our colleagues, our regulators, and our suppliers, and has undertaken site visits to see first-hand how the business is improving performance. More detail on this is included in this report.

## Key decisions

There have been many key decisions made by the Board during the year, including the restructuring of the operational side of the business, significant levels of recruitment in the year, capital decisions and the decision to move the majority of office-based colleagues to one site.

More information on some of the key decisions made by the Board during the year can be found in our [Section 172\(1\) statement](#).

## Remuneration disclosures

During the year we received criticism for not disclosing in this Annual Report details of executive remuneration that had been paid from the parent company of the group, Kelda Holdings Limited. We have listened to this criticism and recognise that while our disclosures have always met all the statutory requirements; in order to be fully transparent we should have provided more information on these payments. During the year the Board therefore agreed to commit to going beyond the statutory requirements in our report this year and in the future, including details of executive pay from other group companies in our [Remuneration Report](#).

## 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/reports](http://yorkshirewater.com/reports)

**Vanda Murray OBE DBA  
Chair**

6 July 2026

# Board of directors

## Committee Key:

A	=	Audit and Risk Committee	PV	=	Public Value Committee
N	=	Nomination Committee	SHE	=	Safety, Health and Environment Committee
R	=	Remuneration Committee	<b>Bold</b>	=	Chair
PR	=	Public Review Committee			



**Vanda Murray**  
**OBE DBA,**  
**Independent Non-Executive Chair**

**Appointed:** Vanda joined the Board as an independent non-executive director in July 2021, becoming the Chair of the Board in September 2021. Vanda will step down from the Board on 30 September 2026.

**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 won the Sunday Times Award for 'Non-Executive Director of the Year' in 2018 and was nominated for the shortlist in 2025. In 2002, she was appointed an OBE for Services to Industry and to Exports.

**Other roles:** Vanda is Non-Executive Chair of Yorkshire-based Marshalls plc, Senior Independent Director of Howden's plc, a Trustee Director of the English National Opera, and a Board member for Maggie's Manchester, the cancer care drop-in centre. Vanda is also the Chair of Kelda Holdings Limited.

**Committee Membership:** **N R SHE PR PV**



**Furqan Alamgir,**  
**Independent Non-Executive Director**

**Appointed:** Furqan joined the Board as an independent non-executive director in October 2024.

**Skills and experience:** Furqan is the founder and CEO of Connexin, a leading technology company based in Hull, specialising in smart city solutions and Internet of Things connectivity. Connexin has been previously named as one of the Top 100 Fastest Growing Tech Companies at the Northern Tech Awards. Connexin was founded in 2006, whilst Furqan studied medicine at Imperial College.

**Other roles:** Beyond his role at Connexin, Furqan actively contributes to the tech and business communities, sharing his expertise and insights as a thought leader and public speaker.

**Committee Membership:** **A N PV**



**Simon Beer,  
Non-Executive  
Director**

**Appointed:** Simon joined the Board as a non-executive director in November 2024, having previously been an observer of the Board. Simon left the Board on 30 June 2026.

**Skills and experience:** Simon is currently a partner at StepStone Infrastructure and Real Assets, where he leads the Asset Management function. Prior to joining StepStone, Simon worked at Ontario Teachers' Pension Plan in their Infrastructure and Natural Resources team, where he focused on asset management and value creation across their global portfolio.

Simon has also been a partner at KPMG, focused on operational movement in the Infrastructure and Natural Resources sectors, and before that worked for BP in their upstream major projects division.

**Other roles:** Simon is a non-executive director of Kelda Holdings Limited. He is also a director of Northern Gas Networks Limited.

**Committee Membership:** N



**Isabelle Caumette,  
Non-Executive  
Director**

**Appointed:** Isabelle joined the Board as a non-executive director in November 2023. During the year, Scott Auty has acted as the alternate for Isabelle. Isabelle left the Board on 17 June 2026.

**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 Stream, a rail cars and tank containers leasing company.

**Committee Membership:** N R SHE



**Wendy Barnes,  
Independent Non-  
Executive Director**

**Appointed:** Wendy joined the Board as an independent non-executive director in November 2022. Wendy stepped down from the Board on 30 June 2026.

**Skills and experience:** Wendy has a significant breadth of knowledge from the utilities sector, as well as in regulation, cyber security, customer service and change management. She is a non-executive director of Scottish Power and has previously held non-executive roles at OCS Group, Ofwat and in several government departments, including the Met Office. Wendy was formerly the Interim Director General at the Department of Energy and Climate Change, and she has held executive roles within the water sector with United Utilities.

**Other roles:** Wendy is a non-executive director of Scottish Power Limited and undertakes a variety of consultancy roles.

**Committee Membership:** A N R PV



**Andrew Dench,  
Non-Executive  
Director**

**Appointed:** Andrew joined the Board as a non-executive director in September 2017.

**Skills and experience:** Andrew is a Managing Director and a member of the Global Leadership team, as well as the Infrastructure Investment Committee, in GIC's Infrastructure team, based in London. He is responsible for the ongoing management of GIC's global infrastructure portfolio. Prior to joining GIC, Andrew was Deputy CEO and CFO of Veolia Water, UK, Ireland & Northern Europe, CFO of Electricity Northwest, and Head of Corporate Finance & Change at London Stock Exchange Group. Whilst at Veolia, he was a non-executive director of Affinity Water (formerly Veolia Water). Andrew started his career in the investment banking division of Morgan Stanley where he was focused on project finance, mergers & acquisitions, utilities, and the natural resources sector.

**Other roles:** Andrew is a non-executive director of Kelda Holdings Limited and several other boards, including Heathrow Airport Holdings Limited and Calisen.

**Committee Membership:** A R N



**Martin Gee,**  
**CFO**

**Appointed:** Martin joined the Board in May 2025, becoming CFO on 1 June 2025.

**Skills and experience:** Martin joined the company from Lanes Group, where he was the Chief Operating Officer responsible for the Sapphire Utility Solutions business. Martin joined Lanes Group in 2021, having previously spent 19 years with United Utilities PLC in various financial and commercial roles, serving as the Commercial Director from 2015 to 2021. Martin bring significant financial and operational experience of the water sector to the Board.

Martin is a Fellow of the Chartered Institute of Accountants of England and Wales.

**Other roles:** Martin was appointed as CFO for Kelda Holdings Limited on 1 June 2025.

**Committee Membership:** None



**Nicola Medalova,**  
**Independent Non-Executive Director**

**Appointed:** Nicola joined the Board as an independent non-executive director in September 2025. Nicola stepped down from the Board on 30 June 2026.

**Skills and experience:** Nicola is a director at National Grid, having worked with them since 2007 in various roles. Most recently she was in New England as the Chief Operating Officer, covering parts of the USA and Canada. She is an engineer by background and a Chartered Environmental Health Officer. Nicola brings significant experience of engineering, utilities, and environmental protection to the Board. She was previously a Board member of the Royal Environmental Health Institute of Scotland and worked as an Environmental Protection Officer in Scotland from January 1998 to March 2007.

**Other roles:** Nicola is a director at National Grid.

**Committee Membership:** N R PR SHE



**Andrew Merrick,**  
**Independent Non-Executive Director**

**Appointed:** Andrew joined the Board as an independent non-executive director in June 2019.

**Skills and experience:** Andrew brings considerable financial experience and expertise to the Board, as well as strong connections with the Yorkshire region. Prior to joining the Board, Andrew was the CFO of Irwin Mitchell solicitors, having previously worked as Group Finance Director for Dart Group plc and as Director of Finance for Bradford & Bingley plc. Andrew has also been a board member of 'Incommunities', a Bradford-based social housing provider, where he chaired the Audit Committee.

**Other roles:** Andrew is the Senior Independent Director and Vice Chair of Market Harbourough Building Society, and a Director of The Beckfoot Estate Company Limited.

**Committee Membership:** A N SHE PV



**Ray O'Toole,**  
**Non-Executive Director**

**Appointed:** Ray rejoined the Board as a non-executive director in September 2025, having previously been an independent non-executive director for Yorkshire Water from June 2014 to July 2023. Ray left the Board on 17 June 2026.

**Skills and experience:** Ray has spent the majority of his career in the transport sector, including as Group Chief Operating Officer and UK Chief Executive for National Express plc for ten years until 2010, with operations in Spain, the USA, Canada, and the UK. He started his non-executive career whilst at National Express, as a member of the Board of the British Transport Police Authority. From 2011, Ray served as a non-executive director and member of the Safety Committee of the Office of Rail and Road, until he was appointed as Chief Executive of Essential Fleet Services Limited from July 2015 to February 2017. Ray has a background in mechanical engineering in addition to bringing his skills in safety and strategy.

**Other roles:** Ray is the Chair of Stagecoach Group plc.

**Committee Membership:** N R PV SHE



**Nicola Shaw CBE,  
CEO**

**Appointed:** Nicola joined the Board as CEO in May 2022.

**Skills and experience:** Nicola brings extensive experience in regulated infrastructure businesses to the Board, and has an excellent track record in driving efficient delivery whilst also improving customer service and colleague engagement. Most recently Nicola was the UK Executive Director for National Grid and was previously the Chief Executive of High Speed 1 and a director of First Group. Nicola was the author of the Shaw Report published in 2016 which made several recommendations for the future of British Transport. Nicola received a Commander of the British Empire (CBE) for services to transport in the Queen's New Year Honours in 2016.

**Other roles:** Nicola is the CEO for Kelda Holdings Limited and a non-executive director of International Airlines Group.

**Committee Membership:** SHE PV



**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. Andrew will leave the Board at the end of his nine year tenure on 31 August 2026.

**Skills and experience:** Andrew was Chief Executive of Costain Group PLC for 14 years up until May 2019. He was also a non-executive director of Scottish Water from April 2009 to April 2017. Andrew has an MBA from the London Business School, he is a Chartered Engineer, a fellow of the Royal Academy of Engineering and was President of the Institution of Civil Engineers in 2019. Prior to joining Costain Group PLC, Andrew worked for Taylor Woodrow where he was the Managing Director of the construction business and a member of the Group Executive Committee. Andrew was awarded a CBE for services to engineering and construction in the 2015 New Year Honours list.

**Other roles:** Andrew is a Non-Executive Director of Persimmon PLC and Arup Group Limited, a Board member of the US-UK Advisory Board of the British American Project and the Chair of the Remuneration Committee of the Institution of Civil Engineers.

**Committee Membership:** A NR SHE PR

## Other directors during the year

During the year the following directors were members of the Board for the periods shown. More details on their skills, experience and other roles can be found in the Annual Report for the year ended 31 March 2025.

**Dame Julia Unwin – Independent Non-Executive Director** to 31 December 2025

**Paul Inman – CFO** to 31 May 2025

**Russ Houlden – Non-Executive Director** to 27 June 2025

In addition to the directors above, **Kamal Abi-Salloum** was appointed as an alternate director for Andrew Dench on 3 July 2025 and attended one Board meeting on his behalf

during the year. Kamal joined GIC as a Portfolio Director in September 2024. Prior to that, he worked in various Vice President roles for BP for 12 years across the USA, Europe, Middle East and North Africa. He was previously with The Boston Consulting Group as a core member of their Global Infrastructure and Energy practice.

As noted, **Scott Auty** acted as the alternate director for Isabelle Caumette throughout the year. Scott was a non-executive director of the business from 2017 to 2023 and is a Partner in DWS's infrastructure business, Europe, with responsibility for the origination and execution of infrastructure investment opportunities. Prior to joining DWS in 2005, Scott started his career at N M Rothschild & Sons' investment banking division where he was a specialist in the utilities and natural resources sectors.

## Board length of service

Director	Appointment	Tenure as at 31 March 2026	
<b>Independent Non-Executive Chair</b>			
<b>Vanda Murray</b>	July 2021	4 years 9 months	
<b>Executive Directors</b>			
<b>Nicola Shaw</b>	May 2022	3 years 11 months	
<b>Martin Gee</b>	June 2025	10 months	
<b>Independent Non-Executive Directors</b>			
<b>Furqan Alamgir</b>	October 2024	1 year 6 months	
<b>Wendy Barnes</b>	November 2022	3 years 5 months	
<b>Nicola Medalova</b>	September 2025	6 months	
<b>Andrew Merrick</b>	June 2019	6 years 9 months	
<b>Andrew Wyllie</b>	September 2017	8 years 6 months	
<b>Investor Non-Executive Directors</b>			
<b>Simon Beer</b>	November 2024	1 year 5 months	
<b>Isabelle Caumette</b>	November 2023	2 years 5 months	
<b>Andrew Dench</b>	September 2017	8 years 6 months	
<b>Ray O'Toole</b>	September 2025	6 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, a non-executive director of Howden's plc, a Trustee Director of the English National Opera and a Board member of Maggie's Manchester. 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 purpose is clearly defined in our Articles of Association, which state that:

**"The purpose of the company is to conduct its business and operations for the benefit of members as a whole, while delivering long-term value for its customers, the Yorkshire region and the communities it serves, and seeking positive outcomes for the environment and society."**

Our strategy, which aligns to our purpose, was launched in 2023 and is kept under review each year to ensure it continues to be the right strategy for the business. The Board contributed significantly to the original strategy development process and gave approval to the final version prior to its launch, as well as reviewing and approving some minor revisions as part of the review process in 2025. The strategy aligns directly to the needs of those we serve through the vision of 'a thriving Yorkshire, right for customers and right for the environment'. The strategy includes four behaviours that we expect of all our colleagues, and which represent our values:



More information on our strategy can be found in our [Strategic report](#).

## Embedding our purpose, strategy and values

We have a Yorkshire Water Code of Ethics, approved by the Board, which provides support to colleagues and partners on embedding the values and ensuring that they are always doing the right thing, including where to go for help and advice if they are faced with an ethical decision as part of their work. There is mandatory online learning for all of our colleagues to ensure that they understand the Code of Ethics and how it applies to them.

We also operate a Speaking Up Policy which encourages colleagues and partners to speak up confidentially if they see behaviour that is outside of our expected values and culture. The policy enables people to do this entirely anonymously should they wish. All speak ups are thoroughly investigated and are reported back to the Board through the Audit and Risk Committee.

### **The Board receives updates on the culture of the business, and the extent to which the purpose, strategy and values are embedded in the business through a variety of ways:**

- The Board agreed the target culture of the organisation in 2024, following extensive work across the organisation to describe both the current and target cultures and to identify the behaviours required to move from one to the other.
- The Internal Audit team consider culture in all of their audits and report back on any findings or observations in this area to the Audit and Risk Committee.
- A colleague engagement survey, Yorkshire Voice, takes place 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. In March 2026 83% of our colleagues responded to the survey, which is our highest ever participation rate, and there were over 33,000 comments received from the survey. 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. There is an ongoing programme of engagement which includes opportunities for both individual and collective engagement. This includes Board members individually attending colleague listening groups across the organisation and feeding back what they have heard to the rest of the Board. These listening groups are open to colleagues from across the organisation and can cover any topics that the colleagues wish to cover, but also include a focus on the embedding of the desired behaviours and culture across the business. The Board also achieves a general awareness of culture and colleague experience through meetings with various colleagues as part of site visits, office visits or informal lunches. These have included Trade Union representatives, operational colleagues, and senior leaders during the year. These interactions enable the Board to keep well informed of the culture in the business and the extent to which the purpose, strategy and values are embedded in the business.
- The Board also engages with regulators, third party assurers and suppliers through various Committee meetings throughout the year and always encourages any feedback on the culture of Yorkshire Water to be shared openly.

More information on Board engagement is later in this section and in our [Section 172\(1\) statement](#).

## Principle 2:

The regulated company has an effective Board with full responsibility for all aspects of the regulated company’s business for the long-term.

### The interaction of the Yorkshire Water Board with the Kelda Holdings Board

Yorkshire Water is part of a group of companies and has an ultimate parent company, Kelda Holdings Limited which is owned by our shareholders. Whilst it is part of a larger group, Yorkshire Water is by far the largest entity within the group and operates very much independently from the rest of the group.

The Yorkshire Water Board members are very aware of their duties to Yorkshire Water and all discussions in Yorkshire Water Board meetings focus on Yorkshire Water and what is for the good of Yorkshire Water alone.

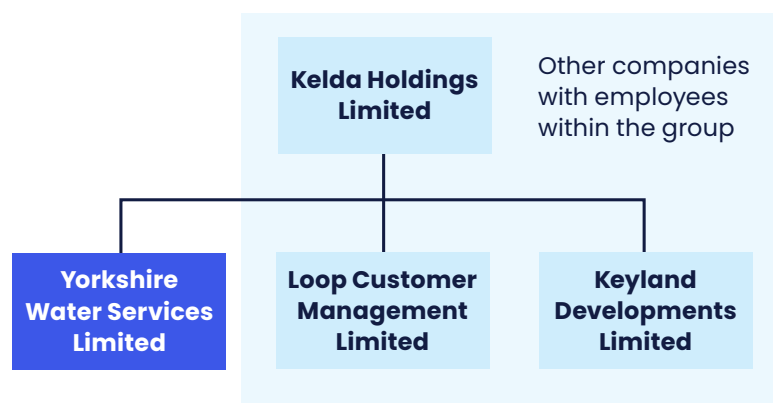
#### The focus on Yorkshire Water is achieved in a number of ways:

- Each of our shareholders is represented on the Yorkshire Water Board, which vastly reduces the need for decisions to be referred to the ultimate parent company. All of the Yorkshire Water directors have legal and fiduciary duties to promote the success of the company for both current and future members, which is something our non-executive investor directors are acutely aware of so decisions are always made from the perspective of Yorkshire Water rather than the wider group. In addition, we have five independent non-executive directors on the Yorkshire Water Board who have no connection with the ultimate parent company and therefore can ensure that decisions are made solely in the best interests of Yorkshire Water.
- From a practical perspective, the Yorkshire Water Board has full responsibility for all aspects of the business. The matters reserved for the Board of Kelda Holdings Limited only require limited decisions to be referred to Kelda

Holdings and in practice this is simply done for verification. Kelda Holdings Limited has never over-turned a decision made by the Yorkshire Water Board and it is highly unlikely that this would ever happen given the presence of the non-executive investor directors on the Yorkshire Water Board.

- The Kelda Holdings Board met only briefly on three occasions during the year. The meetings are typically 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 11 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;
- **The appointment of Nicola Medalova and reappointments of Andrew Wyllie and Andrew Merrick as independent 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 proposal to move the external audit from Deloitte to KPMG with effect from the year ended 31 March 2028 for the group companies outside of Yorkshire Water;
- Approval of the 2027 budget for the group companies outside of Yorkshire Water;
- Approval of the proposed energy strategy for the group;
- Approval of the remuneration to be paid to Nicola Shaw, Paul Inman and Martin Gee 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 partially in additional notes.

### Why does the Board of Kelda Holdings verify some decisions that impact on Yorkshire Water?

We refer some matters to the Board of Kelda Holdings for verification as we believe this reflects best practice in relation to certain decisions. These are things such as the appointment of independent non-executive directors and changes to executive remuneration. These decisions are always recommended by the Board of Yorkshire Water first, so nothing is referred to Kelda Holdings Limited that is not already approved by Yorkshire Water; this helps to ensure that referral to Kelda Holdings Limited does not give our shareholders undue influence. The verification by Kelda Holdings Limited provides a further layer of scrutiny from the two directors who are on the Kelda Holdings Board but not on the Board of Yorkshire Water, which helps to ensure that Yorkshire Water is not able to appoint unsuitable directors, for example. In a listed company this control comes from such decisions having to be put to shareholders in an Annual General Meeting.

## Decisions in relation to dividends

As a privately owned company providing a public service, it is essential that we have clear and transparent controls in place in relation to any dividends that we pay. All dividends paid by Yorkshire Water are solely decided by the Board of Yorkshire Water. The Board of Kelda Holdings Limited is only able to approve dividends being paid by Kelda Holdings Limited and makes no decisions in relation to dividends being paid by Yorkshire Water. The dividend policy for Yorkshire Water is set every five years as part of our Price Review and approved by Ofwat. Further information on our dividends for 2026 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, Safety, Health and Environment, and Performance Review 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. Our Senior Independent Director, Andrew Wyllie, is also a Board member at Persimmon PLC and Arup Group Limited. Persimmon PLC is a customer of our developer services business, and Arup Group Limited is a supplier to Yorkshire Water. Andrew has excused himself from any relevant discussions and decisions so as to avoid any potential conflict. No other potential conflict situations have arisen during the year under review.

## Ensuring long-term focus

Our long-term strategy is updated every five years and looks 25 years ahead. It takes into consideration the long-term forecasts for Yorkshire in many areas such as population growth, water consumption and climate change. The latest update was in early 2025 and the Board had significant input to the draft and final versions of our Long-Term Delivery Strategy, our Water Resources Management Plan and our Drainage and Wastewater Management Plan which were all submitted to Ofwat as part of the Price Review process. The Board also continues to monitor financial resilience over the longer-term through a 30-year financial 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 and makes an annual statement on this, considering various scenarios across the current and next AMP. Further information on long-term viability 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 we have heard the criticism during the year around the executive remuneration from Kelda Holdings Limited not being fully disclosed in the Yorkshire Water Remuneration Report. We have committed to being fully transparent in our remuneration disclosures in the future, going beyond the statutory requirements to include pay from all other group companies in this Yorkshire Water Annual Report.

We have a Code of Ethics, which sets out the ethical standards we expect from all those that work with us. The Code provides a framework to help when someone faces a difficult ethical decision, and was developed with the help of our Board prior to launch in 2021. We have seen examples of the effectiveness of this Code since it was launched through our 'speaking up' process where colleagues have come forward to raise concerns as a result of reading the Code of Ethics.

We take governance very seriously and seek to demonstrate best practice wherever possible, constantly reviewing where we might improve and making changes as required to our structures, policies and processes.

### Our dividend policy

We have a dividend policy, in compliance with Condition P31 of the Yorkshire Water Instrument of Appointment, which requires that distributions will only be made after an appropriate financial resilience analysis has been undertaken, and 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 P31 accordingly.

Our dividend policy has been reviewed during the year and the Board has considered that there have been no events during the year, or additional guidance provided by Ofwat, that warrant a change to the dividend policy.

When approving dividends to be paid in a financial year, the Board assesses both company performance to date within the year, together with performance expected across the full financial year in question and that expected for the whole of the AMP. As such, dividend payments are considered within the longer-term context of the business and not just on the basis of the previous 12 months. There is explicit consideration of the ability of the business to be able to deliver into the future.

During the financial year, Yorkshire Water paid dividends totalling £85.1m (2025 £52.5m). All dividends paid during the year were compliant with the current Board approved dividend policy and Condition P31, which was modified in May 2023 with the clause number subsequently being updated in August 2025.

Yorkshire Water paid two interim dividends of £42.6m and £21.3m in May 2025 and November 2025 respectively, together with a final dividend of £21.2m in March 2026. As noted above, when assessing each of the dividends paid during the financial year the Board has assessed a combination of company performance to the date of the dividend, performance anticipated in the financial year in question, and that which is expected for the whole of the AMP. No dividends have been proposed post year end in relation to the year ended 31 March 2026.

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 P31; and
- Ensuring that the company remains financially resilient and that there are sufficient profits available for distribution in the foreseeable future.

In determining the appropriate base dividend level, the Board considers a range of relevant factors, including the company's actual capital structure (and the level of equity supporting the regulated business), the need to retain cash to finance current and future investment requirements, and relevant regulatory context and expectations.

A base dividend yield of 4.0% is informed by Ofwat's guidance that a base dividend yield of 4.0% is reasonable for a company whose in-the-round performance aligns with their determination and has little real Regulatory Capital Value growth. This base yield is used as a starting point for the Board's assessment and does not, in itself, determine the level of dividend ultimately paid.

The Board has reviewed the base yield assumption during the year and it has been concluded that there have been no events during the year, or additional guidance provided by Ofwat, that warrant a change to the base dividend yield assumption of 4.0%. Any adjustments to reflect company performance, Regulatory Capital Value growth and wider considerations are incorporated through the 'in-the-round' assessment described below. The 4.0% base dividend yield would equate to a dividend for the year of £120.9m.

The final dividend is determined by the Board through an 'in-the round' assessment of the factors set out in the dividend policy and Condition P31, and is therefore not driven by the base yield alone.

In applying this assessment, the Board considers a range of factors including, but 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 PR24 Final Determination, including in relation to specific performance commitments;
- Delivery of service to customers;
- The level of real Regulatory Capital Value growth;
- The wider environmental performance of the business; and
- The risk of regulatory fines and penalties.

These factors are considered collectively, rather than through a mechanistic adjustment, to ensure that the final dividend appropriately reflects company performance and remains consistent with sustainable delivery for customers and the environment.

On balance, the Board determined that a yield reduction of 1.2% was appropriate (a dividend reduction of £35.8m), resulting in an overall dividend yield for the year of 2.85% (2025: 1.9%). This compares to a Return on Regulated Equity (on an actual equity basis) of 6.2% for the year, which is the first within the current AMP.

**The key determining factors behind the reduction in dividend were:**

- **Environmental performance.** Significant steps have been taken in the year to improve performance. However, the Board recognises that the business did not achieve the level of performance required, including the worsened pollution performance. The Board recognises that wider environmental performance is not yet at the levels required and a reduction in dividend payment was appropriate to support the company's planned improvements.
- **The risk of regulatory fines and penalties.** Along with all other water and wastewater companies, Yorkshire Water has been investigated by Ofwat in relation to sewage treatment works. Ofwat reached a final decision in relation to this investigation in March 2025 with Yorkshire water agreeing to invest an additional £40m over the 2025-30 period to improve the quality of rivers in its region. This £40m investment is being entirely funded by the company and its shareholders across AMP8 via a reduction in

dividend payments. The outcome of a similar investigation by the Environment Agency, which is still ongoing is not yet known.

- **Performance against the PR24 determination.** Yorkshire Water delivered a reasonable level of return for the year, representing 6.2% on actual equity; however this return was partly supported by the high levels of inflation experienced in the period, whilst Outcome Delivery Incentive (customer) performance has been below expectations. 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 to customer performance.

The return for the year on an actual equity basis (excluding all financing performance) is 3.4%, so no in year inflation related financing performance is being used to finance the dividend paid of 2.8%.

On this basis, the total proposed deduction to the dividend yield of 1.2% in year, is considered to reflect a large level of prudence in relation to the impact of inflation.

- **Financial resilience.** The financial resilience position of Yorkshire Water has improved over the last few years, supported by the £500m of intercompany loan repayments from Kelda Eurobond Limited; however Yorkshire Water remains an "Elevated Concern" within Ofwat's latest 'Monitoring Financial Resilience' report. The company is targeting further improvement, supported by a further final intercompany loan repayment of approximately £600m, including interest, due in March 2027; however until this is received, the retention of part of this year's return to continue supporting financial resilience was considered appropriate.
- **Real Regulatory Capital Value (RCV) growth.** Yorkshire Water had 6.0% real RCV growth in 2026 with total real RCV growth across the five years of AMP8 expected to total 26% which equates to an average of 5.2% per annum. Given the level of real RCV growth in FY26 and across the whole of AMP8, the retention of part of this year's return to support financing the RCV growth was considered appropriate.

The dividends paid in year bring the cumulative dividend yield for the current AMP to 2.8%, remaining below the cumulative return on actual equity of 6.2%.

The dividends paid in the current year have solely been used to fund costs within the group, including debt service costs and repayment of loans held above Yorkshire Water, with no dividends paid to the shareholders of Kelda Holdings Limited (2025: £Nil), Yorkshire Water's ultimate parent company, as they continue to support the financial resilience of the company and the improvement plan.

Yorkshire Water had sufficient distributable reserves to fund the dividends paid in the year. As at 31 March 2026, following payment of all dividends, the distributable reserves stand at £669.2m, with regulated gearing at 71.0%. Additional investment from shareholders due in March 2027 of approximately £600m will reduce gearing by around five percentage points and further strengthen financial resilience.

## Variable pay

The measures used in calculating variable pay for executive and senior colleagues are set out in the [Directors' remuneration report](#). The measures are split into two key areas:

- Delivering for customers, the environment and colleagues; and
- Delivering financial efficiency.

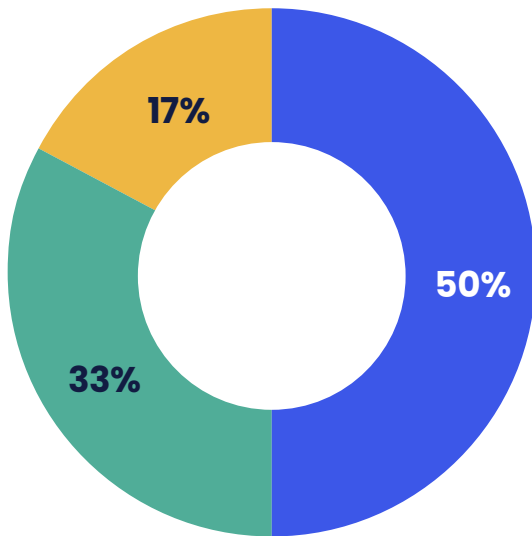
These measures have been chosen to ensure that the objectives of our senior team align to those of our key stakeholders. We have set this out in more detail in our [Directors' remuneration report](#) and try to do so in as clear and transparent a way as possible to help stakeholders understand our calculations of variable pay.

## Assurance of information

We seek to assure information through independent means wherever we can, and we detail in this report where information has been independently verified and the three-line assurance process that we have in place to ensure the information we provide is trustworthy.

## Principle 4:

**Boards and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.**



## Our Board composition

**As at 31 March 2026, the Board composition was:**

- Independent Non-Executive Directors
- Non-Executive Investor Directors
- Executive Directors

### How our Board operates

The Board had six scheduled meetings in the year, with two informal meetings; which were to discuss the response to the Independent Water Commission consultation on regulatory reform, and matters relating to executive remuneration.

Attendance at the meetings is shown in the table later in this report. Our scheduled meetings are preceded the evening before by an informal meeting over dinner, allowing more time to debate issues in depth. The Board has invited a number of key stakeholders to dinner throughout the year to enable information to be shared and discussed in more depth.

The Board agenda is set for each meeting by the Chair, with input from the executive directors and the Company Secretary. In addition, any of the other directors can request a matter to be added to the agenda at any time. Monthly reports on operational matters, health, safety and environmental matters and financial performance are circulated to the Board members regardless of whether a Board meeting is scheduled.

The Board seeks to regularly meet both formally and informally with senior management from

across the business to gain further insight into the day-to-day operations and the key risks and opportunities facing each part of the business. Members of the Executive team and other key senior managers are regularly invited to attend Board meetings to provide updates and give the non-executive Board members 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

Here are some examples of the activities of the Board in the year under review.

## May 2025

In May the Board met with Emma Hardy, the Water Minister, to hear her views on the water sector and on Yorkshire Water specifically. This provided a really useful opportunity for the Board to hear directly from the Government and to provide information in return on the investments being made across the region. The Board meeting focused on the most recent results of the Yorkshire Voice colleague engagement survey and the actions being taken as a result of the feedback received. The Board received deep dives on pollution incidents, smart meter demand and water resources, given the ongoing dry weather being experienced.



## September 2025

In September the Safety, Health and Environment Committee met at E.ON near Sheffield to hear about opportunities for environmental benefits through partnership working, as well as learning about safety practice on the site. The Committee also heard directly from the Regional Director from the Environment Agency on Yorkshire Water performance and our interactions with his team.

The Board met with our senior leaders informally over dinner, to hear first-hand from representatives from across the business, and to listen to any concerns or feedback that they wished to share with the Board. The Board had a detailed discussion around operating in a low-trust environment and how the business could better communicate the progress being made and the benefits being seen from investment.

An update was provided to the Board on the ongoing drought and the Temporary Use Ban that was in place, setting out the steps being taken to maximise water resources and reduce leakage. The Board approved the response to the Ofwat wastewater network investigation undertakings, which set out in detail how Yorkshire Water would improve performance and better protect the environment.

The Board reviewed the asset standardisation strategy, which was welcomed as an important step to achieve efficiencies, better quality, carbon reduction and innovation. The Board also received a deep dive into developer services performance, and the plans in place to ensure significant improvement in this area.

## July 2025

The Board received a deep dive into cyber matters, with information on the new Cyber Governance Code of Practice, evolving cyber threats and the technology strategy for the business. The Board also received a deep dive on Flow to Full Treatment in the wastewater side of the business, including the plans in place for improvements in this area. The Board reviewed the customer digital strategy, and discussed the platforms required to make interactions easier for customers who were digitally abled. The Board approved the programme of work for the Yorkshire Storm Alliance, which is the primary vehicle for the delivery of improvements to storm overflow discharges, set up in 2024. The Board met with Ruth Kelly and David Henderson, Chair and CEO of Water UK, over dinner, to discuss issues facing the sector. The Audit and Risk Committee heard directly from both Deloitte and Atkins Réalis on their assurance work in relation to the Annual Report and Financial Statements and the Annual Performance Report, which were both published in the month.



## November 2025

The Board received a detailed update on water resources and the work being undertaken to protect water resources in the event of dry-weather similar to that experienced in 2025.

The Board listened to some customer calls and spoke to the colleagues taking customer calls in our Contact Management Centre. The Board also welcomed Jo Causon, CEO of the Institute for Customer Service, to the meeting, who provided an overview of trends in customer satisfaction and gave specific feedback on the areas on which Yorkshire Water should focus.

The latest results from the recent Yorkshire Voice colleague engagement survey were also shared with the Board, along with the proposed actions as a result.

An update on equality, diversity and inclusion was also provided to the Board and the progress being made in relation to diversity targets. The Yorkshire Water elements of the Kelda Group Model were approved by the Board, which is a 30-year financial model to ensure the financial resilience of the business over the long-term.

## January 2026

In January, the Board met with representatives from our Trade Unions to hear their views on all matters impacting our colleagues.

The Board also met informally with the Executive team to provide an opportunity for Board and Executive members to share thoughts and ideas, and to discuss any matters of concern. The Board welcomed an independent external advisor to the meeting to discuss the ongoing rebuilding of customer trust and confidence.

The Board also approved the proposed approach for compliance with the newly published Consumer Involvement Rule from Ofwat, with regular feedback from consumer surveys and qualitative research being brought to the Board, as well as a regular deep dive into customer insights.

The Safety, Health and Environment Committee welcomed one of our capital partners to the meeting, to hear first-hand the experience of working with Yorkshire Water from a health and safety perspective.

## March 2026

In March, the Board welcomed Mark Lloyd, CEO of The Rivers Trust to dinner, to discuss how Yorkshire Water can continue to work with The Rivers Trust for the benefit of the environment.

The Board received a deep dive on artificial intelligence and the ways in which this was being used in parts of the organisation, as well as priorities for investigation into future potential uses. They also heard from BAE Systems on cyber risk, which included the latest developments worldwide and the steps being taken by Yorkshire Water from a cyber security perspective.

The Board received feedback from the first colleague listening groups which had been attended by Board members, specifically to hear firsthand the thoughts of colleagues to ensure that these were fed into Board decision-making.

# The Board performance review

We undertake an annual Board performance review to consider the effectiveness of our Board. In 2026 this has been an internally facilitated review, using the same software from BoardClic that was used in the external facilitation in 2025. The same software has been used to enable trends and progress to be clearly tracked from one year to another.

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 2026
The Board highlighted that they wanted the opportunity to undertake deeper dives into operational capacity and capability.	A Performance Review Committee was set-up during the year to provide additional time for the Board to focus on specific operational measures and to receive deep dives on the work underway to drive improvement. There have been three meetings held during the year, and the Board has received deep dives in such areas as leakage, customer experience, sewer flooding, mains replacements, and pollution incidents.
The Board requested greater visibility of succession planning for the Executive team.	The Nomination Committee has received regular updates during the year on the development of the Executive team and on succession planning for the team.
The Board wanted Board materials to be more succinct.	Work has been ongoing throughout the year to seek to ensure Board papers are as succinct as possible, whilst still containing the information and detail necessary to enable the Board to make informed decisions. Feedback from the Board has recognised the improvements made in the year, but this will continue to be an area kept under review.

The performance review in 2026 has consisted of the same online questionnaire being completed by all Board members as in 2025, and the results and trends being analysed and compared to benchmark data, and then shared in a report, which was discussed at the Board meeting in May 2026.

The review concluded that the Board and its committees were operating effectively with a number of areas of significant strength noted, including the constructive and dynamic operating style of the Board, the way in which all opinions are explored prior to decisions being made, and Board members feeling that they can discuss concerns openly with the Chair.

## The review highlighted some specific areas for focus in 2027:

- The Board still want to see more information on succession planning for key roles within the business;
- The Board wants to understand more on the potential impact of Artificial Intelligence on the company strategy; and

- The Board wants further visibility of the plans to deliver strategic goals and operational objectives, although it was noted that the Performance Review Committee had helped in this area during the year.

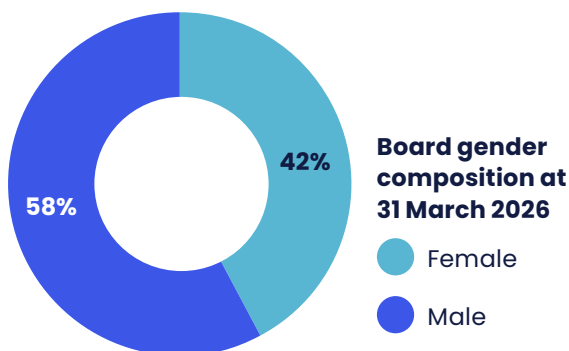
An action plan has been developed and agreed by the Board and the progress made will be reported in our Annual Report next year.

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 gender composition

We maintain a Board Skills Matrix, which is updated annually. We compare this to our current and potential future skills needs, to ensure we maintain the right balance of skills and experience. The results of this are shown in the [Nomination Committee report](#).



We want our Board to reflect the diversity of the communities that we serve. We have a Board Appointments Policy which ensures a consistent and fair approach to recruitment is always undertaken. The fundamental objective of recruitment remains to ensure that the best candidate for the role is appointed, but we actively work with recruitment consultants to ensure we review a diverse range of candidates and that all are given an equal opportunity for the role.

## Training and development

The Board receives regular updates on governance-related matters and more formal training where appropriate. Potential training needs are discussed as part of individual performance evaluations, plus each director is given the opportunity to flag any additional training requirements as part of the annual Board performance review. New directors joining the company are given a broad and comprehensive induction to the business consisting of site visits, meetings with key personnel and detailed information relating to the business, as well as any training specifically required in relation to the duties of directors and their role on the Board.

## Non-executive director meetings

The independent non-executive directors and non-executive investor directors meet with the Chair at regular intervals to discuss Board-related matters without the executive directors present.

## The UK Corporate Governance Code

Yorkshire Water is a private limited company but has chosen to report its compliance with the UK Corporate Governance Code on an annual basis, to provide greater transparency.

The Board considers that it has applied the principles of the UK Corporate Governance Code 2024 which can be applied to private companies throughout the year ended 31 March 2026, 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, due to the presence of non-executive investor directors on the Board. We believe that our investor directors allow us to have a greater breadth of skills and experience on the Board, and ensure that our investors are kept fully informed of what is happening in the business.
- **Provision 18** – this provision relates to the annual re-election of directors. As a private limited company, we do not hold an Annual General Meeting and instead our independent non-executive directors are re-elected every two or three years when their appointment term ends.
- **Provision 24** – this provision requires the Audit Committee to consist entirely of independent non-executive directors. Our Audit and Risk Committee has a majority of independent non-executive directors but also has a non-executive investor director, who we believe provides useful challenge and insight to the Committee.
- **Provision 29** – this provision only applies for financial years beginning on or after 1 January 2026, and therefore we have complied with Provision 29 of the 2018 UK Corporate Governance Code instead in the year under review. We have commented on the new Provision 29 further in our [Audit and Risk Committee report](#).
- **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	Performance Review Committee	Public Value Committee
	No./max	No./max	No./max	No./max	No./max	No./max	No./max
<b>Vanda Murray</b>	6/6	-	4/4	4/4	6/6	4/4	4/4
<b>Furqan Alamgir</b>	6/6	7/7	-	4/4	-	-	4/4
<b>Scott Auty*</b>	6/6	-	3/4	4/4	5/6	-	-
<b>Wendy Barnes</b>	6/6	7/7	-	4/4	6/6	-	4/4
<b>Simon Beer</b>	4/6	-	-	2/4	-	-	-
<b>Andrew Dench**</b>	6/6	5/7	-	4/4	5/6	-	-
<b>Martin Gee</b>	6/6	-	-	-	-	-	-
<b>Russ Houlden</b>	1/1	-	-	1/1	1/2	-	-
<b>Paul Inman</b>	1/1	-	-	-	-	-	-
<b>Nicola Medalova</b>	4/4		2/3	1/2	2/3	3/3	
<b>Andrew Merrick</b>	6/6	7/7	4/4	4/4	-	3/4	3/4
<b>Ray O'Toole</b>	4/4		2/2	2/2	3/3	-	3/3
<b>Nicola Shaw</b>	6/6	-	4/4	-	-	-	4/4
<b>Julia Unwin</b>	4/4	-	1/3	4/4	4/4	-	3/3
<b>Andrew Wyllie</b>	6/6	7/7	4/4	4/4	6/6	4/4	-

\* Scott Auty attended meetings in the year as the alternate for Isabelle Caumette, who was unable to attend for personal reasons.

\*\* Kamal Abi-Salloum was appointed on 3 July 2025 as the alternate for Andrew Dench and attended one Board meeting, two Audit and Risk Committee meetings, one Nomination Committee meeting, and two Remuneration Committee meetings in his place. The figures above show the combined attendance for Andrew and Kamal.

## 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 fourth year as the partner on our audit and continues to be entirely independent from Yorkshire Water.

In accordance with the requirement for Public Interest Entities to put their audits out to tender every ten years, in February and March 2026 the Audit and Risk Committee oversaw a competitive audit tender process for the external audit for the year ended 31 March 2028. The tender took place at this time to ensure that the appropriate independence could be ensured from the start of the 2027 financial year, as this would represent the comparative results at the time of the 2028 audit.

The tender process aligned with the requirements of the 'Audit Committees and the External Audit: Minimum Standard' publication from the FRC, and resulted in a recommendation to the Board that the external audit be moved to KPMG LLP, which was approved in March 2026.

## Powers of the directors

The business of the company is managed by the directors, who may exercise all the powers of the company, subject to the provisions of the Articles of Association and relevant statutes.

All directors have a statutory duty to avoid conflicts of interest. Our Articles of Association permit those directors who are not conflicted to authorise conflict situations, as is standard practice. Conflicts of interest are a standing agenda item at each Board meeting and any potential conflicts must

be disclosed and may then, if appropriate, be authorised by the non-conflicted directors. Any such authorisations may be subject to appropriate conditions. The directors do not consider that any actual conflicts of interest have arisen during the year between the roles of the directors as directors of the company and any other roles which they may hold.

Our Chair, executive directors and non-executive investor directors remain mindful that they are also directors of Kelda Holdings Limited and that this operates as a separate legal entity.

## Directors' statement

The directors confirm that they consider the Annual Report and Financial Statements (ARFS), taken as a whole, to be fair, balanced, and understandable and provides the information necessary for shareholders and other stakeholders to assess the company's performance, business model and strategy. When arriving at this position, the Board was assisted by a number of processes including the following:

- The ARFS is drafted by senior management with overall co-ordination by senior members of the Finance team and Company Secretariat to ensure consistency across the relevant sections;
- An internal verification process is undertaken to ensure factual accuracy;
- Comprehensive reviews of drafts of the ARFS are undertaken by the executive directors and senior management;
- An advanced draft is reviewed by the Board;
- The final draft is reviewed by the Audit and Risk Committee prior to consideration by the Board. The Committee advised the Board that the ARFS, taken as a whole, is fair, balanced, and understandable for shareholders and other stakeholders to assess the company's performance, business model and strategy. Each director in office at the date of this report confirms that, to the best of their knowledge the Financial Statements give a true and fair view of the assets, liabilities, financial position, and loss of the company; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

The directors have voluntarily complied with the Disclosure and Transparency Rules, to the extent that these can be reasonably applied to the company.

## Disclosure of information to auditors

### Each director in office at the date of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each director has taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

## Statement of directors' responsibilities

The directors are responsible for preparing the ARFS in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law, the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

### In preparing these Financial Statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Relations with shareholders

As a private limited company, all our shareholders have representatives appointed as non-executive directors to our Board. This means that we have regular interaction with representatives from each of our shareholders and can present detailed information to them to enhance their understanding of our business and the communities which we serve. This also means that we can understand in detail the views of our shareholders which has been extremely useful in building a strong relationship and understanding since the appointment of our first non-executive investor directors in September 2017.

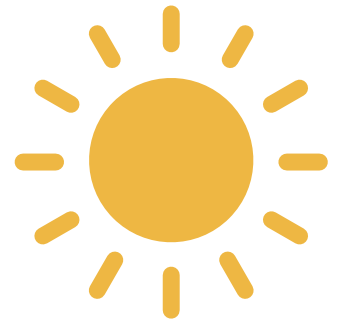
## Amendments to the company's Articles of Association

Any amendments to the company's Articles of Association may be made by passing a special resolution of the shareholders.

## Our risk management framework

Our risk management framework, which sets out our approach to identifying and managing our risks, is detailed in our [Managing risks and uncertainties](#) section of the [Strategic report](#).

# Risk management responsibilities



## The Board

The Board has overall responsibility for setting the risk appetite for the business and for ensuring that the overall risk profile is aligned with this. It is also responsible for ensuring that the business maintains sound internal control and risk management systems, as well as reviewing the effectiveness of those systems.

To do this, the Board has regular meetings with senior management and, via the Audit and Risk Committee, receives regular reports from the internal auditors and the external auditors on the effectiveness of internal controls and risk management. Acknowledging the improvements recommended by these reports, none of which are significant, the Board is satisfied that the systems are embedded within the day-to-day activities of the business and cover financial, operational and compliance controls, and that the business continues to be compliant with the provisions of the 2018 UK Corporate Governance Code relating to internal controls. The Board recognises the requirements of the 2024 UK Corporate Governance Code in relation to making a statement on material controls and intends to comply with this from 2027 as set out in the Code.

## The Executive

The Executive is responsible for reviewing the risks that have been recorded, to ensure completeness and accuracy, as well as assessing the suitability of the mitigations in place and any proposed timescales for further controls to be implemented.

## Audit and Risk Committee

The responsibilities of the Audit and Risk Committee in relation to risk management are set out in the [Audit and Risk Committee report](#).

## Financial risk management

We produce an annual budget which is reviewed by senior management and ultimately approved by the Board. We also have our five-yearly Business Plan which aligns to the Final Determination issued by Ofwat as part of each Price Review, and we have a longer-term 30-year financial model for the group which we regularly monitor performance against.

We also prepare monthly performance reports against budget, which are monitored by each business area and reported at Executive and Board meetings. Further information about the financial risk management policies in place and, in particular, the way in which financial risks such as inflation risk and interest rate 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 2026 is contained in our [Strategic report](#) in the [Right for the environment](#) section.

# Nomination Committee report

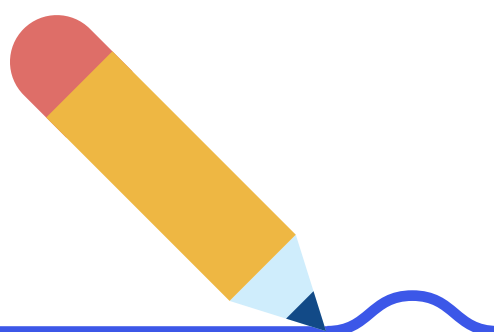
**The role of the Nomination Committee is to keep the structure, size and composition of the Board under review, and to ensure that the balance of skills, knowledge and experience of the Board members is right for the current and future needs of the business.**

The Committee is also responsible for overseeing the recruitment process for new directors and for making recommendations regarding Board appointments.

## Board structure

Our Board structure is different from that of a listed company in that we have four non-executive investor directors who sit on our Board, alongside our independent non-executive directors and our executive directors. We have had investor directors on the Board since September 2017 and we find this immensely beneficial as it enables us to understand the views of our shareholders, as well as ensuring they hear first-hand all of the information that is presented to the Board in order to provide support and challenge as appropriate.

Whilst they are not deemed independent in accordance with the UK Corporate Governance Code, the investor directors still have the same legal and fiduciary duties as our other directors and fully understand the importance of the services that we provide to Yorkshire and the impact that our actions have on local communities and the environment. They therefore have to make decisions as directors for the good of the business, and are not able to make decisions solely from the perspective of the shareholders that they represent. They also individually bring skills and experience to the Board which help create a greater diversity, which is beneficial to the Board in its decision making.



## Board recruitment

During the year we welcomed Nicola Medalova to the Board, as an independent non-executive director. Nicola brings with her considerable engineering expertise, which was an area highlighted through our Board skills matrix as one where expertise was slightly lower.

We worked with Teneo, as independent consultants, who undertook due diligence on behalf of the company as part of the appointment process. Teneo have also provided communications advice to the Board during the year but otherwise operate entirely independently from our business.

We also have welcomed Ray O’Toole back to our Board, this time as an investor director in place of Russ Houlden. Ray was previously an independent non-executive director with Yorkshire Water for nine years, and therefore brings considerable sector experience back to the Board, as well as significant operational and safety expertise from his career in the transport sector.

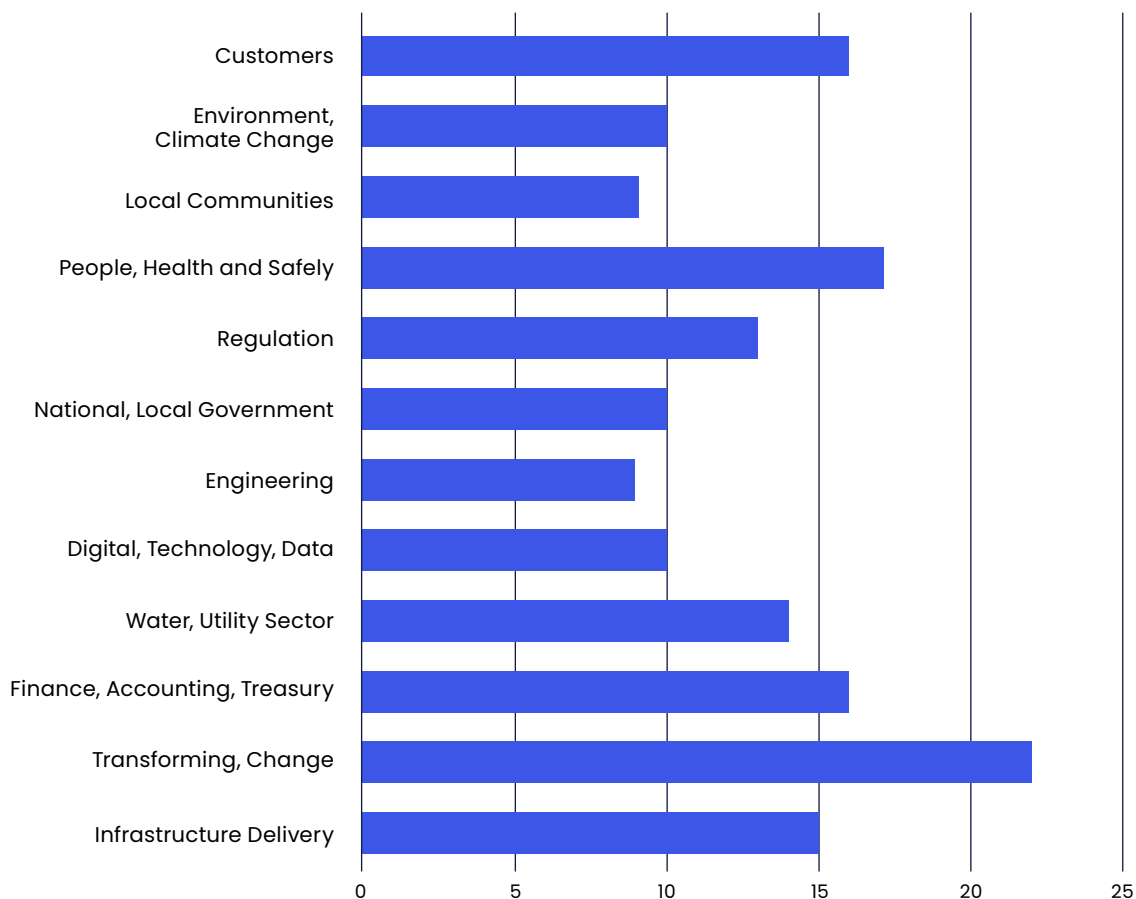
## Our skills and experience matrix

As mentioned above, we maintain a Board skills matrix, which the Nomination Committee uses to monitor the balance of skills and experience on the Board and to identify any areas where new skills or experience may be required.

In the matrix, directors evaluate themselves, noting where they have specific skills or experience, where they have some skills or experience but these have not been core to a previous role, as well as those areas where they have no or only limited skills or experience.

The current matrix is shown below.

The matrix shows that there are no specific areas without relevant skills or experience on the Board, but that our lowest areas are engineering and regional engagement. The Committee is continuing to keep this under review, as well as considering how the requirements might change over time.



## Developing talent

In addition to reviewing the composition of the Board, the Nomination Committee plays a key role in developing talent in the organisation, to identify and promote those who are potential future Board members, either of Yorkshire Water or elsewhere. This includes ensuring that there are equal opportunities for development for people of all genders and ethnicities.

The Committee has a Board Appointments Policy which sets out the key principle for appointments to be made on merit, with consideration always being given to the need for diversity of all types. Yorkshire Water is committed to only using external executive search firms who have signed up to the voluntary Code of Conduct addressing gender diversity and best practice.

## Attendance at Committee meetings

The Nomination Committee is a sub-committee of the Board and meets as often as required each year. During the year ended 31 March 2026, the Committee met four times. The membership and attendance of the Committee is set out earlier in the [Governance report](#). Meetings are also attended by the Chief Executive, where relevant, and the Company Secretary.

## Committee responsibilities

- To review the structure, size and composition of the Board on a regular basis and to make recommendations to the Board regarding any changes;
- To ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession;
- To keep under review the leadership needs of the organisation, both executive and non-executive, to ensure the continued ability of the organisation to meet its obligations in relation to investors, the public service it provides and the community in which it operates;
- To oversee the process for the recruitment or reappointment of any Board roles; and
- To review annually the time required from each of the directors to perform their roles effectively.

The Terms of Reference of the Committee are in line with the recommendations in the UK Corporate Governance Code and from the Chartered Governance Institute.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at [yorkshirewater.com](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 Nomination Committee showed it to be operating effectively.

## Thanks to our non-executive directors

Our non-executive directors contribute significant time and effort in their roles and have done so again this year, at a time of immense scrutiny of the sector. I would like to thank them for their ongoing commitment to Yorkshire Water.

**Vanda Murray OBE DBA**  
**Chair, Nomination Committee**  
6 July 2026

# Public Value Committee report

## The Public Value Committee has a specific remit on behalf of the Board to consider matters relating to the value which Yorkshire Water brings to Yorkshire.

We have a significant impact on the communities that we serve; through our customers, our colleagues, the land we own, the investments we make, the local suppliers we buy from, and the local taxes we pay. We know that our actions shape the regional economy, as well as the health and wellbeing of Yorkshire.

### The Committee focuses on three main areas:

- Monitoring the progress of the business to net zero;
- Overseeing our regional stakeholder relationships; and
- Identifying matters that may become a focus for public interest in the future.

These are areas that the Board believes benefit from additional focused time being spent by the Committee on behalf of the Board, through deep dives and detailed discussions.

## Change of Chair

During the year the Chair of the Committee, Julia Unwin, retired from the Board. Julia has worked extensively throughout her career on issues to do with developing social value and she brought invaluable expertise and knowledge to her role as the Chair of the Committee over a six-year period. On behalf of the Board, I would like to extend thanks to Julia for all she has done in her time as the Chair of the Committee.

## What we have considered during the year

**During the year, the Committee has met four times and has spent time:**

- Reviewing reporting in relation to the contribution of the business to Yorkshire;
- Reviewing relationships with regional stakeholders and considering specific stakeholder needs;
- Receiving an update on the national Chemical Investigation Programme, and considering the potential implications of this for the future;
- Agreeing improvements in the way in which the Board engages with colleagues, in order to enable colleague views to be more effectively fed into Board decision-making;
- Receiving updates on 'By Your Side', the customer vulnerability strategy, and reviewing the steps being taken to further enhance support for vulnerable customers, including a deep dive into poverty and debt in Yorkshire and the bill support initiatives in place;
- Receiving a deep dive on biodiversity net gain and its implications for the business; and
- Receiving updates on the progress to net zero and approving the plan in place to achieve this.

The Committee reports back to the Board after each meeting, with papers and minutes circulated to all Board members to ensure that the whole Board remains informed of matters considered by the Committee.

## Attendance at meetings

Attendance at the Committee meetings during the year is noted earlier in the [Governance report](#). As well as the Committee members, meetings are also attended by the Director of Corporate Affairs and Partnerships, and the Company Secretary. Other specialists are also invited to attend the Committee as and when required.

## Terms of Reference

### The specific duties of the Committee in its Terms of Reference include:

- To listen directly to a range of regional stakeholders regarding their experience of working with Yorkshire Water, and their views, to help inform wider Board decision-making;
- To demonstrate, through proactive Board-level engagement with key stakeholders, that Yorkshire Water is an organisation with a long-term interest in the success of the region;
- To promote Yorkshire Water as an open, transparent and constructive partner, through a programme of engagement with key stakeholders;
- To monitor matters of potential public interest to ensure these are being adequately considered and monitored by the business and are flagged to the Board as and when appropriate;
- To receive regular updates on behalf of the Board in relation to the plan to achieve net zero; and
- To discuss and highlight to the Board any other matters of public value which the Committee believes should be considered in Board decision making.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or are on our website at [yorkshirewater.com](http://yorkshirewater.com)

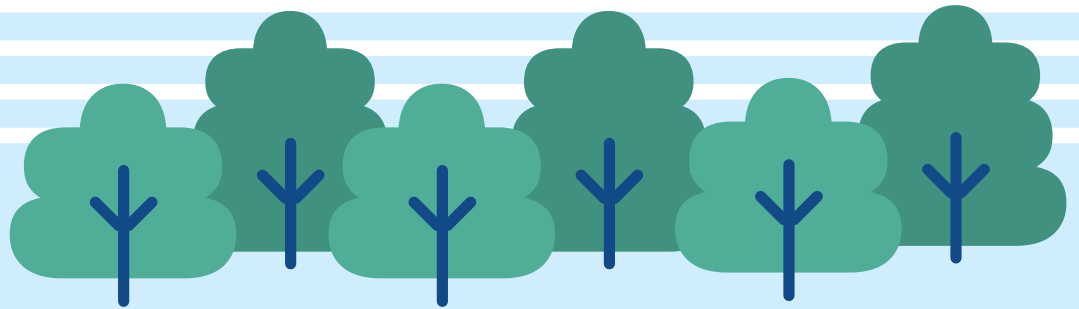
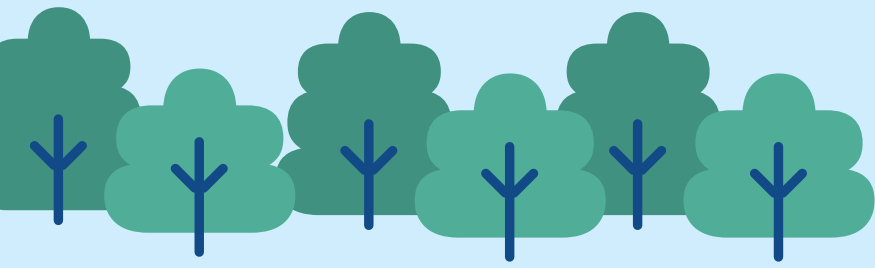
## Committee performance review

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.



**Furqan Alamgir**  
Chair, Public Value Committee

6 July 2026



# Safety, Health & Environment Committee report

**A key part of our strategy for a thriving Yorkshire, right for customers and right for the environment, is that we keep our people, our partners, and members of the public that we come into contact with, safe and well.**

We also have a similar responsibility to the environment, and it is important that we understand any environmental incident that occurs, so we can take the right actions to stop it from happening again. The Safety, Health and Environment Committee exists to allow more time to be spent focusing on these important matters at a Board level.

## Health and safety

We have a health and safety vision of 'everyone, every day, safe and well', as well as a moral imperative for 'zero harm'. It is essential that these are embedded in everyday life across our business.

July 2025 marked the ten-year anniversary of the loss of one of our colleagues, Mick Jennings, in a tragic accident at one of our treatment works. We never want to even come close to losing another colleague and so health and safety is of paramount importance across our business.

The Committee monitors performance and progress against our health and safety metrics and reviews any incidents or high potential incidents that occur during the year, and the actions taken as a result. We are disappointed that our Lost Time Injury Rate has worsened slightly in 2026 from 0.14 to 0.15, but this remains low, which is pleasing. As a business we are very aware of the constant risks we face and are always driving to improve our performance.

We include our partners in all our health and safety considerations and monitor partner health and safety performance as part of the overall health and safety performance of our organisation.

One of the partners who works closely with Yorkshire Water was invited to a Committee meeting in the year, to provide first-hand feedback on their experience of working with Yorkshire Water, and to hear directly on any suggested areas for improvement from a safety perspective.

The Committee also held a meeting during the year at the E.ON power station at Blackburn Meadows, near Sheffield, and heard about the safety processes and culture in place at E.ON and how this has successfully evolved over time. The meeting also discussed partnership working and the shared goals of driving decarbonisation, building local resilience, and championing a circular economy.

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 reservoir integrity.

The quality of the drinking water we provide to our customers was the focus of several updates during the year, including deep dives into the management of cryptosporidium risk, 'forever chemicals', and fluoridation.

The Committee also received an update on reservoir risk from the Reservoir Safety Manager, and regular updates on the outcomes of a series of independently led process safety high hazard reviews.

## Environmental incidents

The Board takes its responsibilities for protecting and enhancing the environment extremely seriously and continues to push for wastewater discharges to be eradicated wherever possible. There are detailed plans in place to achieve this over time, which are described in more detail in the [Right for the environment](#) section of our [Strategic report](#).

The Committee monitors the environmental performance of the business closely and has oversight of the investigation process into any incidents. Total pollution numbers in the 2025 calendar year have worsened, but there have been steps taken to address this and the Committee is pleased to have seen the pollution run rate improve in the second half of the year, although this has proved difficult to maintain into the 2026 calendar year, which has led to even greater focus. Serious pollutions have also improved in the second half of 2025, with just three of the 13 serious pollutions in the calendar year occurring in the last five months of the year. Further information on the steps being taken to improve pollution performance are set out in more detail in our [Right for the environment](#) section.

During the year, the Committee heard directly from the Area Director of the Environment Agency to hear his views on the performance of Yorkshire Water and any areas requiring increased focus.



## 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 Service Delivery, the Director of Asset Delivery and Engineering, the Director of Asset Management, and the Company Secretary. Other specialists are also invited to attend the Committee as and when required.

## Terms of Reference

### The specific duties of the Committee in its Terms of Reference include:

- To consider the health, safety and wellbeing and environmental cultures across the business and the extent to which the desired cultures are embedded;
- To provide advice to the Board on the perceived 'tone from the top' in relation to health, safety, wellbeing and environmental matters;
- To review and approve the health, safety and wellbeing strategy and annual plan, ensuring that it appropriately prioritises health, safety and wellbeing across the business, is adequately resourced and reflects the risk appetite set by the Board;
- To consider the short, medium and long-term risks relating to health, safety, wellbeing and environmental incidents and the mitigations in place to reduce these risks as far as reasonably practicable;
- To receive regular updates on health, safety and wellbeing performance and details of any non-trivial incidents or near misses and the actions arising from these to prevent recurrence;
- To receive regular updates on environmental performance including in relation to statutory obligations and regulatory performance commitments;
- To receive details of any potential Category 1 or Category 2 environmental incidents and the actions arising from these as well as receiving and considering assurance that the company is identifying and applying lessons learnt;
- To keep under review relationships with third parties that are integral to health, safety, wellbeing and environmental risk management;
- To review the adequacy of the health, safety, wellbeing and environmental risk management framework across the business; and
- To review the findings from health, safety, wellbeing and environmental audits and other assurance programmes, including the mitigating actions and the timely closure of audit findings.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at [yorkshirewater.com](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 Safety, Health and Environment Committee showed it to be operating very effectively with no specific areas for development.

We are aware that there is still more to do to ensure that the performance of Yorkshire Water is consistently at the standard to which we aspire. I would like to thank my colleagues for their efforts during the year as we continue to strive to deliver improved performance in the future.



**Andrew Wyllie CBE**  
**Chair, Safety, Health and Environment Committee**

6 July 2026

# Performance Review Committee report

**As a result of the Board Performance Review in 2025, the Performance Review Committee was set up during the year to enable the Board to spend more time reviewing specific performance commitments.**

The Committee met four times in the year and each time received an overview of operational performance and then deep dives in specific areas, setting out performance in the year to-date and plans for further investment and improvement.

During the year, these deep dives covered pollution incidents, customer experience, developer services performance, leakage, internal and external sewer flooding, and mains repairs.

Committee members were able to discuss the performance updates and challenge the plans for further investment and improvement, to ensure that these incorporated learning from best practice in other organisations and were sufficient to help the business meet its operational targets.

The Committee also provides the opportunity for Board members to hear directly from the members of the Executive team and other senior leaders with day-to-day responsibility for operational delivery.

## 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 the Director of Service Delivery, the Director of Asset Delivery and Engineering, the Director of Asset Management, the Company Secretary, and other senior leaders with responsibility for the specific measures being discussed. All other Board members are also invited to attend the meeting if they wish.

## Terms of Reference

The specific duties of the Committee in its Terms of Reference include:

- To review the performance of the business in relation to performance commitments and price control deliverables;
- To receive deep dives into specific performance commitments and price control deliverables as necessary;
- To consider whether the performance of the company is aligned with its stated purpose and reflects the needs of those it serves, and to provide support and suggestions to the Executive team in this regard;
- To consider whether decisions made by the business to improve performance have appropriately considered stakeholder needs; and
- To consider whether the necessary resources, policies and practices are in place for the company to meet its objectives.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or 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 Performance Review Committee showed it to be operating very effectively with no specific areas for development.



**Andrew Wyllie CBE**  
**Chair, Performance Review Committee**  
 6 July 2026

# Audit and Risk Committee report

**The Audit and Risk Committee provides oversight and challenge in relation to the risk management and controls framework and the integrity of operational and financial reporting, on behalf of the Board.**

## Role

**The Committee's primary responsibilities are to:**

- Monitor the integrity of our external reporting, ensuring that we provide clear, complete, fair, balanced, and understandable financial reports to all our stakeholders;
- Receive assurance to gain confidence over the design and operation of the internal controls and procedures, including oversight of our speaking up arrangements;
- Maintain oversight of the relationship with the external auditor;
- Provide oversight of the effectiveness of the process for identifying, assessing and managing key risks across the business, supporting the Board in agreeing and monitoring an appropriate risk appetite;
- Review the effectiveness of both external and internal audit;
- Review and approve the internal audit plan for the year, review internal audit reports and monitor completion of any actions arising; and
- Review the Speaking Up Policy, arrangements and activity.

## Membership and attendance

The Committee met for seven scheduled meetings during 2026. Membership and attendance of the Committee is shown earlier in this Governance report. In addition to the Committee members, the Chief Executive, Chief Financial Officer, Group Financial Controller, Head of Audit and Risk, 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. As Chair of the Committee I also meet separately with the Chief Financial Officer, and with the Head of Audit and Risk, on a regular basis throughout the year.

## Provision 29

As a company that voluntarily complies with the UK Corporate Governance Code, to the extent that it is relevant to a privately-owned business, we have begun work in the year to ensure our material controls are appropriately documented, and reviewed the assurance required by the Board to enable it to make a declaration of the effectiveness of those controls in our Annual Report from 2027.

The Committee has received updates on this work throughout the year, reviewing the definition of material controls, and the linkage of these to the principal risks facing the business. During the year the Committee approved a phased approach to the adoption of Provision 29, with the focus initially on financial and technology-related material controls, before moving on to material controls in other areas. The Committee is committed to complete transparency and will provide more detail on the progress made and the controls covered by the Board declaration in the 2027 Annual Report.

## External audit tender

Towards the end of the year, the Audit and Risk Committee oversaw a competitive audit tender process for the external audit for the year ended 31 March 2028. The process was held at this time to comply with the requirement for Public Interest Entities to tender their audit every ten years, and to ensure that any potential conflicts of interest could be appropriately managed from 1 April 2026, in the financial year that would form the comparatives for the 2028 external audit.

Six audit firms were invited to tender, and the two shortlisted firms were invited to meet with various teams across the business, including the Executive, Finance, Tax and Treasury, Regulation, and IT teams. The selection process was overseen by the Committee, with selection based on technical competence, challenge, service approach, communication, proactivity, and independence. The final two firms were submitted to the Board for consideration, with a recommendation from the Committee that the audit move to KPMG LLP for the year ended 31 March 2028. This recommendation was approved by the Board in March 2026.

## 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](http://yorkshirewater.com)

## Activity in the year

The Committee has discharged its responsibility to the Board through the year. The table that follows highlights the key matters that were considered and challenged as appropriate by Committee members.



**Andrew Merrick**  
Chair, Audit and Risk Committee  
6 July 2026

## Key matters considered at Committee meetings

Area of Focus	Considerations by the Committee
The application of accounting policies	The Committee reviewed the appropriateness of significant accounting policies and disclosures, and material accounting estimates and judgements at both the half-year and full-year end. There was particular focus in the year on the accounting policies in relation to bad debt, infrastructure asset valuation, the capitalisation of own work, and depreciation.
Ensuring the Annual Report and Financial Statements are fair, balanced, and understandable	The Committee reviews the Annual Report and Financial Statements each year and considers whether it is fair, balanced and understandable and whether it provides the information necessary to enable stakeholders to assess the company's performance, risks, business model and strategy. As part of this, the Committee considers the process for producing the Annual Report and Financial Statements and the assurance provided from both external and internal sources.
Significant issues relating to the financial statements	<p>The Committee has considered various issues relating to the financial statements in its meetings during the year:</p> <ul style="list-style-type: none"> <li>• <b>Bad debt</b> – the methodology used for the year end provision has been reviewed in detail, taking into account historical performance, management actions to address debt, and micro-economic factors.</li> <li>• <b>Infrastructure asset valuation</b> – the assumptions and methodology used in the valuation have been reviewed by the Committee.</li> <li>• <b>Financial instruments</b> – the assumptions underpinning the valuation of financial instruments have been reviewed by the Committee.</li> <li>• <b>Going concern</b> – the adequacy of disclosures and the supporting evidence for these.</li> <li>• <b>Capitalisation of own work</b> – the reasons for the increase in own work capitalised have been reviewed in detail by the Committee to ensure understanding of the reasons for this.</li> <li>• <b>Depreciation</b> – the useful economic lives of assets classes and the consistent application of these have been reviewed by the Committee, including the potential impact of climate change on high-risk asset useful economic lives.</li> <li>• <b>Contingent liabilities</b> – the treatment of contingent liabilities to ensure completeness and consistency has been considered by the Committee during the year.</li> </ul>
Going concern and the long-term viability of the company	<ul style="list-style-type: none"> <li>• There has been considerable discussion around going concern and long-term viability throughout the year, with the Committee and Board considering liquidity and funding requirements on a regular basis. This has included looking beyond 12 months from the year end at any financing events that could create material uncertainty. The Committee has also reviewed the risk scenarios and sensitivity analysis undertaken as part of the work on long-term viability. Further detail on the work undertaken on going concern and long-term viability can be found in the <a href="#">Going concern and long-term viability</a> section of the Strategic Report and in <a href="#">note 1</a> to the <a href="#">Financial statements</a>.</li> </ul>

Area of Focus	Considerations by the Committee
Monitoring of the internal control framework	The Committee has received regular internal audit reports throughout the year and has reviewed these and monitored the closure of the actions arising. It has monitored and challenged the timely achievement of the action plans to mitigate risk, and has requested internal work where required to provide assurance over the internal control framework.
Speaking Up arrangements	The Committee reviews the Speaking Up Policy annually and receives updates on speak up investigations twice a year. It has considered the effectiveness of the policy and has received assurance that no one using the policy has been victimised as a consequence. The Chair of the Committee also sits on the Speak Up Panel and is kept informed of all speak ups received and investigations undertaken.
The effectiveness of internal audit	The Committee considers the competency, experience and expertise required to deliver the internal audit plan and reviews the performance of internal audit in relation to quarterly performance targets, as well as meeting periodically with the Head of Audit and Risk without management present.
Independence and effectiveness of the external auditor	The Committee reviews the independence of the external auditor at the planning and reporting stage of the audit, to satisfy itself that there are no factors which may impact the independence and objectivity of the external audit process, particularly the level of fees relating to non-audit work. The Committee has a clear policy in place for non-audit fees and reports on this regularly to the Committee. An annual performance review of the external auditor is undertaken through a survey completed by stakeholders in the business and Committee members.
External audit tender process	The Committee has overseen the external audit tender process during the year, as set out earlier in this report.
Assessment of the emerging and principal risks of the company	The Committee has reviewed the corporate risk register and risk appetites during the year and challenged these to ensure they appropriately reflect the risks facing the business, and that the risk management framework is appropriately embedded in the business. The Board also receives an annual horizon scan which is used in part to identify emerging risks which are fed back into the corporate risk register.

# Directors' remuneration report

## How we present directors' remuneration

- An annual statement from the Chair of the Remuneration Committee, providing an overview of the key developments and remuneration decisions made during the financial year.
- Our remuneration policy report, setting out the remuneration policy for 2027 that has been recommended by the Remuneration Committee and approved by our shareholders.
- The annual report on remuneration, showing how the remuneration policy for 2026 has been applied, and how we intend to apply the policy for 2027, 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 2026.

Executive remuneration continues to be an area of intense focus across the sector, and we are very clear that our role as the Remuneration Committee is to ensure that we pay our executive directors fairly, with a remuneration policy that drives the right outcomes for our business, our customers and the environment.

In 2025 Yorkshire Water received criticism in the media for not including in our remuneration report the amounts paid to our executive directors by Kelda Holdings Limited, the parent company of our group. We recognise that we need to be completely transparent and therefore have agreed with the directors of Kelda Holdings Limited that we will go beyond the statutory requirements and disclose the fees paid by Kelda Holdings Limited to our directors, to ensure full disclosure. Information on these fees is now included in our [Annual report on remuneration](#).

## How the Committee operates

Our Remuneration Committee is entirely independent from our executive directors, and has always operated in accordance with best practice, and in compliance with regulatory requirements and the UK Corporate Governance Code. The Committee consists of seven non-executive directors, who all bring considerable experience from other sectors and some from other Remuneration Committees, and have a clear understanding of how to apply remuneration policy to drive the right outcomes for businesses.

As well as overseeing the fixed pay of our executive directors, the Remuneration Committee measures the performance of the executive directors each year against the measures in our performance-related pay schemes; the annual Executive Bonus Plan (EBP) and the Long-Term Incentive Plan (LTIP). In our final review each year, before any performance-related payments are made, we consider an independent report on performance against those measures and then apply discretion to take account of any wider factors and the performance of the business in the round.

In June 2025 the performance-related executive pay prohibition rule was published by Ofwat. This requires a binary adjustment to the performance-related pay outcomes each year, which can remove all performance-related pay because of one area of poor performance. The Committee has decided to continue with its own remuneration policy to reflect the measures that it believes best drive the desired outcomes for Yorkshire, but then will apply the prohibition rule as part of the Committee considerations of performance in the round each year, to reach the final remuneration outcome.

Details of the membership of the Remuneration Committee and the meetings they attended during the year can be found in our [Governance report](#).

## Feedback from Ofwat

In November 2025, Ofwat published its annual performance-related executive pay assessment. This concluded that the prohibition rule had been correctly applied by Yorkshire Water in 2025. Ofwat also reviewed evidence during the year relating to the fees paid to the executive directors by Kelda Holdings Limited. They concluded that the payments did not fit the definition of performance-related pay provided in the Water Industry Act 1991 and therefore were not in the scope of the prohibition rule.

## Policy changes and group company payments

The Committee continues to keep the Yorkshire Water remuneration policy under review to ensure it reflects best practice in remuneration. There are no changes proposed to the policy for 2027.

The Remuneration Committee has also been informed by the Board of Kelda Holdings Limited that it is proposing to continue paying the fees to the executive directors that have been paid since 1 April 2023. The Committee has reviewed the fee agreements in place and satisfied itself that the fees do not represent performance-related pay, but are fixed fees for work undertaken on behalf of Kelda Holdings Limited and other group companies outside of Yorkshire Water. The Committee supports the decision of the Board of Kelda Holdings Limited that such fees should not be funded by customers and therefore should be paid from outside of Yorkshire Water.

## Our performance for customers and the environment

As set out in our [Strategic report](#), there is still work to do to turnaround the business to deliver the right outcomes for our customers and the environment. We have made significant investments during the year, and will continue to do so over the rest of the AMP, to deliver improved performance for Yorkshire. The Board has monitored performance very closely during the year and is pleased to see that whilst overall results in some areas have been very disappointing, the performance trajectory has improved over the year under review. For example, the number of serious pollutions has been disappointing at 13 incidents, but ten of these were in the seven months to July with only three in the remaining five months of the calendar year, which shows that the steps we have taken to improve performance in this area are working.

The Committee takes poor performance very seriously, but also understands that improving performance in a company with the size and complexity of Yorkshire Water is not a quick and easy thing to do, therefore it is keen to ensure that the progress being made is appropriately reflected in the remuneration being paid. This is not only fair to those working hard for the business, but also allows us to attract and retain colleagues with the skills and experience required to work in a challenging environment.

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.

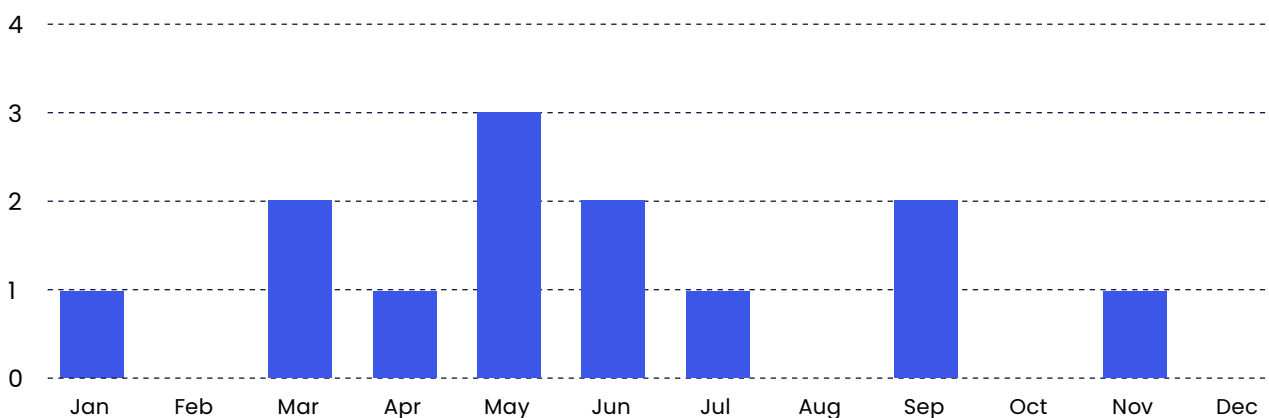
## Key decisions by the Committee in the year

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 4.2% being awarded across the business with effect from 1 April 2026. The Committee reviewed the pay of the executive directors in March 2026 and agreed to apply an increase of 3.5% to the base pay of both Nicola and Martin, with effect from 1 April 2026, which aligns to the award made to other senior colleagues and is in line with the CPIH inflation rate as at November 2025.

**Serious Pollutions in the 2025 Calendar Year**



## The award and measures for the EBP and LTIP

New awards under the EBP and LTIP were approved by the Committee with effect from 1 April 2026, in line with the remuneration policy. The measures to be applied to the EBP for 2027 were reviewed and approved by the Committee in March 2026. The measures for the LTIP to be awarded on 1 April 2026, with a three-year performance period through to 31 March 2029, were also approved by the Committee in March 2026. More information on this can be found later in this report.

## Performance-related pay vesting in 2026

Both executive directors participated in the annual EBP awarded on 1 April 2025, which was due to vest in 2026, and Nicola participated in the previous EIP scheme, for which one-third of the long-term elements awarded in the years ended 31 March 2023 and 31 March 2024 were due to vest.

In March 2026, Nicola and Martin both expressed a strong preference to the Committee that they wished to waive any performance-related pay that may become payable for performance in 2026, given that operational performance in some areas was still lower than target in the year. The Committee discussed this and agreed to honour this preference in its decisions around the vesting of performance-related pay.

In May 2026, the Committee reviewed the outcome of the performance metrics for both schemes, as well as the overall performance of the business in its decision-making process in relation to the vesting of the schemes.

The performance metrics for the EBP indicated vesting of 46.7%, which reflected performance in the year, with reward for financial efficiency and water quality, but no reward for the areas of customer service or environmental performance where improvement is still required.

The Committee considered in detail the performance against the specific metrics of the scheme, performance in the round, and the prohibition rule from Ofwat, and concluded that the formulaic outcome of the schemes reflected the actual performance in the year and there were no events that warranted further discretionary adjustment by the Committee. Further detail on this decision can be found later in this report.

The performance metrics for the long-term element of the EIP indicated vesting equivalent to 35.7% of the maximum for the awards made in the year ended 31 March 2023, and 49.5% of the maximum for the awards made in the year ended 31 March 2024, which reflected that most measures had improved or been maintained since the first year of the scheme concluded in 2023 and 2024 respectively.

These outcomes align with the design of the schemes, which reward areas where performance has been strong, but do not give performance-related pay for areas where performance has not met expectations. Neither of the EIP awards vesting in 2026 fall within the remit of the Ofwat prohibition rule, and therefore the Committee has reviewed the outcome simply with reference to performance in the round over the vesting period.

As a result of the waiver of performance-related pay by Nicola and Martin for performance in 2026, Nicola has potentially forgone £562,000 and Martin £265,000 in relation to the schemes that would have vested, however this is dependent on the outcome of the Environmental Performance Assessment which is expected to be announced by the Environment Agency in October 2026, and may potentially trigger the Ofwat prohibition rule. Further information can be found later in this report.

## Feedback

As a private limited company, our Directors' remuneration report is not subject to a vote at an AGM. We are keen, however, to receive any feedback from stakeholders on our remuneration policy, which may be directed to me via our Company Secretary, who can be contacted at [compsec@yorkshirewater.co.uk](mailto:compsec@yorkshirewater.co.uk)



**Wendy Barnes**  
Chair of the Remuneration Committee

# Remuneration policy report

**This part of our Directors' remuneration report sets out a summary of how the Directors' remuneration policy for Yorkshire Water will apply from 1 April 2026. There have been no policy changes during the year.**

## Policy overview

The current remuneration policy for directors comprises the elements set out in the table overleaf.

**In setting the policy, the Committee considers a number of factors, including:**

- Alignment of the remuneration policy with the strategic objectives of the business and our desire for 'a thriving Yorkshire, right for customers and right for the environment', to ensure reward reflects performance;
- An appropriate balance between fixed and performance-related pay to incentivise strong long-term performance, sustained shareholder value creation and behaviour aligned with the Yorkshire Water values, whilst not driving unnecessary risk-taking or irresponsible behaviour;
- Provision of a remuneration structure that is sufficiently competitive to attract, retain and motivate high calibre executive directors;
- The principles set out in the Ofwat Board Leadership, Transparency and Governance Principles, as well as those in the UK Corporate Governance Code; and
- Periodic external comparisons of market trends and practices elsewhere in the water industry and in companies of a similar size, complexity and geographic scope.

We want our remuneration structure to be simple and transparent and to clearly link pay to performance. Our policy ensures that performance-related components form a significant proportion of the overall remuneration package, with maximum total potential rewards earned only through the achievement of stretching performance targets, based on measures selected to promote the long-term success of the company and to meet our vision of a thriving Yorkshire.

### Consideration of pay and employment conditions across the business

The Committee also considers the pay and employment conditions of colleagues across the business when setting the remuneration policy for the executive directors, to ensure that these are aligned where appropriate. We regularly monitor pay trends across all levels of the business and salary increases for the directors will normally be in line with, or lower than, those of the wider workforce in percentage terms.

The Committee also seeks views on remuneration from colleagues across the business through the Yorkshire Voice survey, which has been conducted twice during the year.

This feedback told us that our colleagues want our executive pay to be more transparent. We have listened to this and have included the pay from Kelda Holdings Limited in this remuneration report so that there is clarity around the amounts being received by our executive directors from across the group.

### How the policy allows the company to comply with the Ofwat prohibition rule

In accordance with the UK Corporate Governance Code, the Committee has a duty to ensure that the remuneration policy is right for Yorkshire Water; to support the strategy and promote the

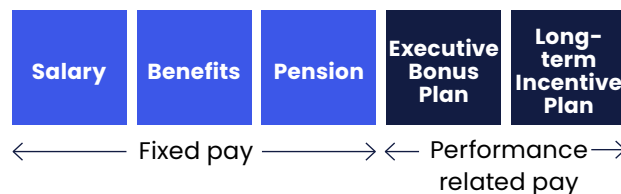
long-term sustainable success of the business. Under the remuneration policy there is a formulaic outcome from each of the variable pay schemes, and the Committee reviews these outcomes and exercises discretion as it sees fit to ensure variable pay is fully aligned to performance. As reported last year when the Ofwat prohibition rule was published, the Committee took the decision not to adjust its remuneration policy to accommodate the prohibition rule, but instead the prohibition rule is applied as a final step each year in reaching the final remuneration outcome. This ensures that the company always complies with the Ofwat prohibition rule, but that this does not impact upon the remuneration policy itself.

### How the Committee may exercise discretion

The Committee may exercise discretion in order to ensure fairness and align executive remuneration with underlying individual and company performance. In exercising its discretion, the Committee may adjust, upwards or downwards, the outcome of any performance-related pay within the limits of the relevant plan rules. This includes, for example, taking into account significant health, safety or pollution incidents, serious criminal breaches, compliance issues, significant events that impact on customers, operational performance not covered elsewhere in the metrics, and financial resilience in the year under review.

Any use of discretion by the Committee during the financial year will be detailed in the Annual report on remuneration each year.

### The remuneration of our executive directors is made up of five elements:



## Executive directors' policy table

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
<b>Fixed pay</b>			
<b>Base salary</b>			
<p>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>	<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.</p> <p>There is no prescribed maximum annual base salary or salary increase.</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>	<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.</p>	<p>There are no provisions to recover any sums paid.</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>Fixed pay</b>			
<b>Benefits</b>			
<p>Paying the right level of benefits helps us to attract and retain the right individual for the role.</p>	<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 £9,000 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. The cost of benefits may vary from year to year and there is no maximum level set.</p>	<p>Benefits are not performance related.</p>	<p>There are no provisions to recover any sums paid.</p>
<b>Retirement benefits</b>			
<p>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>	<p>The maximum for executive directors is aligned to the contribution level for colleagues across the business:</p> <ul style="list-style-type: none"> <li>• a company contribution to the defined contribution stakeholder scheme of up to 12% of base salary; or</li> <li>• a cash allowance of up to 12% of base salary; or</li> <li>• a combination of a company contribution to the defined contribution stakeholder scheme and a cash allowance up to 12% of base salary in total.</li> </ul>	<p>Retirement benefits are not performance related.</p>	<p>There are no provisions to recover any sums paid.</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>Performance-related 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 incentivises 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>The amount that vests for threshold performance is 20% of the maximum.</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 2026 and 2027 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 three-year period after payment, to align with Ofwat requirements, 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 of the conditions in the Ofwat prohibition rule which only become apparent after payment has been made, 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?
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**Performance-related pay**

**Long-term Incentive Plan (LTIP)**

The LTIP is designed to ensure focus on long-term business goals and sustainability for the benefit of our customers, the environment, our investors and other stakeholders.

The LTIP incentivises performance against stretching targets.

Performance targets are set at the beginning of the three-year performance period by the Committee with up to 110% of base salary vesting following the end of the third year, depending on the performance over the period against the targets set, as determined by the Committee.

All payments are at the ultimate discretion of the Committee.

The amount that vests for threshold performance is 20% of the maximum.

A balance of financial and non-financial measures is selected by the Committee at the start of each performance period.

All targets are clear, stretching and measurable and relate to the main KPIs for the company.

The measures agreed for the performance period starting on 1 April 2026 are set out in more detail later in this report.

In addition to the performance measures set by the Committee, there is an underpin that the Committee must be satisfied that the financial and non-financial performance of the business over the performance period warrants the level of vesting.

Payments are subject to clawback for a three-year period after payment, to align with Ofwat requirements, 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 of the conditions in the Ofwat prohibition rule which only become apparent after payment has been made, or any other reason at the discretion of the Remuneration Committee.

## Non-executive directors' policy table

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
<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 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**

**Benefits**      An increasing level of benefits is offered to colleagues as their job level increases. Those offered to the executive directors are consistent with those offered to other senior colleagues, with a slightly higher car allowance offered to the CEO.

**Retirement benefits**      All colleagues are entitled to pension contributions from Yorkshire Water. The amount contributed increases as the colleague contribution increases. The policy for executive directors is consistent with that for new colleagues across the business with a maximum company contribution of 12% of base salary.

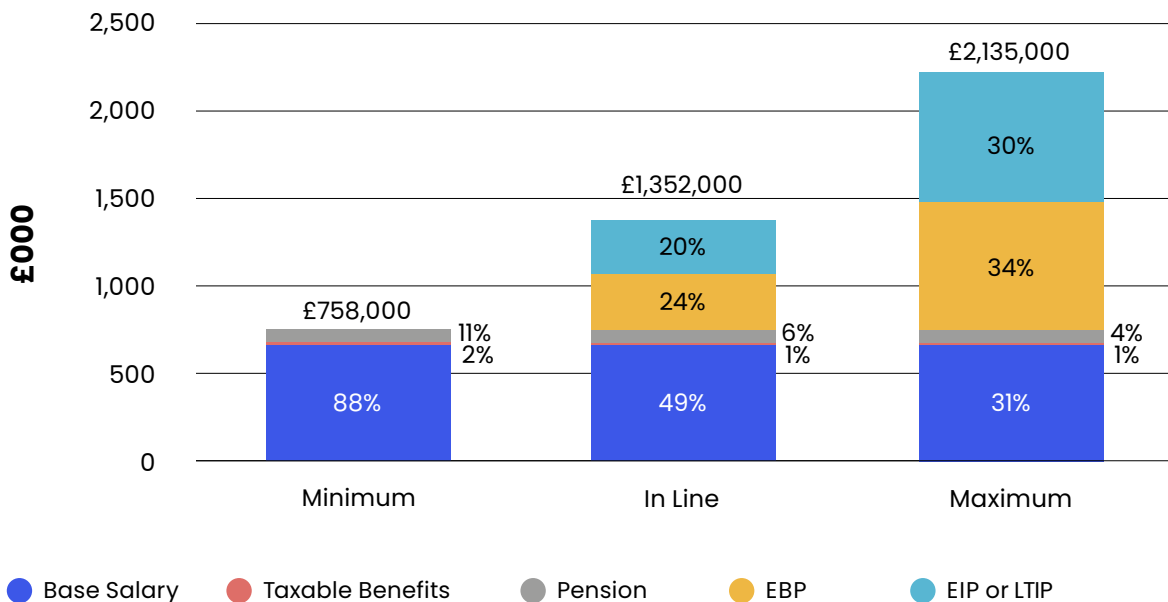
**Short-Term and Long-Term Incentive Plans**      Performance-related pay awards are made only to those individuals who are most able to directly influence delivery of the corporate strategy. Along with the executive directors, senior leaders are also invited to participate in the performance-related pay schemes. The performance measures and performance periods are the same for all participants in the scheme. The level of award increases with seniority.

Colleagues just below senior leader level participate in an annual bonus scheme with payments of up to ten or 15 per cent of salary, increasing to 15 to 20 per cent of salary from 1 April 2026 dependent on role. All other colleagues participate in a bonus scheme which pays up to £1,000 per annum depending on company performance.

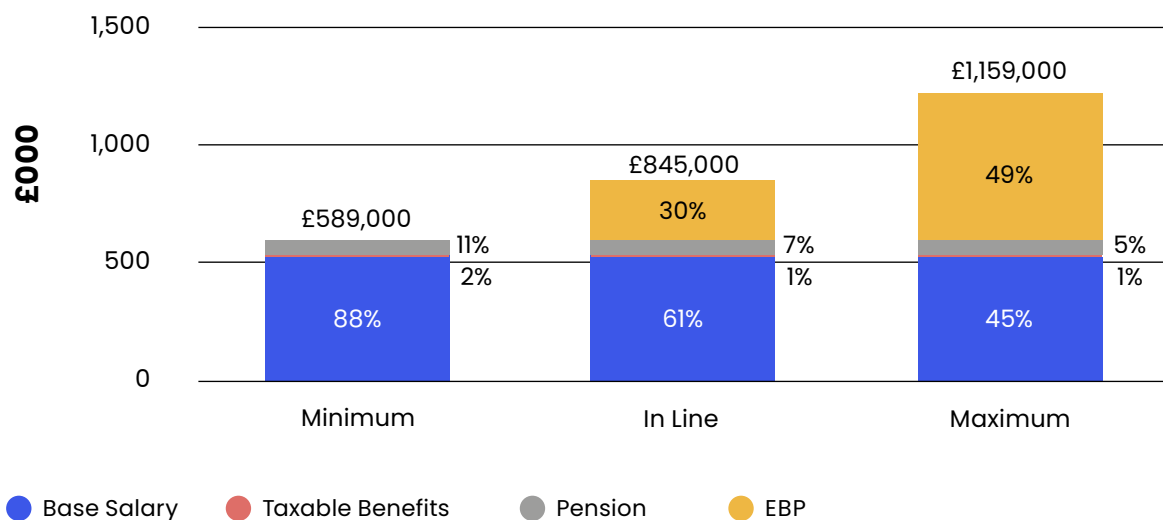
**What might executive directors be paid in the coming year?**

The charts below indicate how much the executive directors might receive under the remuneration policy from 1 April 2026 on a fixed, in-line with expectations, and maximum basis.

**Nicola Shaw**



### Martin Gee



### 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 performance-related 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 44.8% of the maximum opportunity, which is the average vesting of the short-term performance-related pay over the last five years. In addition, this includes an assumption of 41.2% pay out of the long-term elements of the old EIP and the LTIP due to vest in 2027, which is the average vesting of the long-term performance-related 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 elements of the EIP and LTIP that are due to vest in 2027.

It should be noted that the charts show what could be earned by the executive directors based on the 2027 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 2026.

## 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 12% 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 performance-related 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 performance-related 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.

### The appointment of Martin Gee

As reported last year, Martin Gee joined the Board as our new CFO on 6 May 2025, replacing Paul Inman, who retired from the Board on 31 May 2025. Details of the amounts to be paid to Martin and Paul during the year were disclosed in the remuneration policy report in 2025 and are included in the table in the annual report on remuneration this year.

### The appointment of Nicola Medalova

Nicola joined the Board as a new Independent Non-Executive Director on 1 September 2025. In line with our remuneration policy, the Board agreed to pay Nicola £64,913 per annum for her role.

## 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
<b>Nicola Shaw</b>	9 May 2022	6 April 2022
<b>Martin Gee</b>	6 May 2025	31 March 2025

## Letters of appointment

Independent Non-Executive Directors are appointed by letters of appointment for a period of two years. Appointments may be renewed by mutual agreement for further periods of up to two years subject to a total period of nine years' service with the company. The letters of appointment allow for termination by either party without a requirement for notice.

The appointment of the Chair is for a period of three years and may be renewed by mutual agreement for further periods of up to three years, subject to a total period of nine years' service with the company. The notice period is set at three months for either party.

The dates of the current letters of appointment are noted in the table below:

Director	Date of appointment	Date of most recent re-appointment
<b>Vanda Murray</b>	1 July 2021	1 July 2024
<b>Furqan Alamgir</b>	1 October 2024	-
<b>Wendy Barnes</b>	1 November 2022	1 November 2024
<b>Nicola Medalova</b>	1 September 2025	-
<b>Andrew Merrick</b>	1 June 2019	1 June 2025
<b>Andrew Wyllie</b>	1 September 2017	1 September 2025

The following Non-Executive Director appointments were made in accordance with the Shareholders' Agreement dated 30 June 2026. This permits investors to appoint representatives to the company in accordance with their holdings.

Non-executive director	Appointed
<b>Simon Beer</b>	26 November 2024
<b>Isabelle Caumette</b>	20 November 2023
<b>Andrew Dench</b>	13 September 2017
<b>Ray O'Toole</b>	3 September 2025
<b>Kamal Abi-Salloum (as an alternate for Andrew Dench)</b>	3 July 2025
<b>Scott Auty (as an alternate for Isabelle Caumette)</b>	20 January 2025

## 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.

### The retirement of Paul Inman

As reported last year, Paul Inman retired from the Board on 31 May 2025. The payments made to Paul up until his retirement are disclosed in the annual report on remuneration.



# 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 2026 and describes how the policy will be implemented in 2027.**

The financial information contained in this part of the report has been audited where indicated.

## Single total figure table (audited)

	Nicola Shaw		Martin Gee		Paul Inman		Total	
	2026 £000	2025 £000	2026 £000	2024 £000	2026 £000	2025 £000	2026 £000	2025 £000
<b>Base salary</b>	642	615	453	-	71	407	1,166	1,022
<b>Taxable benefits</b>	13	13	7	-	1	9	21	22
<b>Retirement benefits</b>	77	61	54	-	9	41	140	102
<b>Total fixed remuneration</b>	<b>732</b>	<b>689</b>	<b>514</b>	<b>-</b>	<b>81</b>	<b>457</b>	<b>1,327</b>	<b>1,146</b>
<b>EIP – short term element</b>	-	-	-	-	-	-	-	-
<b>EIP – long-term element</b>	-	-	-	-	73	6	73	6
<b>Total variable remuneration</b>	-	-	-	-	<b>73</b>	<b>6</b>	<b>73</b>	<b>6</b>
<b>Buy-out payments</b>	-	-	96	-	-	199	96	199
<b>Total</b>	<b>732</b>	<b>689</b>	<b>610</b>	<b>-</b>	<b>154</b>	<b>662</b>	<b>1,496</b>	<b>1,351</b>
<b>Remuneration paid by Kelda Holdings Limited</b>								
<b>Fixed fees</b>	<b>660</b>	<b>660</b>	<b>367</b>	<b>-</b>	<b>83</b>	<b>440</b>	<b>1,110</b>	<b>1,100</b>

## Notes to the table

- Nicola, Martin 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 £95,671 paid to Martin in October 2025, and a payment of £199,000 paid to Paul Inman in September 2024 to compensate each of them for remuneration they forfeited upon their resignation from their previous roles in order to join Yorkshire Water.

## Remuneration paid by Kelda Holdings Limited

The remuneration paid by Kelda Holdings Limited is a fixed fee paid by the holding company of the group, for services to other group companies in the year outside of Yorkshire Water. The fee was introduced on 1 April 2023 by the Board of Kelda Holdings to reflect the fact that both of the executive directors undertake work for other companies within the group. This is paid by Kelda Holdings to ensure that Yorkshire Water customers are not paying for this work.

The types of activities undertaken include working on the long-term financial resilience model for the group, providing information to, and holding meetings with, the group shareholders, meeting with other investors, debt-holders, and rating agencies on behalf of the group, overseeing the strategy for the non-regulated businesses in the group, reviewing the company accounts for the other companies in the group, and providing support and leadership to the other group companies, which include Loop Customer Management Limited, Keyland Developments Limited, and Kelda Transport Management Limited.

The fee paid each year is fixed by the Kelda Holdings Board and is not performance-related in any way. The Yorkshire Water Remuneration Committee has reviewed the agreements in place in relation to these fees and is satisfied that these are not performance-related, and therefore are not within scope of the Ofwat prohibition rule. This has further been confirmed by Ofwat in their detailed review of the fees in 2025.

## EBP

The EBP is an annual bonus scheme with awards made with effect from 1 April each year. The EBP has metrics which are agreed by the Remuneration Committee each year to measure performance in key areas during the year.

EBP awards will not vest unless the Committee is satisfied that the underlying financial and non-financial performance has been satisfactory over the performance period, considering any relevant factors. The Committee has authority to exercise its discretion to adjust the level of vesting to any extent considered appropriate. Any amounts that vest are paid in cash to participants in July of each year.

## Vesting of the EBP in 2026

Awards of up to 110% of base salary were made to executive directors on 1 April 2025. The performance period ran to 31 March 2026.

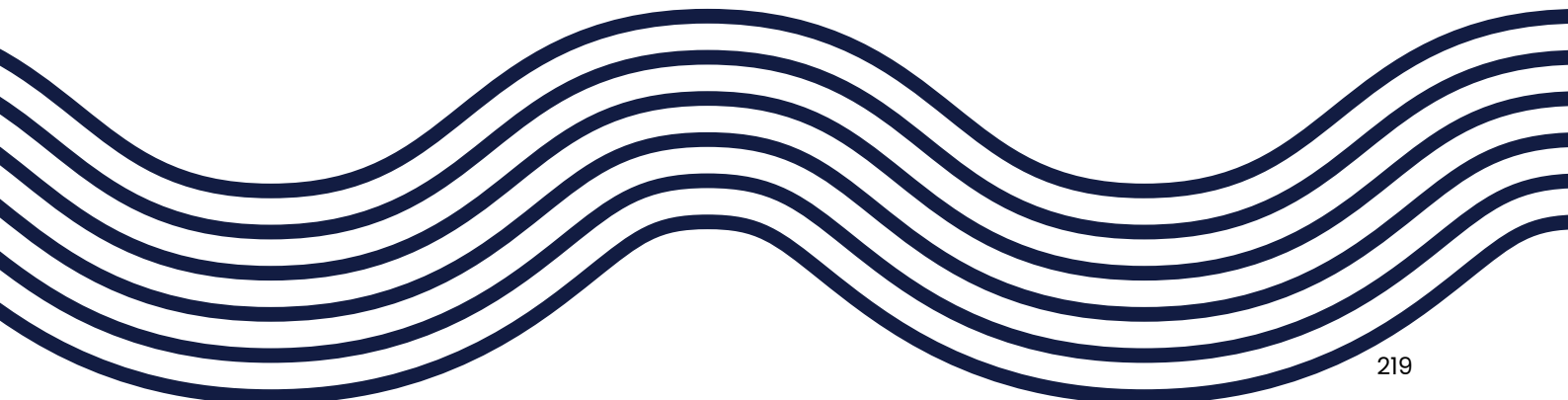
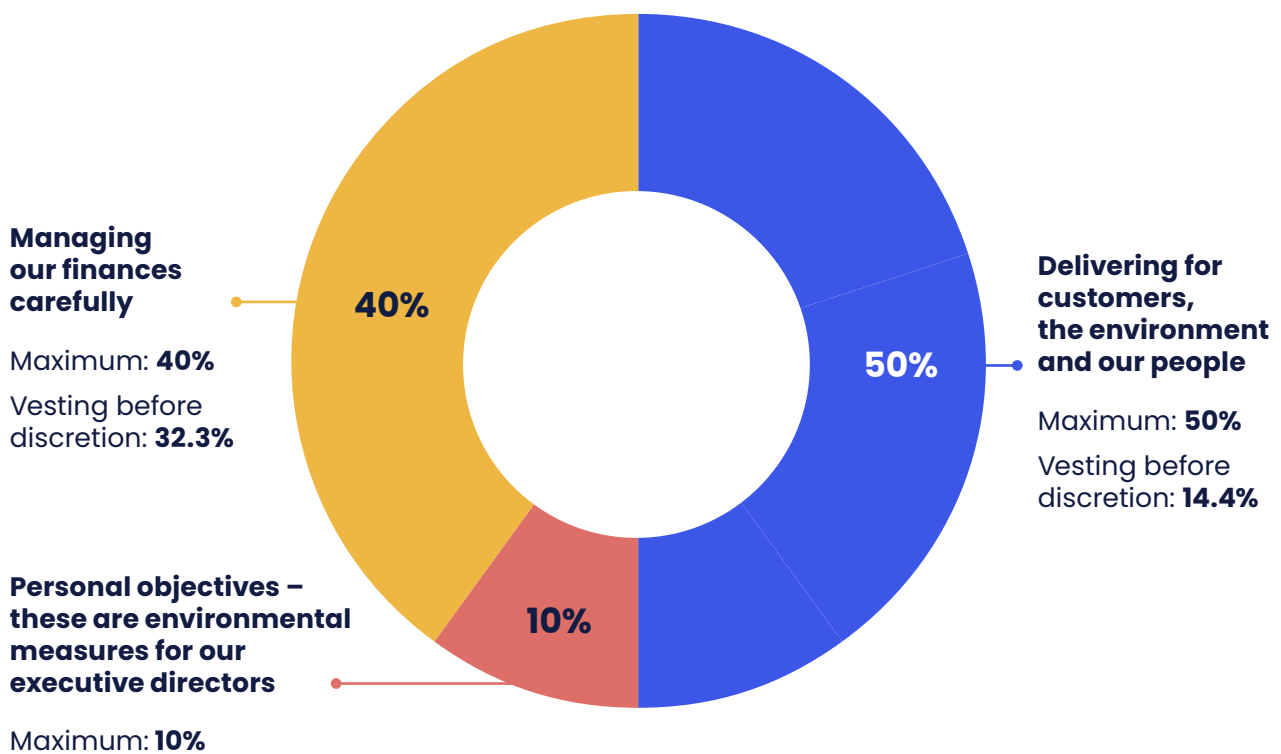
The performance measures are focused on two key areas:

- delivering for customers, the environment, and our people, and
- managing our finances carefully,

with a third element relating to personal objectives aligned to our corporate strategy. For the executive directors the personal objectives are all linked to environmental measures.

The specific performance metrics are set out as follows, along with how the actual performance in the year compares.

Vesting of the EBP in 2026



## Customer, environment and people measures

### C-MeX

Measure: Reward from Ofwat (£ million)

Weighting	Threshold	Target	Maximum	Outcome
10%	0.8	1.0	1.2	(16.4)

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 methodology used by Ofwat to measure C-MeX changed at the start of the year and there was uncertainty around where targets should be set as the impact of the change was not fully known. It was therefore decided by the Committee to base the targets on the level of reward received from Ofwat in the year, as this would ensure it linked directly to the Ofwat benchmarking of performance to other companies both inside and outside the sector. To achieve the target level was considered extremely stretching as it would have required Yorkshire Water to be in a mid-sector position by the end of the year, whereas as the start of the year the company was positioned 10th out of 17 companies. In the past, targets have been set to move by just one or two positions each year, which in itself has proved challenging.

### Time, Cost, Quality Index

Measure: Percentage

Weighting	Threshold	Target	Maximum	Outcome
10%	70%	75%	80%	72%

This is the measure we use to ensure our capital projects are delivering for customers as required, in terms of their time taken to deliver, the cost to deliver and the quality delivered. The target was set at 75% as this would have been a significant improvement from the prior year score of 69%, when the target had been set at 70%.

### Water quality – Compliance Risk Index

Measure: Compliance Risk Index

Weighting	Threshold	Target	Maximum	Outcome
10%	4.09	3.72	3.35	3.15

The Compliance Risk Index is a measure designed by the Drinking Water Inspectorate to illustrate the risk arising from treated water compliance failures. It adds together failures in water supply zones, at treatment works and at service reservoirs, dividing these by the total population served, the volume of water supplied daily and the total service reservoir capacity of the company. The lower the score the better. The score in the prior year was 3.61, which was the lowest score achieved by the company in four years and was a significant improvement on the 2024 score of 9.27. The target score was selected to reflect the target included in our AMP8 business plan. Whilst this is slightly higher than our performance in the previous year, it was deemed suitably stretching to include a target that required almost a repeat of the previously strong performance.

### Pollution incidents

Measure: Percentage reduction

Weighting	Threshold	Target	Maximum	Outcome
10%	16%	21%	26%	(72%)

Reducing our category 1, 2 and 3 pollution incidents is of paramount importance to us because of its impact on the environment and its significance to our customers. We are extremely focused on driving this number down, hence setting a percentage reduction from the prior year as a target. It was believed that reducing the number of pollutions by over one-fifth was a stretching target and would show significant improvement year-on-year.

## Lost Time Injury Rate

Measure: Number per 100,000 hours

Weighting	Threshold	Target	Maximum	Outcome
10%	0.14	0.12	0.10	0.15

The lost time injury rate measures working time lost as a result of an injury at work. In 2025, we achieved a rate of 0.14, which included performance by Yorkshire Water and our operational and contract partners. The target was believed to be suitable stretching as it represented a rate that was less than half of the average rate across the sector and would have represented our second best ever performance.

## Financial measures

### EBITDA

Measure: £ million

Weighting	Threshold	Target	Maximum	Outcome
20%	876.6	891.6	906.6	882.2

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 would reflect delivery in line with our plan for AMP8 and is considered stretching in the current economic climate.

### Operating cash flow

Measure: £ million

Weighting	Threshold	Target	Maximum	Outcome
20%	(342.9)	(327.9)	(312.9)	(218.4)

Cash flow is important to any business to ensure that the business can continue to run day-to-day. This has been chosen as a key performance metric to ensure colleagues are focused on ensuring cash is handled carefully across the business. The target was set in line with the budget for the financial year, which is considered stretching as it requires the business to be careful with expenditure whilst still delivering our ambitious improvement plans for Yorkshire.

## Personal objectives

Each senior participant in the EBP this year has had personal objectives agreed their line manager which are focused on the delivery of strategic objectives. The personal objectives for both executive directors were agreed by the Board.

Given the significant focus on the environment and the need for improvements in this area, it was agreed by the Board that the personal objectives of the executive directors should be solely focused on environmental measures, to ensure that 30% of the total EBP related to the environment. In 2026 our environmental performance has not been where we want it to be and therefore there was no vesting of the personal objectives part of the EBP for the executive directors.

## Application of discretion

The performance set out indicates a total vesting of 46.7% for the EBP.

This was discussed in detail by the Remuneration Committee to consider whether such vesting represented performance in the round. Factors taken into consideration as part of the discussion around overall performance included:

- Performance across the other performance commitments not included in the EBP** – the Board receives regular updates on all performance commitments throughout the year. There has been both under and over performance on the measures which are not included within the EBP. The Committee does not consider that any under performance in these measures is sufficient to warrant a discretionary adjustment to the outcome of the EBP. Further information on performance in relation to all our performance commitments can be found in our Annual Performance Report which is on our website at [yorkshirewater.com](https://www.yorkshirewater.com)
- Financial resilience** – there has been much work on the financial resilience of the business over recent years and the Committee believes that Yorkshire Water is in a financially resilient position and will continue to be so, as set out in our [Going concern and long-term viability statements](#).

- **Reputational and compliance issues** – there have been 13 serious pollution incidents in the year under review, for which the Board has received regular updates throughout the year. Whilst this number is far higher than we would want, the Committee is encouraged that ten of the 13 incidents occurred in the first seven months of the calendar year, with only three incidents in the remaining five months of the calendar year. This shows that the work underway to prevent serious pollutions from occurring is working. As the EBP outcome already contained no reward for pollution performance, the Committee concluded that no further downward adjustment would be required. During the year the company was sentenced for polluting Pools Brook Country Park, and was fined £733,000 for this. This pollution occurred in 2018 and 2019 and was before either of the executive directors joined Yorkshire Water, therefore the Committee does not consider it necessary to make an adjustment to the EBP outcome as a result.
- **Other overall performance considerations** – during the year Ofwat confirmed that Yorkshire Water had returned to being a ‘lagging company’ for FY25. This is very disappointing, and reflects the ongoing challenges that the company faces to deliver consistent improvements. The Board continues to believe that Nicola and Martin are the right executives to lead the transformation of the business. There were no other performance considerations noted by the Committee which would require discretion to be applied to reduce the EBP outcome further for the year under review.

In addition, the Committee has considered whether any malus or clawback provisions could be enforced in relation to events that have taken place in previous years, but for which the full impact has only now become apparent. It has concluded that there were no provisions in place at the time of these incidents that would allow recovery of any performance-related pay elements to be enforced.

## Waiver of performance-related pay

In March 2026 both Nicola and Martin expressed a strong preference to the Remuneration Committee to waive any performance-related pay that may vest for performance in 2026, due to operational performance in some areas still being outside of target. The Committee discussed this and agreed that it would honour this request and that any amounts that subsequently vested would therefore not be paid to Nicola and Martin.

## Application of the Ofwat prohibition rule

Under the prohibition rule, the Committee is satisfied that the company has not breached the Consumer Matters Standard, the Financial Resilience Standard, or the Criminal Liability Standard. Whilst Yorkshire Water pleaded guilty and was sentenced during the year for polluting Pools Brook Country Park, these incidents occurred in 2018 and 2019 and were before either of the executive directors joined Yorkshire Water, therefore this conviction is exempt from the Ofwat prohibition rule.

In terms of the Environment Standard within the prohibition rule, the company has not had any category 1 pollution incidents in the 2025 calendar year, but the Environmental Performance Assessment rating for 2025 is not yet known and is not due to be announced until October 2026. The Committee has therefore been unable to confirm whether or not the Environment Standard may have been breached, as it is expected that the outcome will be a one-star rating for the company. If the Committee had not agreed to honour the request from the executive directors to waive any performance-related pay that would have fallen due, the Committee would have chosen to delay payment of the vested amount pending the outcome of the Environmental Performance Assessment.

Under the Ofwat prohibition rule, the Committee is required to take reasonable steps to ensure that an executive director does not receive performance-related pay from elsewhere. The Committee has received confirmation from all other group companies in the group, and from the group shareholders, that there have been no performance-related payments to the executive directors in the year.

The Committee has also reviewed the fee agreements in place with Kelda Holdings and satisfied itself that these do not represent performance-related pay. This aligns with the Ofwat conclusion in 2025 when it reviewed the same agreements.

## Measures for the EBP awarded in 2026

For the Executive Bonus Plan, the awards made on 1 April 2026 for the next financial year have the following measures:

Measure	Weighting	Threshold	Target	Maximum
<b>Customer, Environment and People</b>				
<b>C-MeX</b>	10%	62.2	69.1	76.0
<b>Time, Cost, Quality Index</b>	10%	73%	77%	81%
<b>Serious pollution – number of incidents</b>	10%	6	3	-
<b>Water quality – Compliance Risk Index</b>	10%	3.91	3.55	3.20
<b>Lost Time Injury Rate – number per 100,000 hours</b>	10%	0.14	0.12	0.10
<b>Individual objectives</b>	10%	-	-	-
<b>Financial</b>				
<b>EBITDA – £ million</b>	20%	967	982	987
<b>Outcome Delivery Incentive penalty – £ million</b>	20%	50.0	13.7	-
<b>Total</b>	<b>100%</b>			

## Vesting of the EIP in 2026

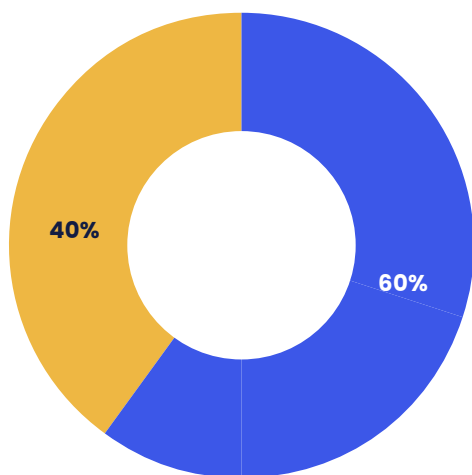
The EIP was a rolling five-year plan, with awards made with effect from 1 April each year. The scheme has now been replaced by the EBP and LTIP, but there are outstanding awards brought forward which are due to vest in 2026 and 2027.

Nicola Shaw joined the business in 2022 and therefore did not participate in any of the schemes awarded prior to this time. Her awards due to vest in 2026 therefore relate to the performance periods from 1 April 2022 to 31 March 2026, and from 1 April 2023 to 31 March 2026.

The performance measures for both awards are focused on four key areas: customer, environment, people and financial.

The long-term element of the EIP was adjusted at the end of the first year of the performance period to reflect performance in the year, this performance then had to be maintained in order for the vested amount not to decrease further. The adjusted amount at the end of the first year was 47.6% of the maximum for the awards made in the year ended 31 March 2023 and 63.2% for the awards made in the year ended 31 March 2024. This is reflected in the vesting shown below:

**Awards from the year ended 31 March 2023**



**Delivering financial performance**

Maximum vesting brought forward from 2023: **19.0%**

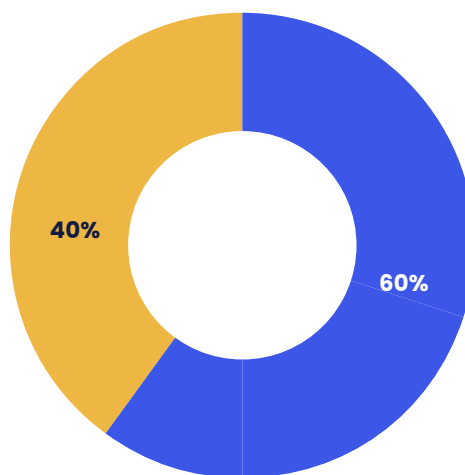
Vesting before discretion: **16.4%**

**Delivering for customers, the environment and our people**

Maximum vesting brought forward from 2023: **28.6%**

Actual vesting before discretion: **17.4%**

**Awards from the year ended 31 March 2024**



**Delivering financial performance**

Maximum vesting brought forward from 2024: **29.6%**

Vesting before discretion: **25.3%**

**Delivering for customers, the environment and our people**

Maximum vesting brought forward from 2024: **33.6%**

Actual vesting before discretion: **24.2%**

## Awards from the year ended 31 March 2023

Measure	Weighting	Threshold	Target – 2023 year end outcome	2026 outcome	% outcome
<b>Customer, Environment and People</b>					
<b>C-MeX position</b>	5%	12th	11th	12th	1.0%
<b>Water quality – Compliance Risk Index</b>	6.7%	5.07	4.61	3.15	6.7%
<b>Interruptions to supply – minutes</b>	6.7%	10:20	9:27	11:58	0.0%
<b>Internal sewer flooding – number of incidents</b>	5%	665	630	610	5.0%
<b>External sewer flooding – number of incidents</b>	5%	5,913	5,375	5,108	5.0%
<b>Pollution incidents</b>	5%	123	117	260	0.0%
<b>Leakage – three year average megalitres per day</b>	6.7%	314	285	257	6.7%
<b>Environmental Performance Assessment</b>	5%	Three-star	Three-star	Expected to be less than three-star	0.0%
<b>Operational carbon – tonnes of CO<sub>2</sub>, adjusted for strategic decision to stop buying green energy in 2024</b>	5%	91,681	90,323	87,836	5.0%
<b>Colleague engagement – survey score</b>	5%	6.2	6.3	7.8	5.0%
<b>Lost time injury rate – number per 100,000 hours</b>	5%	0.165	0.15	0.15	2.3%
<b>Financial</b>					
<b>Adjusted return on regulated equity</b>	40%	1.4%	6.4%	4.90%	34.4%
<b>Total</b>					<b>71.1%</b>
<b>Amount brought forward as percentage of maximum award</b>					<b>47.6%</b>
<b>Actual vesting</b>					<b>33.8%</b>

## Awards from the year ended 31 March 2024

Measure	Weighting	Threshold	Target – 2023 year end outcome	2026 outcome	% outcome
<b>Customer, Environment and People</b>					
<b>C-MeX position</b>	5%	10th	9th	12th	0.0%
<b>Drinking water quality contacts – per 10,000 customers</b>	6.7%	9.8	8.9	0.95	6.7%
<b>Interruptions to supply – minutes</b>	6.7%	11:40	10:35	11:58	0.0%
<b>Internal sewer flooding – number of incidents</b>	5%	728	662	610	5.0%
<b>External sewer flooding – number of incidents</b>	5%	6,460	5,873	5,108	5.0%
<b>Storm overflow discharges – number of incidents</b>	5%	85,537	77,761	51,560	5.0%
<b>Leakage – three year average megalitres per day</b>	6.7%	303.0	275.3	256.9	6.7%
<b>Environmental Performance Assessment</b>	5%	Two-star	Two-star	One-star	0.0%
<b>Operational carbon – tonnes of CO<sub>2</sub></b>	5%	309,304	281,185	265,465	5.0%
<b>Colleague engagement – survey score</b>	5%	7.1	7.2	7.8	5.0%
<b>Lost time injury rate – number per 100,000 hours</b>	5%	0.11	0.10	0.15	0.0%
<b>Financial</b>					
<b>Adjusted return on regulated equity</b>	40%	2.4%	4.45%	4.90%	40.0%
<b>Total</b>					<b>78.3%</b>
<b>Amount brought forward as percentage of maximum award</b>					<b>63.2%</b>
<b>Actual vesting</b>					<b>49.5%</b>

The long-term element of the EIP was designed to ensure that short-term performance was not achieved to the detriment of the longer-term. The Remuneration Committee has considered whether performance in the round in the periods to 31 March 2026 justifies the amount that has vested, and it was agreed that the scheme was appropriately rewarding the areas where good performance had been maintained, whilst not rewarding areas where performance had not met target. The Committee therefore concluded that no further adjustment to the outcome was needed.

Despite being potentially eligible to receive £233,000 from the EIP scheme this year for the awards made in the year to 31 March 2023 and 31 March 2024, Nicola has waived this amount as noted earlier in this report.

## LTIP

Awards are made for the LTIP annually on 1 April and have a three-year performance period.

The awards made on 1 April 2026 have the following measures:

Measure	Weighting	Threshold	Target	Maximum
<b>Customer, Environment and People</b>				
<b>C-MeX</b>	10%	66.1	73.4	80.7
<b>D-MeX</b>	10%	76.7	85.2	93.7
<b>Storm overflow discharges – average per overflow</b>	13.3%	23.2	20.2	17.2
<b>Leakage – three year rolling average megalitres per day</b>	13.3%	266.9	232.1	197.3
<b>Internal and external sewer flooding – number of incidents</b>	13.3%	5,060	4,400	3,740
<b>Financial</b>				
<b>Return on regulated equity</b>	40%	3.1%	5.1%	7.1%

The performance against these measures will be reported in the remuneration report in 2029. The Committee is very mindful of the need to ensure that it sets targets that are stretching but achievable in order to drive the right focus and behaviour amongst the colleagues in the scheme.

## Outstanding long-term awards as at 31 March 2026

The table below relates to the long-term elements of the EIP and LTIP schemes:

	Nicola Shaw			Martin Gee		Paul Inman		
Effective date of award	09.05.22	01.04.23	01.04.24*	01.04.25*	06.05.25*	01.03.23	01.04.23	01.04.24*
Awards outstanding at 1 April 2025 £'000	245	555	451	-	-	8**	209**	116**
Awards made in the year £'000	-	-	-	707	498	-	-	-
Vested during the year £'000	-	-	-	-	-	3	70	-
Lapsed during the year £'000	35	40	-	-	-	1	19	-
Waived during the year £'000	88	145	-	-	-	-	-	-
Awards outstanding at 31 March 2026 £'000	122	370	451	707	498	4	120	116
Face value of maximum total award £'000	122	370	451	707	498	4	120	116
Total % that would vest at threshold performance %	20%	20%	20%	20%	20%	20%	20%	20%

\* If the final outcome of the Environmental Performance Assessment, to be announced by the Environment Agency in October 2026, results in the Ofwat prohibition rule being applied then:

- Amounts of £113,000 and £118,000 from the awards made on 1 April 2024 and 1 April 2025 respectively would be prohibited for Nicola Shaw, representing one-sixth of the original amounts awarded under both schemes;
- £166,000 of the award made to Martin Gee on 6 May 2025 would be prohibited, representing one-third of the award made under that scheme; and
- £58,000 of the amount awarded to Paul Inman would also be prohibited for the scheme awarded on 1 April 2024, representing one-third of that scheme.

\*\* These awards have been pro-rated to the date of Paul leaving the business on 31 May 2025.

## 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)

Paul Inman was paid £60,767 during the year for his role as a strategic advisor to the group, following his retirement from the role of Chief Financial Officer. This was paid by Kelda Group Limited, rather than being funded by Yorkshire Water customers.

## Independent non-executive directors

### Single total figure table (audited)

The total annual fees paid to each independent non-executive director are shown in the table below:

Non-executive director	2026 £000	2024 £000
Vanda Murray	317	303
Furqan Alamgir <sup>1</sup>	69	31
Wendy Barnes	80	82
Nicola Medalova <sup>2</sup>	38	-
Andrew Merrick	80	75
Julia Unwin	60	75
Andrew Wyllie	104	85

<sup>1</sup> Furqan Alamgir joined the Board on 1 October 2024 and therefore his fee was pro-rated from that date.

<sup>2</sup> Nicola Medalova joined the Board on 1 September 2025 and therefore her fee was pro-rated from 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.

	Nicola Shaw				Liz Barber				Richard Flint	
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total remuneration	732	689	1,028	767	1,419	1,316	1,469	1,328	932	1,328
Annual bonus paid against maximum opportunity <sup>1</sup>	-	-	42.2%	-	43.0%	84.0%	74.8%	64.6%	67.7%	73.5%
Long-term incentive vesting against maximum opportunity <sup>2</sup>	-	-	-	-	39.5%	45.3%	74.8%	50.0%	-	50%

<sup>1</sup> 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. She waived her entitlement to receive any long-term vesting in 2025, equivalent to £100,000, and to any long-term vesting in 2026, equivalent to £243,000.

## 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.

	2026	2025	2024	2023	2022	2021	2020
<b>Ratio of CEO's single total remuneration figure:</b>							
To employee at the 25th percentile	20:1	20:1	31:1	25:1	34:1	46:1	53:1
To employee at the median	15:1	15:1	24:1	19:1	27:1	35:1	40:1
To employee at the 75th percentile	12:1	12:1	18:1	15:1	20:1	26:1	31:1

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 years. 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 2026 and who were still employed on that date;
- Using the total pay and benefits received in respect of the year ended 31 March 2026, 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 performance-related 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 63 colleagues, with none of the individuals identified as the 25th percentile, median or 75th percentile participating in the EIP.

The 2026 pay ratio data shows no change from the prior year, which reflects the CEO not receiving variable pay in either year, and receiving a pay rise in line with that of the rest of the workforce.

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 25th percentile, the median and the 75th percentile:

	25th percentile	Median	75th percentile
Base salary	£29,897	£37,457	£48,643
Total pay and benefits	£36,504	£47,589	£60,586

The pay ratio calculation shows that, in total remuneration terms, the CEO earns 15 times (2025: 15 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 2025 and 2026			
	Total compensation	Salary	Taxable benefits <sup>1</sup>	Annual bonus
CEO	6.2% increase	4.5% increase	No change	No change
All colleagues	7.4% increase	7.3% increase	104.4% increase	10.1% 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 4.5% payrise awarded with effect from 1 April 2025 and the increase in retirement benefits from 10% to 12% of salary from the same date, which aligned to increases given to colleagues across the business. The significant increase in taxable benefits for colleagues reflects a revision to the car allowance for Bands 1 to 3 in the year.

## 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 2026 £m	Year ended 31 March 2025 £m	Percentage change
Total remuneration cost for all colleagues <sup>1</sup>	273.7	219.0	25.0%
Total distributions made <sup>2</sup>	85.1	52.5	62.1%

<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 £85.1m (2025: £52.5m) of distributions made to the parent company. As noted in the [Other disclosures](#) section, none of these dividends were distributed to the shareholders of Kelda Holdings Limited (2025: 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 2027

The table below sets out how we will implement the remuneration policy for the 2027 financial year:

Implementation in 2027	
<b>Base salary</b>	<p>The Committee reviewed base salaries in March 2026 and agreed an increase of 3.5% for Nicola and Martin, which is lower than the average increase paid across the business, but aligns with the increase given to other senior colleagues with effect from 1 April 2026.</p> <p>The base salaries for 2027 are therefore as follows</p> <ul style="list-style-type: none"> <li>• Nicola Shaw: £665,000</li> <li>• Martin Gee: £517,500</li> </ul>
<b>Benefits</b>	Benefits remain unchanged from 2026.
<b>Retirement benefits</b>	Retirement benefits remain unchanged from 2026.
<b>EBP and LTIP</b>	Performance-related pay awards made with effect from 1 April 2026 for Nicola and Martin are equivalent to a maximum of 110% of base salary for both executive directors for EBP and 110% of base salary for the LTIP, with the LTIP subject to a three-year performance period.

## Independent Non-Executive Directors

The Board undertook its annual review of fees for the Independent Non-Executive Directors in March 2026, taking into account the average increase for the wider workforce of 4.2%. It decided that an increase of 3.5% should be applied to the base fees for Independent Non-Executive Directors and for the Chair, to align with that awarded to senior colleagues in the business and to more closely align with the median rate for the market. These changes are effective from 1 April 2026.

The fees to be paid in 2027 are set out below:

	£000
Chair fee	328
Base Independent Non-Executive Director fee	67
Additional fee for Committee Chair <sup>1</sup>	15
Additional fee for Senior Independent Director	12

<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 Leadership within the [Governance report](#). Meetings are also attended by the CEO, the Director of People, the Head of Reward and the Company Secretary. No colleagues are present when their own reward is discussed. The Remuneration Committee is a sub-committee of the Board and has had six meetings during the year. The specific key matters considered by the Committee at each of the meetings are shown in the table below:

Meeting	Matters considered
<b>May 2025</b>	<ul style="list-style-type: none"> <li>• A detailed discussion around performance-related pay outcomes in 2025, including consideration of potential areas for Committee discretion.</li> <li>• Approval of the proposed measures for the LTIP awards for 2025.</li> <li>• A discussion of the potential impact of the Ofwat prohibition rule as drafted for consultation.</li> </ul>
<b>June 2025</b>	<ul style="list-style-type: none"> <li>• A detailed discussion and approval of performance-related pay outcomes for schemes vesting in July 2025.</li> <li>• Review of the Directors' remuneration report for 2025</li> </ul>
<b>July 2025</b>	<ul style="list-style-type: none"> <li>• An independent view of executive remuneration across the sector from FIT, independent remuneration consultants.</li> <li>• Approval of the Directors' remuneration report for 2025.</li> </ul>
<b>November 2025</b>	<ul style="list-style-type: none"> <li>• A discussion around executive remuneration at Yorkshire Water and consideration of the ongoing adequacy of the remuneration policy, with advice from FIT as independent remuneration consultants.</li> <li>• An update on variable pay performance.</li> </ul>
<b>January 2026</b>	<ul style="list-style-type: none"> <li>• Feedback to the Committee from a meeting of Remuneration Committee Chairs from across the sector with Ofwat.</li> <li>• Approval of the proposed measures for the EBP and LTIP awards for 2026.</li> </ul>
<b>March 2026</b>	<ul style="list-style-type: none"> <li>• An update on performance-related pay performance and agreement to honour the waiver request from the executive directors for 2026.</li> <li>• A discussion around the Ofwat prohibition rule and a review of the agreements in place for the executive directors in relation to fees paid by Kelda Holdings, to evidence that these did not represent performance-related pay.</li> <li>• Approval of the annual pay award for the Executive team.</li> <li>• A review of the first draft of the Directors' remuneration report for 2026.</li> </ul>

During the year under review, the Committee received remuneration advice from Willis Towers Watson and FIT. Willis Towers Watson received fees of £33,650 for their updates on the remuneration market, and benchmarking data in relation to executive director and senior management roles. Willis Towers Watson did not provide any other services to the business during the year. FIT received fees of £25,418 for their advice on executive remuneration. They also did not provide any other services to the business during the year.

Both Willis Towers Watson and FIT are signatories to the Remuneration Consultants Group Code of Conduct and the Committee has reviewed the way in which they both 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 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 four directors representing investors on the Board of Yorkshire Water enables a direct flow of communication and sharing of views by investors to the Board. Three of the four investor directors also sit on the Remuneration Committee.

**Approved by and signed by the order of the Board**


**Kathy Smith**  
**Company Secretary**

6 July 2026

# Directors' report – other disclosures

## Indemnities

As required by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The company also has directors' and officers' liability insurance in place.

## Research and development

The company undertakes a programme of research in pursuit of improvements in service and operating efficiency. In 2026 £1.1m (2025: £1.0m) was committed to research and development. In addition, £9.9m (2025: £4.5m) of costs have been accrued by Yorkshire Water in relation to the Innovation in Water Challenge scheme operated by Ofwat for AMP8, which has increased in scale from the AMP7 scheme. 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 are a Disability Confident employer and any candidate who considers themselves to have a disability is guaranteed an interview if they meet the essential criteria for the role.

## Political donations

Yorkshire Water does not support any political party and does not make what are commonly regarded as donations to any political party or other political organisations.

However, the definition of "donations" in the Political Parties Elections and Referendums Act 2000 covers a number of activities which form part of the necessary relationship between the company and stakeholders, for example, attendance at party conferences or other events. As part of its stakeholder engagement programme Yorkshire Water incurred expenditure of £1,838 (2025: £1,913) on such activities.

## Other matters

Some matters required to be disclosed in our Directors' report have been included within our Strategic report, to sit alongside other relevant information. These are:

- Information on future developments – which can be found throughout our [Strategic report](#), particularly where we have highlighted how we are cracking on;
- Information on colleague engagement – which is included within [Our people](#) section; and
- Engagement with suppliers, customers and others in a business relationship with the company, which is included within our [s.172\(1\) Statement](#) and our [Right for customers](#) section.

## Post balance sheet events

On 17 June 2026, EQT Active Core Infrastructure acquired a 42% shareholding in Kelda Holdings Limited, the ultimate parent company of Yorkshire Water.

Following the year end, the Board of Directors proposed a dividend of 1.26 pence per share, equating to a total dividend of £27.7m, paid ultimately to Kelda Finance No.2 Limited. Kelda Finance No.2 Limited intends to utilise these funds in the early repayment of a secured bank loan with nominal value of £25.0m that was due to mature in September 2026. No dividends were paid to the ultimate shareholders.

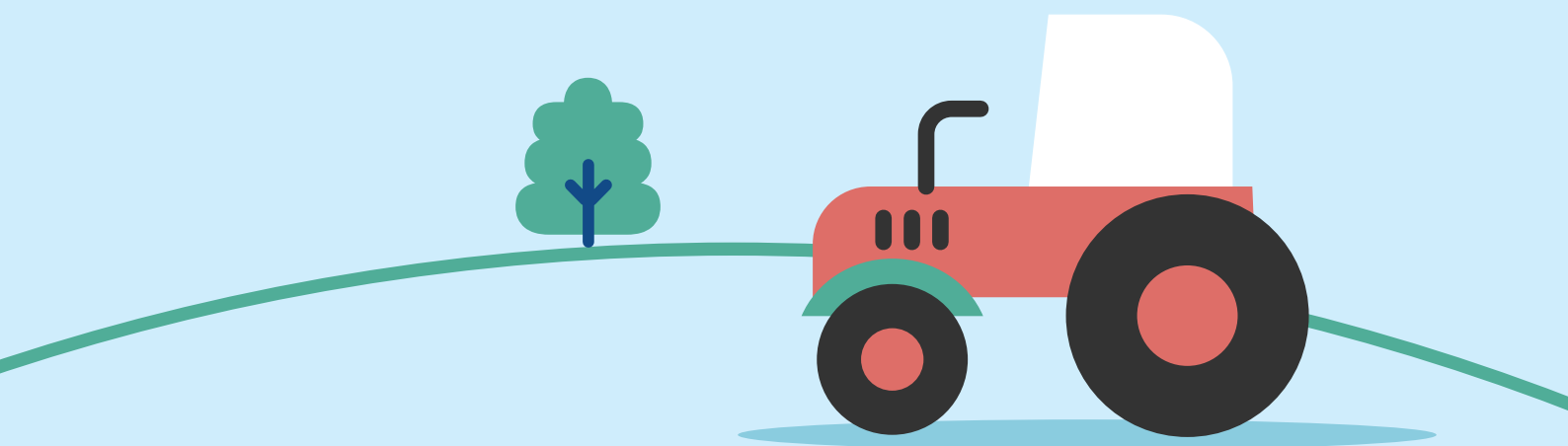
This report has been approved by the Board of directors and is signed on behalf of the Board.

**Nicola Shaw CBE**  
**Chief Executive Officer**

6 July 2026

# Financial statements

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## Profit and loss account

### for the year ended 31 March 2026

	Note	2026 £m	2025 £m
<b>Revenue</b>	2	<b>1,639.8</b>	1,299.4
Operating costs before charge for bad and doubtful debts		<b>(1,143.8)</b>	(942.6)
Charge for bad and doubtful debts		<b>(31.8)</b>	(32.6)
Operating costs	3	<b>(1,175.6)</b>	(975.2)
<b>Operating profit</b>		<b>464.2</b>	324.2
Interest receivable and similar income before fair value movements	6	<b>63.5</b>	52.5
Interest payable and similar charges before fair value movements	7	<b>(315.4)</b>	(256.7)
Fair value movements	7	<b>(98.5)</b>	309.6
Net fair value movement and interest receivable/(payable)		<b>(350.4)</b>	105.4
<b>Profit before taxation</b>		<b>113.8</b>	429.6
Taxation	8	<b>(34.9)</b>	(114.2)
<b>Profit for the financial year</b>		<b>78.9</b>	315.4

## Statement of comprehensive income and expense

### for the year ended 31 March 2026

	Note	2026 £m	2025 £m
<b>Profit for the financial year</b>		<b>78.9</b>	315.4
<b>Items that will not be reclassified to profit or loss:</b>			
Revaluation of tangible assets before taxation	11	<b>(145.7)</b>	-
Tax on revaluation of tangible assets		<b>36.4</b>	-
Revaluation of retirement benefits before taxation		-	0.3
Tax on revaluation of retirement benefits		-	(0.1)
		<b>(109.3)</b>	0.2
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Movement on cash flow hedges taken to equity before taxation	17	<b>3.8</b>	1.2
Tax on cash flow hedges		<b>(1.0)</b>	(0.3)
		<b>2.8</b>	0.9
<b>Total other comprehensive (expense)/income for the year</b>		<b>(106.5)</b>	1.1
<b>Total comprehensive (expense)/income for the year</b>		<b>(27.6)</b>	316.5

All of the results above relate to continuing operations.

## Balance sheet

as at 31 March 2026

	Note	2026 £m	2025 £m
<b>Fixed assets</b>			
Intangible assets	10	<b>329.0</b>	328.0
Tangible assets	11	<b>10,448.8</b>	9,951.5
Investments	12	<b>2.2</b>	2.2
Non-current debtors	13	<b>578.2</b>	540.5
		<b>11,358.2</b>	10,822.2
<b>Current assets</b>			
Stocks		<b>8.0</b>	8.3
Current debtors (including £256.6m (2025: £279.6m) due after more than one year)	13	<b>726.7</b>	637.2
Cash and cash equivalents		<b>571.4</b>	490.5
		<b>1,306.1</b>	1,136.0
<b>Creditors: amounts falling due within one year</b>	14	<b>(999.0)</b>	(751.6)
<b>Net current assets</b>		<b>307.1</b>	384.4
<b>Total assets less current liabilities</b>		<b>11,665.3</b>	11,206.6
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(9,446.7)</b>	(8,879.3)
<b>Provisions for liabilities</b>			
Deferred tax liability	19	<b>(813.6)</b>	(813.9)
Other provisions	20	<b>(44.0)</b>	(39.7)
		<b>(857.6)</b>	(853.6)
<b>Net assets</b>		<b>1,361.0</b>	1,473.7
<b>Capital and reserves</b>			
Called up share capital	21	<b>11.0</b>	11.0
Revaluation reserve	21	<b>474.2</b>	583.5
Hedging reserve	21	<b>4.6</b>	1.8
Profit and loss account	21	<b>871.2</b>	877.4
<b>Shareholders' funds</b>		<b>1,361.0</b>	1,473.7

The Financial Statements on pages 238 to 281 were approved, and authorised for issue, by a duly authorised committee of the Board of directors on 6 July 2026 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 2026

	Note	Called up share capital £m	Revaluation reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance at 1 April 2025		11.0	583.5	1.8	877.4	1,473.7
<b>Total comprehensive income/(expense) for the year</b>						
Profit for the financial year		-	-	-	78.9	78.9
Revaluation of tangible assets before taxation	11	-	(145.7)	-	-	(145.7)
Tax on revaluation of tangible assets		-	36.4	-	-	36.4
Movement on cash flow hedges taken to equity before taxation	17	-	-	3.8	-	3.8
Tax on cash flow hedges		-	-	(1.0)	-	(1.0)
<b>Total comprehensive income/(expense) for the year</b>		-	(109.3)	2.8	78.9	(27.6)
<b>Transactions with owners recorded directly in equity</b>						
Dividends	9	-	-	-	(85.1)	(85.1)
<b>Balance at 31 March 2026</b>		<b>11.0</b>	<b>474.2</b>	<b>4.6</b>	<b>871.2</b>	<b>1,361.0</b>

## Statement of changes in equity (continued)

for the year ended 31 March 2026

	Note	Called up share capital £m	Revaluation reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance at 1 April 2024		11.0	583.5	0.9	614.3	1,209.7
<b>Total comprehensive income/(expense) for the year</b>						
Profit for the financial year		-	-	-	315.4	315.4
Revaluation of retirement benefits before taxation		-	-	-	0.3	0.3
Tax on revaluation of retirement benefits		-	-	-	(0.1)	(0.1)
Movement on cash flow hedges taken to equity before taxation	17	-	-	1.2	-	1.2
Tax on cash flow hedges		-	-	(0.3)	-	(0.3)
Total comprehensive income for the year		-	-	0.9	315.6	316.5
<b>Transactions with owners recorded directly in equity</b>						
Dividends	9	-	-	-	(52.5)	(52.5)
Balance at 31 March 2025		11.0	583.5	1.8	877.4	1,473.7

# Notes

## 1. Accounting policies

Yorkshire Water Services Limited (Yorkshire Water or the company) is a private company limited by shares, incorporated in the United Kingdom (UK) under the Companies Act 2006, registered in England and Wales, and resident for tax in the UK. Registered address: Yorkshire Water Services Limited, Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

### Basis of preparation

These Financial Statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group Financial Statements. These Financial Statements present information about the company as an individual undertaking and not its group.

The presentation currency of these Financial Statements is £ sterling (GBP) because that is the currency of the primary economic environment in which the company operates.

Kelda Eurobond Co Limited includes the company in its consolidated Financial Statements. The consolidated Financial Statements of Kelda Eurobond Co Limited are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and are available to the public and may be obtained from Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

In these Financial Statements, the company, as a qualifying entity, has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes;
- Key management personnel compensation; and
- Transactions between wholly-owned subsidiaries, or with their parent.

As the consolidated Financial Statements of Kelda Eurobond Co Limited include the equivalent disclosures, the company has also taken certain exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

The preparation of these Financial Statements requires the use of certain critical accounting judgements and key sources of estimation uncertainty. Judgements made by management in applying the significant accounting policies and estimates made at the end of the reporting period are discussed at the end of this note.

## 1. Accounting policies (continued)

### Going concern

The Financial Statements have been prepared on the going concern basis as the directors have a reasonable expectation that the company has adequate resources for a period of at least 12 months from the date of approval of the Financial Statements and that there are no material uncertainties to disclose.

The company's business activities, together with the factors likely to affect its future development, performance and position are described in the [Strategic report](#). Our long-term viability statement has also been included in the [Strategic report](#).

Yorkshire Water's available combination of cash and committed undrawn facilities totalled £1,686.4m at 31 March 2026 (2025: £1,569.0m), comprising £1,115.0m (2025: £1,078.5m) undrawn committed facilities and £571.4m (2025: £490.5m) of cash and cash equivalents.

The directors have considered the budget and the cash position of the company, specifically the sufficiency of the funds available to fund the operating and capital investment activities of the company for at least the 12 months from the date of signing the Financial Statements. In addition, any known material refinancing events up to the end of March 2028 which could have an impact on going concern have been considered. It is also noted that Yorkshire Water, the largest subsidiary of the Kelda group, has an indefinite licence to operate as a water and sewerage operator terminable with a 25-year notice period.

In assessing going concern, the directors have considered the company's business activities, including the company's financial and operational performance which has demonstrated resilience against additional operational pressures as a result of severe weather, most notably the drought declared by the Environment Agency on 6 June 2025 following six months of below average rainfall, resulting in Temporary Usage Bans lasting until December 2025.

The going concern review has primarily been centred around financial modelling which depicts best estimated forecast profit and loss, balance sheet and cash flows, as well as reviewing the impact on available liquidity and key interest cover ratios for 2027 and 2028.

The base case Board-approved budget cash flows show available headroom in the key metrics reviewed. A sensitivity scenario, being 2% of total expenditure, linked closely to our principal risks was then overlayed to the base case to consider a number of possible adverse scenarios. These scenarios include severe weather events, severe asset/service failure, a significant IT outage or cyber breach, amongst other smaller value scenarios.

Mitigating actions such as insurance claims, engagement with regulators to reduce fines, and non-essential cost reduction were also considered to ensure headroom remained on facilities available and, key interest cover ratios and to ensure the company can manage its business risks appropriately throughout the going concern period.

In addition, the directors have considered the company's business activities, including the company's financial and operational performance, accuracy of historical forecasting and strength of the year end net asset position.

Yorkshire Water's securitised financing arrangements include covenants with 'trigger' and 'default' thresholds, which are reported bi-annually. Covenant calculations are undertaken at each reporting period based on the Financial Statements, and include two interest cover ratios which are the main focus for the going concern review.

As a result of this analysis, the directors believe that the company is well placed to manage its business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

## 1. Accounting policies (continued)

To support this conclusion, management has taken into consideration a number of key judgements, with the most significant noted below:

### **Kelda Eurobond Co Limited (Eurobond) repayment of intercompany loan**

In line with the undertaking to Ofwat to repay the intercompany loan from Yorkshire Water, Kelda Eurobond Co Limited is due to make a final payment of £437.2m, plus any unpaid accrued interest at the time of repayment (£141.0m as at 31 March 2026), by 31 March 2027. Kelda Eurobond Co Limited has already repaid £500.0m of the intercompany loan that was subject to the undertaking and has done so earlier than required. Repayment of the final tranche of the loan is included in the business plan, and has been agreed by the Board and the shareholders. The directors are confident that the final tranche will be repaid on or before 31 March 2027 for the following reasons:

- As noted in the **Strategic Report**, the group has a new shareholder and new ownership structure from June 2026. EQT acquired their stake in the group with full understanding of the Ofwat undertaking and funding requirements. When publicly disclosing the acquisition, the announcement referenced their commitment to invest further equity into the group, to subsequently strengthen the company's balance sheet, through repayment of the intercompany loan. Ultimately, the group now has a committed shareholder group with no closed end funds.
- The shareholders have signed a commitment letter which severally agrees to provide the funds required, on or prior to, the funding date.
- All shareholders have confirmed their intention to support the equity commitment and have investment committee approval in place.
- The shareholders have obtained internal approval to invest more funds into the group than the minimum required to cover the intercompany loan repayment. Furthermore, the mechanics of the injection have been agreed as a straight-forward equity injection.
- Publicly available information supports the conclusion that the current shareholder group (EQT, GIC and TCorp) has sufficient financial capacity to provide the funds to the group:
  - EQT will invest £258.3m: EQT has publicly committed to invest further equity into the group, to strengthen the company's balance sheet and has entered into the recent acquisition of their shareholding with a full understanding of the Ofwat commitment. EQT has a significant asset base with the investment representing a small proportion of their available capital. EQT has a significant asset base with the investment representing a small proportion of their available capital.
  - GIC will invest £258.3m: GIC is a large sovereign wealth fund with a significant asset base and the investment is consistent with their long-term infrastructure investment strategy.
  - TCorp will invest £98.4m: TCorp has clear financial capacity to participate in supporting the company and is a continuing minority shareholder who has a strong capacity to provide the support required.

Ultimately, the company has a clear equity requirement and the shareholders have the ability to, and are engaged in a formal commitment to, provide the required funding.

## 1. Accounting policies (continued)

### Yorkshire Water Financing Group debt maturities

External debt, raised by subsidiary financing companies within the Yorkshire Water Financing Group (YWFG), funds company activities under 'back to back' loan arrangements on materially similar terms. Accordingly, the directors considered all debt maturities within the YWFG up to March 2028. Significant debt maturities during the next 12 months relate to contracted accretion paydown against certain inflation linked swaps in August 2026, expected to total approximately £140.0m, and a £300.0m bond maturity in November 2026. Based on our current forecast, available liquidity at March 2026, in the form of cash balances and undrawn Revolving Credit Facility (RCF), is sufficient to cover cash requirements, including debt maturities, to April 2027.

Looking further ahead, the next debt maturity is the maturity of a £135.0m bond in May 2027. Receipt of the intercompany loan repayment and associated interest prior to the Ofwat undertaking requirement of 31 March 2027 is expected to provide funding to meet this repayment. Whilst not required to meet debt settlement requirements, debt issuance is planned for Autumn 2026. This debt issuance is planned to maintain compliance with our Treasury policy which requires us to target sufficient liquidity to cover non-discretionary cash flow requirements for a rolling period of 15 months or more to provide contingency in the event that capital market access is temporarily restricted. The directors are confident that the required debt can be raised to maintain Treasury Policy compliance, based on Yorkshire Water's investment grade credit rating and its ability to access the market successfully, raising £700.0m in the past year, during a period of significant uncertainty over the Water sector. The new debt and repayments have been included in the cashflows used for going concern modelling.

On the basis of all of the above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

### Measurement convention

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through profit or loss and certain categories of tangible assets measured using the revaluation model.

### Basic financial instruments

#### Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

#### Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

#### Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition interest-bearing borrowings are stated at amortised cost using the effective interest method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, and other short-term highly liquid investments.

## 1. Accounting policies (continued)

### Other financial instruments

#### Financial instruments not considered to be basic financial instruments

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less any impairment losses.

#### Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as set out below.

#### Fair value hedges

Where a derivative financial instrument is designated to hedge the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

Hedge effectiveness is assessed on an ongoing basis and evaluates whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk. This is done through evaluating the economic relationship between hedged item and instrument, the effectiveness of which can be reliably measured.

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

The company applies fair value hedge accounting to certain fixed to floating interest rate swaps and associated debt.

#### Cash flow hedges

Where a derivative financial instrument is designated to hedge the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated, or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately. Energy derivatives, which hedge the company's exposure to energy price risk by exchanging the day ahead index price of energy for a fixed price, are designated as cash flow hedges and hedge accounting has been applied.

#### Restructuring events

The restructure of a derivative measured at fair value may result in a change to the observed fair value on the restructure date. The accounting treatment is subject to judgement at the date of each restructuring transaction on an item by item basis. Further information on the treatment of previous restructures can be seen in the [Critical accounting judgements and key sources of estimation uncertainty](#) section of this note.

## 1. Accounting policies (continued)

### Tangible assets

Infrastructure assets are valued annually using the support of a third party expert. Residential properties, non-specialised properties and rural estates held within land and buildings are held at their revalued cost less accumulated depreciation. Other tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a tangible asset have different useful lives, they are accounted for as separate items.

The company assesses at each reporting date whether an indicator of impairment exists, and if such an indicator exists, then an impairment test is performed.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Assets in the course of construction are not depreciated until commissioned.

The estimated useful lives are as follows:

<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.

## 1. Accounting policies (continued)

### Intangible assets

#### Software as a service (SaaS)

Costs incurred to configure or customise SaaS application software are expensed when the costs are incurred. Costs which relate to the development of software code that enhances or modifies on-premise software, or costs incurred for software which meet the recognition criteria for an intangible asset, are capitalised as incurred. Any costs expensed are recognised in line with the service provided. Any intangible assets identified are initially carried at cost and follow the existing accounting policy for intangible assets.

#### Other intangible assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

#### Amortisation

Software is amortised on a straight-line basis over its useful life which is estimated to be 3 - 15 years. Software under construction 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.

### Impairment

#### Financial assets (including trade, intercompany and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### Non-financial assets

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Leases

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition, a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

## 1. Accounting policies (continued)

### Employee benefits

#### Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### Group defined benefit plan

Some of the company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer of the plan, which is Kelda Group Limited. The company recognises a cost equal to its contribution payable for the period as an expense.

### Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

### Revenue

#### Water charges

This revenue stream comprises charges to customers for water, wastewater and other services excluding value added tax, and arises only in the UK.

Revenue is recognised when the performance obligations have been discharged to the customer with respect to the services detailed above, and the amounts receivable in respect of these services are deemed probable of collection. Revenue relates to charges due in the year, excluding any amounts paid in advance. Revenue for measured water charges includes amounts billed plus an estimation of the amounts unbilled at the year end. The accrual is estimated using a defined methodology based upon daily average water consumption, which is calculated based upon latest and historical billing information.

No revenue is recognised for unoccupied properties and no bills are raised. If a bill has been issued, and the company subsequently become aware that the property is unoccupied, the bill and relevant revenue is cancelled. Generally, a property is classed as void if it is unoccupied and unfurnished.

#### Connection charges

This revenue stream comprises charges to property developers for the connection of new properties to the water and sewerage network. Revenue relating to these charges is deferred and recognised over the expected useful life of the related infrastructure assets.

#### Infrastructure charges

This revenue stream comprises charges to property developers to compensate for the additional strain on the infrastructure system. The associated revenue is deferred and recognised over the expected useful life of the associated assets.

## 1. Accounting policies (continued)

### 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.

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The company is a member of a group that is within the scope of the OECD Pillar Two model rules, which introduce a global minimum effective tax rate of 15%. The UK Pillar Two legislation was substantively enacted on 20 June 2023. Based on information provided by the group, it is expected that the group will meet the conditions of the Transitional Country by Country Reporting Safe Harbour and that no Pillar Two top up taxes will arise in respect of the company for the year ended 31 March 2026.

## 1. Accounting policies (continued)

### 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, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*The directors consider the key sources of estimation uncertainty made in the Financial Statements to be:*

### Fair value of derivative financial instruments

The company's accounting policy for financial instruments is detailed earlier in [note 1](#). In accordance with FRS 102, derivative financial instruments are recognised in the Financial Statements at fair value. The fair value of derivative financial instruments that are not traded on an active market is determined using a discounted cash flow valuation technique. Management uses its judgement, after taking advice from external parties, to determine the derivative valuations. The calculations include adjustments to the Mark to Market (MtM) value to arrive at the reported fair values. Details of the nature of the assumptions inherent within the financial instrument fair valuations can be found in [note 18](#).

Particular estimation uncertainty exists in relation to counterparty funding adjustments and own and counterparty credit risk assumptions since these are unobservable inputs to which the valuation model is materially sensitive.

The fair value of net derivative financial liabilities of £1,280.2m (2025: £1,229.0m) would be £14.8m (2025: £16.0m) higher or lower were the counterparty funding assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,280.2m (2025: £1,229.0m) would be £11.0m (2025: £10.6m) higher or lower were the credit curve assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,280.2m (2025: £1,229.0m) would be £21.7m (2025: £38.3m) higher or lower were the recovery rate assumption to change by ten percent.

Disclosing an appropriate sensitivity of fair values could vary based on what is reasonably possible in the market but a change of ten basis points demonstrates the level of movement in the assumption which results in a material difference, this can be scaled up or down and is consistent with sensitivities reported previously.

The restructure of a derivative measured at fair value may result in a change to the observed fair value on the restructure date. The change can be due to factors not fully observable in the market, including counterparty credit, capital, funding and trading charges. In cases where the company has restructured derivatives, and changes in fair values on restructure dates were due to factors that not fully observable in the market, the whole of the immediately observed changes have been capitalised on the balance sheet and recognised in the profit and loss account on a straight-line basis over the maturity period of the relevant restructured derivatives.

Where restructured derivatives are subject to further restructures at later dates, capitalised amounts on the balance sheet are recalibrated to equal the immediate change in fair value on the later restructure date due to factors not fully observable in the market and recognised in the profit and loss account on a straight-line basis over the maturity period of the relevant derivatives.

## 1. Accounting policies (continued)

### 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 concludes 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 assumption requiring estimation underpinning the valuation are the underlying forecast cash flows. 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 judgement inherent within the valuation methodology relates to the EV selected by management, taking into account the range of EVs calculated by the third party valuation expert alongside other relevant information, which is subsequently applied to the asset valuation calculation.

The key sensitivity that would cause a material<sup>1</sup> movement in the model's valuation output is a £2.5m pa movement in the underlying cash flows<sup>2</sup>.

### Household bad debt provision (expected credit losses)

At each reporting date, management make 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.

Consistent with the prior year approach, the household bad debt provision includes three primary elements; historical performance, management action to address debt and macroeconomic factors. The historical performance forms the basis of the expected losses provision, using our bespoke household billing system which produces a monthly report that tracks payments by customer and age over a two-year period. The changes in inflation are strongly correlated with the movements in overdue customer debt and as such has been considered as the primary macroeconomic factor. The management action element considers the forward-looking impact of debt recovery initiatives such as bill support, and whether changes in management action in the near term are likely to result in a change in debt recovery levels.

At 31 March 2026, the total amount provided for relating to household customer debt was £38.2m (2025: £38.5m) and non-household debt was £0.4m (2025: £0.4m), totalling an overall bad debt provision of £38.6m (2025: £38.9m). The bad debt is primarily based on reviewing customer payment profiles over two years. If this is changed to three years and adjusting for cash only received in the third year, the bad debt provision would decrease by £12.5m. Similarly, if the customer payment profile assumption changed from two years to one year, the provision would increase by £16.8m.

<sup>1</sup> Material is defined as more than 3% of EBITDA in the year.

<sup>2</sup> Across all years of the model.

## 1. Accounting policies (continued)

*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 £101.2m (2025: £89.1m) of own work capitalised. The increase in capitalised labour costs reflects the step change in support required for the AMP8 capital programme. Judgement is made to ensure these costs relate to relevant assets and that future economic benefits will flow to the company.

### Depreciation

The company's accounting policy for PPE is detailed earlier in [note 1](#) of the Financial Statements. Estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of capital investment to the company, variations between actual and estimated useful lives could impact operating results both positively and negatively. Historically, only minor changes to estimated useful lives have been required. See [note 11](#) for the depreciation charge.

### Climate change

Yorkshire Water continues to develop its assessment of the impacts that climate change may have on the amounts recognised in the Financial Statements. The natural environment in which we operate is continually changing, influencing our investment strategy and how our water and wastewater services are to be delivered in the future.

We have considered the impact of climate-related risks in the preparation of these Financial Statements, including adaptation actions to improve the company's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero.

Impacts of these risks on the Financial Statements are predominantly in respect of the valuation of the tangible assets held by the company. Asset life reviews are undertaken regularly for facilities impacted by climate change, environmental legislation or the company's transition plans. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be commercially obsolete or for which no further use is planned.

The company is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency and severity of which are expected to increase over the coming years. Following any significant flooding, assets damaged beyond repair are identified for impairment or write-off. No such charges were required in the current financial year. Extreme rainfall events can also impact sewer flooding and pollution events. Provisions for potential environmental claims and undertakings relating to these events are recognised at the best estimate of the amount required to settle the obligation at the reporting date, as noted earlier in [note 1](#).

## 1. Accounting policies (continued)

Climate change also presents challenges relating to extreme temperature events, particularly heatwaves, hot spells and extreme wind and storms, the frequency, intensity and severity of which are generally expected to increase. Chronic risks are also considered, such as wetter winters, drier summers and sea level rise. These could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

The company mitigates the exposure that the carrying value of its asset base has to climate-related risks through strategic planning activities that include asset management and investment plans, drought plans, emergency response plans, relocation of at-risk assets and flood screening for all new capital schemes. The company installs physical flood defences and other resilience measures at the most vulnerable facilities to reduce the risk to its assets. The company further mitigates the financial exposure arising from climate-related risks through the use of insurance policies, which insure against costs incurred as a result of major environmental incidents.

Further detail of these climate-related risks and the expected impacts and mitigations climate change is set out within the [Climate-related financial disclosures \(CFD\)](#) section of the [Strategic Report](#).

The risks are long-term in nature, and whilst they will provide a need for investment in the future, we conclude that there is no material impact on the carrying amount of assets or liabilities recognised in the Financial Statements, nor do they lead to any additional key sources of estimation or judgement.

## 2. Revenue

	2026 £m	2025 £m
UK regulated water and sewerage services	1,623.5	1,283.9
UK non-regulated water services	16.3	15.5
<b>Total revenue</b>	<b>1,639.8</b>	<b>1,299.4</b>

## 3. Operating costs

Included in the operating costs for the financial year are the following:

	2026 £m	2025 £m
Depreciation and impairment of tangible assets ( <a href="#">note 11</a> )	346.3	311.7
Staff costs ( <a href="#">note 4</a> )	273.7	219.0
Hired and contracted services (including repairs and maintenance)	193.7	126.7
Energy	105.0	100.0
Raw materials and consumables	84.3	70.5
Amortisation of software ( <a href="#">note 10</a> )	71.7	57.7
Business rates	47.6	50.5
Other operating costs	35.3	26.0
Software and telecommunications	32.9	23.5
Abstraction and discharge licenses	25.2	21.9
Insurance	12.5	9.2
Other licenses and subscriptions	8.5	7.4
Operating lease charges	7.5	5.0
Water and sewerage charges	4.7	4.5
Restructuring costs	0.4	0.8
Other operating income	(4.3)	(2.7)
Own work capitalised	(101.2)	(89.1)
<b>Operating costs before charge for bad and doubtful debts</b>	<b>1,143.8</b>	<b>942.6</b>
<b>Charge for bad and doubtful debts</b>	<b>31.8</b>	<b>32.6</b>
<b>Operating costs</b>	<b>1,175.6</b>	<b>975.2</b>

	2026 £m	2025 £m
<b>Auditor's remuneration (included in hired and contracted services above):</b>		
Audit of the Financial Statements	0.8	0.7
Other assurance services	0.1	0.1
	<b>0.9</b>	<b>0.8</b>

Other assurance services of £84k (2025: £87k) relates to £63k (2025: £60k) for bond prospectus assurance services and £21k (2025: £27k) for 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	
	2026	2025
<b>Activity:</b>		
UK regulated water & wastewater	<b>3,550</b>	3,080
Support services	<b>931</b>	796
	<b>4,481</b>	3,876
<b>The aggregate payroll costs of these persons were as follows:</b>	<b>2026 £m</b>	<b>2025 £m</b>
Wages and salaries	<b>226.0</b>	184.8
Social security costs	<b>28.0</b>	19.7
Other pension costs	<b>19.7</b>	14.5
	<b>273.7</b>	219.0

In the [Strategic report](#) of this ARFS in the [Our People](#) section there are details of a range of employee diversity statistics. In those statistics, a total of 4,866 (2025: 4,004) colleagues were employed on the last day of the financial year, whereas a total of 4,481 (2025: 3,876) 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

	2026 £m	2025 £m
Aggregate emoluments	<b>2.3</b>	2.0
The amounts in respect of the highest paid director are as follows:		
<b>Total amount of emoluments</b>	<b>0.7</b>	0.7

Full details of directors' remuneration are given in the [Directors' remuneration report](#).

## 6. Interest receivable and similar income

	2026 £m	2025 £m
Interest on amounts owed by group undertakings	<b>37.7</b>	43.2
Interest on bank deposits	<b>25.8</b>	9.3
<b>Total interest receivable and similar income</b>	<b>63.5</b>	52.5

Interest on amounts owed by group undertakings includes £37.7m (2025: £43.2m) receivable from Kelda Eurobond Co Limited, of which £nil cash repayment was received in the year to 31 March 2026 (2025: £15.7m).

## 7. Interest payable and similar charges

	2026 £m	2025 £m
Finance leases	1.7	2.1
Interest on amounts owed to subsidiary undertakings	334.7	265.3
Other interest	38.1	41.6
Net interest payable from swaps in hedge relationships	8.1	12.0
Interest capitalised ( <a href="#">note 11</a> )	(67.2)	(64.3)
<b>Interest payable and similar charges before fair value movements</b>	<b>315.4</b>	256.7

Interest on amounts owed to subsidiary undertakings relate to payments made to entities within the Whole Business Securitisation (WBS) group ([note 16](#)).

	2026 £m	2025 £m
<b>Favourable/(unfavourable) fair value movements:</b>		
Movement in fair value of inflation linked swaps	(90.8)	322.8
Movement in fair value of RPI to CPI swaps	(5.4)	(4.3)
Movement in fair value of floating to fixed interest rate swaps	0.1	1.2
Movement in fair value of fixed to floating interest rate swaps	2.2	(10.3)
Movement in fair value of debt associated with fixed to floating interest rate swaps	(4.6)	0.2
<b>Total fair value movements</b>	<b>(98.5)</b>	309.6

Unfavourable movement in fair value of inflation linked swaps of £90.8m (2025: £322.8m favourable movement) includes a charge of £77.2m (2025: £65.6m) in relation to the RPI bullet accumulated as at 31 March 2026; interest payable of £59.1m (2025: £57.6m); and other unfavourable fair value movements of £58.2m (2025: £332.1m favourable movement); offset by interest receivable of £103.7m (2025: £113.9m). Other unfavourable fair value movements of £58.2m (2025: £332.1m favourable movement) includes a £1.4m (2025: £nil) favourable discount for the early payment of £81.3m accretion that was due in August 2026 for a settlement value of £79.9m.

The movement in fair value of RPI to CPI swaps of £5.4m includes a £3.3m (2025: £5.2m) charge relating to net cash accretion paid.

The movement in fair value of floating to fixed interest rate swaps includes £0.7m (2025: £0.2m) net interest payable.

The movement in fair value of fixed to floating interest rate swaps includes £4.3m favourable movement (2025: £6.1m unfavourable movement) relating to swaps in hedge relationships with associated debt and £2.1m unfavourable movement (2025: £4.2m unfavourable movement) relating to swaps not in hedge relationships. The movement in fair value of fixed to floating swaps not in hedge relationships includes £1.2m net interest payable (2025: £3.7m net interest receivable).

## 8. Taxation

### Total tax charge recognised in the profit and loss account

	2026 £m	2025 £m
<i>Current tax</i>		
Accrual for payment to other group companies for tax losses	-	22.8
Adjustments in respect of prior periods - relates to payments to group companies for tax losses	<b>(0.2)</b>	0.4
<b>Total current tax (credit)/charge</b>	<b>(0.2)</b>	23.2
<i>Deferred tax (note 19)</i>		
Origination and reversal of timing differences	<b>34.6</b>	91.4
Adjustments in respect of prior periods	<b>0.5</b>	(0.4)
<b>Total deferred tax charge</b>	<b>35.1</b>	91.0
<b>Total tax charge included in profit and loss account</b>	<b>34.9</b>	114.2
<b>Total tax (credit)/charge recognised in other comprehensive income and expense</b>		
<i>Deferred tax (note 19)</i>		
Origination and reversal of timing differences	<b>(35.4)</b>	0.4
<b>Total deferred tax (credit)/charge included in other comprehensive income and expense</b>	<b>(35.4)</b>	0.4

The Finance Bill 2021, enacted on 24 May 2021 set the main rate of corporation tax to 25% from 1 April 2023. This is the rate which has been used in preparing these Financial Statements for both current tax and deferred tax.

## 8. Taxation (continued)

### Reconciliation of effective tax rate

	2026 £m	2025 £m
<b>Profit before taxation</b>	<b>113.8</b>	429.6
Tax charge using the UK corporation tax rate of 25% (2025: 25%)	<b>28.4</b>	107.4
<b>Effects of:</b>		
Non-deductible expenses	<b>8.2</b>	8.8
Adjustments in respect of prior periods	<b>0.3</b>	-
Income not taxable	<b>(1.7)</b>	(1.6)
Other adjustments	<b>(0.2)</b>	(0.2)
Income from capital disposal not subject to tax	<b>(0.1)</b>	(0.2)
<b>Total tax charge included in profit or loss</b>	<b>34.9</b>	114.2

**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.

Income from capital disposal not subject to tax: proceeds from property disposals that are not subject to tax either due to the offset of capital losses, indexation that is allowed for tax purposes or the properties have been transferred to other Kelda group companies and will be subject to tax when disposed from the group.

During the year, payments of £23.2m (2025: £24.3m) 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) (2025: £nil).

## 8. Taxation (continued)

### Reconciliation of current tax

The current tax charge represents payments to other Kelda group companies as compensation for them surrendering tax losses to the company. The company has no current tax charge for the year in relation to corporation tax liabilities owed to HMRC.

	2026 £m	2025 £m
<b>Profit before taxation</b>	<b>113.8</b>	429.6
Tax charge using the UK corporation tax rate of 25% (2025: 25%)	<b>28.4</b>	107.4
<b>Effects of:</b>		
Non-deductible depreciation on tangible assets and amortisation of intangible assets	<b>66.2</b>	58.6
Potential capital allowances available to claim on tangible assets	<b>(152.1)</b>	(117.9)
Capital allowances waived and deferred to future years	<b>65.4</b>	78.7
Interest costs that have been capitalised on the balance sheet but are deductible for tax purposes	<b>(16.8)</b>	(16.1)
Non-deductible expenses	<b>0.7</b>	2.7
Income not taxable	<b>(2.2)</b>	(2.1)
Fair value movements on financial instruments that are disregarded for tax purposes and replaced by an accruals basis of accounting	<b>11.8</b>	(83.2)
Deductible payments to pension scheme	<b>(1.5)</b>	(1.5)
Adjustments in respect of prior years	<b>(0.2)</b>	0.4
Chargeable gains	<b>(0.1)</b>	(0.2)
Other timing differences in relation to provisions	<b>1.5</b>	(1.9)
Accrued employee remuneration deductible when paid	<b>0.5</b>	0.2
Brought forward tax losses used in the period	<b>(1.2)</b>	(1.3)
Spreading of swap termination payment	<b>(0.6)</b>	(0.6)
<b>Current tax (credit)/charge included in profit or loss</b>	<b>(0.2)</b>	23.2

## 9. Dividends

	2026 £m	2025 £m
Dividends of 3.87 pence per share paid in the year (2025: 2.39 pence)	<b>85.1</b>	52.5

During the year, dividends of 3.87 pence per share (2025: 2.39 pence), totalling £85.1m (2025: £52.5m), were distributed to the parent company, none of which were paid to the shareholders of Kelda Holdings Limited (2025: £nil), Yorkshire Water's ultimate parent company.

No dividends have been proposed post year end in relation to 2026 (2025: £nil).

Pence per share is rounded to two decimal places.

As at 31 March 2026, the company's directors believe that £613.4m (2025: £596.0m) of the profit and loss account balance of £871.2m (2025: £877.4m) is distributable to shareholders, and a further £55.8m (2025: £49.1m) of the revaluation reserve relating to excess depreciation on revalued assets is also deemed distributable. The total distributable reserves as at 31 March 2026 is £669.2m (2025: £645.1m). The adjustment to 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 2025	340.6	134.5	475.1
Additions	29.6	43.1	72.7
Transfers on commissioning	131.2	(131.2)	-
Disposals	(52.3)	-	(52.3)
Balance at 31 March 2026	449.1	46.4	495.5
<b>Amortisation</b>			
Balance at 1 April 2025	147.1	-	147.1
Amortisation for the year	71.7	-	71.7
Disposals	(52.3)	-	(52.3)
Balance at 31 March 2026	166.5	-	166.5
<b>Net book value at 31 March 2026</b>	<b>282.6</b>	<b>46.4</b>	<b>329.0</b>
Net book value at 31 March 2025	193.5	134.5	328.0

Software includes £28.7m (2025: £32.2m) in relation to SAP S4 assets, the remaining amortisation period is eight years.

## 11. Tangible assets

	Land and buildings £m	Land and buildings revalued £m	Infrastructure assets	Plant and equipment £m	Under construction £m	Total £m
<b>Cost or valuation</b>						
Balance at 1 April 2025	2,225.1	88.8	5,755.1	2,745.6	1,224.9	12,039.5
Additions	27.7	-	117.1	50.6	794.4	989.8
Transfers on commissioning	80.7	-	229.4	373.0	(683.1)	-
Disposals	(14.9)	(0.5)	(8.9)	(161.0)	-	(185.3)
Revaluation	-	-	(446.0)	-	-	(446.0)
Balance at 31 March 2026	2,318.6	88.3	5,646.7	3,008.2	1,336.2	12,398.0
<b>Depreciation and impairment</b>						
Balance at 1 April 2025	688.6	1.1	196.7	1,201.6	-	2,088.0
Depreciation charge for the year	47.1	1.1	112.6	179.0	-	339.8
Impairment	-	4.5	-	2.0	-	6.5
Disposals	(14.9)	-	(9.0)	(160.9)	-	(184.8)
Revaluation	-	-	(300.3)	-	-	(300.3)
Balance at 31 March 2026	720.8	6.7	-	1,221.7	-	1,949.2
<b>Net book value at 31 March 2026</b>	<b>1,597.8</b>	<b>81.6</b>	<b>5,646.7</b>	<b>1,786.5</b>	<b>1,336.2</b>	<b>10,448.8</b>
Net book value at 31 March 2025	1,536.5	87.7	5,558.4	1,544.0	1,224.9	9,951.5

During the year, the company capitalised borrowings costs amounting to £67.2m (2025: £64.3m) on qualifying assets. Borrowings costs were capitalised at the weighted average rate on the company's borrowings of 5.01% (2025: 4.82%). Included in the net book value as at 31 March 2026 are £343.3m of capitalised borrowing costs (2025: £287.7m).

### Infrastructure assets included above held under a finance lease amount to:

	Infrastructure assets £m
<b>Cost and net book value at 31 March 2026</b>	<b>29.6</b>
Cost and net book value at 31 March 2025	30.9

## Land and buildings

### The total net book value of land and buildings (including revalued assets) comprises:

	2026 £m	2025 £m
Freehold	<b>1,672.1</b>	1,616.8
Long leasehold	<b>6.1</b>	6.1
Short leasehold	<b>1.2</b>	1.3
	<b>1,679.4</b>	1,624.2

## 11. Tangible assets (continued)

### Revaluation – Infrastructure assets

The company's infrastructure assets were valued as at 31 March 2026 and 31 March 2025 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.

For the year ended 31 March 2026, a downwards revaluation of £145.7m was made to the existing book value of infrastructure assets (2025: £nil). The directors note that the revaluation reserve position may be subject to movements in future periods.

### Revaluation – Land and buildings

Certain categories of the company's land and buildings are also held under a revaluation model, on the basis of existing use, and were valued by independent qualified valuers as at 31 March 2024.

The valuations were undertaken in accordance with the professional standards and practice guidance issued by the Royal Institution of Chartered Surveyors in the UK by the following surveyors:

Non-specialist properties	Lambert Smith Hampton Limited
Rural estates	Carter Jonas LLP
Residential properties	Carter Jonas LLP

The external valuations on properties will be re-performed on a periodic basis. An interim valuation is booked in intervening years based on directors' valuations. The valuations carried out at 31 March 2024 have been considered at 31 March 2026 by the directors, taking into account indicators such as the continued impact of climate change, and have concluded that the current book values are not materially different to current market values.

The following information relates to tangible assets carried on the basis of revaluation:

	Valuation £m	Historical cost basis £m
Infrastructure assets	5,646.7	4,881.7
Non-specialist properties	13.6	11.4
Rural estates	64.1	0.5
Residential properties	3.9	-
<b>At 31 March 2026</b>	<b>5,728.3</b>	<b>4,893.6</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 2026	5,646.7	6,842.5
Aggregate depreciation	-	(1,960.8)
<b>Net book value at 31 March 2026</b>	<b>5,646.7</b>	<b>4,881.7</b>

Valuation/cost at 31 March 2025	5,755.1	6,504.9
Aggregate depreciation	(196.7)	(1,885.9)
Net book value at 31 March 2025	5,558.4	4,619.0

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 2024	89.9	18.8
Disposals	(1.1)	(0.6)
Depreciation and impairment	(1.1)	(0.9)
At 31 March 2025	87.7	17.3
Disposals	(0.5)	-
Depreciation and impairment	(5.6)	(5.4)
<b>At 31 March 2026</b>	<b>81.6</b>	<b>11.9</b>

## 12. Investments

Shares in subsidiary undertakings  
£m

### Cost and net book value

At 31 March 2025 and at 31 March 2026 **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 2026 %	Ownership 2025 %
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

	2026 £m	2025 £m
Trade debtors	<b>262.1</b>	209.9
Amounts owed by group undertakings	<b>3.2</b>	-
Amounts owed by subsidiary undertakings	<b>8.0</b>	0.6
Other debtors	<b>43.1</b>	31.5
Derivative financial assets (including £256.6m (2025: £279.6m) due after more than one year ( <a href="#">note 17</a> ))	<b>261.7</b>	281.5
Prepayments	<b>15.7</b>	13.8
Accrued income	<b>132.9</b>	99.9
<b>Current debtors</b>	<b>726.7</b>	637.2
Amounts owed by group undertakings	<b>578.2</b>	540.5
<b>Non-current debtors</b>	<b>578.2</b>	540.5

Amounts owed by group undertakings include loans to Kelda Eurobond Co Limited totalling £437.2m (2025: £437.2m), accrued interest on the loans totalling £141.0m (2025: £103.3m), corporation tax group relief totalling £0.2m (2025: £nil) and intercompany trading balances totalling £3.0m (2025: £nil). The loans to Kelda Eurobond Co Limited bear interest at a Sterling Overnight Index Average (SONIA) based rate plus 4.25% margin. Intercompany trading balances are interest free and repayable on demand.

A repayment profile is in place for the repayment of the loans to Kelda Eurobond Co Limited. In October 2022, it was agreed with Ofwat that these loans would be repaid by April 2027 defined on the following basis: at least £300.0m by the end of June 2023; at least £200.0m by the end of March 2025; the balance of the loans by the end of March 2027. In June 2023 £400.0m was received reducing the outstanding loan balances to £537.2m. In May 2024, a further £100.0m was received reducing the outstanding loan balances to £437.2m. Accrued interest relating to the £400.0m and £100.0m repayments have also been repaid on a pro-rata basis.

### 13. Debtors (continued)

Management expects repayment of the intercompany loan in line with this timeframe; however, the balance remains presented within Fixed Assets as a non-current debtor due to the requirements of FRS 102. FRS 102 states where an asset is initially recorded as a fixed asset, it should remain as a fixed asset unless there is a clear change in its nature and is not reclassified as a current asset simply because it is nearing the end of its life if the purpose for which it has been held has not changed.

Amounts owed by subsidiary undertakings are interest free and are repayable on demand.

### 14. Creditors: amounts falling due within one year

	2026 £m	2025 £m
Interest-bearing loans and borrowings ( <a href="#">note 16</a> )	2.0	2.0
Trade creditors	171.7	186.8
Capital creditors	256.5	273.8
Deferred grants and contributions on depreciating tangible assets	16.5	15.5
Amounts owed to group undertakings	3.7	54.3
Amounts owed to subsidiary undertaking	447.5	122.3
Taxation and social security	6.2	4.8
Receipts in advance	82.8	81.3
Other creditors	5.8	3.0
Accruals and deferred income	5.4	
Derivative financial liabilities ( <a href="#">note 17</a> )	0.9	7.8
	<b>999.0</b>	751.6

Amounts owed to group undertakings are interest free and repayable on demand and include £nil (2025: £23.2m) 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 £147.7m (2025: £122.3m charges) on amounts disclosed within borrowings in [note 16](#) and loans of £299.8m (2025: £nil) falling due within one year, also disclosed within borrowings in [note 16](#).

Other creditors include external interest accrued of £2.4m (2025: £3.0m) on amounts disclosed within short-term and long-term borrowings in [note 16](#).

In the current year, there has been a presentational change to now classify unfunded employee benefits of £3.3m (2025: £3.3m) as other creditors instead of accruals and deferred income.

### 15. Creditors: amounts falling due after more than one year

	2026 £m	2025 £m
Interest-bearing loans and borrowings ( <a href="#">note 16</a> )	779.9	766.0
Amounts owed to subsidiary undertakings ( <a href="#">note 16</a> )	6,400.2	5,923.7
Other creditors	4.5	3.3
Derivative financial liabilities ( <a href="#">note 17</a> )	1,541.0	1,510.5
Deferred grants and contributions on depreciating tangible assets	721.1	675.8
	<b>9,446.7</b>	8,879.3

Included within creditors: amounts falling due after more than one year are amounts repayable after five years by instalments of £24.1m (2025: £26.1m) in relation to finance leases.

## 16. Interest-bearing loans and borrowings

	Bank loans and overdrafts 2026 £m	Finance lease 2026 £m	Total 2026 £m
<b>Short-term borrowings:</b>			
In one year or less or on demand	-	2.0	<b>2.0</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	169.3	6.0	<b>175.3</b>
In more than five years	578.5	24.1	<b>602.6</b>
	747.8	32.1	<b>779.9</b>
Amounts owed to subsidiary undertakings not in fair value hedge relationships (held at amortised cost)			<b>6,298.6</b>
Amounts owed to subsidiary undertakings in fair value hedge relationships (held at fair value)			<b>401.4</b>
Total borrowings			<b>7,481.9</b>
Cash and cash equivalents			<b>(571.4)</b>
Amounts owed by group undertakings			<b>(437.2)</b>
<b>Net debt at 31 March 2026</b>			<b>6,473.3</b>

Net debt is held at amortised cost, except for amounts owed to subsidiary undertakings in designated fair value relationships with associated fixed to floating interest rate swaps. The carrying value of these borrowings has been adjusted by £27.2m (2025: £31.8m) from £428.6m to £401.4m (2025: £428.2m to £396.4m) relating to the application of fair value hedge accounting.

	Bank loans and overdrafts 2025 £m	Finance lease 2025 £m	Total 2025 £m
<b>Short-term borrowings:</b>			
In one year or less or on demand	-	2.0	2.0
<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	164.0	6.0	170.0
In more than five years	567.9	26.1	594.0
	731.9	34.1	766.0
Amounts owed to subsidiary undertakings not in fair value hedge relationships (held at amortised cost)			5,527.3
Amounts owed to subsidiary undertakings in fair value hedge relationships (held at fair value)			396.4
Total borrowings			6,691.7
Cash and cash equivalents			(490.5)
Amounts owed by group undertakings			(437.2)
<b>Net debt at 31 March 2025</b>			<b>5,764.0</b>

## 16. Interest-bearing loans and borrowings (continued)

Amounts owed to subsidiary undertakings includes loans from other members of the 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 £6.0m (2025: £7.6m) 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 £2.8m (2025: £2.7m) were made during the year to Yorkshire Water Finance Plc to fund interest payments on the exchange bonds.

In 2018, Yorkshire Water Finance Plc was substituted as the issuer of bonds and notes issued by Yorkshire Water Services Odsal Finance Limited and Yorkshire Water Services Bradford Finance Limited. The external debt and related intercompany loans to Yorkshire Water were initially recognised by Yorkshire Water Finance Plc at fair value. Yorkshire Water continued to recognise the intercompany loans at their original book value. Hence, there is a difference between the carrying value of the intercompany loans in each entity. This difference is eliminated in the consolidated Financial Statements of Kelda Eurobond Co Limited.

Amounts owed by group undertakings relate to loans of £437.2m (2025: £437.2m) 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 £128.8m (2025: £127.0m).

Borrowings repayable in instalments after more than five years include £23.3m (2025: £25.3m) in respect of a finance lease which matures in 2043, carries an interest rate linked to SONIA and is secured on the underlying assets and £0.8m (2025: £0.8m) in respect of a finance lease which matures in 2034.

On 15 July 2025, Yorkshire Water Finance Plc agreed terms for the issue of £375.0m sustainability bonds which mature in July 2033 with a coupon rate of 6.00% and £325.0m sustainability bonds which mature in July 2040 with a coupon rate of 6.625%. The net proceeds from the issue of these bonds were loaned to Yorkshire Water. The bonds were issued on 22 July 2025.

The company has access to a £630m RCF and an £80m committed credit facility. As at 31 March 2026, no amounts were drawn under either facility (2025: £nil).

## 16. Interest-bearing loans and borrowings (continued)

During March 2026, Yorkshire Water extended its operating and maintenance bank liquidity facility (the O&M facility) to £155.0m (2025: £148.5m). This is a 12-month standby facility for the funding of Yorkshire Water's operating and maintenance expenditure. As at 31 March 2026, £nil amounts were drawn on this facility (2025: £nil).

Also, during March 2026, Yorkshire Water increased its rolling five-year evergreen debt service reserve guarantee (the DSR facility) to £250.0m (2025: £220.0m). The company also extended the date of issuance to maintain the five-year term. This standby facility is required to cover Yorkshire Water's debt service obligation. As at 31 March 2026, £nil amounts were drawn on this facility (2025: £nil).

As at 31 March 2026, Yorkshire Water had access to undrawn committed facilities totalling £1,115.0m (2025: £1,078.5m), £155.0m of which expires in March 2027 (the O&M facility), £80.0m of which expires in July 2027 (the committed credit facility), £630.0m of which expires in November 2029 (the RCF) and £250.0m of which expires in March 2031 (the DSR facility).

### Leases

The minimum lease payments in respect of finance leases are as follows:

	2026 £m	2025 £m
No later than one year	3.5	3.8
Later than one year and no later than five years	13.1	14.4
Later than five years	30.5	34.8
	47.1	53.0
Less: future finance charges on finance lease obligations	(13.0)	(16.9)
Carrying value of lease obligations	34.1	36.1
Amount due for settlement within one year	2.0	2.0
Amount due for settlement after more than one year	32.1	34.1
	34.1	36.1

## 16. Interest-bearing loans and borrowings (continued)

Interest rates on amounts owed to subsidiary undertakings are detailed in the table below:

Counterparty	Nominal £m	Interest rate %	Maturity date Year	Liability at 31 March 2026 £m
<b>Amounts owed to subsidiary undertakings in fair value hedge relationships</b>				
Yorkshire Water Finance Plc	250.0	3.625	2029	<b>232.5</b>
Yorkshire Water Finance Plc	90.0	3.540	2029	<b>85.9</b>
Yorkshire Water Finance Plc	90.0	4.965	2033	<b>83.0</b>
				<b>401.4</b>
<b>Amounts owed to subsidiary undertakings not in fair value hedge relationships</b>				
Yorkshire Water Finance Plc	300.0	1.750	2026	<b>299.8</b>
Yorkshire Water Finance Plc	150.0	5.500	2027	<b>142.6</b>
Yorkshire Water Finance Plc	60.0	2.030	2028	<b>59.9</b>
Yorkshire Water Finance Plc	250.0	5.250	2030	<b>248.2</b>
Yorkshire Water Finance Plc	50.0	5.250	2030	<b>48.2</b>
Yorkshire Water Finance Plc	50.0	2.140	2031	<b>49.9</b>
Yorkshire Water Finance Plc	240.0	6.625	2031	<b>239.7</b>
Yorkshire Water Finance Plc	350.0	1.750	2032	<b>346.6</b>
Yorkshire Water Finance Plc	50.0	2.210	2033	<b>49.9</b>
Yorkshire Water Finance Plc	100.0	1.524	2033	<b>230.5</b>
Yorkshire Water Finance Plc	375.0	6.000	2033	<b>371.1</b>
Yorkshire Water Finance Plc	400.0	6.375	2034	<b>396.1</b>
Yorkshire Water Finance Plc	100.0	6.375	2034	<b>99.2</b>
Yorkshire Water Finance Plc	250.0	5.500	2035	<b>247.9</b>
Yorkshire Water Finance Plc	100.0	5.500	2035	<b>92.4</b>
Yorkshire Water Finance Plc	25.0	5.500	2035	<b>23.7</b>
Yorkshire Water Finance Plc	40.0	2.300	2036	<b>39.9</b>
Yorkshire Water Finance Plc	50.0	2.300	2036	<b>49.8</b>
Yorkshire Water Finance Plc	200.0	6.375	2039	<b>199.3</b>
Yorkshire Water Finance Plc	100.0	6.375	2039	<b>102.2</b>
Yorkshire Water Finance Plc	100.0	4.276	2039	<b>104.0</b>
Yorkshire Water Finance Plc	175.0	2.718	2039	<b>336.1</b>
Yorkshire Water Finance Plc	85.0	2.718	2039	<b>168.2</b>
Yorkshire Water Finance Plc	325.0	6.625	2040	<b>320.2</b>
Yorkshire Water Finance Plc	50.0	2.160	2041	<b>85.2</b>
Yorkshire Water Finance Plc	350.0	2.750	2041	<b>342.8</b>
Yorkshire Water Finance Plc	100.0	2.750	2041	<b>102.9</b>
Yorkshire Water Finance Plc	275.0	2.750	2041	<b>185.8</b>
<b>Carried forward</b>				<b>4,982.1</b>

## 16. Interest-bearing loans and borrowings (continued)

Counterparty	Nominal £m	Interest rate %	Maturity date Year	Liability at 31 March 2026 £m
<b>Brought forward</b>				<b>4,982.1</b>
Yorkshire Water Finance Plc	50.0	1.803	2042	<b>84.7</b>
Yorkshire Water Finance Plc		Amortising loan	3.232	2027
Yorkshire Water Finance Plc		Amortising loan	6.611	2031
Yorkshire Water Finance Plc		Amortising loan	1.658	2033
Yorkshire Water Finance Plc		Deeply discounted loan	3.227	2027
Yorkshire Water Finance Plc		Deeply discounted loan	6.611	2031
Yorkshire Water Finance Plc		Deeply discounted loan	1.658	2033
Yorkshire Water Services Finance Limited	7.4	5.500	2027	<b>7.3</b>
Yorkshire Water Services Finance Limited	200.0	5.500	2037	<b>196.8</b>
Yorkshire Water Services Finance Limited	65.0	1.823	2050	<b>128.7</b>
Yorkshire Water Services Finance Limited	125.0	1.462	2051	<b>254.3</b>
Yorkshire Water Services Finance Limited	85.0	1.758	2054	<b>168.6</b>
Yorkshire Water Services Finance Limited	125.0	1.460	2056	<b>254.2</b>
Yorkshire Water Services Finance Limited	100.0	1.709	2058	<b>198.0</b>
				<b>6,298.6</b>
<b>Total</b>				<b>6,700.0</b>
Amounts falling due within one year ( <a href="#">note 14</a> )				<b>299.8</b>
Amounts falling due after more than one year ( <a href="#">note 15</a> )				<b>6,400.2</b>
				<b>6,700.0</b>

## 17. Derivative financial assets and liabilities

	Less than one year 2026 £m	More than one year 2026 £m	Total 2026 £m	Less than one year 2025 £m	More than one year 2025 £m	Total 2025 £m
<b>Derivative financial assets:</b>						
Inflation linked swaps	-	255.0	255.0	-	278.3	278.3
RPI to CPI swaps	-	-	-	-	0.8	0.8
Energy derivatives	5.1	1.6	6.7	1.9	0.5	2.4
	5.1	256.6	261.7	1.9	279.6	281.5
<b>Derivative financial liabilities:</b>						
Inflation linked swaps	-	(1,505.1)	(1,505.1)	-	(1,471.3)	(1,471.3)
RPI to CPI swaps	-	(3.5)	(3.5)	-	(2.1)	(2.1)
Fixed to floating interest rate swaps	(0.9)	(28.9)	(29.8)	-	(33.5)	(33.5)
Floating to fixed interest rate swaps	-	(2.9)	(2.9)	-	(3.5)	(3.5)
Energy derivatives	-	(0.6)	(0.6)	-	(0.1)	(0.1)
	(0.9)	(1,541.0)	(1,541.9)	-	(1,510.5)	(1,510.5)
<b>Net derivative financial liabilities</b>	<b>4.2</b>	<b>(1,284.4)</b>	<b>(1,280.2)</b>	1.9	(1,230.9)	(1,229.0)

### Managing financial risk

Yorkshire Water's operations expose the company to a variety of financial risks that include, amongst other things, inflation risk and interest rate risk.

In relation to inflation risk, Yorkshire Water's revenue is partly linked to the underlying rate of inflation, measured by consumer price index including owner-occupiers' housing costs (CPIH) and is therefore subject to fluctuations in line with changes in CPIH. In addition, Yorkshire Water's RCV, which is one of the critical components for setting customer's bills, is also linked to inflation. Yorkshire Water and its financing subsidiaries raises funds from third parties. These funds are used by the company to finance its activities (including funding the company's long-term capital investment programme).

As the percentage of the company's net debt to RCV is a key covenanted ratio within Yorkshire Water's financing arrangements with its lenders, negative inflation, without appropriate management, could potentially breach such covenants despite the company being profitable. Yorkshire Water manages its inflation risk via inflation linked debt, and a number of hedging instruments (termed as swaps in following sections).

## 17. Derivative financial assets and liabilities (continued)

### Inflation linked swaps

The company holds a number of inflation linked swaps, with a notional value at 31 March 2026 of £1,088.6m (2025: £1,088.6m). There are three cash flows associated with these inflation linked swaps:

- six monthly interest receivable linked to SONIA;
- six monthly interest payable linked to RPI; and
- an RPI-linked bullet that is payable on maturity of the instruments or at certain predetermined dates over the duration of the swaps.

In addition, a proportion of the inflation linked swaps also receive six monthly interest amounts based on a fixed rate.

Interest payments and receipts are accrued in the profit and loss account. The RPI bullet accumulated at the balance sheet date has been accrued in the profit and loss account and is recognised within derivative financial assets and derivative financial liabilities. The RPI bullet accrued to 31 March 2026 was £526.1m (2025: £522.3m). Discounting the bullet to present value using an appropriate rate applied to the specific life of the inflation linked swaps decreases it by £234.7m (2025: £224.9m) to £291.4m (2025: £297.4m).

During the year to 31 March 2026, the company paid £79.9m to early settle £81.3m accretion on its index linked swaps. The £1.4m difference represents the discount received for early repayment. The settlement date was brought forward from August 2026 to dates in February and March 2026.

Yorkshire Water's portfolio of inflation linked swaps gave rise to a net liability of £1,250.1m (2025: £1,193.0m net liability) at the year end date, comprising £255.0m assets and £1,505.1m liabilities (2025: £278.3m assets, £1,471.3m liabilities). Included within the net liability are net assets of £54.5m (2025: £60.2m) relating to unamortised day one deferred gains and losses recognised on the restructuring of certain inflation linked swaps in prior years.

The valuation model used by Yorkshire Water to determine the fair value of the inflation linked swaps portfolio as at 31 March 2026 includes a funding valuation adjustment, credit valuation adjustment and debit valuation adjustment to reflect long-term credit risk. All the swaps in the portfolio have super-senior status. The funding valuation adjustments, credit valuation adjustments and debit valuation adjustments to the valuation represent unobservable inputs that have the potential to materially affect the resultant fair valuation, and therefore require estimation techniques to be adopted by management. Management uses a third party expert to advise on the appropriateness of these assumptions and has prepared sensitivity analysis in order to evaluate the impact of a reasonably possible range of assumptions on the resultant valuation. The total adjustment made to the valuation as a result of the assumptions adopted in respect of these key inputs was £145.9m (2025: £188.2m).

### RPI to CPI swaps

Yorkshire Water holds swaps with a notional value of £1,250.0m (2025: £650.0m) that have the following cash flows:

- annual accretion receivable linked to RPI; and
- annual accretion payable linked to CPI plus a fixed accretion amount payable.

These swaps are recognised as a fair value liability of £3.5m at 31 March 2026 (2025: £1.3m net liability). Hedge accounting has not been applied. There has been £3.2m net cash accretion paid in the year to 31 March 2026 (2025: £5.2m) resulting in £5.4m expense (2025: £4.3m expense) to the profit and loss account.

## 17. Derivative financial assets and liabilities (continued)

### Interest rate swaps

Yorkshire Water holds £45.0m notional value (2025: £45.0m) of floating to fixed interest rate swaps. These swaps are recognised at a fair value liability of £2.9m at 31 March 2026 (2025: £3.5m liability). Hedge accounting has not been applied. Of the year on year decrease in the liability of £0.6m (2025: decrease of £1.4m), £0.1m income (2025: £1.2m income) has been included in the profit and loss account, whilst £0.5m (2025: £0.2m) relates to net interest payments made during the year.

Yorkshire Water holds £1,430.0m notional value (2025: £430.0m) of fixed to floating interest rate swaps. These swaps are recognised as a net fair value liability of £29.8m at 31 March 2026 (2025: £33.5m liability).

Fair value hedge accounting has been applied to fixed to floating interest rate swaps with a notional value of £430.0m (2025: £430.0m). These swaps are recognised as a fair value liability of £28.9m (2025: £33.5m 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 2026.

The net impact of the fair value movement of the hedged fixed to floating interest rate swaps and the associated debt has resulted in £0.3m of expense (2025: £5.9m expense) to the profit and loss account. This represents ineffectiveness in the hedge relationship.

Hedge accounting has not been applied to fixed to floating interest rate swaps with a notional value of £1,000.0m (2025: £nil). These swaps are recognised as a fair value liability of £0.9m (31 March 2025: £nil).

The fair value movement of the fixed to floating interest rate swaps not in a hedge relationship has resulted in £2.1m expense (2025: £4.2m expense) 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 £3.8m from £2.3m assets to £6.1m net assets (2025: movement of £1.2m from £1.1m assets to £2.3m net assets) has been recognised in other comprehensive income.

## 18. Financial instruments

The below table shows the difference in carrying values and fair values for non-derivative financial instruments, excluding any non-derivative financial instrument where carrying values approximate to fair values. The carrying values of derivatives equal their fair value, therefore a comparison has not been presented:

	Carrying value 2026 £m	Fair value 2026 £m	Carrying value 2025 £m	Fair value 2025 £m
<b>Held at amortised cost</b>				
Bank loans and overdrafts	<b>(747.8)</b>	<b>(670.4)</b>	(731.9)	(627.8)
Amounts owed to subsidiary undertakings not in fair value hedge relationships	<b>(6,298.6)</b>	<b>(5,491.6)</b>	(5,527.3)	(4,761.2)
Amounts owed by group undertakings	<b>437.2</b>	<b>454.4</b>	437.2	466.8

### 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)

The following table provides the fair values of the company's financial assets and liabilities at 31 March 2026.

	Level 1 2026 £m	Level 2 2026 £m	Level 3 2026 £m	Level 1 2025 £m	Level 2 2025 £m	Level 3 2025 £m
<b>Primary financial instruments financing the company's operations</b>						
<b>Derivative financial assets</b>						
<b>Measured at Fair Value Through Profit and Loss</b>						
Inflation linked swaps	-	247.7	7.3	-	254.1	24.2
RPI to CPI Swaps	-	-	-	-	-	0.8
<b>Measured at Fair Value Through Other Comprehensive Income</b>						
Energy derivatives	-	6.7	-	-	2.4	-
<b>Total derivative financial assets</b>	-	<b>254.4</b>	<b>7.3</b>	-	256.5	25.0
<b>Derivative financial liabilities</b>						
<b>Measured at Fair Value Through Profit and Loss</b>						
Inflation linked swaps	-	(477.1)	(1,028.0)	-	(545.0)	(926.3)
RPI to CPI swaps	-	-	(3.5)	-	-	(2.1)
Fixed to floating interest rate swaps	-	(29.8)	-	-	(33.5)	-
Floating to fixed interest rate swaps	-	(2.9)	-	-	(3.5)	-
<b>Measured at Fair Value Through Other Comprehensive Income</b>						
Energy derivatives	-	(0.6)	-	-	(0.1)	-
<b>Total derivative financial assets</b>	-	<b>(510.4)</b>	<b>(1,031.5)</b>	-	(582.1)	(928.4)
<b>Net derivative financial liabilities</b>	-	<b>(256.0)</b>	<b>(1,024.2)</b>	-	(325.6)	(903.4)
<b>Non derivative financial instruments</b>						
<b>Held at amortised cost</b>						
Bank loans and overdrafts	-	(407.5)	(262.9)	-	(390.7)	(237.1)
Amounts owed to subsidiary undertakings	(4,194.1)	(1,297.5)	-	(3,468.4)	(1,292.8)	-
Amounts owed by group undertakings	-	454.4	-	-	466.8	-
<b>Borrowings measured at fair value in fair value hedge relationships</b>						
Amounts owed to subsidiary undertakings	-	(401.4)	-	-	(396.4)	-

For financial assets and liabilities not included in the fair values hierarchy table, the carrying amount approximates the fair value.

## 18. Financial instruments (continued)

Financial assets/financial liabilities	Fair value as at 31 March 2026	Fair value as at 31 March 2025	Fair value hierarchy	Valuation technique(s) and key input(s)
1. Interest rate swaps, inflation linked swaps, energy derivatives	Assets: £254.4m Liabilities: £510.4m	Assets: £256.5m Liabilities: £582.1m	Level 2	Discounted cash flow. Future cash flows are estimated based on forward rates (from observable yield curves at the end of the reporting year) and contract rates, discounted at a rate that reflects own or counterparty credit risk.
2. Amounts owed to subsidiary undertakings, bank loans and overdrafts	Assets: £454.4m Liabilities: £2,106.4m	Assets: £466.8m Liabilities: £2,079.9m	Level 2	The fair values of amounts owed to subsidiary undertakings have been determined by reference to the fair values of back-to-back debt issued by subsidiaries. In relation to bonds issued by the subsidiaries, fair values are determined by reference to quoted prices for identical instruments in inactive markets that can be accessed at the measurement date. In relation to private notes issued by subsidiaries, and bank loans and overdrafts, fair values are calculated by discounting expected future cash flows using prevailing rates including credit spreads observable in publicly traded instruments.

Financial assets/financial liabilities	Fair value as at 31 March 2026	Fair value as at 31 March 2025	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: £7.3m Liabilities: £1,294.4m	Assets: £25.0m Liabilities: £1,165.5m	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 18% of the fair value of level 3 inflation linked swaps, equalling a total of £184.4m 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 £40.7m higher or lower. A ten basis point shift in the RPI to CPI wedge would give rise to a £5.9m higher or lower valuation of RPI to CPI swaps, and bank loans and overdrafts.

## 19. Deferred tax assets and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets 2026 £m	Liabilities 2026 £m	Net 2026 £m	Assets 2025 £m	Liabilities 2025 £m	Net 2025 £m
Accelerated capital allowances	-	1,057.1	1,057.1	-	1,046.1	1,046.1
Timing differences on financial instruments	(204.4)	-	(204.4)	(191.9)	-	(191.9)
Losses	(39.1)	-	(39.1)	(40.3)	-	(40.3)
Net tax (assets)/liabilities	(243.5)	1,057.1	813.6	(232.2)	1,046.1	813.9

### Movement in deferred tax during the year

	1 April 2025 £m	Recognised in income £m	Recognised in equity £m	31 March 2026 £m
Accelerated capital allowances	1,046.1	47.4	(36.4)	1,057.1
Timing differences on financial instruments	(191.9)	(13.5)	1.0	(204.4)
Losses	(40.3)	1.2	-	(39.1)
	813.9	35.1	(35.4)	813.6

### Movement in deferred tax during the prior year

	1 April 2024 £m	Recognised in income £m	Recognised in equity £m	31 March 2025 £m
Accelerated capital allowances	1,041.5	4.6	-	1,046.1
Timing differences on financial instruments	(277.2)	84.9	0.4	(191.9)
Losses	(41.8)	1.5	-	(40.3)
	722.5	91.0	0.4	813.9

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 (2025: none).

## 20. Provisions for liabilities

	Operational activities £m	Regulatory activity £m	Total £m
<b>Balance at 1 April 2024</b>	23.2	5.8	29.0
Charged to the profit and loss account	12.4	4.5	16.9
Utilised in the year	(2.4)	(3.8)	(6.2)
<b>Balance at 31 March 2025</b>	<b>33.2</b>	<b>6.5</b>	<b>39.7</b>
Charged to the profit and loss account	4.6	9.9	14.5
Utilised in the year	(5.9)	(4.3)	(10.2)
<b>Balance at 31 March 2026</b>	<b>31.9</b>	<b>12.1</b>	<b>44.0</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

	2026 £m	2025 £m
<b>Allotted, called up and fully paid</b>		
22,000,000 (2025: 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 2026 £m	Other 2026 £m	Total 2026 £m	Land and buildings 2025 £m	Other 2025 £m	Total 2025 £m
Less than one year	0.6	4.9	5.5	0.4	2.9	3.3
Between one and five years	7.4	8.4	15.8	1.5	3.2	4.7
More than five years	47.6	-	47.6	12.8	-	12.8
	<b>55.6</b>	<b>13.3</b>	<b>68.9</b>	14.7	6.1	20.8

The payments shown are the total future minimum lease payments under non-cancellable operating leases.

## 23. Commitments

### Capital commitments

	2026 £m	2025 £m
<b>Capital and infrastructure renewals expenditure commitments for contracts placed at 31 March were:</b>	<b>803.1</b>	832.7

The long-term investment programme for the company, which identified substantial future capital expenditure commitments in the period from 2025 to 2030, was agreed as part of the AMP8 Price Review process. £15.9m (2025: £20.8m) of the above capital commitments relate to intangibles (software).

On 20 March 2025, Ofwat published their Final Decision Notice concluding their investigation into wastewater management. Yorkshire Water agreed undertakings in the form of a redress package to be invested in Yorkshire, together with plans to be put in place to secure compliance with the Urban Waste Water Treatment Regulations 1994, Section 94 Water Industry Act 1991 and Condition P.12 of the Yorkshire Water Licence.

£36.6m of this package forms part of our capital and infrastructure renewals expenditure commitments over the five-year regulatory asset management period (AMP) from 2026 to 2030. This is to be invested over the AMP to reduce discharges from overflows. These overflows will be sites that were due to receive investment in the 2030-35 period, Yorkshire Water will be accelerating these improvements.

A further £3.4m is as a contribution to the Great Yorkshire Rivers Partnership, a partnership between Yorkshire Water, Environment Agency (EA) and The Rivers Trust. This will be used to improve water quality and biodiversity in the area and reconnect over 510km of rivers.

## 24. Contingencies

Certain bank accounts of the company operate on a pooled basis with certain bank accounts of other members of the YWFG, whereby these bank account balances offset against each other. The company had guaranteed the following bonds and notes issued by Yorkshire Water Services Finance Limited and Yorkshire Water Finance Plc at 31 March 2026:

	Nominal £m	Coupon %	Maturity date Year	Book liability at 31 March 2026 £m
<b>Fixed rate</b>				
Yorkshire Water Services Finance Limited	7.4	5.500	2027	<b>7.3</b>
Yorkshire Water Services Finance Limited	200.0	5.500	2037	<b>196.8</b>
Yorkshire Water Finance Plc	300.0	1.750	2026	<b>299.8</b>
Yorkshire Water Finance Plc	135.5	6.454	2027	<b>135.5</b>
Yorkshire Water Finance Plc	60.0	2.030	2028	<b>59.9</b>
Yorkshire Water Finance Plc	250.0	3.625	2029	<b>232.5</b>
Yorkshire Water Finance Plc	90.0	3.540	2029	<b>85.9</b>
Yorkshire Water Finance Plc	300.0	5.250	2030	<b>296.4</b>
Yorkshire Water Finance Plc	255.0	6.601	2031	<b>254.9</b>
Yorkshire Water Finance Plc	50.0	2.140	2031	<b>49.9</b>
Yorkshire Water Finance Plc	350.0	1.750	2032	<b>346.5</b>
Yorkshire Water Finance Plc	90.0	4.965	2033	<b>83.0</b>
Yorkshire Water Finance Plc	375.0	6.000	2033	<b>371.1</b>
Yorkshire Water Finance Plc	50.0	2.210	2033	<b>49.9</b>
Yorkshire Water Finance Plc	500.0	6.375	2034	<b>495.3</b>
Yorkshire Water Finance Plc	375.0	5.500	2035	<b>363.9</b>
Yorkshire Water Finance Plc	40.0	2.300	2036	<b>39.9</b>
Yorkshire Water Finance Plc	50.0	2.300	2036	<b>49.8</b>
Yorkshire Water Finance Plc	300.0	6.375	2039	<b>301.5</b>
Yorkshire Water Finance Plc	325.0	6.625	2040	<b>320.2</b>
Yorkshire Water Finance Plc	725.0	2.750	2041	<b>631.6</b>
<b>Total fixed rate</b>				<b>4,671.6</b>
<b>Inflation linked</b>				
Yorkshire Water Services Finance Limited	65.0	1.823	2050	<b>128.7</b>
Yorkshire Water Services Finance Limited	125.0	1.462	2051	<b>254.3</b>
Yorkshire Water Services Finance Limited	85.0	1.758	2054	<b>168.6</b>
Yorkshire Water Services Finance Limited	125.0	1.460	2056	<b>254.2</b>
Yorkshire Water Services Finance Limited	100.0	1.709	2058	<b>198.0</b>
Yorkshire Water Finance Plc	127.8	3.306	2033	<b>240.3</b>
Yorkshire Water Finance Plc	260.0	2.718	2039	<b>504.3</b>
Yorkshire Water Finance Plc	100.0	4.276	2039	<b>104.0</b>
Yorkshire Water Finance Plc	50.0	2.160	2041	<b>85.2</b>
Yorkshire Water Finance Plc	50.0	1.803	2042	<b>84.7</b>
<b>Total inflation linked</b>				<b>2,022.3</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.

## 26. Contingent liabilities

### EA investigations into the operating of wastewater assets

In November 2021, the EA announced an investigation into compliance with environmental permits in relation to wastewater activities. The EA are investigating this on the basis of compliance with environmental permits in respect of the Environmental Permitting Regulations 2016. The investigation is continuing with no timescales provided for next steps or conclusion.

For general awareness, EA fines (where any charges are brought) are dealt with via the environmental sentencing guidelines and it is therefore not possible to estimate whether any action may be taken by the EA in relation to this investigation or if such action is taken, what those fines could be as these are determined by a court, at the date of publication.

### Collective proceedings order (class action)

The proposed class representative (PCR) is seeking to bring a claim on behalf of the class comprising of customers of Yorkshire Water (on an opt out basis) and proceedings have been lodged on this basis.

The claim is based on an alleged abuse of a dominant position in relation to the prices customers were charged for sewerage services. Similar claims were commenced against five other water and sewage companies (WaSCs).

Following the Certification hearing in September 2024, the judgment was received on 7 March 2025 confirming that the matter had not been certified. The PCR made an application for permission to appeal this decision to the Competition Appeals Tribunal. Permission to appeal was rejected and the WaSCs were each awarded a proportion of their legal costs to date. The PCR then made an application to the Court of Appeal for permission to appeal. This permission was granted, and the Appeal hearing took place in February 2026. The Court of Appeal dismissed this appeal, following which the PCR made an application to the Supreme Court. Permission to appeal was granted by the Supreme Court on 1 July 2026. An appeal hearing will be listed in due course. There is no indication of when of this hearing will take place at the date of publication. The PCR alleges that the damages are likely to be substantial, being at least £150.7m and as high as £390.9m including interest. The company has indicated that it will be defending the claim in full.

## 27. Post balance sheet events

On 17 June 2026, EQT Active Core Infrastructure acquired a 42% shareholding in Kelda Holdings Limited, the ultimate parent company of Yorkshire Water.

Following the year end, the Board of Directors proposed a dividend of 1.26 pence per share, equating to a total dividend of £27.7m, paid ultimately to Kelda Finance (No.2) Limited. Kelda Finance (No.2) Limited intends to utilise these funds in the early repayment of a secured bank loan with nominal value of £25.0m that was due to mature in September 2026. No dividends were paid to the ultimate shareholders.

# Independent auditor's report



# Independent auditor's report to the members of Yorkshire Water Services Limited

## Report on the audit of the Financial Statements

### 1. Opinion

In our opinion the Financial Statements of Yorkshire Water Services Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2026 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

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• Valuation and allocation of manual adjustments to household bad debt provisioning;</li> <li>• Valuation of infrastructure assets;</li> <li>• Valuation of derivative financial instruments; and</li> <li>• Going concern.</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li>◊ Similar level of risk</li> </ul>
<b>Materiality</b>	<p>The materiality that we used in the current year was £24.7m which was determined on the basis of 2.8% of earnings before interest, tax, depreciation and amortisation ("EBITDA"). This metric is explained further and reconciled within the Alternative Performance Measures outlined by the company in the Key Performance Indicators ("KPI") section of the annual report.</p>
<b>Scoping</b>	<p>Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.</p>
<b>Significant changes in our approach</b>	<p>There have been no significant changes in our audit approach in the year.</p>

### 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.4.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

The key audit matters communicated below are matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and included the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Valuation and allocation of manual adjustments to household bad debt provisioning

#### Key audit matter description

A proportion of the group's household customers do not or cannot pay their bills, which results in the need for provisions to be made for non-payment of the customer balance. Management makes an estimate regarding future cash collection when calculating the bad debt provision. Management's approach to calculating the provision considers three primary elements: historical performance, management action to address debt, and macroeconomic factors.

In the current year, the continued high household costs in the UK and increased tariffs are putting pressure on customers' ability to pay, leading to greater judgement in assessing whether future cash collection will differ from historical experience. A key audit matter exists on whether historical data is reflective of the current cost of living crisis, and whether the management action and macroeconomic factors manual adjustments are appropriate to reflect the future risk of cash collection.

The value of the household provision for trade receivables at 31 March 2026 is £38.2m (2025: £38.5m).

The Audit and Risk Committee also considered this as a significant matter as discussed in the [Audit and Risk Committee Report](#) on page 196 and it is also included as an area of key estimation uncertainty in [note 1](#) to the Financial Statements.

#### How the scope of our audit responded to the key audit matter

The procedures we performed were as follows:

- obtained an understanding of and challenged the appropriateness of management's approach to calculating the provision (incorporating the management action and macroeconomic factors manual adjustments) and evaluated the underlying data;
- tested historical cash collection on a sample basis to supporting documentation and analysed the resulting cash collection trends;
- obtained an understanding of the relevant controls established by management to consider the valuation and allocation of the bad debt provision;
- searched for contradictory evidence (e.g. economic forecasts regarding unemployment and disposable income) to assess management's conclusion regarding the provision;
- considered economic data surrounding inflation and the future impact of the current cost of living crisis;
- performed sensitivity analysis on the provisioning models to assess the impact of changes in cash collection rates; and
- performed benchmarking against other water companies with a similar provisioning approach.

#### Key observations

We consider the household bad debt provision, inclusive of consideration of manual adjustments, to be 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. Additionally, on 17 June 2026, EQT Active Core Infrastructure acquired a 42% shareholding in Kelda Holdings Limited, the ultimate parent company of Yorkshire Water which required consideration.

The fair value of infrastructure assets at the year end was £5,646.7m (2025: £5,558.4m). The value of the infrastructure assets, and the downwards valuation adjustment of £145.7m (2025: valuation adjustment of £nil) recognised on these assets at the year end, is disclosed in [note 11](#) to the Financial Statements.

The Audit and Risk Committee also considered this as a significant matter as discussed in the [Audit and Risk Committee Report](#) on page 196 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, including consideration of the nature of the EQT transaction;
- assessed the fair value calculation prepared by management for mathematical accuracy;
- 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 market transaction valuations; and
- evaluated that the valuation adjustment of £145.7m has been accurately recorded in the Financial Statements.

### Key observations

We consider that the assumptions inherent in the fair value calculation, and the valuation methodology applied, are appropriate, and that the fair value of the infrastructure assets recognised is reasonable.

### 5.3. Valuation of derivative financial instruments

#### Key audit matter description

Section 12 of FRS 102 “Financial Instruments” requires all derivatives to be accounted for in the balance sheet at fair value with movements recognised in profit or loss unless designated in a hedging relationship. Where possible, management has elected to apply hedge accounting. We identified a key audit matter in relation to the valuation of derivatives, including the application of credit, debit and funding risk valuation adjustments due to the subjectivity and appropriateness of market inputs used in the underlying models.

The fair value of derivative financial instruments at 31 March 2026 totalled £261.7m of assets and £1,541.9m of liabilities (2025: £281.5m of assets and £1,510.5m of liabilities) and the fair value debits recognised in the income statement for the year ended 31 March 2026 totalled £98.5m (2025: fair value credits £309.6m). The movement in fair value of derivatives in the year is disclosed in [note 7](#) and the fair value held at year end is disclosed in [note 17](#) to the [Financial Statements](#).

The Audit and Risk Committee also considered the valuation of derivatives as a significant matter as discussed in the [Audit and Risk Committee Report](#) on page 196 and it is also included as an area of key estimation uncertainty in [note 1](#) to the Financial Statements.

#### How the scope of our audit responded to the key audit matter

The procedures we performed were as follows:

- obtained an understanding of relevant controls around the valuation techniques used in determining the fair value of derivatives;
- inspected the nature and number of derivatives held at both the year end and during the year;
- involved internal valuation specialists to perform independent valuations of derivatives at the balance sheet date, including the calculation of credit, debit and funding risk adjustments on both derivative assets and liabilities;
- tested the accounting for all derivative positions, both external to the company and intercompany arrangements, to assess whether the accounting is in accordance with FRS 102; and
- evaluated the disclosures made for the year end derivatives, to assess whether they are in line with FRS 102.

#### Key observations

We consider that the fair values recognised and disclosures made in respect of the derivatives recorded in the Financial Statements are reasonable.

## 5.4. Going concern

### Key audit matter description

To support their going concern assessment, the directors have considered the budget and the cash position of the company, specifically the sufficiency of the funds available to fund the operating and capital investment activities of the company for at least the 12 months from the date of signing the Financial Statements. In addition, the directors have considered any known material refinancing events up to the end of March 2028 which could have an impact on going concern.

At the year end, the company had cash and cash equivalents of £571.4m (2025: £490.5m) and undrawn committed facilities of £1,115.0m (2025: £1,078.5m). The company also had borrowings totalling £7,481.9m (2025: £6,691.7m). Borrowings are subject to covenants as set out in the disclosure on pages 243 to 245. Significant debt maturities during the next 12 months relate to contracted accretion paydown against certain inflation linked swaps in August 2026, expected to total approximately £140m, and bond maturities (held under a 'back to back' loan arrangement within the Yorkshire Water Financing Group) of £300m in November 2026 and £135m in May 2027.

The directors have concluded that the going concern basis is appropriate. As set out on pages 243 to 245, the directors have taken into consideration a number of key facts and judgements up to the end of March 2028 and have made the following assumptions:

- there will be headroom on all covenants in the going concern assessment period, as indicated by the Board-approved budget; moreover, in adverse scenarios, mitigating actions would be available to maintain headroom and manage the company's business risks appropriately;
- the directors expect the final instalment of the loan due from the company's intermediate parent, Kelda Eurobond Co Limited, will be paid by 31 March 2027, in line with Kelda Eurobond Co Limited's undertaking to Ofwat;
- available liquidity at March 2026, in the form of cash balances and undrawn RCF facilities, is sufficient to cover cash requirements, including debt maturities, to April 2027; and
- receipt of the above loan repayment and associated interest prior to the Ofwat undertaking requirement of 31 March 2027 is expected to provide funding to cover the company's £135m bond maturity, which is due in May 2027.

We consider the going concern assessment to be a key audit matter due to the level of judgement involved, especially in the following key judgement:

- the assumption that the intercompany loan will be repaid.

The going concern statement is disclosed in the [Directors' Report](#) on page 180 and in the accounting policies in [note 1](#) of the Financial Statements.

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**How the scope of our audit responded to the key audit matter**

The procedures we performed were as follows:

- obtained an understanding of financing facilities including their maturity, compliance with interest cover ratios and other covenants, and obtaining confirmation of undrawn facilities;
- tested the going concern model for consistency with the business model and the forecasts used for infrastructure asset valuation;
- tested the accuracy of the model and assessed the historical accuracy of forecasts prepared by management;
- assessed the key assumptions used in the forecasts, such as revenue levels and both operating and capital expenditure; this included consideration of the current and forecast economic environment and financial pressures on households;
- performed sensitivity analysis including consideration of contradictory evidence, latest third party economic forecasts, latest ratings agency reports, Ofwat financial resilience measures and 2027 results to date;
- evaluated management's assumptions that the intercompany loan will be repaid and further new borrowings will be raised in the next year with reference to the procedures above;
- assessed the risk of any management manipulation of key financial metrics that would impact covenant calculations; and
- assessed the appropriateness of the going concern disclosures made in the Financial Statements.

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**Key observations**

In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate and that the going concern disclosure is appropriate.

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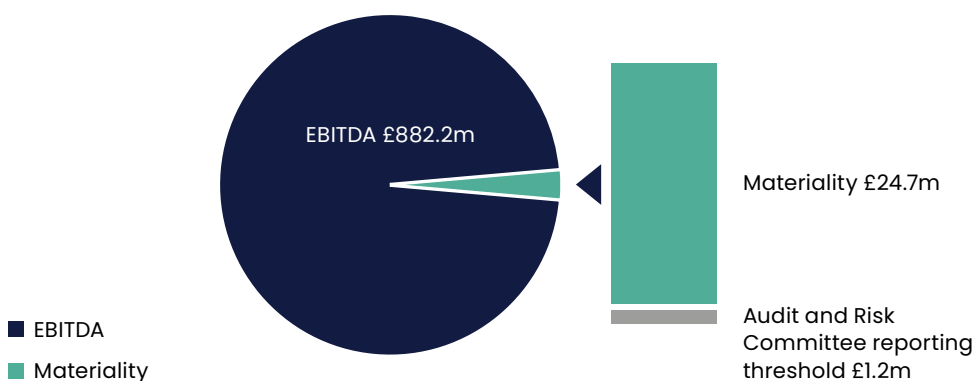
## 6. Our application of materiality

### 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>	24.7m (2025: £19.0m)
<b>Basis for determining materiality</b>	Our determined materiality equates to 2.8% of earnings before interest, tax, depreciation, and amortisation (“EBITDA”) (2025: 2.8% 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 70% of materiality for the 2026 audit (2025: 70%). 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 them all audit differences in excess of £1.2m (2025: £0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identify when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including key controls surrounding the financial reporting cycle and identified key audit matters, and assessing the risks of material misstatement to the company. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

### 7.2. Our consideration of the control environment

We have considered the key IT systems that were relevant to the audit to be the SAP system, which is the core IT system used for recording the financial transactions of the entity and the billing and cash collection systems. We involved our IT specialists to assess the relevant General IT controls (“GITCs”) and test a sample of the controls’ instances.

We have not relied on the SAP system, the billing, or cash collection systems due to the ongoing remediation of control deficiencies identified in prior years, and adapted our substantive audit procedures in response to the risks presented. We have held discussions with management around their remediation strategies, in readiness for potential controls reliance in future periods.

We obtained an understanding of and tested the relevant controls in place for the following business processes: bad debt provisioning, fixed asset additions, transactional revenue and expenditure. We do not currently rely on controls in these areas due to the lack of formal documentation and retention of audit evidence, and the control remediations in progress by management noted above. This is consistent with the directors’ assessment on page 181.

### 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 2026.

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:

- valuation and allocation of manual adjustments to household bad debt provisioning as detailed above; 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 we identified the valuation and allocation of manual adjustments to household bad debt provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Ofwat and other regulatory authorities;
- in addressing the risk of fraud through the classification of labour and overheads as property, plant and equipment, and repairs and maintenance as an expense, we have enquired with management to understand management's capitalisation policy, obtained an understanding of relevant controls and 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; and
- 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 180;
- 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 135;
- the directors' statement on fair, balanced and understandable set out on page 179;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 135;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 117; and
- the section describing the work of the Audit and Risk Committee set out on page 194.

## 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**

6 July 2026



# Thank you for reading



JW002 07.2026

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