Risk and Compliance Statement 2025/2026

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.

1. Click on the contents button to return to the contents page.
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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.

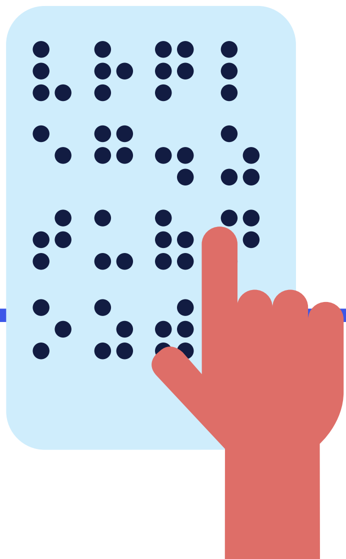
Accessibility matters.

That's why we want all of our customers to be able to engage, navigate, and understand our Risk and Compliance Statement.

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

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

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



Contents

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

The report is structured as follows:

We’ve published our Glossary of Terms separately.
You can view this here: **yorkshirewater.com/reports**

Introduction

Purpose and scope of the risk and compliance statement.

The uninterrupted supply of sufficient clean, safe drinking water and removal of wastewater is an essential service we provide for our customers.

To make sure we're doing this in a way that's right for all our customers, the environment, and our colleagues' safety and wellbeing, we need to follow a range of legal and regulatory requirements. We know that being open about how well we're meeting these obligations – and how we're going about it – is important for building trust with our customers.

This statement explains how we've worked to meet all our legal duties and the conditions of our Licence (known as our Instrument of Appointment), along with other performance requirements set by our regulator, Ofwat. It shows that we're taking responsibility and gives Ofwat a clear picture of our compliance performance.

The statement covers the reporting period from 1 April 2025 to 31 March 2026. Environmental compliance and water quality cover the calendar year from 1 January 2025 to 31 December 2025.

The statement is in two sections:

Section 1: The Board assurance statement confirms the extent of our compliance with our obligations. It is signed by the Yorkshire Water Services Limited Company Secretary on behalf of the Board.

Section 2: Outlines the processes and assurance we have in place to achieve compliance and meet our obligations.

1. Board assurance statement

Board Assurance

As the Board of Yorkshire Water Services, we've reviewed our statutory, licence and regulatory obligations.

As part of this review, the Board recognises the Section 19 commitments we agreed with Ofwat (shown in Table 1 on the next page) and what we need to do to meet them in the future.

We're continuing to work on these commitments and, based on this, we believe we have the right processes, systems and checks in place to confirm that:

- We understand the laws, regulations and licence rules we must follow, and we have processes in place to meet them. If something goes wrong, we identify it, report it to the regulator and put it right. We know rules can change, so we keep track of updates and respond when they do.
- We're making ongoing improvements to our systems and processes so we can better monitor risks and make sure we stay on course.
- The Board is regularly updated on how we're performing against our commitments and other compliance matters.
- Our risk management approach helps us identify issues early and make sure they're handled at the right level in the business.
- We have a Compliance Framework and control systems in place to help us stay compliant. Where improvements are needed, we set clear plans with defined actions, measures and timelines to deliver these changes.
- Subject to the exceptions noted in **Table 1**, we are meeting our obligations in all material regards.
- We work to understand the needs and expectations of our customers. We aim to provide services that meet those needs while balancing the interests of other stakeholders, the long-term sustainability of the company, and keeping bills at a level customers can afford.

We confirm that we've:

- Assured Ofwat that we have the right funding, leadership and resources in place to run our services effectively (Licence Condition P.12).
- Looked at the financial impact of a range of serious but realistic risk scenarios. This gives us confidence that the company can continue to operate and meet its financial commitments on time over the next seven years, up to 31 March 2033. More detail is set out in our long-term viability statement in our Annual Report and Financial Statements.
- Put plans in place so the company could still be run by a special administrator if this was ever needed (Licence Condition P).
- Made sure that any work we've done with related companies has been carried out fairly and on normal commercial terms (Licence Condition P).
- Maintained an investment grade credit rating of Baa2 (Licence Condition P).
- Explained how we link Directors' pay to performance. This information can be found in our Annual Report and Financial Statements, as well as in Section 6 (Board, Leadership, Transparency and Governance) of our Annual Performance Report (as required by section 35A of the Water Industry Act 1991).
- Reported any areas where we have not met expected performance levels in Table 1 of this statement, as agreed in our AMP8 final determination.

We confirm that we're open and transparent by:

- Providing clear information to customers, in line with Ofwat's guidelines.
- Involving customers and their representatives to help improve how we share information.

Exceptions

The main areas where we haven't fully met our obligations are set out in Table 1 below.

Table 1 – where we still need to improve

What we must do	Where we are now	What we're doing to improve
Regulation 4 – Urban Wastewater Treatment Regulations 1994 **Section 94 – Water Industry Act 1991** **Licence Condition P.12**	We reduced storm overflows into watercourses by 24.5% in 2025, which is good progress. However, we know there's still more to do. We're working with Ofwat on a plan to address areas where we need to improve, including our wastewater treatment works and sewer network, as well as making broader improvements beyond reducing storm overflows.	We're improving how we monitor and manage our assets, including earlier warnings when something might go wrong and clearer processes to investigate and fix issues. We've strengthened our governance and reporting so senior leaders have better oversight. We're also developing new digital tools to bring together how we detect issues, investigate them and track actions. Alongside this, we're investing in maintenance, technology and training to help us prevent pollution, respond more effectively when issues arise, and learn from them across both treatment works and the wider sewer network.
The Environmental Permitting (England and Wales) Regulations 2016	The Environmental Permitting Regulations cover most of our clean and wastewater sites. Permits issued under these rules determine how we must manage our assets. Any cases of non-compliance with permits or regulations are reported to the Environment Agency. These incidents, along with any enforcement actions taken, are made available to the public. We remain committed to strengthening our compliance efforts in this area and maintain a consistent focus on resolving any emerging issues.	Over the last year, we've inspected all permitted sites to confirm compliance and drive improvements where required. We've established a new Environmental Permit Compliance Team to proactively manage permit compliance and coordinate Environment Agency inspections (around 150 per month), supported by an improved system for managing inspection actions. Alongside the rollout of company-wide Environmental Compliance Awareness training, we're developing targeted technical training and have documented a compliance roadmap setting out clear processes for responding to compliance triggers.
Pollution Prevention and Control	You can find our pollution performance in Section 3 of our Annual Performance Report. We know we haven't met the standards we aim for this year, and we're taking steps to improve. This includes making sure we have the right permits in place and following all rules to minimise pollution.	Over the past 12 months, we've put in place a plan to stop pollution levels from increasing. This includes 16 projects across our main assets. Looking ahead, we've set out our approach in our Pollution Incident Reduction Plan (PIRP), which focuses on three key areas: improving the condition of our assets, using better data and insight, and strengthening how we operate day to day. You can find more details in our PIRP on the Yorkshire Water website.
Water Industry Act: maintain maps of their sewers, clause 199, subject to subsections (6) to (8), it shall be the duty of every sewerage undertaker to keep records of the location and other relevant particulars.	The Water Industry Act requires wastewater companies to keep maps of their sewer networks. Like other wastewater companies in England and Wales, not all of our sewers are currently mapped.	We continue to improve our maps as we carry out work on our wastewater networks.

Table 1 – where we still need to improve – continued

What we must do	Where we are now	What we're doing to improve
We have 23 performance commitments in total, 4 of which we do not have a regulatory target for. Out of the 19 performance commitments we do have a target for, we achieved 7 during 2025/2026.	For 2025/2026 we have not met the target for the following 12 performance commitments: • Compliance Risk Index (CRI) • Customer contacts about water quality • Water supply interruptions • Per Capita Consumption (PCC) • Business demand • Internal sewer flooding • Repairs to burst mains • Discharge permit compliance • Total pollution incidents • Serious pollution incidents • Bathing water quality • Operational greenhouse gas emissions (Water)	Where we have fallen short we have compensated customers via the Operational Delivery Incentive (ODI). You can read more about this within our ODI report found here: yorkshirewater.com/reports You can also read more about our performance and any actions we are taking in section 3 of our Annual Performance Report. yorkshirewater.com/reports

The Board confirms that, over the period covered by this statement, it has complied in all material respects with its relevant statutory, licence and regulatory obligations that have not been confirmed by other processes, and that it is taking appropriate steps to manage the risks it faces.

Principles of corporate governance

The Board is committed to achieving the highest standards of corporate governance in accordance with the requirements of company law, current best practice, the 2018 UK Corporate Governance Code (the Code), where applicable to private companies, and Ofwat's Board Leadership, Transparency and Governance Principles.

The Board has reported in detail on our compliance with the Code and the Ofwat Principles in our ARFS.

Additional detail is also provided within the Annual Report and Financial Statements. Both reports can be viewed on our reports webpage: yorkshirewater.com/reports

Board signatures

The Board confirms that, over the period covered by this statement, it has complied in all material respects with its relevant statutory, licence and regulatory obligations that have not been confirmed by other processes, and that it is taking appropriate steps to manage the risks it faces.

Signed by the Yorkshire Water Services Limited Company Secretary on behalf of the Board of Directors.

K H Smith

Kathy Smith
Company Secretary

This statement was approved by the Yorkshire Water Board on 30 June 2026 and signed off on its behalf by Kathy Smith, Company Secretary.

2. How we make sure we comply

Assurance to confirm compliance

We understand our regulatory and legislative obligations

Our goal is to be 100% compliant, 100% of the time – doing it right for our colleagues, customers and the environment. Our operations are regulated through a combination of legislation, our licence requirements, regulatory obligations set by Ofwat, EA, DWI and other regulators. It's important we understand these obligations and have the right controls in place throughout the business to deliver on our compliance obligations.

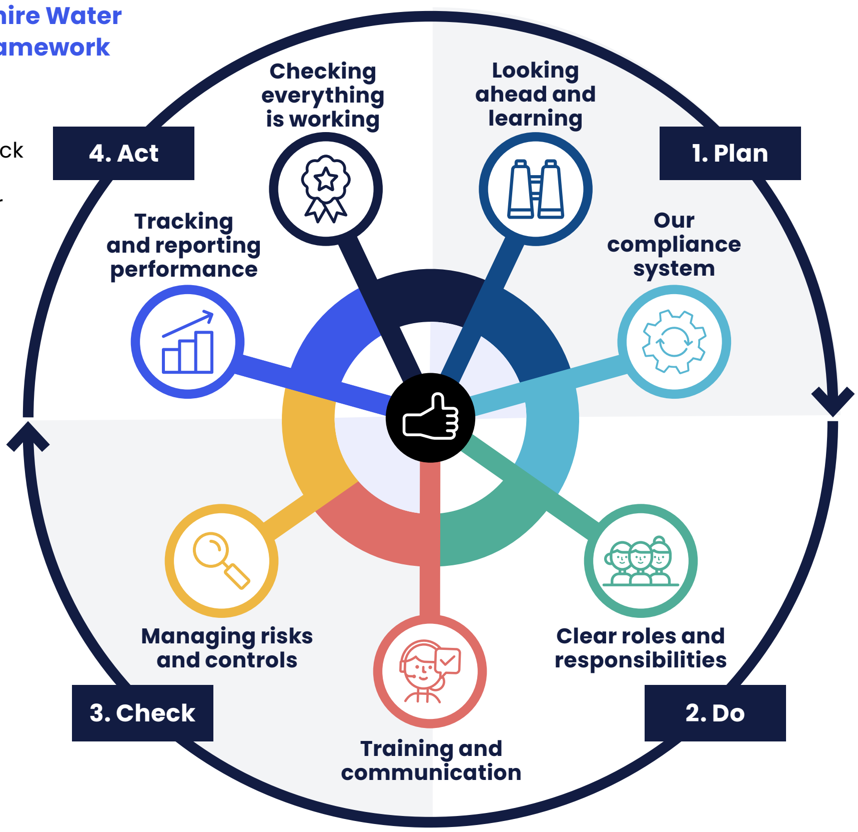
To support this, we continue to embed and enhance our Compliance Framework (Fig. 1), This framework helps us clearly understand our obligations, assign responsibility, provide training so colleagues know what's expected, put the right controls in place, check those controls are working properly, and learn from any non-compliance or near misses.

Each obligation is assigned to a Director, a Senior Leader and a Compliance Lead who are responsible for making sure it's delivered. We've built a network of more than 40 Compliance Leads, supported by subject experts across the business. Together, they apply the framework in their areas, make sure the right controls are in place, and identify any new or changing requirements.

Our central Compliance Team oversees the health of the framework and provides regular reporting and assurance to the Executive Team and Board. We work closely with specialist teams throughout the business such as Legal, Health Safety & Environment and Technology to ensure our understanding and management of compliance remains up to date and effective.

Figure 1: Yorkshire Water compliance framework

This diagram shows how we plan, deliver, check and improve how we meet our responsibilities.



Audit, Risk and Compliance

The Audit and Risk Committee oversees how well our internal controls are working on behalf of the Board. Over the past year, we've strengthened these controls to help make sure we meet our obligations and manage the risk of not achieving our business goals.

Our policies and procedures, which support these controls, follow recognised international standards for environmental management (ISO 14001), quality management (ISO 9001), occupational health and safety (ISO 45001), and asset management (ISO 55001). These are available to all colleagues through our Integrated Management System (IMS).

The Compliance and Assurance team provides independent oversight of our processes and controls through an Integrated Assurance programme, working with other assurance teams across the business.

This approach helps us identify and fix issues, as well as find opportunities to improve. We do this by putting in place clear action plans with defined steps and timelines.

When we identify cases of non-compliance, we create plans to address them, with specific actions and deadlines. These plans are owned by senior leaders and are overseen and monitored by the Compliance and Assurance team.

As a company, we voluntarily follow the UK Corporate Governance Code where it's relevant to our business. During the year, we've focused on making sure key controls in Finance and Technology are clearly documented, and on reviewing the assurance needed by the Board. This will support the Board in confirming how effective these controls are in our Annual Report from 2027.

The Committee has received regular updates on this work throughout the year. This has included reviewing which controls are considered most important and how they link to the key 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.

Our Internal audit team, along with independent external audits, continues to provide further third line assurance. This year, we've strengthened our approach to internal audit by improving how we identify the root causes of issues. We've also made our audit reports clearer and more user-friendly, making sure they're concise, easy to understand, and clearly link any findings to the actions needed to resolve them. Our audit methodology has also been refreshed to fully align with global internal audit standards, demonstrating our ongoing commitment to regulatory expectations and delivering value to our customers.

We have a well-established risk management framework that helps us consistently identify, assess, manage and review risks across the business. Risks are reported and escalated to the right level in line with agreed limits.

Effective risk management underpins our vision of *"A Thriving Yorkshire. Right for Customers. Right for the Environment."* It supports our ability to meet customer needs, protect the environment and safeguard the safety and wellbeing of our colleagues. At the same time, it supports informed decision-making and builds long-term resilience.

Oversight of the risk management framework is provided by the Board, supported by the Audit and Risk Committee, which ensures the framework operates effectively. The framework integrates risk management into day to day operations, strategic planning and change activities. It combines both bottom-up and top-down risk identification approaches, supported by ongoing monitoring and analysis to identify emerging medium- and long-term risks.

A corporate risk assessment matrix is used across the organisation to provide a consistent way of assessing how likely risks are and what their impact could be across key areas, including compliance. Risks are monitored against agreed limits, with action plans put in place where levels go beyond what is acceptable.

Principal risks are the most significant risks identified from across the corporate risk register that could impact our ability to deliver our strategic objectives. These are set out in the "Managing risks and uncertainties" section of the Annual Report and Financial Statements.

We recognise the importance of meeting our legal and regulatory obligations and maintaining effective oversight of compliance across the business. We understand that maintaining full compliance at all times is an ongoing challenge but we continue to drive a culture of 100% compliance, 100% of the time.

In 2025/2026, 85% of our compliance obligations have been assessed as compliant, which is a decrease from the prior year, but represents a more robust approach to measuring compliance, with a greater focus on transparency. Where areas are not yet fully compliant, Compliance Roadmaps have been put in place, setting out clear actions to improve compliance or manage associated risks.

In 2025, we developed 84 Compliance Roadmaps as part of our Compliance Improvement Plan, with half completed during the year. All actions are tracked through our Integrated Action Tracker and are overseen by both the Central Compliance and Assurance team and the Executive Team.

Compliance Leads oversee our statutory, licence and regulatory obligations, including conducting Compliance Self-Assessments and establishing time-bound Compliance Roadmaps or risk mitigation strategies to effectively manage our compliance obligations. These activities are formally reviewed and approved by Senior Leadership.

Throughout this period, the Compliance and Assurance Team carried out Compliance Reviews with senior leaders across the business. These sessions follow up on the commitments made to deliver our compliance obligations, reviewing the compliance status and respective improvement plans relevant to each leader's area of responsibility.

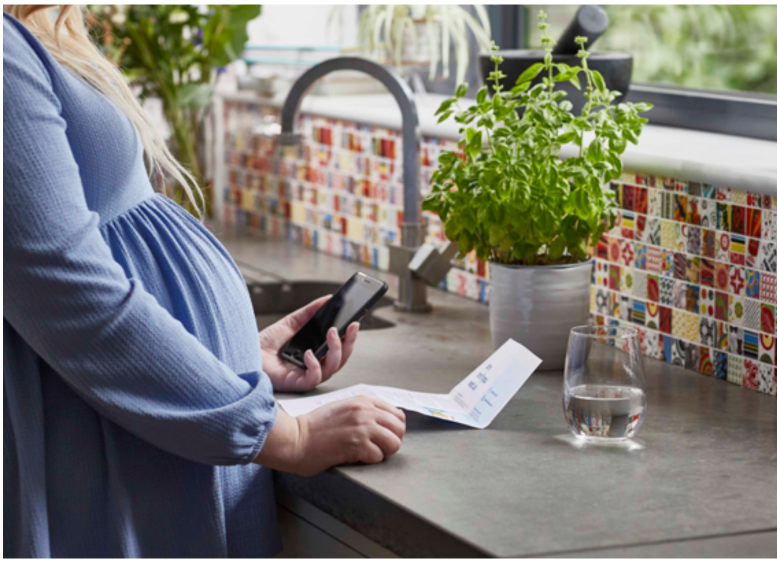
Over the past year, Yorkshire Water has strengthened its approach to managing compliance across sewage treatment works and sewerage networks. Improvements to systems, governance and oversight have supported wastewater operations, helping issues to be identified earlier, risks to be escalated more openly, and decisions to be made more effectively at operational, executive and Board level.

We've established clearer performance triggers and standardised investigation processes to ensure that potential compliance matters are identified and managed at an earlier stage. This progress is underpinned by more effective use of data, improved reporting and strengthened governance, alongside ongoing investment in frontline capability, specialist expertise and targeted training for operational teams.

At the same time, we have enhanced how we learn from pollution incidents and permit-related issues through focused root cause analysis and proactive intervention. This is helping to prevent recurrence and reduce environmental risks. These developments are supported by a £40m redress package agreed with Ofwat, which is helping to progress efforts to reduce storm overflows and restore rivers across Yorkshire, delivering measurable environmental improvements and reinforcing long-term compliance.

Material areas of non-compliance are set out in Table 1. Oversight of these areas has been regularly reported to the Executive Team and the Board, ensuring ongoing visibility of our compliance position and emerging risks.

A table of exceptions is provided above (**Table 1**).



We keep the conversation going with our customers and stakeholders to stay on top of their changing needs. This helps us adjust our services to better meet their expectations.

We maintain regular, structured engagement with customers and stakeholders to understand their needs and expectations, enabling us to design services that meet them. This engagement is built into our governance, risk and compliance processes, giving the Board assurance that the company understands and is meeting its statutory, licence and regulatory obligations.

Over the past year, we strengthened how customers can directly hold Yorkshire Water to account through the delivery of our first regional "Your Yorkshire Water, Your Say" session. This independently facilitated event enabled customers to question senior leaders directly on performance, priorities and areas of concern, and to see how their feedback informs actions and decision making. This marked an important step in increasing transparency, accountability and trust.

We've also begun participating in new customer-led Accountability Sessions, run by the Consumer Council for Water (CCW) and informed by Water Voice Consumer Panels. These sessions provide a structured forum for customers to directly challenge companies on their priorities, supported by panel insight and independent facilitation.

Outputs, including published transcripts and agreed actions, help strengthen internal ownership, inform improvement activity, and provide assurance that customer challenge is being responded to openly and transparently.

We've also onboarded a new "Your Water" online customer community, creating a live, two way platform for customers to share experiences, priorities and expectations throughout the year. Insight from this community is used alongside surveys, complaints insight and operational data to identify emerging risks, test service changes and help us make improvements.

To make sure that customer insight drives real change, we established a dedicated customer journey team focused on designing and delivering seamless, customer-led end-to-end journeys. The team brings together insight, operations and service design to tackle friction points across priority journeys, improve communication clarity and make it easier for customers to access support when they need it most.

During the year, we delivered a range of insight led learning projects to guide decision making and direction, including:

- **Non household water efficiency research to support demand reduction –** this insight helps shape our approach to business customer water efficiency and resilience.
- **Annual billing insight to improve clarity and affordability communications –** helping make billing materials clearer, more accessible and better timed, supporting customers during a challenging billing year and reducing bill shock.
- **Business customer insight to support service improvement –** identifying friction points, clarifying responsibilities and improving how we work with retailers to deliver a better overall experience.
- **Strategic annual review insight to test changing customer priorities –** helping us understand how expectations, concerns and investment preferences are evolving, so we can adjust our plans and priorities as and when needed.
- **Forward-looking insight to explore future customer risks and expectations –** helping ensure our long-term plans remain responsive to changing needs and wider societal expectations, rather than relying only on past trends.

Together, these activities ensure customer insight is not a one-off exercise, but a core part of how we design and deliver services, now and in the future. Alongside this activity, we continue to work closely with The Yorkshire Forum for Water Customers and our independent Customer Challenge Group to provide ongoing external challenge on performance, fairness, affordability and customer outcomes.

Together, these arrangements ensure customer insight is not treated as a one off activity, but a core part of how we design and deliver services that meet customer, now and in the future.

Building trust in our performance

We always want to provide our customers and stakeholders with information that they can trust.

We understand that when we don't get this right, we risk losing their trust and confidence.

To make sure our information is accurate, we follow a risk-based assurance approach. We look at where processes are more likely to go wrong or affect data quality, then focus our efforts there. While all data is checked, this helps us give extra attention to higher-risk areas, increasing confidence in what we report.

As well as the probability and impact of any errors, our risk assessment also takes into consideration wider impacts. This includes engagement with our customers, wider stakeholders, along with ongoing review of emerging risks and changes in customer needs and regulatory requirements.

We apply **three levels of assurance** to our data and processes, with checks in place across all areas. This involves people with different expertise reviewing our operations, data, systems and internal controls to confirm the accuracy, consistency and transparency of our annual reporting.

A wider assurance process also takes place to check that our publication meets relevant guidance and is clear and easy to understand.

You can read about our assurance process for reporting information in the Assurance Plan here: **yorkshirewater.com/reports**

Thank you for reading

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