

# Sustainable Finance Framework

## Allocation Report

For the year ended  
31 March 2024



Published November 2024



# How to view this document

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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.

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

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

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



# Contents

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

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# Foreword



**I am pleased to share Yorkshire Water's allocation report from our Sustainable Finance Framework. This report marks the fifth time that we have reported allocation of funds raised under the Sustainable Finance Framework and is designed to be read in conjunction with the main *Our Contribution to Yorkshire* report, which assesses the impacts of Yorkshire Water's business activities, both positive and negative, on our stakeholders during the year to the end of March 2024.**

We have seen some successes this year, notably in leakage reduction on our clean water network – staying on track to achieve a 15% reduction between 2020 and 2025 – and also in how we provided financial support to over 120,000 customers who were struggling to pay their bills. For our colleagues, our continued focus on safety and wellbeing has led to Yorkshire Water's lowest ever lost time injury rate.

However, in other areas our performance has not been as strong as we would like it to be. In particular, severe weather contributed to an increased number of discharges from our combined sewer overflows, as well as increased pollution incidents. Together, these led to a drop in our Environmental Performance Assessment (EPA) rating for the 2023 calendar year.

Understanding the impacts of our activities helps us prioritise further investment to improve performance in future. This year we developed our next business plan for the 2025 to 2030 period, which proposes £7.8bn of investment for the region. Our plan will ensure it delivers the right outcomes for Yorkshire. However, it has also been developed with the long-term in mind, so that decisions taken to improve the efficiency of our services are not made at the expense of our long-term resilience or affordability for future generations.

At such a crucial time for the sector, we will continue to strive for improved outcomes for Yorkshire, working towards achieving our vision of a thriving Yorkshire, right for customers and right for the environment.

**Paul Inman**  
**Chief Finance Officer**

# Introduction



**Yorkshire Water Services Limited (“Yorkshire Water”, “we” or the “Company”) is the regulated water and wastewater company operating in the Yorkshire Region, serving over 5 million people and 140,000 businesses. We provide some of life’s most essential services – the treatment, supply and safe removal of clean and wastewater as well as being custodians of essential infrastructure and the natural environment.**

To provide these services reliably, now and in the future, sustainability has to be in the very fabric of how we operate. Our six capitals approach is designed to help us become more sustainable and resilient by better understanding, and ultimately better managing, the economic, environmental, and social impacts of our actions. In turn, this should allow us to protect and grow the value we create for customers, investors, and other stakeholders.

Yorkshire Water has a Sustainable Finance Framework (the “Framework”) that allows sustainable debt to be raised in a variety of formats to finance and refinance the majority of its capital (“capex”) and operational (“opex”) expenditure, together total expenditure (“totex”). In the year ended 31 March 2024, 93.5% of totex spend from Yorkshire Water was eligible for inclusion in the Framework, which is an increase from the previous year of 2.3ppt.

Yorkshire Water’s approach to sustainable finance is based on its six capitals approach to impact assessment and reporting. Further information on this topic is provided in the *Our Contribution to Yorkshire* report, which is published in conjunction with this Allocation Report and can be found at [yorkshirewater.com/capitals](https://yorkshirewater.com/capitals)

With the risks presented by climate change, population growth, biodiversity loss and the cost-of-living crisis, it is now more important than ever to understand our impacts on the people and places in our region, and to change the way we make decisions to take these impacts into account.

**Our vision is to create**

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

# Sustainable Finance Developments at Yorkshire Water

**During the year, we published an updated version of our Sustainable Finance Framework. The key changes we have made in the second version are:**

- Updating the Framework to align with recent changes to the Green and Social Bond Principles and the Green and Social Loan Principles.
- Refreshing the criteria used to assess the eligibility of Framework expenditure.
- Mapping expenditure eligibility criteria to the United Nations' Sustainable Development Goals.
- Updating the information provided on Yorkshire Water's business strategy and the contribution we make to the region through our work.

The second version was published in November 2023 and replaces the first version of the Framework issued originally in 2019.

All debt issued under the Framework during the year ended 31 March 2024 was issued prior to publication of the second version of the Framework and accordingly, is assessed against the first version.

As at 31 March 2024, £2,100m had been raised under the Framework across both bond and loan formats, all of which has been allocated.

For more details on the outstanding debt instruments and allocations, please see the Allocations section on [page 15](#).

## Yorkshire Water's Contribution to the UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a set of 17 goals formally adopted by the global community, through the United Nations, which define and drive towards sustainable development. The 17 SDGs are underpinned by 169 targets (more information can be found at: [sdgs.un.org](https://sdgs.un.org)).

The criteria we use to assess the eligibility of expenditure for inclusion within the Framework are mapped to specific SDGs and their underpinning targets, which allows us to understand how and where our work contributes to each goal. See [Appendix 2](#).

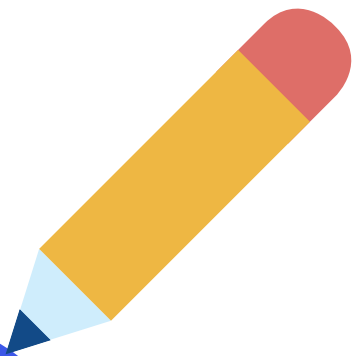


# Use of Proceeds

**Yorkshire Water uses debt raised from the Framework to finance and refinance assets and expenditures that fall within the Eligible Sustainable Portfolio (the "Portfolio").**

New financing is defined as expenditure incurred during the year ended 31 March 2024. Refinancing is defined as expenditure incurred in the two prior financial years ended 31 March 2023 and 2022 respectively. As at 31 March 2024 all proceeds have been allocated between new financing and refinancing.

The Portfolio includes assets and expenditures that benefit societies and communities (Social) and the natural environment (Green), and we recognise that many expenditures will have both Social and Green benefits (Sustainable), such as planting trees to slow the flow of water, mitigate flood risk and provide amenity value.





# Allocation Reporting Criteria

The following criteria have been applied in calculation and allocation of the Portfolio as presented within this report.

## 1. Expenditure data

All assets and expenditures follow Yorkshire Water's risk management framework and procurement policies. Annual operational and capital expenditure is reported from Yorkshire Water's SAP system at financial year end and categorised by price control in line with the Annual Performance Report submitted to Ofwat and published on our website<sup>1</sup>.

## 2. Eligibility assessment

Expenditure is assessed as eligible for inclusion in the Eligible Sustainable Portfolio, following the Eligibility Criteria based on Social and Green Bond Principles (**Appendix 2**) and excluding the Excluded Budgetary Categories listed within Yorkshire Water's Sustainable Finance Framework (2023)<sup>2</sup>.

Operational expenditure is assessed by general ledger code. Capital expenditure is assessed by investment category on a scheme-specific basis rather than on an individual line-item basis. Investment categories reflect the primary deliverable associated with each capital scheme. Expenditure for a given capital scheme includes purchased goods and/or services, as well as staff costs, consultancy costs, third-party costs, and overheads associated with delivering the scheme.

In line with Social and Green Bond Principles, eligible expenditure is linked to the provision of social and/or environmental benefits. However, we recognise that delivery of such benefits may also generate some adverse impacts (e.g., injuries sustained by colleagues; greenhouse gas emissions from our operational assets). Further information on how we assess the impacts of our business activities is provided in the Our Contribution to Yorkshire report that is published in conjunction with this Allocation Report.

1. [yorkshirewater.com/reports/](https://yorkshirewater.com/reports/)

2. [keldagroup.com/media/1453/yorkshire-water-sustainable-framework-document-27826-artwork-digital.pdf](https://keldagroup.com/media/1453/yorkshire-water-sustainable-framework-document-27826-artwork-digital.pdf)

### 3. Categorisation

Eligible expenditure is assessed against Social and Green Bond Principles and ICMA's mapping between these principles and the SDGs, and assigned to Social, Green, or Sustainable sub-portfolios on the basis of the benefits provided to societies and communities (Social), the natural environment (Green), or both (Sustainable).

### 4. Allocation

Debt raised under the Sustainable Finance Framework is allocated against expenditure within the Eligible Sustainable Portfolio. An allocation log is maintained to ensure debt is not allocated to the same expenditure more than once. The allocation log covers capex as debt has not been allocated against opex during this year. A log will be maintained with any future allocation of debt against opex.

### 5. Approval

The Eligible Sustainable Portfolio, allocation of debt, and final reporting disclosures are reviewed and approved by the Sustainable Finance Committee, comprised of representatives from the Finance and Sustainability teams at Yorkshire Water.

## Excluded budgetary categories

The following assets and expenditures will not be included in the Portfolio of eligible expenditures under the Framework:

- Personal expenditures
- Financing costs
- Landfill assets and expenditures
- Yorkshire Water's remaining fossil fuel fleet
- Assets and expenditures linked to the incineration of waste (excluding activities to such assets to Anaerobic Digestion or other renewable energy generation technologies)
- Fines and legal costs associated with pollution incidents (if any).

## Reviewing excluded expenditures

It is expected that certain aspects of the specified excluded budgetary categories will reduce over time in line with initiatives that form part of our drive towards net zero. For example, we are continuing to invest in electrifying Yorkshire Water's 'silver fleet' of light commercial vehicles and reduce the use of fossil fuel vehicles.

As described further on [page 13](#), we assess capex spend at an individual scheme level against Green and Social Bond Principles. As a result, schemes that do not map to any Green or Social Bond principles are excluded from the eligible Portfolio. The updated eligibility criteria against which opex and capex are assessed are included in [Appendix 2](#). Schemes are assessed on an outcome focussed basis. As such, whilst overall schemes may be judged to meet Green or Social Bond Principles, elements of contributory spend may not. We will continue to refine our approach to eligibility assessment as the Framework develops.



# Management of Proceeds

**The net proceeds of finance raised under the Framework are managed by the Treasury team to fund various operational and capital expenses of Yorkshire Water, except for Excluded Budgetary Categories.**

## **This includes:**

- (a) paying down existing drawings under the Company's revolving credit facility; and
- (b) refinancing upcoming debt maturities.

Unallocated net proceeds will be held as temporary investments, placed on short-term deposit and drawn upon when required. Yorkshire Water will hold or invest, at its discretion, any temporary investments as per its internal treasury policy.

The Committee ensures that the amounts represented by the Portfolio will exceed, or at least be equal to, the amount of finance raised under the Framework over the same calculation period as the Portfolio.

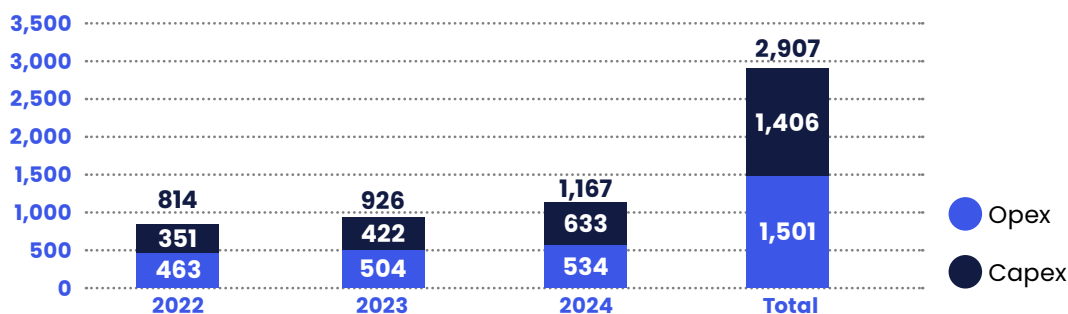
We endeavour where possible, and subject to availability, to place any unallocated net proceeds in Sustainable Liquid Investments (see Framework for definition).

# Our eligible sustainable portfolio

## The Portfolio

The Portfolio comprises eligible operational and capital expenditures from the latest year ending 31 March 2024 and the two prior years ending 31 March 2023 and 2022 respectively.

## Build-up of Portfolio by expenditure and year (£m)



Our Portfolio includes expenditures from the last three financial years and is dynamic, in that expenditures are not fixed and do not continue to accumulate past the three-year calculation period. Over the last three years 91.5% of the Company's opex and capex has been eligible for inclusion under the Framework.

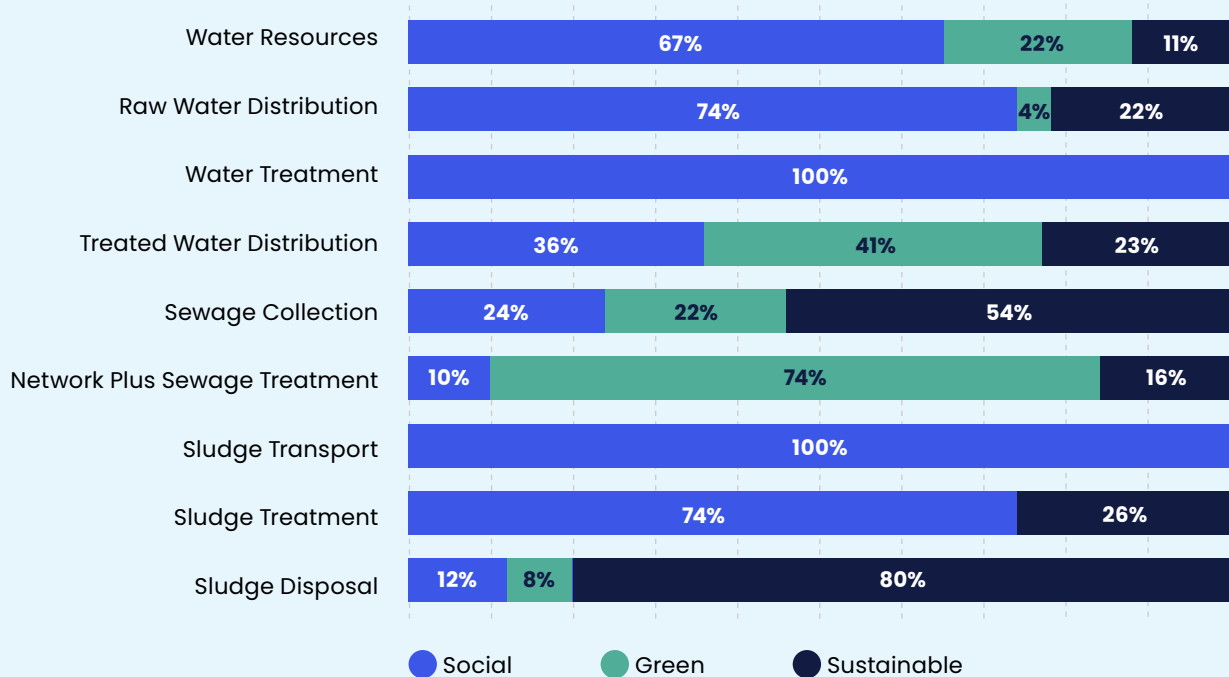
The amount of debt raised against a portfolio for a given year will also change in a similar way but will be less than the Portfolio at any one time. As at 31 March 2024, 76.8% of the Portfolio was unallocated against finance raised under the Framework.

## Movement in Portfolio

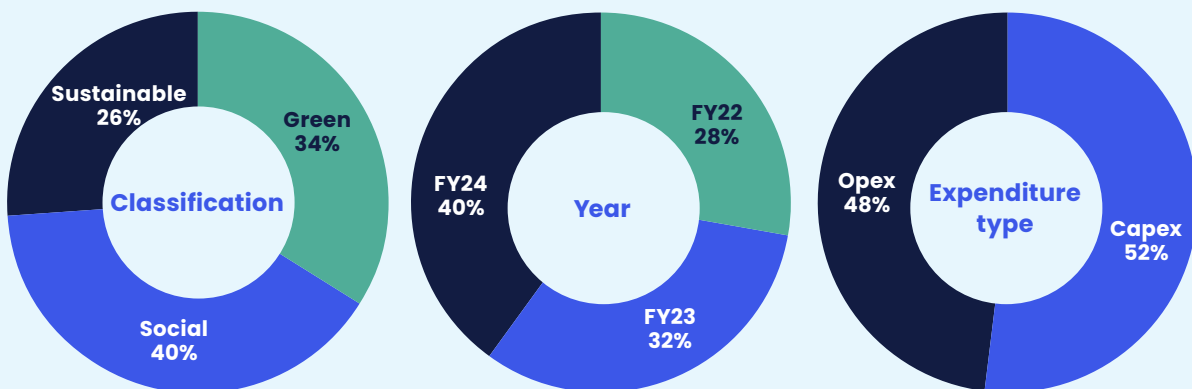
	Allocated	Unallocated	Total
<b>As at 31 March 2023</b>	<b>£963.7m</b>	<b>£1,681.2m</b>	<b>£2,644.9m</b>
	<b>36.4%</b>	<b>63.6%</b>	<b>100.0%</b>
Current year portfolio	£89m	£1,078m	£1,167m
Previous years' portfolio allocated during the year	£113m	£(113)m	-
Prior year expenditure no longer within portfolio timeframe	£(491)m	£(414)m	£(905)m
<b>As at 31 March 2024</b>	<b>£975m</b>	<b>£2,232m</b>	<b>£2,907m</b>
	<b>23.3%</b>	<b>76.8%</b>	<b>100.0%</b>

We group our expenditures by core business functions as below. The Committee then categorises the weighting of each business function between 'Green', 'Social' and 'Sustainable' based on a granular assessment of individual capex schemes against ICMA Green and Social Bond Principles. The capex scheme assessment is used as the basis for allocation of opex.

### FY24 categorisation assessment by price control



As at 31 March 2024, the Portfolio had the following characteristics:



The following table illustrates, for each price control, examples of assets financed during the year.

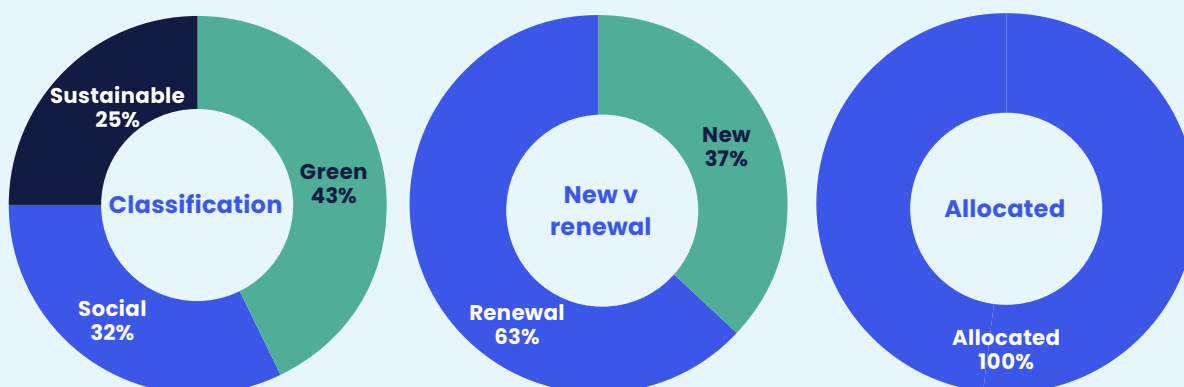
Price control	Price control description	Examples of assets financed during the year ended 31 March 2024
<b>Water Resources</b>	Activities related to the operation of existing water resource sites, identification of new sources, catchment management, licence management, and abstraction infrastructure.	Installing a new drawdown siphon at Gouthwaite reservoir to allow water levels to be lowered during storm events to prevent the reservoir overflowing. Constructing a new fish pass at Cheesebottom weir to help fish migration in the Yorkshire region.
<b>Raw Water Distribution</b>	Activities related to the transport of raw water from abstraction sites to storage facilities (e.g. reservoirs) or treatment works and activities related to the construction, operation and maintenance of storage facilities.	Biosecurity projects to tackle the spread of invasive non-native species. Water quality schemes to reduce algal blooms in our reservoirs.
<b>Water Treatment</b>	Activities related to the treatment of raw water to meet drinking water standards.	Water treatment work upgrades to ensure compliance with drinking water quality standards and mitigate risks to taste and odour.
<b>Treated Water Distribution</b>	Activities related to distributing treated water from treatment works to customers. Includes network repair and maintenance activities, and activities associated with new network development.	Refurbishing and replacing pipes on our clean water network to reduce leakage and supply interruptions. Installing smart meters to help customers to better understand and manage their water use.
<b>Sewage Collection</b>	Activities related to the collection of foul sewage from customers' properties, surface water drainage from customers' properties, and highway drainage. Includes development, repair and maintenance of sewage collection infrastructure.	Increasing wastewater network capacity to reduce the operation of storm overflows during heavy rainfall events. Proactive investment to reduce the risk of sewer flooding. Completing the construction of a new 835m long sewer in Ilkley.
<b>Network Plus Sewage Treatment</b>	Activities related to sewage treatment processes, including discharging treated wastewater into rivers and producing sewage sludge for transporting onwards to sludge treatment processes.	Installation of new wastewater treatment equipment to remove phosphorus from treated effluent to benefit river water quality. Installing UV disinfection measures to improve bathing water quality in rivers and seas across the region.
<b>Sludge Transport</b>	Activities related to the transport of sludge from sewage treatment plants to sludge treatment plants.	Improving process efficiencies at our energy and recycling sites.
<b>Sludge Treatment</b>	Activities related to sludge treatment including thickening and dewatering.	Installing new biomethane gas-to-grid equipment at Knostrop (Leeds) and Blackburn Meadows (Sheffield) to use biogas produced through sewage treatment as fuel for homes, industry, and vehicles.
<b>Sludge Disposal</b>	Activities related to the collection of treated sludge, onward transport, and disposal to landfill, agricultural land, land reclamation sites and other end users.	

## Allocations

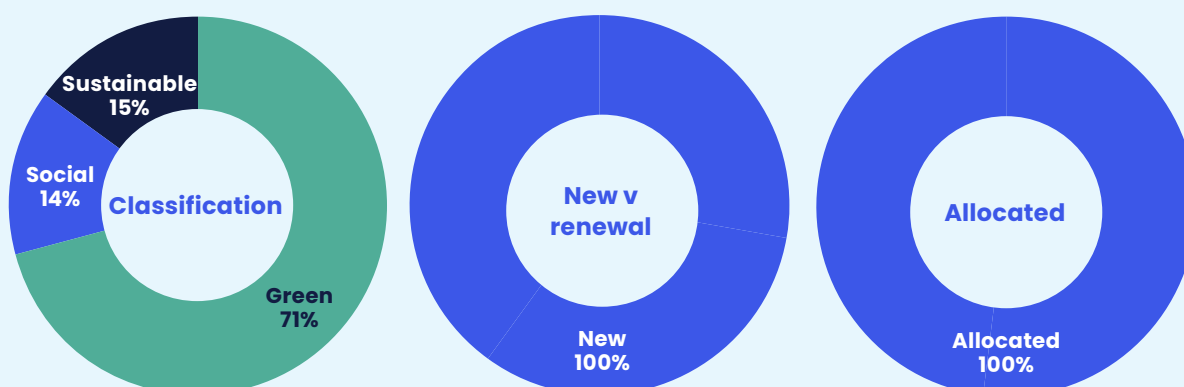
During the year, a further two sustainability debt instruments were issued off the framework. Net proceeds have been allocated in full against the Portfolio. The table below summarises key terms and net proceeds for the instrument.

Key Features	Sustainability Bond 7	Sustainability Bond 8
ISIN	<b>XS1984257029</b>	<b>XS2591021972</b>
Maturity	Apr-41	Apr-35
Coupon	2.75%	5.50%
Nominal O/S	£275m	£25m
Net Proceeds	£178m	£24m
Issued	Jul-23	Jul-23
Allocated (at 31 March 2024)	£178m	£24m
Allocated (%)	<b>100.0%</b>	<b>100.0%</b>

As at 31 March 2024, Sustainability Bond 7 had the following characteristics:



As at 31 March 2024, Sustainability Bond 8 had the following characteristics:



In total, net sustainability debt raised off the Framework amounted to £1,989m as at 31 March 2024 and had been allocated in full against the Portfolio.

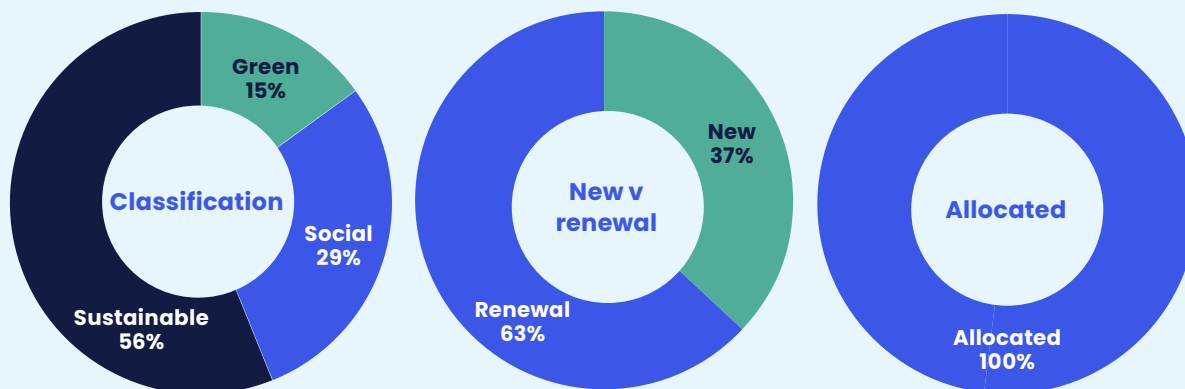
**Movement in sustainability debt net proceeds**

	<b>Allocated</b>	<b>Total</b>
<b>As at 31 March 2023</b>	<b>£1,787m</b>	<b>£1,787m</b>
Issued during the year	£202m	£202m
<b>As at 31 March 2024</b>	<b>£1,989m</b>	<b>£1,989m</b>

<b>Total sustainability debt (A)</b>	<b>£2,100m</b>
Total YW debt (B)	£6,518m
<b>Sustainability bond ratio (A/B)</b>	<b>32.2%</b>
Total net proceeds	£1,989m
Total allocated	£1,989m
<b>Sustainability debt allocated (%)</b>	<b>100%</b>

All sustainability debt raised off the Framework remains outstanding and now accounts for 32.2% of total YW debt, an increase from 27.3% as at 31 March 2023. We expect the Sustainability Bond Ratio to continue increasing as new expenditures and maturing debt is financed and refinanced with sustainable finance.

**As at 31 March 2024, the total outstanding sustainability debt had the following characteristics:**





# Understanding our impact

**This Allocation Report is intended to be read in conjunction with the *Our Contribution to Yorkshire* report, which uses a six capitals framework to assess and value the impacts of Yorkshire Water’s business activities each year.**

Our approach assesses the extent and condition of Yorkshire Water’s assets, the outputs we generate through our activities, as well as the monetary impacts of those outputs across all six capitals.

For example, our electricity generation facilities (manufactured capital assets) contribute to energy resilience by exporting renewable electricity to the grid (output). We can express the value of this enhanced resilience to society in monetary terms (impact).

Below is an excerpt from the *Our Contribution to Yorkshire* report that gives an overview of the estimated economic value of our impact in the year ended 31 March 2024. We would encourage readers to take a look at the full *Our Contribution to Yorkshire* report to better understand how we measure our impact and also read some case studies that bring our assessment to life.



# < Appendices >



# Appendix 1: Glossary

<b>Allocation Report</b>	This report is designed for investors to provide information on the allocation of debt under the Sustainable Finance Framework.
<b>Assurance Report</b>	A report produced by an independent assurance provider that provides information on the scope of their engagement, a description of the work performed, and their conclusions.
<b>Committee</b>	The Sustainable Finance Committee made up of representatives from the finance and sustainability teams at Yorkshire Water, who are involved in assessing the eligibility of expenditures for inclusion in the Portfolio.
<b>DNV</b>	DNV is a leading assurance and classification provider. They have provided limited assurance over selected information within this Allocation Report. They also provide limited assurance over selected information within the Our Contribution to Yorkshire report.
<b>Excluded Budgetary Categories</b>	Those expenditure categories specifically excluded from the Portfolio.
<b>Framework</b>	Yorkshire Water's Sustainable Finance Framework that underpins our sustainability debt and this report.
<b>Green Bond Principles</b>	Issued by the ICMA, the Green Bond Principles, updated as of June 2021, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond.
<b>ICMA</b>	The International Capital Market Association is a not-for-profit membership organisation that represents financial institutions active in the international capital markets worldwide and serves as Secretariat to the Green Bond Principles and the Social Bond Principles.
<b>Ofwat</b>	The economic regulator for the water sector in England and Wales. Ofwat sets Yorkshire Water's allowed return, expenditure levels and the amounts we can charge customers.
<b>Our Contribution to Yorkshire</b>	The Our Contribution to Yorkshire report assesses the impacts of Yorkshire Water's business activities using a six capitals framework. It can be found at <a href="https://yorkshirewater.com/capitals">yorkshirewater.com/capitals</a>
<b>Portfolio</b>	The Eligible Sustainable Portfolio of expenditures as defined in the Framework.
<b>Price Controls</b>	Binding price and services packages set by Ofwat that water companies must deliver.
<b>Public Interest Commitments</b>	A set of six targets that the UK water sector committed to achieving by 2030, including reaching operational net zero and improving social mobility.
<b>Six Capitals</b>	These represent the assets and resources which a company relies on and impacts. The capitals are Financial, Human, Intellectual, Manufactured, Natural and Social.
<b>Social Bond Principles</b>	Issued by the ICMA, the Social Bond Principles, updated as of June 2021, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Social Bond market by clarifying the approach for issuance of a Social Bond.
<b>UN SDGs</b>	The UN Sustainable Development Goals are a set of 17 goals set by the global community, through the United Nations, which define and drive towards sustainable development.

# Appendix 2: Sustainable Finance Framework – updated eligibility criteria

Below are details of updated eligibility criteria and examples of eligible expenditure for Social and Green Bond Principles categories used in Yorkshire Water’s Sustainable Finance Framework. Linkage between Sustainable Development Goals and each Social and Green Bond Principle category are also highlighted. The second version of the Framework, published in November 2023 updated the eligibility criteria to recognise and account for changes made to the Social and Green Bond Principles since the Framework was originally released in 2019.

## Social Bond Principle 1 – Affordable basic infrastructure

Key SDGs: 6. Clean Water and Sanitation; 9. Industry, Innovation and Infrastructure



Maintaining and enhancing water assets and services to ensure safe, reliable, sustainable and resilient infrastructure to provide enough safe water to all our customers, including:					Maintaining and enhancing wastewater assets and services to provide reliable, sustainable, resilient and effective sanitation, manage sewer and wider flood risk, and prevent pollution of the water environment, including:				
Investing at water treatment works (WTW) and in our water distribution network where we observe unacceptable risk to drinking water quality, capacity, reach, resilience or reliability.	Replacing supply pipes to reduce health risk and water leakage.	Proactive maintenance on our water mains to remove iron and other potential contaminants, to protect quality water supplies.	Protecting and restoring the land catchments from which we source much of Yorkshire’s public water supply, particularly to stop soil erosion and pollutants, to help ensure high quality sources of water whilst also delivering wider benefits for recreation, carbon storage and wildlife.	Investing in water-use efficiency and ensuring sustainable withdrawals of freshwater.	Investing at wastewater treatment works (WwTW) and in our sewerage infrastructure to ensure resilience, sufficient capacity for the growing population, and to meet tighter legal standards to protect rivers and coasts for the safety and enjoyment of people and to protect wildlife.	Increasing capacity on our sewer network to ensure sufficient capacity for the growing population and economy, and to reduce risk of sewer flooding of homes and public spaces.	Introducing Natural Flood Management (NFM) techniques on our land, and partners’ land, to slow the flow and reduce risk of flooding in communities downstream, whilst also delivering wider benefits for recreation, carbon storage and wildlife.	Developing infrastructure to increase recycling and safe reuse of water.	Keeping bills affordable to customers and promote financial assistance to customers who are struggling to pay their water bill through one of our support tariffs.

## Social Bond Principle 2 – Access to essential services

Key SDGs: 3. Good Health and Well-being; 4. Quality Education; 8. Decent Work and Economic Growth; 10. Reduced Inequalities



Ensuring all parts of the communities we serve can effectively access our essential services and are supported when they need it, including:				Investing in the long-term availability of skills and knowledge to support the future of water and wastewater services, including:			
Providing financial support to those that struggle to pay, through our portfolio of financial packages including our social tariff Water Support.	Reducing our own and customer mains-water consumption, including helping businesses switch to non-potable sources of water where they can (e.g. cooling processes).	Providing tailored services for those who need them, including Priority Services Register, Dementia Friends and website accessibility.	Investing to keep bills low, including recovering unpaid debt, investing in productivity levels, renewable energy and energy efficiency measures, and innovation and creating value from waste and underused resources.	Providing inclusive education about water and our services to youth and adults, to improve knowledge, technical skills and employability and promote access to our support services to our diverse communities.	Providing inclusive job creation, apprenticeships and recruitment schemes, and our Industrial Cadets work experience programme.	Enhancing the diversity of our supplier base by, for example, providing additional support to small- and medium-sized enterprises and community organisations and making it easier for them to engage with us and bid for tenders.	Promoting health and wellbeing in our communities, including through the provision of recreation services on our land.

## Social Bond Principle 3 – Food security

Key SDGs: 2. Zero Hunger; 12. Responsible Consumption and Production



Supporting development and delivery of sustainable food systems through our interactions with catchment land and the agricultural sector, including:		
Investment in sewage sludge storage and process (quality) improvements to ensure a reliably high-quality material which can be safely recycled to land to recover the inherent nutrient value, providing an alternative to traditional fertilisers.	Working responsibly with our farm tenants and others, investing to maintain and restore catchment land to protect water quality and produce agricultural products.	Programmes to protect soils and to control Invasive Non-Native Species (INNS) and promote biodiversity on catchment land.

## Social Bond Principle 4 – Socioeconomic advancement and empowerment

**Key SDGs: 1. No Poverty; 4. Quality Education; 5. Gender Equality; 8. Decent Work and Economic Growth, 10. Reduced Inequalities**



**Supporting socioeconomic advancement and empowerment through the provision of education, training and development; supporting employability; protecting and promoting labour rights; and providing fair wages and inclusive, equitable access to services, resources and opportunities, including:**

<p>Training and development programmes for all colleagues.</p>	<p>Educating our communities on water and water saving. Our bespoke education centres are mainly aimed at Key Stage 2 to support the curriculum, but also open to visitors from across society.</p>	<p>Providing inclusive job creation, apprenticeships, recruitment schemes, and our Industrial Cadets work experience programme.</p>	<p>Providing safe and secure working environments for employees and contractors. Ensuring the safety of our communities on and around our land, works and assets.</p>	<p>Ensuring through Our Living Wage accreditation that all employees are paid over and above statutory wage levels. Embedding contractual requirements for our suppliers to abide by our Living Wage Commitment.</p>	<p>Working to reduce the risk of modern slavery in our supply chain, assessing suppliers' awareness and compliance with the Modern Slavery Act, and undertaking supplier risk assessments.</p>	<p>Improving equity, diversity and inclusivity across genders, LGBT+, race, disability, social background and more.</p>	<p>Building the resilience of those most at risk of flooding in our region to reduce their exposure and vulnerability to extreme weather events, e.g. our Living with Water and Connected by Water partnerships.</p>
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## Green Bond Principle 1 – Renewable energy

**Key SDGs: 7. Affordable and Clean Energy; 8. Decent Work and Economic Growth; 9. Industry, Innovation and Infrastructure; 12. Responsible Consumption and Production**



**Maintaining and increasing our investment in renewable energy, including:**

<p>Operating our renewable energy assets, including anaerobic digesters, biogas CHPs, solar panels, wind and hydro turbines.</p>	<p>Investing to expand the generation capacity, efficiency or capability of our current renewable energy assets, including refurbishing our anaerobic digesters, investing in biogas treatment and increasing sludge throughput.</p>	<p>Investing in new renewable energy infrastructure, including new anaerobic digesters, gas-to-grid injection, wind and solar.</p>	<p>Sourcing renewable energy through contractual arrangements, including power purchase agreements, electricity on certified zero-carbon tariffs and green gas certificates.</p>
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## Green Bond Principle 2 – Energy efficiency

**Key SDGs: 7. Affordable and Clean Energy; 8. Decent Work and Economic Growth; 9. Industry, Innovation and Infrastructure**



### Improving energy efficiency through a range of measures, including:

Replacing old plant and machinery pumps with new, more efficient plant and machinery, including pumps.	Retrofitting, refurbishing or upgrading current property, plant and equipment to operate more efficiently.	Introducing and improving monitoring and control systems to manage operations more efficiently, including the use of smart meters, smart networks and artificial intelligence.	Focusing on energy efficiency as part of design specifications, optioneering and build in our capital delivery programme.	Improving fleet and logistics efficiency.
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## Green Bond Principle 3 – Pollution prevention and control

**Key SDGs: 11. Sustainable Cities and Communities; 12. Responsible Consumption and Production**



### Maintaining and enhancing assets and services to prevent pollution, including our programmes to:

Invest at WwTW and in our sewerage infrastructure to ensure resilience, sufficient capacity for the growing population, and to meet tighter legal standards to protect rivers and coasts.	Increase capacity and other interventions on the sewer network to ensure sufficient capacity for the growing population and economy, and to reduce escapes from the sewer which cause pollution.	Invest to reduce nuisances caused by our assets, including odour, noise and flies.
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### Transitioning to a net zero operating model to help ensure a stable climate that continues to provide reliable rain, including:

Reducing our emissions by investing in, for example, energy efficiency, renewable energy generation, fuel replacement, and innovative asset designs.	Working with our value chain to reduce greenhouse gas emissions, including those associated with our capital programmes and ongoing operation of our assets.	Working to sequester carbon in our land and catchment through land protection and restoration programmes.	Ensuring we are disposing of our waste in a safe and responsible manner, and working to reduce our waste generation through prevention, reduction, recycling and reuse.
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## Green Bond Principle 4 – Environmentally sustainable management of living natural resources and land use

Key SDGs: 11. Sustainable Cities and Communities; 12. Responsible Consumption and Production; 15. Life on Land



### Delivering sustainable management of the environment and its resources, including:

<p>Protecting and restoring the land catchments from which we source much of Yorkshire’s public water supply, particularly to stop soil erosion and pollutants, to help ensure high quality sources of water whilst also delivering wider benefits for recreation, carbon storage and wildlife.</p>	<p>Working to address the environmental impacts of water abstraction, as identified in the Water Industry National Environment Programme (WINEP).</p>	<p>Introducing Natural Flood Management (NFM) techniques on our land, and partners’ land, to slow the flow and reduce the risk of flooding in communities downstream, whilst also delivering wider benefits for recreation, carbon storage and wildlife, including:</p>	<p>Delivering programmes to protect soils and to control Invasive Non-Native Species (INNS) on our catchment land.</p>	
		<p>Extending the woodland cover on our land and managing our woodland in line with recognised sustainable forestry management schemes. Using planting and land management techniques to store and slow rainwater while also delivering wider benefits for society and wildlife.</p>	<p>Managing municipal flood risk through a range of traditional engineering approaches combined with NFM techniques within the region’s cities and their catchments.</p>	<p>Restoring and protecting peat uplands as part of our catchment management programmes to protect water quality. This involves re-wetting and revegetating peatlands to a more natural state in which they can act as a sponge to store water.</p>

## Green Bond Principle 5 – Terrestrial and aquatic biodiversity conservation

Key SDGs: 6. Clean Water and Sanitation; 14. Life Below Water; 15. Life on Land



### Playing our role as a water company to conserve, protect and restore water-related ecosystems, including forests, wetlands, rivers, peatlands and coastal waters, responding to both regulatory requirements and wider expectations, including:

<p>Meeting our requirements under the Water Industry National Environment Programme (WINEP) and Water Industry Strategic Environmental Requirements (WISER).</p>	<p>Protecting and improving SSSIs and other special habitats.</p>	<p>Restoring fish migration routes for improved spawning, such as through our Fish Passage Programme.</p>	<p>Carrying out river restoration trials to improve river environments beyond our large capital investments at WwTW.</p>	<p>Investing to reduce nutrient pollution.</p>	<p>Managing our woodland in line with recognised sustainable forestry management schemes.</p>	<p>Working in partnership with others to conserve and enhance biodiversity across the region.</p>
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## Green Bond Principle 6 – Clean transportation

Key SDG: 11. Sustainable Cities and Communities



### Moving to a low carbon fleet and to solutions that reduce transportation use, including:

Transitioning our fleet to electrical, biogas and hydrogen vehicles.

Investments into new infrastructure to support low carbon transportation, including electric vehicle charging points.

Investments in new technologies to reduce travel.

Improving fleet and logistics efficiency.

Working with our value chain to support a wider move to clean transportation, including where relevant for our capital programmes and ongoing operation of our assets.

## Green Bond Principle 7 – Sustainable water and wastewater management

Key SDGs: 6. Clean Water and Sanitation; 12. Responsible Consumption and Production



### Investing in the sustainable management of water and wastewater and reducing our own and customer mains-water consumption, including:

Maintaining and enhancing water and wastewater assets and services to ensure quality, reliable, sustainable and resilient infrastructure to provide safe water and sanitation and to meet tighter legal standards to protect rivers and coasts.

Investing to reduce leakage and bursts in our network and our customers pipes.

Working with our business and other non-household customers to switch to non-potable sources of water where they can, for example, by helping them use lower grades of water in cooling and washing processes where potable standards are not necessary.

Working with our customers and others to manage and reduce water consumption and to support and strengthen the participation of local communities in improving water and sanitation management.

Investing in water efficiency measures at our operational sites and in our offices, for example, by minimising the loss of backwash water used in water treatment processes and replacing use of potable water in wastewater treatment processes with lower grades of water.

Developing infrastructure to increase recycling and safe reuse of water.

Ensuring sustainable abstraction and implementing integrated water resources and catchment management.

## Green Bond Principle 8 – Climate change adaptation

Key SDGs: 1. No poverty; 13. Climate Action; 17. Partnership for the Goals



### Strengthening resilience and adaptive capacity to climate-related hazards, including:

Investment at our own assets to protect them from extreme weather impacts like flooding.	Investment in programmes across Yorkshire to work in partnership to manage flood risk and build the resilience of those most at risk of flooding in our region to reduce their exposure and vulnerability to extreme weather events, e.g. our Living with Water and Connected by Water partnerships.	Introducing NFM techniques and Sustainable Urban Drainage Systems on our land, and partners' land, to slow the flow and reduce the risk of flooding in communities downstream, whilst also delivering wider benefits for recreation, carbon storage and wildlife.	Planning for and responding to drought conditions and low river flows, including development and implementation of our Water Resource Management Plans.	Planning for and responding to longer, heavier rainfall events and more intense storms, including development and implementation of our Drainage and Wastewater Management Plans, our Storm Water Management Strategy and investment in our assets to reduce the risk of flooding and sewer flooding.	Delivering on the actions set out in our latest Adaptation Report. These reports form part of the UK's climate risk assessment and policy cycle under the Climate Change Act, 2008.	Investing in smart networks and data analytics to build network resilience to climate-related shocks and stresses.
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## Green Bond Principle 9 – Eco-efficient and/or circular economy adapted products, production techniques and processes

Key SDGs: 8. Decent Work and Economic Growth; 11. Sustainable Cities and Communities; 12. Responsible Consumption and Production



### Reducing waste generation through prevention, reduction, recycling and reuse and embracing the principles of the circular economy, including:

Investing to create value from waste and under-used resources that currently exist in our and our partners' businesses, such as grit and screenings; fats, oils and greases (FOGs); water and wastewater sludges (including potential calorific, mineral and nutrient value); heat lost to the environment; construction, repair and maintenance waste; and under-utilised land.	Working with our business and other non-household customers to switch to non-potable sources of water where they can, for example, by helping them use lower grades of water in cooling and washing processes where potable standards are not necessary.	Developing infrastructure to increase recycling and safe reuse of water.	Prolonging asset life, reducing asset replacement need and associated waste, for example through re-lining of assets and re-lining pipes.	Investing in opportunities to provide heating and cooling services where these are by-products of our assets and processes.	Developing and working in partnerships for more circular or sustainable outcomes, e.g. through systems thinking, integrated catchment management.
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# Appendix 3: Independent Limited Assurance Report

## Independent Limited Assurance Report to the Directors of Kelda Group Limited

DNV Business Assurance Services UK Limited (“DNV”, “us” or “we”) were commissioned by Kelda Group Limited to provide limited assurance to Yorkshire Water Services Limited (“Yorkshire Water”) over Selected Information presented in the *Sustainable Finance Framework Allocation Report* (the “Report”) for the reporting year ended 31 March 2024.

### Selected Information

The scope and boundary of our work is restricted to the claims and assertions relating to the allocation of funds under Yorkshire Water’s *Sustainable Finance Framework* included within the Report (the “Selected Information”).

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used Yorkshire Water’s **Sustainable Finance Framework 2019** (the “Criteria”), which can be found here [keldagroup.com/media/1077/732859\\_yws\\_sustainable\\_framework.pdf](https://keldagroup.com/media/1077/732859_yws_sustainable_framework.pdf)

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Yorkshire Water’s website for the current reporting period or for previous periods.

### Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria.

This conclusion relates only to the Selected Information, and is to be read in the context of this Independent Limited Assurance Report, in particular the inherent limitations explained overleaf.

Our observations and areas for improvement will be raised in a separate report to Yorkshire Water’s management. These observations do not affect our conclusion set out above.

## Standard and level of assurance

We performed a limited assurance engagement of specified data and information using international assurance best practice including the International Standard on Assurance Engagements (ISAE) 3000 – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (revised) issued by the International Auditing and Assurance Standards Board. To ensure consistency in our assurance process, we conducted our work in accordance with DNV’s assurance methodology, VeriSustain™, applying only the pertinent sections of the protocol relevant to the specific purpose of the activity. This methodology ensures compliance with ethical requirements and mandates planning and execution of the assurance engagement to obtain the desired level of assurance.

DNV applies its own management standards and compliance policies for quality control, which are based on the principles enclosed within ISO IEC 17029:2019 – Conformity Assessment – General principles and requirements for validation and verification bodies, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed.

## Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Conducting interviews with Yorkshire Water management to obtain an understanding of the key processes, systems and controls in place to generate, aggregate and report the Selected Information;
- Reviewing that the evidence, measurements and their scope provided to us by Yorkshire Water for the Selected Information is prepared in line with the Criteria;
- Reviewing evidence that Yorkshire Water's procedures for project evaluation, selection and management of proceeds are in line with the Criteria;
- Assessing the appropriateness of the Criteria for the Selected Information; and
- Reading the Report and narrative accompanying the Selected Information within it with regard to the Criteria.

In performing these activities, we did not come across limitations to the scope of the agreed assurance engagement.

## Responsibilities of the Directors of Yorkshire Water and DNV

**The Directors of Yorkshire Water have sole responsibility for:**

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to Yorkshire Water in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

## Inherent limitations

DNV's assurance engagements are based on the assumption that the data and information provided by Yorkshire Water to us as part of our review have been provided in good faith, is true, complete, sufficient, and authentic, and is free from material misstatements. Because of the selected nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. The engagement excludes the sustainability management, performance, and reporting practices of the Company's suppliers, contractors, and any third parties mentioned in the Report. We understand that the reported financial data, governance and related information are based on statutory disclosures and Audited Financial Statements, which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as they are not within the scope of our assurance engagement.

## Our competence, independence and quality control

DNV established policies and procedures are designed to ensure that DNV, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV did not provide any services to Yorkshire Water in the reporting period that could compromise the independence or impartiality of our work. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

## Standard and level of assurance

We performed a limited assurance engagement of specified data and information using international assurance best practice including the International Standard on Assurance Engagements (ISAE) 3000 – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (revised) issued by the International Auditing and Assurance Standards Board. To ensure consistency in our assurance process, we conducted our work in accordance with DNV’s assurance methodology, VeriSustain™, applying only the pertinent sections of the protocol relevant to the specific purpose of the activity. This methodology ensures compliance with ethical requirements and mandates planning and execution of the assurance engagement to obtain the desired level of assurance.

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The procedures performed in a limited assurance engagement vary in nature and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed.

## DNV Supply Chain and Product Assurance

DNV Business Assurance Services UK Limited is part of DNV – Supply Chain and Product Assurance, a global provider of certification, verification, assessment and training services, enabling customers and stakeholders to make critical decisions with confidence.

## Disclaimers

The assurance provided by DNV is limited to the selected indicators and information specified in the scope of the engagement. DNV has not conducted an assessment of the reporting organisation’s overall adherence to reporting principles or the preparation of the report. Therefore, no conclusions should be drawn regarding the reporting organization’s compliance with reporting principles or the quality of the overall report. The assurance provided by DNV is based on the selected indicators and information made available to us at the time of the engagement. DNV assumes no responsibility for any changes or updates made to the indicators or information after the completion of the assurance engagement.

## Use and distribution of our Independent Limited Assurance Report

This report is intended solely for the information and use of the Directors of Yorkshire Water and is not intended to be and should not be used by anyone other than these specified parties. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Limited Assurance Report.

**DNV Business Assurance Services UK Limited  
London, UK**

29 November 2024

# Thank you for reading



Yorkshire Water Services Limited,  
Western House, Halifax Road, Bradford, BD6 2SZ.  
Registered in England and Wales No.02366682

[yorkshirewater.com](http://yorkshirewater.com)



YorkshireWater