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Glas Cymru Holdings Cyf

Dŵr Cymru
Welsh Water

Annual Report and Accounts 2025–26

STRATEGIC REPORT

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APPENDICES

Note to readers: Throughout this Annual Report we refer to our financial year ended on 31 March 202N in the format FY2N. Technical terms, abbreviations, initialisms and acronyms are set out in the Glossary (see page 189).

WHO WE ARE

Our new and ambitious vision

Fostering thriving communities by providing world-class water services

Our purpose

Provide high-quality and better-value water and environmental services to enhance the wellbeing of our customers and the communities we serve, now and for generations to come.

What we do

Supply vital drinking water and wastewater services that support public health, environmental sustainability and economic vitality.

1.5 million
households served across most of Wales and Herefordshire and parts of Deeside.

860 + megalitres
of fresh water provided daily.

105,000
businesses served.

c. £4 billion
capital investment scheduled between 2025 and 2030.

28,000 km
of water mains.

37,700 km
of sewers.

827
wastewater treatment works.

91
reservoirs.

Throughout this Annual Report we have included case studies that illustrate the work we are doing to ensure we deliver safe and reliable water services and protect the environment.

Read more about us online at http://corporate.dwrcymru.com/en.

CHAIR'S STATEMENT

We are focused on repositioning Dŵr Cymru Welsh Water for a new era."

JANE HANSON CBE
Chair

Overview

FY26 was a year of significant change for Dŵr Cymru Welsh Water (Dŵr Cymru) and one in which the need for further, fundamental change to our operational performance and the industry's regulatory model became clearer than ever.

We made important progress during the year, which included an orderly transition in executive leadership and the mobilisation of major investment and transformation programmes designed to improve resilience, performance and value for customers. Our distinctive 'not-for-profit' model, with no shareholders and a clear public service purpose, remains a strength. It gives us a long-term perspective and reinforces our responsibility to act exclusively in the interests of customers, communities and the environment. I continue to see that sense of purpose reflected strongly in the commitment of our people.

That said, our overall performance has not been good enough. We need to fundamentally change how we operate, how we invest, how we prioritise and how we hold ourselves to account for delivery. And we need to deliver this change and a significant improvement in our performance at pace and with consistency.

In April 2025, we launched the largest ever infrastructure investment programme in our history for the five-year period to 2030. This is intended to improve resilience, enhance environmental outcomes and support long-term service improvement. It is supported by a Group-wide transformation programme, launched in September 2025, to make the business more efficient, more effective and more sharply focused on delivering value for customers. Successful delivery of these programmes is essential if we are to start meeting customer expectations, improve our performance, modernise our ageing infrastructure, underpin our long-term financial resilience and restore confidence in our business.

Leadership succession

A key milestone during the year was the planned transition in executive leadership. In September 2025, Roch Cheroux joined the business as Chief Executive Designate and, in January 2026, succeeded Peter Perry as Chief Executive. On behalf of the Board and everyone at Dŵr Cymru, I would like once again to thank Peter for his exceptional service to the Company over many years.

Roch brings extensive international water sector experience and a strong track record of leading large, complex and highly scrutinised organisations. Most recently, he served as Chief Executive of Sydney Water, Australia's largest water utility. During his tenure, Sydney Water delivered significant improvements in customer experience and operational performance, alongside a major increase in capital investment. It was also recognised in 2024 as the most trusted utility in Australia.

Roch has joined Dŵr Cymru at a critical moment, and he has hit the ground running. He has brought immediate pace, clarity and energy to the leadership of the business, alongside a sharp understanding of what it takes to drive performance improvement in a complex operational environment. The Board has seen early evidence of strong focus, clear priorities and a disciplined approach to execution. This matters greatly because the scale of change required across the Group is substantial.

A new Group vision and outline strategic direction have now been developed, which set clearer priorities and a pathway for sustained improvement. The Board is fully supportive of this work. But we are also clear that successful transformation will require more than programmes and plans. It will require sustained leadership, sharper operational discipline, greater organisational accountability and a culture that is unrelenting in its focus on delivery. This is not a short-term task. However, the direction is clear and the urgency is real.

Board changes

There were several other changes to the composition of the Board during FY26. Information about our current Board members is set out on pages 63 to 65.

In June 2025, Mike Davis stepped down as Chief Financial Officer and retired from the Group after more than 20 years of service. Mike made a major contribution to the financial strength and stability of Dŵr Cymru over a long period, and on behalf of the Board I would like to thank him for his service and commitment.

Mick Jeavons joined the Company in May 2025 as Interim Chief Financial Officer. He brings considerable financial, operational and transformation experience, which is particularly important during a period of increased investment, cost pressure and organisational change. His contribution is highly valued.

In November 2025, Lila Thompson stepped down from the Board with immediate effect due to the increasing demands of her executive and wider professional commitments. Lila made a valuable contribution to the Board's work and brought important insight and challenge. On behalf of the Board, I would like to thank her and wish her well for the future.

At the forthcoming AGM, Jo Kenrick will step down from the Board after 10 years of distinguished service, including her highly valued role as Senior Independent Director. Jo has provided wise counsel, steadfast support and exceptional judgement over a sustained period of significant change for the business. Her stewardship and guidance have been of enormous value to me personally, to the Board as a whole and to the Company more broadly. She has combined independence of thought with deep commitment to Dŵr Cymru's purpose, and her contribution has been both substantial and lasting. We are deeply grateful to her for all that she has done.

Tom Crick will also step down from the Board at the AGM. Tom has brought an important perspective to the Board, together with thoughtful challenge, sound judgement and a clear commitment to the interests of customers and communities in Wales. He has contributed with care, insight and a strong sense of public purpose, and his counsel has been greatly appreciated. On behalf of the Board, I would like to thank both Jo and Tom warmly for their service and wish them every success for the future.

Strong governance is essential as we navigate a period of significant operational change, heightened scrutiny and rising regulatory expectations. The Board continues to review its composition, capability and effectiveness to ensure it remains well placed to provide robust oversight, challenge and support through the next phase of the Company's development (currently a search for a new Non-Executive Director is ongoing).

I am confident in the effectiveness and robustness of governance at Dŵr Cymru. The Board and its Committees provide clear oversight, constructive challenge and disciplined decision making, leading a strong culture of accountability and transparency across the organisation. This was confirmed in the recent independent Board Effectiveness Review undertaken earlier this year (see page 75). I am also clear that strong governance depends not only on the Board, but on the important role of Members, whose stewardship remains a distinctive and valuable part of our governance model.

Our Members

Glas Cymru's Members, who are selected through an independent process and come from diverse backgrounds, play a vital role in holding the Board and executive leadership to account. We are committed to continuing to strengthen our Members' key role so that our governance arrangements remain effective and resilient and the business remains focused on long-term outcomes for customers, communities and the environment.

During the year, we continued to engage openly and constructively with our Members, whose feedback, questions and challenge have informed the decisions the Board made during the year (see page 72). We have also strengthened how we work with our Members, to ensure that their voices are heard and their scrutiny is more effective. In particular, in December 2025, we launched a new Members' portal that provides Members with easy access to all relevant information in one place.

On behalf of the Board, I would like to thank our Members for their continued dedication, challenge and commitment.

Our people

During the year, my fellow Board members and I continued to visit our operations across the business (see page 74). These visits are always valuable, not least because they allow us to spend time with colleagues, hear directly about the challenges they face and see first-hand the realities of delivering essential services in demanding circumstances.

The changes now underway across the Group have inevitably created uncertainty for many of our people. In particular, reshaping the organisation to make it sustainable and efficient has involved difficult decisions, including reductions in headcount. I do not underestimate the impact that this has had.

Against that backdrop, I want to acknowledge and thank our employees for their professionalism, resilience and continued commitment. Throughout the year, colleagues have continued to deliver vital services, respond to a number of high-profile operational incidents and support customers in often difficult circumstances. Their public service ethos remains one of Dŵr Cymru's defining strengths. As we move through this next phase of change, it will be essential that we support our people well, communicate clearly and continue to build a culture that enables high performance, accountability and pride in delivery.

CHAIR'S STATEMENT CONTINUED

Regulation and reform

The publication of the Welsh Government's Green Paper on water reform in February 2026 was a significant moment for the sector and one which we welcome. It recognises the need for meaningful regulatory reform and signals a serious intent to implement the key recommendations of the Independent Water Commission (the Cunliffe Review).

This agenda matters greatly. Reform is now both necessary and urgent if the sector is to deliver better outcomes for customers and the environment over the long term. In our view, the opportunity is not simply to adjust elements of the current framework, but to help shape a clearer, more coherent and more outcome-focused model for the future: one that supports environmental resilience, enables long-term investment, strengthens accountability and commands public trust.

We will continue to engage constructively with the Welsh Government, regulators and other stakeholders to help shape and support reforms that are sustainable, proportionate and capable of delivering meaningful change. As we reposition Dŵr Cymru strategically and operationally, it is more important than ever that the wider regulatory framework that we operate within is practical, durable and aligned to the realities of long-term delivery.

Future priorities

During FY26 the need for fundamental change became clearer than ever. The Board is determined to ensure that this change is delivered. Recognising that Dŵr Cymru exists solely to serve its customers and the communities where it operates, we will listen to all our stakeholders, monitor progress closely and hold the business to account for delivery against its commitments. We will also remain transparent and candid in reporting our performance.

Delivering this change will not be easy and it will take time. However, in the coming years our strong new leadership, committed workforce and engaged Members, together with successful delivery of our investment and transformation programmes and regulatory reform, create a significant opportunity to reposition Dŵr Cymru for a new era: one in which we deliver better service, stronger environmental performance, greater resilience and restored trust.

JANE HANSON CBE
Chair

4 June 2026

Case study

Developing our strategy with our customers

A central feature of our new customer strategy is a commitment to customer co-creation rather than consultation. This ensures customers have a genuine influence on decisions, fosters shared ownership of difficult trade-offs and strengthens the legitimacy of our investment choices.

To support this approach, we have already engaged over 300 customers through a series of workshops to help identify strategic priorities based on what matters most to them. This insight will be further enriched through targeted qualitative research, alongside a high-profile public consultation over the summer at shows and festivals, providing accessible opportunities for customers to have their say. We will also publish our draft strategy and undertake further quantitative research to test and validate our proposals before finalising it in the autumn.

CHIEF EXECUTIVE'S REVIEW

> We are here to enrich the communities we serve, create value for the Welsh economy and protect the environment. To do this we need to provide world-class water services, build trust and deliver responsible stewardship."

ROCH CHEROUX
Chief Executive Officer

Strong foundations

It is a real privilege to lead Dŵr Cymru: a company with a clear public purpose, a unique not-for-profit ownership model, and a responsibility to provide people across most of Wales and Herefordshire and parts of Deeside with essential services. Few organisations play such a fundamental role in everyday life, impacting on public health, environmental protection and economic resilience. That responsibility is not one I take lightly.

Since joining the Company, I have met many colleagues and visited many of our operational sites, treatment works and offices across the operating area. I have also met with Members, regulators, Welsh Government Ministers and officials, community stakeholders and customers. This engagement has given me a clear and honest picture of Dŵr Cymru's strengths, the scale of the challenges we face and the urgency with which we must act.

Above all, the dedication, skill and professionalism of our people truly stand out. Colleagues work tirelessly, often in difficult circumstances, to deliver essential services 24 hours a day, 365 days a year. Whether responding to incidents, maintaining assets, managing complex treatment processes or supporting customers, their deep sense of public service and pride are very evident. This is a powerful foundation to build on.

Alongside our people, Dŵr Cymru has other key strengths, including its not-for-profit operating model. This defining feature combines the discipline of a regulated utility with a clear public-interest purpose, ensuring that value generated is returned directly to customers and communities.

FY26 Operational performance

During FY26, Wales experienced its warmest summer on record and Natural Resources Wales placed much of the country in environmental drought. Through careful planning, proactive management of water resources and the expertise of our operational teams, we maintained water supplies and avoided the need for temporary use bans or 'hosepipe bans'.

While this was a significant operational achievement in challenging conditions, unfortunately it is not representative of our overall operational performance which was not good enough.

While our water supplies were and continue to be safe, since 2024, when the Drinking Water Inspectorate (DWI) placed the business into a transformation programme, we have been implementing our Water Quality First programme to strengthen our drinking water performance and protect public health. We are working closely and transparently with the DWI to deliver the programme, which is driving greater consistency, discipline and focus across the business. To date we have invested £50 million to enhance our treated water storage assets and exiting the DWI transformation programme will be a key business priority for the foreseeable future.

Our environmental performance is also not good enough, and another key focus for the coming year is improving our performance and ranking to move the business out of Ofwat's 'Lagging behind' category. As part of a wider programme to improve our environmental performance, by 2030 we are planning to invest £889 million to minimise the environmental impact of our storm overflows. This investment includes enhancing 165 storm overflows and storm tanks to ensure that by 2040 all storm overflows will have 'no' or 'very low' environmental impact. Across our operating area, we are

CHIEF EXECUTIVE'S REVIEW CONTINUED

also investing up to £160 million to deliver 93 phosphorus removal schemes, to support our ambition to remove 90% of our fair share of phosphorus from protected rivers by 2030. We are also investing £148 million in 115 schemes to improve the quality of final effluent returned to the environment.

In March 2026, following an investigation, Ofwat announced that it was proposing to impose a £44.7 million enforcement package in relation to the operation of our wastewater treatment works and network between 2017 and 2023. We accept Ofwat's findings and apologise for where we have fallen short of the standards that our customers and regulators rightly expect from us. Nearly £40.6 million of this package will fund additional work to reduce spills from specific storm overflows and tackle groundwater entering the sewer network, a major cause of frequent spills. This will include targeted investment at priority sites as well as investigations and improvement work on parts of the sewer network to reduce infiltration. A further £4.1 million will be invested to help improve river water quality in extremely sensitive catchments. This will include establishing a new £1 million Cymuned Natur Fund to support community groups and charities across our operating area that are working to protect and enhance the natural environment.

In April 2025, we embarked on the largest capital investment programme in our history. Through to 2030, we will invest more than £4 billion in a range of projects across our water and wastewater networks to reduce storm overflows, strengthen drinking water resilience and enhance flood resilience. Over the course of this critical investment programme we will replace 503 km of water mains and undertake schemes at 23 reservoirs to meet new operational and safety standards. We will also build 164 new storage schemes to reduce pollution during heavy rain and install or upgrade over 800,000 smart meters to help customers monitor use and spot leaks.

Effective execution is critical. We are therefore strengthening programme management, supply chain capability and governance to ensure that investment delivers real improvements on the ground, on time and on budget. Learning from past delivery challenges is also a key part of this work.

Change to become more efficient

We must significantly improve our operational and environmental performance and rebuild trust with our customers and communities. Critical to this will be modernising our ageing infrastructure base and transforming the way we work to improve efficiency and effectiveness.

We must do this in an increasingly complex operating environment. Climate change is driving more extreme weather patterns, including prolonged dry periods and intense rainfall, which place additional stress on water resources and wastewater systems. Customers' expectations about environmental performance and service quality are increasing, and our customers are facing real cost-of-living pressures, making affordability a critical consideration in every decision we take.

In response, during the year we launched a Company-wide change programme called Trawsnewid (Transformation in Welsh), that is designed to make our business more efficient and effective. However, we need to do more. We must now align ourselves to a common goal, a new vision and foster a more open, empowered and agile culture that challenges established ways of working and embeds relentless continuous improvement, learning, accountability and customer centricity. We must also strengthen our systems and processes, including our ability to plan, prioritise and deliver at pace, and ensure that the significant investments we are making translate into tangible performance improvements that benefit our customers and the communities we serve.

Our vision

Achieving a step change in performance starts by setting a clear new direction of travel to ensure that the many and varied workstreams and all colleagues are aligned. We have articulated a new single vision – **'Fostering thriving communities by providing world-class water services'** – which captures both our purpose and our ambition, reflects our role as an essential, trusted partner to the communities we serve, and our commitment to provide high-quality, reliable and affordable services. We recognise that this vision is ambitious and, at present, aspirational. That is deliberate.

Rebuilding trust is central to our vision, and we recognise that this can only be achieved through consistent performance, transparency and engagement.

Our strategy and long-term capital and operational plan

To deliver our vision, we need a long-term strategy. To develop this strategy, it is essential we engage with our customers, Members, regulators and the Welsh Government to ensure alignment with their expectations and to help us prioritise objectives and investment. This engagement programme, which is well underway and has been very constructive, will continue through the summer ahead of finalising our strategy in the autumn.

Our strategy will set out our priorities and the outcomes we need to deliver over the next 25 years, the key risks we will face, how we will manage them and how we plan to achieve affordability while at the same time modernising our infrastructure.

Once our strategy is set, we will create a long-term capital and operational plan, which will outline how we will prioritise, sequence and deliver investment and operational change in line with our strategy to achieve our vision. This plan, which will provide increasingly detailed plans across 25, 10 and 5-year time horizons, will form the basis of our five-year regulatory business plans.

This framework embeds our vision and long-term strategy into all our planning processes and supports delivery of our ambition and beneficial customer-focused outcomes.

Affordability and balancing priorities

Affordability is a fundamental part of how we will define success. Many households and businesses are under significant financial pressure, and we are acutely aware of the impact that water bills have on peoples' lives. While our average household bill sits within the middle to upper range compared to other water companies, our average household bill increase of 4.8% for the coming year is significantly lower than last year. Despite this we will continue to do everything we can to keep bills as low as possible.

However, our customers' bills are what fund our investments and our infrastructure requires substantial expenditure to meet customers' expectations, improve resilience, meet regulatory standards and respond to climate change. Balancing affordability with the need for urgent and long-term investment is one of the most difficult challenges we face. We will listen carefully to customers, communities and stakeholders to understand what matters most to them and use that insight to shape investment priorities within an affordable cost.

Our people

Our people are central to delivering our vision. Transformation and investment will only succeed if we have the right leadership, skills and culture in place. We are investing in leadership development and capability-building across the organisation and, at the same time, we are increasing our focus on health, safety and wellbeing. Empowering colleagues to take ownership and make decisions closer to the customer and our operations is a key priority.

Our most recent employee engagement survey score fell to 58%, from 76% in 2024. This decline is not unexpected given the scale and pace of change across our business, however, as we continue to move through a period of significant change, supporting our people will remain a key focus.

In November 2025, following a positive trade union ballot, we signed the new AMP8 Working Together Agreement. This marked a significant milestone in our ongoing commitment to collaborative working and the continuous improvement of our employment arrangements.

The year ahead

Our operating environment is challenging and we must continue to navigate a number of headwinds. The geopolitical instability in the Middle East, and its impact on global energy markets, inflation, fuel costs, supply chains and the availability and price of key treatment chemicals, is creating more uncertainty. While we have not experienced any material disruption to services, we remain vigilant to evolving risks and their potential to impact our operations and cost base. We are working closely with the UK and Welsh Governments, and our industry partners, to monitor developments and, if required, implement appropriate mitigation measures to ensure resilience across our supply chain and maintain reliable services for our customers.

Nonetheless, our priorities for the coming years are clear. We must deliver our transformation programme to stabilise and improve operational performance, particularly in areas that matter most to our customers and protect the environment. We must also execute our investment programme effectively and convert the significant investment we are making into tangible improvements that benefit our customers.

Alongside this, following the recent Senedd election in May, we will work closely with the Welsh Government, to help shape the future direction of the sector and to expedite regulatory reform in Wales in response to the recommendations of the Independent Water Commission (the Cunliffe Review).

While there is much to do and some complex challenges to navigate, I am confident that our new clear vision, the commitment of our people and disciplined execution will enable us to improve performance, rebuild trust and deliver world-class water services that help communities thrive today and for generations to come.

ROCH CHEROUX
Chief Executive Officer

4 June 2026

OUR OPERATING ENVIRONMENT

The water sector across Wales and England continues to face a number of challenges.

Trend	Our response
Regulatory change Expectations of environmental performance are increasing and regulations are tightening. New legislation and governmental reviews of the sector may increase regulatory risk and uncertainty, while also offering the opportunity to address some of the problems with the regulatory framework. The UK Government published a White Paper in January 2026 detailing the key recommendations from the Independent Water Commission (the Cunliffe Review) that it plans to enact. In February 2026, the Welsh Government published a Green Paper on proposed water sector reform, including the introduction of a new regulatory framework.	We work closely with all our regulators to establish key investment areas in each of our five-year asset management plans. Details of each of our regulators are set out on page 188. We also engage with the Independent Challenge Group which comprises customer and environment advocates from a broad variety of backgrounds. It meets regularly to review and comment on customer research, strategy, policy and initiatives. During the year, we worked with Welsh Government and regulators on new proposals to deliver better outcomes for customers and the environment, support clearer investment priorities, and create a more joined-up, proportionate and long-term regulatory framework.
Environmental factors including climate change Extreme weather events, including storms and drier and hotter summers, are becoming more frequent. Our operating area also presents a distinctive set of challenges. Although higher rainfall compared to the east of the UK generally supports water resources, it also heightens flood risk and places greater pressure on surface-water management and our wastewater networks. The combination of coastal lowlands, mountainous uplands and a widely dispersed population means much of our network must operate under demanding conditions, with difficult access for maintenance and repair. We also manage an extensive coastline and many small, ecologically sensitive rivers, which require careful stewardship.	We are adapting our assets and services to manage the impact of climate change. Despite the summer of 2025 being the hottest and driest in 140 years, through careful management of our supplies we maintained our services without imposing temporary restrictions – unlike several other water companies in England which introduced 'hosepipe bans'. We also launched an accelerated leakage repair programme which has had a significant impact on preserving water supplies across Wales. In winter, we undertake extensive and detailed planning (including several Company-wide exercises) to ensure that our infrastructure and our service provision is resilient and capable of meeting our customers' needs. Information about the steps we are taking to protect the environment and manage the impact of climate change on our business is set out on pages 23 to 27.
Ageing infrastructure Our asset base, much of which is underground, is ageing and large parts of our network are not designed to meet today's requirements and conditions.	We are investing significantly to modernise our ageing infrastructure to ensure that customers receive reliable high-quality services, to protect the environment and to meet evolving regulatory requirements. Through to 2030, we will invest more than £4 billion in a range of projects across our water and wastewater networks. See page 6 and the case studies throughout this Annual Report.
Affordability Around 22% of people in Wales were living in relative income poverty (after housing costs) in the period April 2022–March 2024 (a two-year average). This translates to roughly 700,000 people living in poverty across Wales[1].	Affordability is a key part of how we define success and one of our key ESG objectives is customer inclusion and affordability. See page 21, including information about how we support customers who are struggling to pay their bills. However, balancing affordability with the investment we need to make in our infrastructure (see above) is challenging. See page 7.
Cost pressures Following the conclusion of Ofwat's latest price review in December 2024, by February 2025 the rating agencies had altered their business risk assessments and tightened their rating thresholds for the UK water sector. As a result most companies suffered downgrades to their credit ratings. This occurred at a time when investment needs increased to fund improvements in infrastructure and the environment. As a result of the geopolitical instability in the Middle East, inflationary pressures are emerging.	As a not-for-profit organisation with a clear vision and purpose focused on benefiting the communities we serve, we have a duty to operate as efficiently and cost effectively as possible. In September 2025, we launched our Company-wide transformation programme (Trawsnewid) to make our business more efficient and effective, reduce 'back office' costs and achieve value for money across the supply chain. See page 6 for further information.

1 See www.gov.wales/relative-income-poverty-april-2023-march-2024-html.

Trend	Our response
Customers' changing expectations As a not-for-profit organisation, with a clear vision and purpose, everything we do must meet customers' needs and expectations which are continuing to evolve.	To ensure we deliver our vision and best serve our customers we must understand and address their needs and expectations. To ensure that we do that over the long term, as part of the development of our new strategy we are undertaking an extensive engagement programme involving our customers and other stakeholders to understand their needs and priorities and ensure alignment with their expectations.
Investability Concerns over sector investability may hamper the availability of funding to support necessary investment and may drive up borrowing costs.	Our investability is underpinned by our not-for-profit model and long-term financing strategy. The absence of shareholder dividends allows a greater proportion of cash flows to be reinvested directly into our infrastructure network to strengthen asset resilience and, as a result, our operational and financial performance, both of which support predictable credit metrics. We maintain active relationships with a number of lenders and also monitor market trends. As part of our debt strategy, we diversify our debt sources to access liquidity in different markets. In the year we raised £750 million from new bank loans and bond issues.

Case study

Innovative engineering to manage the impact of climate change

Working in partnership with Mott MacDonald Bentley, we delivered a landmark engineering project at Llyn Celyn reservoir which supplies water to more than 2.5 million people. The scheme, which enhances dam safety and climate resilience, involved the construction of a new auxiliary spillway that features 4.5-metre-high tipping gates. Designed to operate only in extreme flood conditions, these large-scale gates, the first of their kind in the UK, will ensure the reservoir can handle even the worst-case floods for decades to come.

The project was delivered safely, accurately and on time using advanced digital tools including hydraulic modelling and machine-guided construction. Significant stakeholder engagement was undertaken, recognising the cultural and historic importance of the site and to ensure that the new spillway was carefully and sensitively designed to reduce the visual impact and protect the natural beauty of the surrounding Eryri National Park.

In October 2025 the scheme won the Water Project of the Year award at the annual British Construction and Infrastructure Awards, in recognition of setting new standards for innovation, safety and sustainability.

OUR NOT-FOR-PROFIT BUSINESS MODEL

Our resources and processes, and how we deploy them to provide the essential services that support our communities, are set out below.

Resources and relationships

Our people
A skilled workforce committed to our vision and our purpose.

Customer feedback
Ongoing customer feedback that informs our plans, drives operational improvements and supports the provision of the best possible services.

Infrastructure
Extensive infrastructure to deliver our services efficiently now and for decades to come and a significant ongoing investment programme to maintain and develop it.

Suppliers and contractors
Long-term relationships with reliable suppliers who support the delivery and affordability of our services.

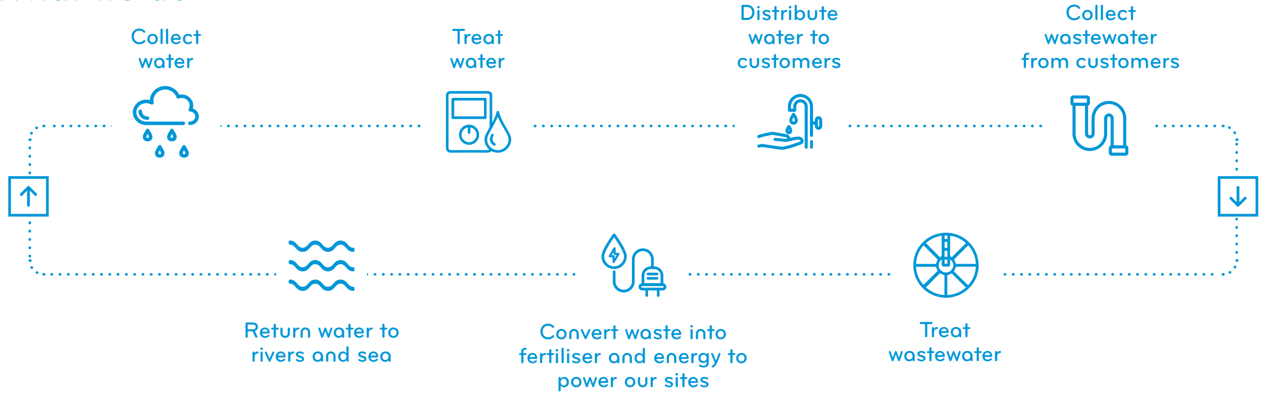
Regulators
Strong and constructive relationships with all regulatory and government bodies to ensure better outcomes for our customers and the communities we serve.

Investors and lenders
Provide capital to finance our business.

Natural resources
Rainfall including over 3,000mm per annum in some parts of our operating area.

Business process

What we do



Value created for stakeholders[1]

Customers
Help maintain public health by providing safe drinking water and waste treatment services. Support customers who are struggling to pay their bills.

1.5 million
households served

Investors and lenders
Provide fair and low-risk returns.

Our communities
Contribute to the Welsh economy. Operate visitor centres for recreational and wellbeing purposes and run educational programmes.

1 million
visitors to our reservoir sites and visitor centres each year.

Our people
Provide jobs and career opportunities.

4,056 employees[2]

Suppliers
Indirectly support employment opportunities across our supplier and contractor network.

c. 9,100 jobs

1 As at 31 March 2026.
2 See Note 20 on page 169.

OUR LONG-TERM STRATEGIC FRAMEWORK

To deliver our vision we are developing a strategy that puts the customers and the communities we serve at the centre of everything we do.

Our vision

Fostering thriving communities by providing world-class water services.

Long term

Our strategy

Will set out our long-term priorities and outcomes, key risks and how we will manage them, and how we will achieve affordability while at the same time modernising our ageing infrastructure. Ensuring alignment with stakeholders' expectations is essential, and key to the development of our strategy is feedback from an extensive engagement programme that is already underway.

See pages 4, 6 and 7.

Our long-term capital and operational plan

How we will prioritise, sequence and deliver investment and operational change across 25, 10 and 5-year time horizons in line with our strategy to achieve our vision.

Medium term

AMP8 2025–30

Our five-year business plan, developed with and approved by our regulators, through the price review process.

See page 12.

Short term

Annual reporting and planning

Our annual business planning process sets targets and monitors progress to ensure delivery of our long-term plans.

OUR EXISTING BUSINESS PLAN

We develop a business plan every five years to cover the forthcoming asset management period (AMP) and propose levels of investment to maintain and enhance services to both customers and the environment.

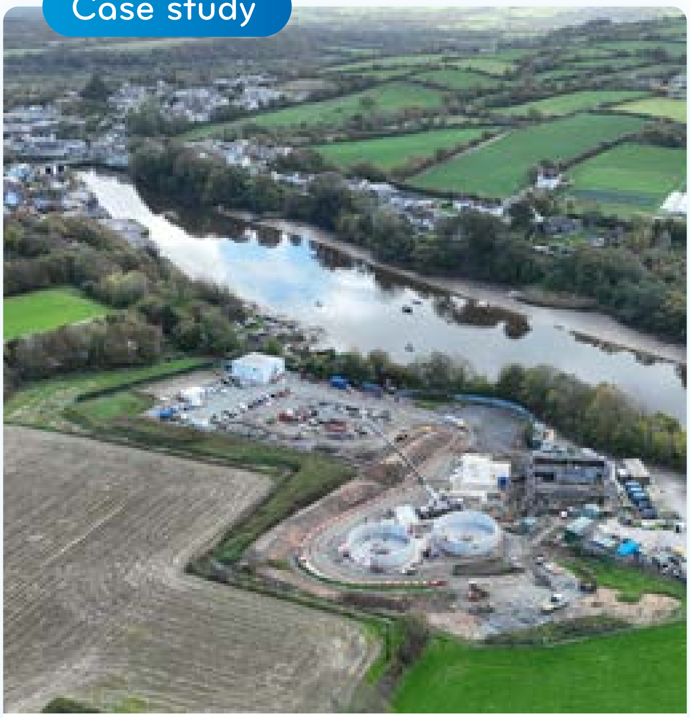
Our existing business plan covers 2025–2030 (AMP8) and is based on the outcome of the latest price review (PR24) which concluded in December 2024. It includes the performance targets detailed below. In the first year of AMP8 our performance has fallen short of these targets in a number of areas. Wherever possible, as we develop our new strategy and long-term operational plan (see previous page) we will look to put in place investment and operational initiatives which improve our performance to the target levels outlined below.

Our AMP8 plan

Performance targets

Improving the environment	30% reduction in storm overflow spills.
	Reduce phosphorus discharges by 16% overall, focused on Special Area of Conservation rivers.
	Reduce pollution incidents by 30%.
	Improve biodiversity in line with industrywide target and supporting Welsh Government ambition.
Protecting our water supply	Reduce leakage by 24%.
	Reduce household water usage by 7%.
Improving service to customers	Reduce customer contacts related to tap water quality by 57%.
	Reduce duration of water supply interruptions by 79%.
	Reduce internal sewer flooding by 24%.
	Reduce external sewer flooding by 22%.
	Increase support to customers who struggle to pay.
	Reduce number of sewer collapses by 6%.
	Reduce mains bursts by 9%.

Case study



Upgrading our assets

We are continuing to invest in upgrading our Wastewater Treatment Works (WWTWs) to improve the quality of our rivers.

At our Cardigan WWTW, we are investing over £20 million to fully replace the treatment process. This significant upgrade will increase the site's capacity and enable it to manage the influx of saltwater from the tidal river more effectively, helping to improve the quality of the River Teifi. The new process will use moving bed bioreactors, which are proven to be one of the most effective methods for reducing the impact of seawater on treatment performance. Throughout the project, which is expected to be completed by April 2027, we have engaged closely with the local community, including customers and river water quality campaign groups.

In October 2025, we also completed a £1.8 million investment at our Lampeter WWTW in Ceredigion, further supporting improvements to river water quality in the River Teifi. This project included the installation of ferric and caustic chemical dosing units to meet new phosphorus permit levels, alongside enhancements to final effluent sampling and monitoring.

Earlier this year we completed a £5.5 million upgrade at our Spittal WWTW in Pembrokeshire, improving water quality in the River Cleddau. The enhanced treatment process includes phosphate removal, helping to reduce the risk of algal blooms.

PERFORMANCE

Set out below is an overview of our performance[1] during FY26.

To provide a more complete and balanced understanding of our performance, this overview reflects delivery against a range of regulatory measures aligned to our AMP8 plan and other Board-approved key metrics. The metrics are deliberately stretching and are designed to ensure we deliver for our customers, communities and the environment. During the year, overall performance against regulatory targets was below our expectations across a number of metrics, reflecting the scale of operational, environmental and asset-related challenges we are addressing. However, our year-on-year performance reflects underlying progress in several areas.

Detailed information in relation to each metric, including year-on-year performance and performance against our Ofwat regulatory targets and Board-approved key metrics, is set out on pages 181 to 187. Information about our operational and financial performance is also included on pages 5 and 6 and pages 54 to 58.

Improving customer experience and trust	FY26 vs FY25	FY26 Ofwat target
Household customer experience	Underperformed	Outperformed
Business customer experience in Wales (new measure)	N/A	Underperformed

Improving customer experience and trust	FY26 vs FY25	FY26 Board target
Customer trust	Underperformed	N/A

Improving and protecting customers' water supply	FY26 vs FY25	FY26 Ofwat target
Compliance risk index	Underperformed	Underperformed
Customer contacts about water quality	Outperformed	Underperformed
Leakage reduction	Outperformed	Underperformed
Per capita reduction in consumption	Underperformed	Underperformed
Reduction in business water demand (new measure)	N/A	Outperformed
Water supply interruptions	Outperformed	Underperformed
Repairs to burst water mains	Underperformed	Underperformed
Unplanned outage	Underperformed	Outperformed

Improving culture	FY26 vs FY25	FY26 Board target
Reportable injuries	Underperformed	Underperformed
Gender pay gap	Outperformed	N/A

Protecting the environment	FY26 vs FY25	FY26 Ofwat target
Greenhouse gas emissions (water) (new measure)	N/A	Underperformed
Greenhouse gas emissions (wastewater) (new measure)	N/A	Underperformed
Storm overflow spills (new measure)	N/A	Underperformed
Discharge permit compliance	Underperformed	Underperformed
Total pollution incidents	Outperformed	Underperformed
Serious pollution incidents (new measure)	N/A	Underperformed
Internal sewer flooding	Outperformed	Outperformed
External sewer flooding	Underperformed	Underperformed
Sewer collapses	Underperformed	Underperformed
River quality (new measure)	N/A	Outperformed
Bathing water quality (new measure)	N/A	Underperformed
Biodiversity (new measure)	N/A	On track

Improving financial performance and investor confidence	FY26 vs FY25	FY26 Board target
Adjusted EBITDA	Outperformed	Underperformed
Profit/(Loss)	Outperformed	Underperformed
Capital expenditure	Underperformed	Underperformed
Gearing	On track	On track
Credit rating	On track	On track

Performance

Outperformed   On track   Underperformed

1 The performance outcomes above, together with the narrative and outcomes set out on pages 181 to 187, are subject to year-end validation and confirmation from third parties including Ofwat, the Environment Agency, the Drinking Water Inspectorate and Natural Resources Wales. Accordingly, this information may change. If any change is required, updates will be posted on our website.

OUR STAKEHOLDERS

We provide an essential public service. Understanding what matters to our stakeholders and taking their perspectives into account when making decisions are vital if we are to fulfil our vision and purpose and become a trusted partner of the communities we serve.

Stakeholder and interests	Company engagement	Board engagement	Outcomes
Customers, communities and society			
Depend on and are impacted by the vital services we provide. **Their interests** A reliable, high-quality and affordable service, with minimal environmental impact.	Engage directly including face-to-face meetings and public meetings prior to and during major capital investment works. Track customer perceptions including trust and satisfaction, and undertake customer research in relation to specific issues including major operational incidents to inform future responses. Operate 24/7 reporting line. Meet quarterly with the Consumer Council for Water and the Independent Customer Challenge Group, which play key roles in promoting and protecting customers' interests.	Review updates on initiatives to improve performance and service delivery at every Board and Committee meeting. Review customer research and complaints and monitor the initiatives to address them. Engage formally and informally with Members, who are also customers. Consider feedback from and robustly challenge members of the Executive Committee (ExCo) responsible for customer retail services and water and wastewater services, who attend all Board meetings. Through the ESG Committee, monitor performance against our ESG priorities and targets, and oversee and monitor the policies and processes in place to minimise our environmental impact.	Undertaking extensive stakeholder engagement programme to ensure our new strategy aligns with stakeholders' expectations. See page 4. Launched our updated Vulnerable Customer strategy. See page 21. Deliver a comprehensive and practical education outreach programme to schools to increase awareness of the value of water and our role in the communities we serve. Operate a £100,000 Community Fund to support improvements to the environment and local community initiatives promoting health, wellbeing and environmental objectives.
Our people			
Help improve customer service and operational and environmental performance. **Their interests** A trusted and reputable employer that does the 'right thing' for stakeholders. Attractive pay and conditions. Inclusive and safe working environment.	Host monthly two-way CEO Teams briefings. Run regular face-to-face 'town hall' employee roadshow meetings including Q&A sessions with senior management. Conduct an annual employee engagement survey. Operate an extensive health and safety programme as well as occupational support.	Meet regularly with employees from all business areas and discuss key topics arising at Board meetings. Participate in annual employee engagement roadshows, meet with senior managers and employee engagement champions to discuss existing and emerging issues and receive feedback and insight. Receive regular updates on key metrics including health and safety. Receive regular updates on discussions with recognised Trade Unions.	Launched a number of initiatives to address annual employee survey feedback, including enhanced maternity and paternity leave provisions and financial wellbeing support through Tembo and DigiCare+ health services. Regular progress reports on these projects are provided to the Executive Committee and to the Board.

Stakeholder and interests	Company engagement	Board engagement	Outcomes
Members			See page 72
Their interests Upholding the Company's purpose of serving customers, operating good governance and delivering the agreed business plan.	Engage directly via Member meetings. Ongoing engagement including via the new Members' portal launched in December 2025.	Engagement at Annual General Meeting and meeting in December each year. Participate in regional Members' meetings to discuss more localised issues.	Members' feedback and challenge taken into account across a range of issues. See page 72 for further information.
Investors and lenders			
Provide debt financing to run business. **Their interests** Secure investment. Regular communication and transparency. Positive ESG agenda.	Operate a proactive comprehensive Investor Relations programme including site visits, annual investor days and ongoing dialogue.	Participate in annual investor days. Maintain regular contact with investors and credit rating agencies. Receive regular investor updates and review detailed investor reports.	Raised £575 million of new 12-year bonds and £175 million of bank loans.
Regulators			See page 188
Ongoing monitoring (quality, compliance) of services. Input into business plans and determine policy direction. **Their interests** Efficient and reliable provision of services. Wider societal and environmental contribution.	Ongoing engagement programme led by the CEO and member of ExCo responsible for water and wastewater services. Ongoing engagement with Welsh Government officials.	Ongoing meetings between CEO and Welsh Government's Cabinet Minister for Rural Resilience and Sustainability. CEO participation in Water UK board meetings alongside other water company CEOs. Chair participation in meetings with regulators as required. Regulator representatives attend Board and Performance and Safety Committee meetings.	Feedback provided by Natural Resources Wales and the Drinking Water Inspectorate at the Performance and Safety Committee meetings during the year, together with feedback from other regulators, has helped shape the Group's operational and strategic responses to existing and emerging legislative and regulatory operational requirements.
Suppliers and contractors			
Support delivery of projects. **Their interests** Fair commercial terms. Long-term relationships.	Maintain regular commercial dialogue including milestone meetings to review performance including health, safety and wellbeing. Conduct supplier audits and inspections to ensure consistent and seamless customer service.	Review monthly reports on procurement or key supplier issues. Meet regularly with key supply chain partner leads and with representatives of contractors during site visits.	Implement a Supplier Payment Policy. Signatory to the UK Government Prompt Payment Code.

OUR STAKEHOLDERS CONTINUED

Stakeholder and interests	Company engagement	Board engagement	Outcomes
Environmental groups			
Provide insight on the wider environmental agenda and support and constructively challenge plans. **Their interests** Protect and enhance the environment. Tackle climate change challenges.	Ongoing engagement programme led by members of ExCo responsible for our network and asset base, and our River Water Quality Liaison Team. Organise quarterly meetings of the Independent Environmental Advisory Panel (representing frontline organisations in Wales) that is focused on maximising the benefits of our investment programme to secure a safe and sustainable future for the environment.	Review feedback and updates on initiatives to improve work to protect the environment.	Currently working closely with local town councils, regulators and other stakeholders to address concerns from communities in Tenby and Newport in relation to spill frequency and bathing water quality. Wastewater mains and pumps are being upgraded and replaced and short-term measures to reduce local infiltration are being implemented.
Industry and business groups			
Promote broader business objectives and add value to the communities within which we operate. **Their interests** Collaboration on common goals that support Members' needs and objectives.	Member of key representative groups including Water UK, CBI Wales and Business in the Community to advocate for the interests of customers, communities and the wider Welsh economy.	Review feedback and updates from relevant business area.	Key partner in Business in the Community's new Place programme in Rhondda Cynon Taf and Newport, which aims to support communities in need by delivering education, employment and skills activities. See page 21.

SECTION 172 STATEMENT

Engaging with our stakeholders and considering the issues that matter most to them is central to our decision-making processes.

Under Section 172 of Companies Act 2006, Directors are required to act in good faith in a way they believe is most likely to promote the success of the Company, taking into account, among other matters:

- The likely long-term consequences of any decision.
- The interests of employees.
- The need to foster business relationships with suppliers, customers and other stakeholders.
- The impact of operations on the community and the environment.
- The importance of maintaining a reputation for high standards of business conduct.

In discharging their duties, Directors also have regard to the need to act fairly between the Members of the Company, recognising their role in holding the Board to account on behalf of customers and future generations.

All matters presented to the Board are supported by management papers that include information on relevant stakeholder interests and the potential impact of decisions. This ensures that the Board gives appropriate attention to stakeholder concerns and considers these interests throughout its decision-making process. In addition, the Board takes into account insights gathered through the various engagement channels outlined on pages 14 to 16. In accordance with Section 172, Directors exercise their judgement in good faith, recognising that balancing stakeholder interests requires careful consideration of competing priorities and finite resources.

Given our vision, 'Fostering thriving communities by providing world-class water services', and our ambitions to enrich lives and strengthen communities and the economy, many Board decisions have long-term implications. The availability of water is influenced by environmental factors, climate change and demographics and usage trends. Accordingly, the Board receives regular updates on these long-term trends and incorporates strategies for carbon, energy, water and wastewater resource management into its decision-making processes.

As a not-for-profit organisation, we have a duty to operate efficiently, responsibly and in a way that delivers the greatest possible benefit for communities across Wales. However, our resources are finite and stakeholder priorities do not always align, and as a result the Board often faces difficult choices and must balance competing interests. It does so by carefully considering what matters most to each stakeholder group and, after weighing all relevant factors, makes informed decisions that serve the long-term interests of our customers and communities and best promotes the long-term success of the Company.

Case study

Upgrading our ageing network to ensure reliable water services

Many of the pipes serving the water network are more than 100 years old. Some of these mains are failing and are no longer able to provide a reliable supply to customers and other mains have a build-up of natural deposits, which, while not harmful, can reduce pressure or lead to discoloured water.

This is why between 2025 and 2030 we are investing over £150 million to improve the reliability of supply and over £74 million to improve water quality. This investment includes replacing over 500 km of mains including, over the next two years, 90 km of mains in three drinking water zones – Bryngwyn, Llechryd and Strata Florida in West Wales.

SECTION 172 STATEMENT CONTINUED

Examples of Board decisions made in relation to our stakeholders during the financial year ended 31 March 2026.

Decision	Matters considered and outcome
New vision and outline strategy	In February 2026, the Board approved a new long-term strategic framework to deliver the Company's vision of 'fostering thriving communities by providing world-class water services'. The framework integrates our 25-year strategy, long-term capital and operational planning and future regulatory business plans into a single, coherent system. In making this decision, the Board considered the following matters: • The likely long-term consequences of climate change, environmental pressures, ageing assets and demographic change and the need for earlier, clearer strategic choices to support resilient services for current and future generations. • The interests of customers and communities, including affordability, transparency and the importance of genuine customer co-creation in shaping priorities, pace and trade-offs. • The interests of employees, recognising the benefits of greater long-term clarity for workforce planning and delivery. • The need to foster effective relationships with suppliers through improved long-term visibility of investment requirements. Taking these factors into account and exercising its judgement in good faith, the Board concluded that approving the framework would best promote the long-term success and resilience of the Company, strengthen customer trust and foster thriving communities by providing world-class water services. As explained on page 4, an extensive engagement programme is underway to ensure that our new strategy aligns with stakeholders' expectations and help us prioritise objectives and investment.
Transformation programme	In May 2025 the Board considered proposals to implement an extensive transformation programme and discussed the following matters: • The impact of the programme's implementation on employees and, in particular, the number of job losses. • The risk of the business' day-to-day operations being affected and the potential impact on customer services. • The extent to which suppliers and other stakeholders would be impacted by the changes. Taking account of the above matters, and balancing the long-term interests of customers, communities and the economy, the Board approved the programme determining that effective implementation of the programme would make our business more efficient, reduce 'back office' costs and achieve value for money across the supply chain. As a result, more money would be available to be directed into improving frontline customer water and wastewater services. The Board emphasised that it was important to recognise the impact these changes would have on employees and that all efforts should be taken to maximise opportunities for voluntary redundancies, as well as ensuring there was a full package of support, including access to outplacement and wellbeing services.
c.£665 million infrastructure investment	In March 2025 the Board considered a proposed c.£665 million investment to be made during FY26 as part of our £4 billion five-year infrastructure investment plan and discussed the following matters: • The need to improve operational performance, including reducing serious pollution incidents. • The impact of climate change and the increasing number of extreme weather events. • The significant costs associated with maintaining a large number of ageing infrastructure assets. • The complex regulatory regime and the availability and cost of financing. Taking account of the above matters, the Board approved the investment determining that it was necessary in order to deliver key projects that form part of the overall five-year plan to secure the long-term provision of reliable quality water services and protect the environment.

Read more about the Board's activities on pages 70 and 71.

Our vision – 'Fostering thriving communities by providing world-class water services' – recognises that the reason Dŵr Cymru exists is to enrich the communities we serve, create value for the Welsh economy and protect the environment. To achieve this we need to provide world-class water services.

Our ESG framework

All aspects of our business contribute to the sustainability of our communities and the environment. However, our environmental, social and governance (ESG) framework targets those elements of business performance that have the greatest impact.

In 2022 we formalised our sustainability approach. Since then, the socio-economic environment has changed significantly, and climate change is increasingly impacting our business operations. Taking this into account, and to support the delivery of our new vision and strategy, we have reviewed our sustainability approach and updated our ESG priorities and objectives.

Together with our purpose, our ESG framework, which covers our regulatory commitments, customer promises and long-term resilience strategies, drives the way we run our business day-to-day.

To embed sustainability into everything we do, our ESG framework is supported by a strong governance structure including:

- **Board oversight:** Reviews ongoing performance against our ESG objectives, including oversight and approval of our response to limiting the impact of climate change. Also approves policies covering environment and sustainability, procurement, corporate social responsibility, modern slavery and anti-bribery.
- **Dedicated ESG Committee:** Oversees delivery of our ESG objectives and monitors our ESG-related risks, delivery plans and policies and their alignment with our purpose and vision. See pages 91 to 94.
- **Executive Committee:** Owns our ESG objectives and ensures that they are built into business planning and operational delivery, and actively manages the risks associated with their delivery. See page 66.
- **Transparency:** Reporting regularly on our ESG progress including in our Annual Reports and through our Sustainable Finance Framework (see https://corporate.dwrcymru.com/en/about-us/investors/sustainable-financing-framework). During FY26 Sustainable Fitch confirmed our ESG rating as 'Good' for the third year running. In addition, we include in this Annual Report (see pages 28 to 38), disclosures consistent with the Taskforce on Climate-related Financial Disclosures recommendations and aligned with the mandatory Companies (Strategic Report) Climate-related Financial Disclosure Regulation 2022.

To support the delivery of our vision, our decision-making process balances short-term needs with long-term requirements. In particular, we take into account our duties as a regulated water company and the Wellbeing of Future Generations (Wales) Act, which calls on all public bodies, and those who work with them, to think long term, work collaboratively and deliver better outcomes for people and the planet.

In addition, we have developed policies, plans and policy statements that reinforce our commitment to operate in a transparent and sustainable way (see https://corporate.dwrcymru.com/en/library/company-statements).

Case study

Supporting local communities

Our Water Resilient Communities Project is focused on working with communities in a targeted and integrated way. By listening and actively engaging with local people we build an understanding of the challenges they face and work with them to deliver projects that make a genuine difference. Recent projects, which have been focused on areas with high social deprivation, have included helping vulnerable customers with debt, adding residents to the Priority Services Register, giving customers water efficiency products and providing bespoke sustainability-focused education sessions for schools.

ESG REVIEW CONTINUED

Our priorities and objectives

Our ESG framework is built around two key priorities: Supporting thriving, resilient communities and Protecting the environment. The objectives in relation to each priority are set out in the table below together with a summary of the metrics we will use to measure progress.

Supporting thriving, resilient communities

Objectives

Customer inclusion and affordability

Metric: Number of households supported by our social tariffs and financial assistance schemes

FY26 baseline

156,000

See page 21.

Investing in our communities

Metric: Gross value added to the Welsh economy

Investment impact mechanism in development. See page 21.

Investing in our people

Metric: Number of female leaders in our business

FY26 baseline

36%

Metric: Engagement levels

FY26 baseline

58%

See page 22.

Protecting the environment

Objectives

Climate change adaptation

Metric: Delivery of our capital investment programme in line with AMP8 plan

FY26 baseline

£617 million

See pages 23 and 24.

Net Zero carbon[1,2]

Reducing our Scope 1 and 2 emissions to 74 kilotonnes **of CO_2 by 2030[3]**

FY26 baseline

253.8

FY 26 Scope 1 and 2 emissions kilotonnes of CO_2 (see page 25) set following update of ESG priorities and objectives.

See pages 25 to 27.

Protecting nature

Metric: Delivery of our Biodiversity Action Plan

FY26 baseline

14 of our 19

commitments are on track

See page 27.

1 Our strategy to deliver this Net-Zero carbon objective is focused on our short-term activities to reduce our total Scope 1 and Scope 2 emissions. It differs from the Net-Zero strategy and targets contained in our Ofwat Service Commitment Plan 2026/27 (see http://corporate.dwrcymru.com/en/library/service-commitment-plans) which also cover our longer-term aspirations in relation to Scope 3 emission reduction.

2 The emissions data on page 25 has been verified by an independent third party. This verification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

3 Given the change in our reporting to align with updated Intergovernmental Panel on Climate Change guidance our Scope 1 Process emissions have increased. In the coming year this target will be reviewed as part of the wider review of our decarbonisation plans, which is described on page 25.

Supporting thriving, resilient communities

We provide vital water services to diverse and vibrant communities across most of Wales and Herefordshire and parts of Deeside, all facing different circumstances and challenges. It is our ambition to strengthen the wellbeing and resilience of these communities, ensuring that everyone benefits from our services and the scale of our operation. We are also committed to delivering social value for Wales and those parts of England we serve.

Customer inclusion and affordability

Affordability is a fundamental part of how we define success. However, balancing affordability with the urgent and long-term investment our infrastructure requires to meet customer expectations, regulatory standards and respond to climate change, is one of the most difficult challenges we face. Despite this we will continue to do everything we can to keep bills as low as possible and provide support to customers least able to pay.

During the year the number of households supported by our social tariffs and financial assistance schemes was 156,000 (FY25: 153,000) and we contributed £14 million to fund social tariffs to support over 150,000 households (FY25: £14 million contribution which supported 148,000 households). Over the period 2025–30 we plan to contribute £73 million to support our most vulnerable customers.

To ensure more households benefit from reduced bills and targeted help we will work to increase the take-up of our social tariffs and other financial support options by:

- **Identifying and proactively supporting vulnerable customers:** Through data sharing with energy networks, public health bodies and local authorities we will be able to better identify customers experiencing vulnerability and proactively offer tailored support.
- **Continuing to collaborate with community partners:** We currently work with over 300 groups and organisations that represent customers who need extra financial help. This network enables us to reach people who are reluctant to engage with us directly.
- **Delivering targeted campaigns:** We will roll out benefit entitlement campaigns and pilot automatic social tariff initiatives in the most deprived areas.
- **Engaging with our customers, regulators and partners:** By maintaining an active dialogue with our customers and other stakeholders we will ensure that our vulnerability strategy continues to be effective and meets their needs.

Investing in our communities

We are one of Wales's largest employers and create significant economic value in terms of employment and gross value add to the Welsh economy.

How we contributed to the Welsh economy in FY26

- Provided 4,056 jobs[1].
- Invested £617 million in capital projects to improve services.
- Engaged in over 650 hours of community volunteering.
- Provided financial support to over 40 community groups via our Community Fund.

As part of our 2025–2030 business plan (AMP8) we have embarked on a £4 billion capital investment programme. We are working with Cardiff University to establish a mechanism for tracking the impact of this investment in the communities we serve.

Case study

Building community resilience

We are a key partner in Business in the Community's new Place programme in Rhondda Cynon Taf and Newport, which aims to support communities in need by delivering education, employment and skills activities that improve confidence, increase access to high-level skills and qualifications and grow the number of people in good-quality employment. The programme also focuses on building community resilience by enabling communities to be more resourceful and self-sufficient, and improving the wellbeing of future generations.

1 See Note 20 on page 169.

ESG REVIEW CONTINUED

Investing in our people

Our people are our greatest asset. They are skilled and experienced and committed to providing the vital services our customers depend on every day. To deliver our vision we must continue to build a diverse, inclusive and high-performing workforce. We must also promote agility and empower our teams to find new ways of working that deliver better outcomes for our customers and the communities we serve.

Our values inform our culture. They guide our behaviours and the decisions we make. They also shape how we work to deliver for our customers and the communities we serve.

Our values

- **Proud to put customers first:** Our customers' needs and experiences underpin every decision we make.
- **Trusted to do the right thing:** We act with integrity, transparency and accountability.
- **Honest with everyone:** We communicate openly and build confidence through clarity and fairness.
- **Open to new ideas:** We encourage innovation and continuous improvement to deliver better outcomes.
- **Excellence in everything we do:** We strive for high standards across all areas of the business.
- **Safety takes every person:** Safety remains our top priority; each colleague has a role in keeping themselves and others safe.
- **Equality for all:** We are committed to fairness, inclusion and ensuring that every colleague feels valued and respected.

Ongoing engagement with our people is imperative if we are to maintain a motivated and productive workforce and foster a work environment that supports career progression and development.

In periods of change and transformation this engagement is more important than ever. We operate a number of employee-focused communication channels (see page 14) including undertaking a survey across our entire workforce on an annual basis. Based on our 2025 survey, our overall employee engagement score fell to 58% from 76% last year. While this is not unexpected given the scale and pace of change across our business and the challenges they face delivering essential services in demanding circumstances, it is disappointing.

Over the coming year, we will strengthen the support we provide to our people in a number of ways including making available more learning and development opportunities and launching a series of wellbeing campaigns which will run through the year. In addition, we are developing a recognition programme to ensure colleagues feel valued and acknowledged for their contribution.

Equality, diversity and inclusion (EDI)

When our people reflect and understand the customers and communities that we serve, we are better able to recognise their different needs and design services that are fair, accessible and responsive. By fostering a culture where everyone feels valued and listened to, we build trust with our customers and ensure that we deliver on their priorities.

- Six women appointed to senior roles (FY25: 6).
- Women represented 40% of our senior talent pipeline (FY25: 41%).
- Ethnic minority representation was 3.7% (FY25:3.2%).

Our work to build an inclusive, equitable workplace, where every colleague can thrive, is driven by colleague-centred initiatives and strategic external partnerships including:

- Our employee-led groups and our EDI Forum which provide colleagues with opportunities to share lived experiences, highlight barriers to inclusion and shape organisational change.
- Our network of director sponsors and EDI Ambassadors, who represent all protected characteristics and play an important role in promoting awareness, challenging inequality and championing inclusive culture across all areas of our business.
- Partnerships with Business in the Community, Fertility Matters, Disability Inclusive Employers, Stonewall Cymru, Mahogany Inclusion Partners and Henpecked. These collaborations provide us with external insight, best practice benchmarking and specialist expertise to strengthen our policies, enhance our learning and development programmes and support colleagues.
- Our Board-level commitment to improve female representation at all levels across the business.

Gender diversity profile as at 31 March 2026

	Male	Female	Total
Board[1]	5	4	9
ExCo	6	1	7
ExCo direct reports	29	16	45
Other employees	2765	1135	3900

1 For the purposes of this table the CEO is included as a member of the Board.

Information about our gender pay gap reporting is set out on page 99.

To support our EDI strategy, we are targeting to achieve a minimum of 30% female representation in Band 8 roles and above by FY30.

Protecting the environment

The health of our ecosystems, the resilience of our water environment, and the wellbeing of the communities we serve are inseparable. As environmental pressures intensify due to climate change, population growth and evolving regulation, we are committed to operating responsibly, reducing our footprint and supporting the long-term sustainability of our natural environment.

Our environmental strategy is built around three key objectives: adapting to climate change, reducing our carbon footprint, and protecting nature in partnership with stakeholders and communities.

Climate change adaptation

We see the evidence of climate change daily. For example, some of our mains are experiencing bursts four times more often now than in 2018 because of ground movement during periods of exceptionally dry weather. We need to help mitigate climate change to limit temperature increases to 1.5°C above pre-industrial levels, a target set by the 2015 Paris Agreement, while at the same time, planning and preparing for higher global temperatures and its effects.

Climate change resilience is built into our AMP8 investment programme, and includes significant projects to reduce leakage, secure our water resources and increase capacity at our sewage works. Currently, we are developing our systems to enable us to track investment that is climate resilient and we plan to report on this from 2027.

Water and wastewater planning

We take a progressive approach to water resource planning and focus on ensuring our water supply systems are resilient to drought and that our operations cause no environmental deterioration. As part of this planning process, we develop a long-term Water Resource Management Plan (WRMP) which we update every five years to take account of new drivers including latest demand forecasts under a changing climate and growing population and new or revised government or regulatory guidance.

Our current WRMP was finalised in October 2024 and covers the 2025 to 2050 period. The key components of the Plan are the construction of four water transfer schemes within two of our supply zones, which will increase the number of properties served by a meter from around 50% to 96% by 2050. The transfer schemes will allow us to better balance and make the best use of available water resources in each zone so that drought resilience is improved. Metering supports our customers in their understanding of water use, leading to reduced consumption. It also enables us to spot leakage on customers' supplies as part of our overall leakage reduction programme.

In FY26, we have made good progress on planning and design stages for the four water transfer schemes and are on track to complete construction of these schemes by the end of AMP8. Our ambitious metering programme started in April 2025 and in the subsequent 12 months we installed 144,000 smart meters in our operating area where demand for water is greatest.

43% of rivers in Wales achieved a 'good' ecological status in 2024, compared to 45% in 2021. This is not good enough and there is a long way to go before our rivers and seas meet the standards they should. In line with AMP8 between 2025 and 2030 we will invest £1.1 billion in our drainage and sewage systems to reduce the impact of storm overflows on the environment. We will also invest £344 million in a river water quality improvement programme which will reduce the impact of our wastewater operation on designated waters. Our design programme for the improvement of 137 storm overflows made good progress during FY26 and is on target to be completed by 2030.

The preparation of our next Drainage and Wastewater Management Plan (DWMP) covering 2030 to 2055 has started. The next phase of work includes investigating the capacity and environmental risks of our drainage and sewerage system and assessing resilience, as well as current and future demands. Based on this information later this year, we will publish the DWMP's long-term priorities and how we plan to deliver them.

Case study

Protecting the quality of our rivers

Over the last three years we have invested £10 million to improve our waste network within the town of Usk in Monmouthshire. During the first and second phases of the project, we upgraded our sewerage pumping station and the network of pumps and pipes that run between the pumping station and the wastewater treatment works. The final phase of the work, which was completed in August 2025, involved upgrading our wastewater treatment works, including installing new storage tanks to increase capacity to hold and treat wastewater before it is safely returned to the environment. This will help protect the River Usk and its major tributaries which are designated a riverine SAC (Special Area of Conservation) under the Habitats Directive for several rare or threatened nationally and internationally important species.

ESG REVIEW CONTINUED

Safeguarding our drinking water catchments

Before reaching our water treatment works, water flows across land then into rivers, reservoirs and groundwaters. Along the way it can pick up substances that affect its quality; these can be naturally occurring or arise as a result of how land is managed. It is therefore essential that we work with landowners to develop mutually beneficial land management practices that safeguard water quality at source and make our front-end water supply systems more resilient.

To that end, we have developed WaterSource (see https://corporate.dwrcymru.com/en/community/environment/our-projects/watersource), a way of working with all stakeholders to design solutions that deliver our catchment management programme and benefit the communities where we operate and protect the environment. Innovation and collaboration with partners to trial new approaches and raise awareness is key and in recent years we have established working partnerships with a number of agricultural colleges including Coleg Cambria Llysfasi in Clwyd and Coleg Glynllifon in Caernarfon which are helping to promote our messages with young farmers. If successful we will establish similar arrangements with agricultural colleges in South Wales. Our wider partnership network has supported a number of initiatives in FY26 including:

- The development of in-reservoir monitoring networks to support real-time water risk assessments.
- The introduction of earth observation technologies to improve our understanding of catchment risks and help us design robust land management solutions.
- Trials of species-rich buffer strips on farmland to slow run-off and enhance biodiversity.
- Reprofiling bare faces of peat susceptible to erosion and creating water-retaining embankments on peatland.

Innovation

During the year, through collaboration with academic institutions, technology specialists and global innovation concerns we continued to research, develop and trial new technologies to drive further efficiencies in our resource use, reduce our carbon emissions and generate cost savings.

Annual R&D investment in FY26 was £1.94 million (FY25: £1.44 million). Key projects during the year included:

- Research with Cardiff University to investigate the causes of taste and odour (T&O) compounds emanating from our reservoirs. This has highlighted the importance of environmental DNA (generic material shred by organisms into their surroundings) to understanding the whole ecosystem influences that can impact the production of T&O compounds.
- Research with Cardiff University into the biological removal of T&O compounds through rapid gravity sand filters, which has evolved into a UK Water Industry Research project involving all UK and Ireland water companies.
- Investigating and testing natural coagulants to explore sustainable alternatives to traditional chemical dosing for suspended solids (TSS) removal in wastewater treatment.
- Leading three Ofwat innovation fund projects focused on managing background leakage, deploying AI for algal monitoring and the local regeneration of granular activated carbon, which can be used to remove contaminants from water.
- Trialling Filtration+ by Plantwork Systems at Carrog wastewater treatment works. This 'plug and play' system is a low-maintenance, zero-power, scalable tertiary treatment option for TSS removal.
- Trialling, and now implementing, Instagrid rechargeable battery packs as an alternative to small diesel generators.

Case study

Developing resilient and sustainable nature-based solutions

Together with our capital partners, Arup and Morgan Sindall, we developed and designed a new £13 million integrated wetland system to reduce the impact of storm overflow discharges on the Lwyd, a river in south-east Wales, and the surrounding area. This nature-based solution, which uses a network of reedbeds and pools to filter pollutants from any overflow discharge during heavy rainfall, is more cost effective and energy efficient compared to the alternative approach which would involve building a 22,000m^3 concrete storage tank. The new wetland, which opened in October 2025, also includes wildflower areas, 110 new trees and insect hotels, which enhance the biodiversity and create new wildlife habitats. As the wetland acts as a carbon sink, it will contribute to long-term carbon sequestration and is an important step in our journey to building a more sustainable and resilient infrastructure.

Net Zero carbon

In FY26 we changed the basis of our reporting. To be as transparent as possible about the impact our operational activities have on the environment, and having improved our ability to capture data from our supply chain, we now report all our material Scope 3 emissions on a voluntary basis. We have always reported our Scope 1 process emissions. This year the emissions factors used to convert the N_2O process emissions to CO_2e have changed following updated Intergovernmental Panel on Climate Change (IPCC) guidance. To make our emissions reporting as transparent as possible, we are adopting IPCC's updated guidance voluntarily when calculating our process emissions. This change in emissions factors means our gross operational emissions increased significantly. Prior to this change in the basis of our reporting our year-on-year performance was broadly similar.

	FY26		FY25[2]	
Gross annual operational GHG emissions[1] (all values in kilotonnes of CO_2 equivalents)	**Location-based[3]**	**Market-based**	**Location-based[3]**	**Market-based**
Scope 1 emissions				
Direct emissions from burning of fossil fuels (including combined heat and power generated onsite)	**13.8**	**13.8**	15.7	15.7
Process and fugitive emissions[2]	**154.3**	**154.3**	154.9	154.9
Transport: Company-owned or leased vehicles	**9.4**	**9.4**	7.9	7.9
Scope 2 emissions				
Purchased electricity[3]	**76.3**	**0.0**	73.6	0.7
Purchased heat	**0.0**	**0.0**	0.0	0.0
Electric vehicles	**0.0**	**0.0**	0.0	0.0
Removal of electricity used to charge electric vehicles at site	**0.0**	**0.0**	0.0	0.0
Scope 3 emissions				
Business travel on public transport and private vehicles used for company business	**0.5**	**0.5**	0.9	0.9
Outsourced activities (if not included in Scope 1 or 2)	**6.6**	**6.6**	9.4	9.4
Energy and other purchased electricity (transmission and distribution)	**8.0**	**8.0**	8.2	8.2
Chemicals	**29.5**	**29.5**	28.8	28.8
Purchased heat – transmission and distribution	**0.0**	**0.0**	0.0	0.0
Capital carbon	**13.6**	**13.6**	13.7	13.7
Purchased goods and services	**207.7**	**207.7**	165.7	165.7
Gross operational emissions	**519.7**	**443.4**	478.8	405.9

1 We report our carbon emissions in accordance with the ISO 14064-1 management and reporting standard. Scope 1 emissions are direct emissions from sources that we own or control including our wastewater treatment plants, offices and visitor centres. Scope 2 emissions are indirect emissions from the electricity and heat we buy to run our business. Scope 3 emissions are all other indirect emissions, that we do not control or own, which occur in our value chain. The quantification of GHG emissions involves the use of estimates and assumptions which may differ from actual results. Where primary data is unavailable, estimates are derived using secondary data sources and industry emission factors. There is currently no universally accepted methodology for certain categories of emissions, and approaches may vary between organisations. Emissions are calculated using emission factors published by the IPCC; changes in these factors may impact year-on-year comparability.

2 FY25 data has been restated on the same basis as our FY26 i.e. it includes all material Scope 3 emissions and in line with updated IPCC guidance more comprehensive disclosure of Scope 1 Process emissions, and in particular the emissions attributable to our wastewater processes.

3 Market based reporting applies to Scope 2 reporting and enables companies to report the impact of their purchasing decisions (e.g. the use of Renewable Energy Guarantees of Origin)..

As part of the ongoing work to develop our new strategy and long-term capital and operational plan, and to take account of our increased emissions, as a result of the change in the basis of our reporting, we are now reviewing our existing decarbonisation plans, and associated objectives and targets, to determine the investment and actions required to deliver our Net Zero carbon emissions by 2040 ambition.

ESG REVIEW CONTINUED

During the year we have continued to focus on a number of short-term activities that are focused on reducing our total Scope 1 and Scope 2 emissions, i.e. those we directly control. These short-term activities included:

- Delivering our first advanced process control site of our AMP8 programme at our wastewater treatment works in Nash, Newport. This advanced process, which was commissioned in March 2026, manages wastewater treatment to reduce nitrous oxide, a by-product from treating sewage. The process optimises our treatment system and as a result, Scope 1 emissions will be reduced by 4,000 tonnes per year.
- Procuring the programme for our 30 wastewater treatment sites which will deliver phased Scope 1 emissions reduction over the course of AMP8, culminating in 2030.
- Continuing to deliver our energy efficiency programme across our wastewater treatment sites. Over the next three years more energy efficient blowers which are used to pump oxygen into wastewater during aerobic biological treatment, will be installed at five more of our wastewater treatment sites.
- Progressing our peatland restoration programme, which is focused on absorbing carbon dioxide from the atmosphere and mitigating climate change. During FY26 we completed our first nine hectares of restoration activity and we plan to restore a total of 2,000 hectares by March 2030.

Over the next few years, as we carry out the extensive investment necessary to start to deliver a better service to our customers and to reduce pollution, we expect our direct carbon emissions to increase slightly. This is due to additional chemical and increased energy use across a range of activities including removal of more phosphorous from our rivers.

Reductions in our Scope 3 emissions i.e. those of our supply chain and other emissions we do not control directly, requires a conducive regulatory and legislative environment. Over the long term we will:

- Work with government, regulators and stakeholders to inform policy.
- Promote and deliver nature-based solutions.
- Choose low-carbon products and services, where affordable.
- Support our supply chain through the Sustainable Supplier Code and Sustainability School.
- Enhance our landholdings for the benefit of visitors and social amenity, biodiversity and to sequester more carbon.

Collectively our initiatives will contribute to the United Nations Sustainable Development Goals and to making Wales more resilient, healthy and globally responsible.

Our energy self-sufficiency in FY26 was 20% compared to 23% in the prior year. This decline resulted mainly from the exceptionally dry 2025 summer and extensive investment in our impounding reservoir assets, which significantly impeded our hydro-electric generation. Once we complete the current critical safety 'Measures in the Interests of Safety' investment, our hydro portfolio will be well placed to meet targets in future years. During the year our combined heat and power assets underperformed with repeated reactive breakdowns throughout the year. Investigation into these breakdowns has identified the root causes and remedial work is underway, which, when completed, should enhance performance in the coming year and beyond.

Our large-scale solar generation project at our Five Fords wastewater treatment works in north-east Wales is set to provide 8% of our energy needs. The project, which was announced last year, is on track and due to start generating in the coming year.

Our comparative Streamlined Energy and Carbon Reporting (SECR) overview below contextualises the carbon emissions intensity of our operational activity[1] against throughput from our operational business, i.e. megalitres of drinking water supplied to customers and megalitres of wastewater treated.

Energy consumption reporting – GWh per year

Energy type	FY26	FY25
Grid electricity imported	**446**	430
Self-generated electricity	**84**	100
Renewable electricity exported	**36**	40
Electricity consumption	**493**	490
Natural gas imported	**68**	67
Biomethane exported	**40**	39
Transport use	**41**	36
Static fuel use	**6**	10
Total energy consumption	**608**	603
Energy self-sufficiency (%)	**20**	23

Protecting nature

We are committed to playing a pivotal role in halting and reversing the decline in nature and aligning our environmental strategies with the Welsh Government's policies. By 2030, we aim to achieve measurable improvements in biodiversity metrics and foster a culture of environmental stewardship within our organisation and among our stakeholders.

Our biodiversity strategy aims to:

- Restore habitats and look after the protected sites we own.
- Work in partnership with our regulators and stakeholders and promote research opportunities.
- Improve the management of invasive non-native species.
- Develop and engage our colleagues as ambassadors and work better to understand our customers' expectations.
- Maintain and enhance biodiversity at our operational assets and landholdings.

Every three years we develop a Biodiversity Action Plan to support the delivery of our Biodiversity strategy. Our current plan, which includes a total investment of £17 million, is focused on improving water quality and the ecology of our rivers, as well as restoring the habitats of the protected sites within our ownership.

During the year we completed seven phosphorus improvement schemes (at a cost of £17 million), including schemes at Brecon, Lampeter and Letterson, and optimised a further 52 sites to achieve tightened permit conditions which will improve both the water quality and biodiversity within 338 km of our rivers.

Across our operating area, storm overflows play a critical role in protecting homes and communities from flooding during periods of intense rainfall. However, their operation can impact river health, coastal waters, and designated bathing and shellfish areas that are vital to the environment and our communities. This impact is not directly related to the number of times the overflow operates and therefore a detailed and locally tailored understanding of the environmental impact of each overflow is essential to ensure that investment is prioritised where it delivers the greatest benefit. Working within the frameworks set by both Natural Resources Wales (NRW) and the Environment Agency, we have classified 227 overflows in the year and will complete a further 360 during FY27, with all overflows (that require an assessment) classified by end of 2030. This formal process will inform our future investment plans.

A key element to protecting the environment within which we operate is to improve our pollution incident performance. In April 2025 we published our Pollution Incident Reduction Plan, which outlines how we will do this, particularly through investing in the sewer network and pumping stations.

Baseline biodiversity surveys of our protected sites are underway. They will underpin our programme to improve the valuable habitats that are included within the Welsh Government's Nature Recovery Action Plan. We are also working with stakeholders to ensure that forests and woodlands across our estate are designed and managed to maximise biodiversity, which included completing our woodland management plan at our Llys Y Fran site in FY26. We will complete two further sites (Elan Valley and Llyn Brenig) during FY27 and introduce our tree nursery for native species. These initiatives strengthen long-term environmental stewardship across our estate.

During FY26, we conducted a comprehensive sampling programme within Welsh Marine Special Areas of Conservation to identify the apportionment of the pollution loads and help us understand the impact of our operations, and where we need to make improvements. Modelling will be completed by March 2027 and will allow us to cost the requirements before making our PR29 submission to Ofwat in relation to the 2029 price review.

Other priorities in FY27 include completing investigations to identify improvements in Wales' bathing and shellfish waters, which will inform investment during our next five-year business plan (AMP9 2030–2035), and strengthening our monitoring of the habitats we are protecting.

1 We report in accordance with the SECR requirements. This reporting covers all our energy uses and all our operations which are located in the UK. We include all material Scope 3 emissions sources, compiled using the UK Water Carbon Accounting Workbook.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

To safeguard the delivery of our essential water and wastewater services for future generations we must tackle the climate-related challenges that are impacting our business and the environment.

Given the complex and evolving nature of climate change and the immediate and long-term risks and opportunities it presents, we continue to refine our strategy to align with our commitment to achieve energy neutrality by 2040, and to provide a resilient and sustainable water service for our customers and the environment.

As explained on pages 6 and 7, we are developing a new strategy to deliver our vision. The content in this section reflects the impacts of climate-related risks and opportunities on our existing strategy and financial planning. As part of the development of our new strategy, this content will be reviewed and updated as required.

The disclosures below cover the activities of Dŵr Cymru Cyfyngedig, the Group's regulated water and wastewater operating company, where climate change impacts and adaptation requirements are most significant.

Compliance statement

Since 2022 we have been working to implement the TCFD recommendations and the 'Guidance for all sectors' as set out in section C of 'Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures', October 2021.

Our disclosures in relation to each of the TCFD recommendations are set out below and are consistent with these recommendations and compliant with the mandatory Companies (Strategic Report) Climate-related Financial Disclosure Regulation 2022.

Governance

Board oversight of climate-related risks and opportunities and management's role in assessing climate-related risks and opportunities

Our climate-related governance structure is set out on the next page. It ensures that climate change is integrated into our long-term strategy and business planning. It also ensures that environmental considerations are incorporated in our decision-making processes and that we identify, assess and mitigate climate risks across the business. This approach is essential for building the resilience of our operations in the face of challenges such as climate change, biodiversity loss and the sustainable management of our water resources.

Case study

Improving water quality and protecting the marine environment

During the year we completed a £19 million investment at Beach Road, Bangor, to improve the water quality of the Menai Strait, a designated Marine Special Area of Conservation, and protect its unique marine environment.

To safeguard biodiversity and local ecosystems, we constructed a new underground storage tank to support the storm overflow tank at the Beach Road pumping station. During periods of heavy rainfall when the existing overflow tank reaches capacity the new tank can now temporarily hold additional flows to avoid discharge into the bay. This solution significantly reduces the frequency of storm overflow discharges, helping to protect the strait from pollution and maintain its ecological integrity.

Our climate-related governance structure

The Board is responsible for overseeing climate-related matters, supported by the ESG Committee, which provides oversight on behalf of the Board in relation to our ESG objectives and priorities. See pages 91 to 94. Our CEO, who is a Board member, is ultimately responsible for ensuring implementation of our climate-change preparedness and adaptation strategy supported by ExCo, our Climate Change Committee, our Chief Asset Officer and our Chief Operating Officer, all of which report directly to our CEO.

The Board and management oversee and assess climate-related matters and ensure their integration into our strategy, business planning and risk management in a number of ways including:

- Board reviews of strategy and business planning consider and challenge the inclusion of climate-related risks and opportunities within our long-term plans, including our Water Resources Management and Drainage and Wastewater Management Plans, and the scenario analysis such risks and opportunities are based upon.
- Board oversight of our principal risks, which includes a climate resilience and carbon transition risk (see page 43), ensure management of climate-related matters through our risk management framework and regular reviews of emerging risks take climate-related matters into account.
- Consideration and approval of major capital expenditure and investment programmes take account of climate-related impacts and resilience considerations, in line with our Climate Change Planning Policy, which requires the assessment of physical and transition risks under a range of climate scenarios to inform long-term investment and asset design decisions.
- Oversee and monitor progress against key climate-related objectives including Net-Zero carbon emissions and our biodiversity action plan.

Board

- Oversees climate risk governance, ensuring risks, opportunities and adaptive investment are integrated into our strategy and plans.
- Reviews biannually, together with ExCo, climate-related risks, including climate change impact and transitions risks, as part of Board oversight of the Group's principal and emerging risks and associated mitigation plans.
- Reviews quarterly written and verbal updates from ESG Committee on a range of climate-related matters.
- Considers climate-related impacts and resilience when reviewing major capital expenditure programmes and investment proposals.
- Monitors progress against key climate-related objectives including Net-Zero carbon emissions, climate change adaptation and biodiversity.

Oversight ↓ Reporting ↑

ESG Committee

- Develops and oversees the Group's ESG approach.
- Monitors performance against the Group's ESG objectives on a quarterly basis.
- Reviews climate-related risks and mitigation strategies biannually.
- Approves climate-related disclosures.
- Provides regular written and verbal updates to the Board.

See pages 91 to 94.

Oversight ↓ Reporting ↑

Execution

CEO

Ultimate responsibility for the Group's preparedness for adapting to climate change and driving our mitigation strategy.

Executive Committee (ExCo)

Reviews monthly detailed updates on strategic and emerging risks including climate-related risks (adaptation and carbon targets) including any significant changes to each risk's profile.

Ensures that appropriate plans are in place in relation to sustainability, net-zero and adaptation objectives.

Reviews and develops strategies and investment proposals considering the scenarios detailed on page 31.

Climate Change Committee

Oversees the Group's Climate Change Adaptation strategy.

Chief Assets Officer

Implements climate change response and adaptation plans.

Manages risks and mitigating actions with other members of the ExCo.

Chief Operating Officer

Identifies climate-related risks aligned to operational activities and implements climate response and adaptation plans within service areas.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Strategy

Climate-related risks and opportunities identified over our short-, medium- and long-term horizons

During the year, we commissioned Arup to review the appropriateness of the warming scenarios we had previously used to inform the assessment of our climate risks and opportunities. This review confirmed that while the direction of climate science has not materially changed, updated guidance and increasing divergence of climate pathways beyond 2050 supported a refresh of our scenarios. Accordingly, we have updated our scenario selection (see next page) and, to test the resilience of our strategy in light of inherent climate change uncertainty, reassessed our climate risks and opportunities across our time horizons.

As part of our scenario selection update we conducted a qualitative scenario analysis to identify and assess climate-related risks and opportunities across our main services (water, wastewater, biosolids and energy), taking into account asset lifecycles and planning horizons. This analysis confirmed that the risks and opportunities set out on pages 32 to 34 appropriately reflect the potential impacts of climate drivers across our principal services under the selected climate scenarios.

All risks were prioritised based on relevance across time horizons and warming scenarios, using criteria aligned with our Enterprise Risk Management (ERM) framework (see page 39). They were also assessed for potential likelihood and financial impact in line with our ERM framework, and the likelihood of occurrence, taking into account the uncertainties and timescales associated with climate change. Through this process, the most material climate-related risks were identified and assessed in accordance with plausible and severe-but-plausible emission pathways, and then prioritised based on their potential financial and operational impact. As part of the same process, climate-related opportunities were also considered.

Our climate-related risks and opportunities, which we review annually, are set out on pages 32 to 34. However, given the high level of uncertainty to 2100, we horizon scan and monitor on an ongoing basis a long list of risks and opportunities which are detailed in our Climate Change Adaptation Report (which is available at https://corporate.dwrcymru.com/en/about-us/our-plans).

Risk classification and time horizons

Our risks are classified into two categories:

- **Physical risks** driven by acute events including flooding or longer-term chronic changes in climate patterns including rising temperatures, sea level rise and changing rainfall intensity. While we categorise physical risk as either acute or chronic, we recognise that risks may span both categories.
- **Transition risks** arising from the shift to a lower-carbon economy. These include policy, legal, technological and market changes which may affect our investment planning, operating costs, financing and delivery of regulatory outcomes. The scale and impact depend on the pace and nature of the transition.

Our updated scenario analysis assessed our risks over the following time periods:

- Short term (to 2035) and medium term (to 2050) both of which align with our business planning cycles (AMP) and our Welsh Water 2050 strategic outlook.
- Longer term (to 2100) to ensure we capture the increasing uncertainty in climate outcomes over time and assess the potential scale and severity of long-term physical climate risks to inform our adaptive planning.

The scenarios used to assess how different future climate pathways could impact our strategy, operations and long-term resilience are detailed on the next page. They are based on the Representative Concentration Pathways (RCPs), which are widely used across the water industry. While these are credible, publicly available scenarios for assessing future climate-related risks, climate scenario analysis is inherently subject to uncertainty, reflecting the pace and effectiveness of global mitigation efforts and the range of possible climate outcomes. Our Viability Statement also incorporates severe but plausible stress scenarios, including climate-related events, to assess the resilience of the Group over the viability assessment period (see pages 49 to 53).

Physical risk scenarios[1]

The climate sensitivity was assessed for each physical risk using three climate scenarios. RCP 4.5 in 2050 (medium-term), RCP 4.5 in 2100 (long-term), and RCP 8.5 in 2100 (long-term adverse). This approach ensures that adaptive pathways are developed to deliver resilient services in a 2°C world while maintaining preparedness for more extreme climate outcomes of up to 4°C warming.

1 Data source: Draft Water Resources Management Plan 2024 and UK Climate Projections (UKCP18) Met Office includes regional projections for our operating areas. Temperature projections are based on global average increases by 2100 under each RCP scenario.

Based on the scenario analysis below the physical risks detailed on the following two pages were identified, and their financial impact was determined to be likely beyond 2050. See page 36.

Scenario	Unpredictable weather (RCP 4.5 in 2050) The world has taken some action to reduce emissions, but progress remains insufficient to meet Paris-aligned targets.	Tempestuous climates (RCP 4.5 in 2100) The world is still not taking action and has missed 2050 emissions targets. The climate is now stormy with unprecedented extremes.	Catastrophic storms (RCP 8.5 in 2100) The world has failed to choose a low-carbon future and catastrophic storms regularly take lives and damage livelihoods.
Physical risks			
Floods and storms	Winter rainfall will have increased by 6%.	Winter rainfall will have increased by 12%.	Winter rainfall will have increased by 22%.
Drought and hot weather	Summer rainfall will be down 9% and average summer temperature will have increased by 1.4°C.	Summer rainfall will be down 21% and average summer temperature will have increased by 2.6°C.	Summer rainfall will be down 36% and average summer temperature will have increased by 8°C.
Sea level rise	Average sea level will have risen by 0.11–0.2m.	Average sea level will have risen by 0.2–0.39m.	Average sea level will have risen by 0.51–1.13m.
°C increase by 2100[1]	1.6	2–4	4+

Transition risk scenarios[2]

We have assessed transition risks associated with the shift to a lower-carbon economy under an orderly SSP1-2.6 transition pathway to 2035. This assessment considers potential exposure to carbon pricing expansion, embodied carbon regulation, supply chain pressures, technology adoption, and broader market and policy changes. While the Group is exposed to transition risks, based on current regulatory frameworks and UK and Welsh Government policy assumptions, our quantification indicates these risks (other than the carbon pricing expansion risk) are not expected to be financially material over the period to 2035. Given the change in the emissions factors used to convert N_2O process emissions to CO_2e, following updated Intergovernmental Panel on Climate Change guidance, which we are adopting voluntarily when calculating our process emissions, our gross operational emissions have increased significantly (see page 25). This increase in our emission levels potentially creates financial exposure under future decarbonisation policy. However we expect any potential financial exposure under future decarbonisation policy to be mitigated through our existing AMP8 funded emissions reduction programme and decarbonisation plans. As explained on page 25, as part of the ongoing work to develop our new strategy and long-term capital and operational plan, and to take account of our increased emissions, we are reviewing our existing decarbonisation plans to determine the investment and actions required to deliver our Net Zero carbon emissions by 2040 ambition.

Beyond 2035, the magnitude and financial impact of transition risks becomes increasingly uncertain, as outcomes are highly dependent on future policy developments, the pace of decarbonisation, and the evolution of carbon pricing regimes. These factors could increase future financial exposure, we therefore continue to monitor external developments and will reassess our position in future reporting cycles particularly if there are significant changes in carbon pricing, accelerated UK and Welsh government decarbonisation targets, or shifts in technology or market expectations. We continue to embed innovation, decarbonisation, and capital governance processes to manage transition uncertainty. Transition risks are captured within business unit risk registers and are subject to regular review in line with our ERM framework (see page 39).

Scenario	**Paris-aligned transition scenario (SSP1-2.6), representing an orderly and coordinated global transition to a low-carbon economy, limiting global temperature rise to below 2°C.**
Transition risks	
Regulatory and policy	UK and Welsh Government implement an orderly and progressively tightening decarbonisation framework aligned with statutory Net-Zero commitments. Climate policy develops in a predictable and coordinated manner.
Technological	Technological development accelerates in an orderly and commercially viable manner. Low-carbon and resource-efficient technologies continue to mature with progressive improvements in nature-based solutions and embodied carbon optimisation.
Societal	Social expectations progressively shift toward stronger environmental performance and climate transparency. Customers demonstrate growing support for sustainable investment, although this does not remove the requirement for investment to remain affordable within regulatory price controls.
°C increase by 2100	1.8

1 Data source: UKCP18 Guidance: Representative Concentration Pathways.

2 Data source: The Shared Socioeconomic Pathways and their energy, land use, and greenhouse gas implications: An overview.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Our climate-related risks and opportunities

Our scenario analysis demonstrates a clear escalation in physical climate risks across all pathways. While the underlying risk drivers remain consistent, the expected frequency and severity of the underlying climate drivers, and the associated scale of required mitigation and adaptation, increase materially under higher warming scenarios and over longer-term time horizons.

This escalation becomes more pronounced beyond 2050. Under a severe RCP 8.5 scenario, physical risks could result in exposures several multiples higher than under a central RCP 4.5 pathway, requiring substantially greater levels of investment to maintain the same level of resilience.

The effectiveness of mitigation actions is dependent on the timing and delivery of investment, funding availability, and evolving climate conditions, all of which remain subject to inherent uncertainty. Specifically, in relation to investment availability, we will need to work with Ofwat as part of our five-year AMP process. The Group's defined time horizons underpin how climate-related risks are assessed and managed, informing short, medium, and long-term investment planning.

These differing climate trajectories across our core scenarios underpin the broad ranges of potential residual financial impacts presented on page 36.

Physical risks

Driver	Risk description	Potential impact (unmitigated)	Mitigation
Acute: Flood and storms	P1 **Inundation of sewer networks in high rainfall events.** There is a risk of sewer inundation during periods of increased rainfall intensity or duration.	On customers: Internal and external sewer flooding causing property damage. On business: Increased costs to provide temporary solutions, outage or spillage penalties, legal fines and/or costs of clean up.	Deploying smart network sensors and enhanced event duration monitoring across catchments to provide greater visibility of sewer flows and enable proactive management of storm overflows. Expanding sustainable drainage systems and nature-based solutions, for example Pont-y-Felin wetland storm overflow. Increasing sewer network capacity and sustainable drainage solutions, backed by investment of £420 million in AMP8 and over £4 billion by 2050.
Chronic: Drought and hot weather	P2 **Climate change impact on drinking water quality.** There is a risk that extreme weather conditions, including drought conditions, increases in rainfall intensity, more extreme wet/dry cycles, and other indirect causes, change the composition of raw water inlet to treatment plants, changing chemical treatment regimes and the ability to treat the same volume of water.	On customers: Potential deterioration in drinking water quality and increased likelihood of supply interruptions. On business: Increased costs due to increase in treatment chemicals and energy required.	Raw water quality monitoring and modelling programmes, including 60 new catchment models incorporating UKCP18 climate scenarios to forecast changes in water composition and treatment needs. Advancing the Bannau Brycheiniog (Brecon Beacons) Mega Catchment project through innovative agricultural practices and stakeholder collaboration to protect sources from drought, intense rainfall and algal risks. Investing in AI-powered algal monitoring (supported by £385,000 Ofwat Innovation Fund). Above measures are likely to be effective by 2030 given the slow rate of decline in water quality. However, as they have not been operating long enough, assessing their effectiveness is difficult and will depend on the climate scenario.
	P3 **Increase in customer demand under hot conditions.** There is a risk that customers require more water under hot conditions, limiting planned reductions in per capita consumption (PCC) to meet local supply/demand restrictions.	On customers: Increased likelihood of supply interruptions (e.g. hosepipe bans). On business: If supply targets are not met, this may result in reputational harm, financial penalties or breach of regulatory licence obligations.	Enhancing drought and supply-demand modelling with UKCP18 scenarios. Implementing a leakage reduction programme to reduce leakage to 75/85 Ml/d by 2050. Per capita consumption reduction programme targeted to reach 100/110 l/h/day by 2050. Utilising technology to develop a smarter network to monitor and tackle background leakage more effectively. These measures will likely be effective to 2030–2050, however to 2100, their effectiveness will be dependent on the climate scenario. Continuing the water resources management planning approach should ensure this risk is managed effectively.

Driver	Risk description	Potential impact (unmitigated)	Mitigation
Acute: Floods and storms	P4 **Risk to our assets during extreme weather events and sea level rise.** There is a risk that our assets (e.g. dams, treatment works, pumping stations, pipework) are impacted by climate change (e.g. flooding, ground movement, storm impacts).	On customers: Increased likelihood of water supply interruptions and risk of environmental harm due to loss of treatment capability. On business: Increased emergency response and repair costs, environmental non-compliance and regulatory penalties.	Conducting detailed asset flood modelling and site-specific resilience assessments, for example post-Storm Dennis surveys of 50 highest at-risk sites. Implementing river and coastal erosion modelling with actions already underway, such as the relocation of Laugharne Wastewater Treatment Works to mitigate landslip risks. Applying sea level rise scenarios and full climate sensitivities within DWMP assessments to identify and protect vulnerable coastal assets and pipes. These measures will likely be effective by 2030 given the slow rate of change in flood risk. A programme of flood defence mitigations from 2030 to 2050 should be effective and provided this work is undertaken to 2100, this risk should be mitigated effectively.
	P5 **Risk to infrastructure supply chains during extreme weather events.** There is a risk that other independent infrastructure systems (e.g. telecoms, transport or energy) may be damaged or disrupted through the direct impact of extreme weather events.	On customers: Inability to supply customers if failures affect operational sites. Environmental harm may occur if treatment processes are disrupted. On business: Increased contingency planning costs to strengthen resilience against external infrastructure failures. Higher risk of operational downtime and emergency deployment of alternative supplies (e.g. tankering, generators, bottled water).	Maintaining a robust Business Continuity Plan (certified to ISO 22301). Engaging with the National Infrastructure Commission for Wales to map interdependencies (power, telecoms, transport) and develop resilience measures, including back-up generators at key sites. Advancing our Sustainable Procurement Strategy, focusing on resilient supply chains for chemicals and materials under extreme weather scenarios. The extent of this risk depends on the Welsh Government adopting the recommendations of the National Infrastructure Commission for Wales and setting resilience targets.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Our climate-related risks and opportunities CONTINUED

Climate-related opportunities

We have identified one climate-related opportunity which is detailed below. As highlighted on page 28, our climate-related risks and opportunities, and their potential financial impact, will be reviewed as we develop our new strategy. Any new climate-related opportunities will be disclosed in our future TCFD reporting.

Driver	Opportunity description	Progress to date
Technology shift	01 Develop and deploy innovative new technologies to improve our service now and meet future climate challenges.	Investing in low-carbon technologies and renewable energy. Collaborating with university research departments to enhance our resilience against climate change impacts.

Impact of climate-related risks and opportunities on our business, strategy and financial planning

Climate change continues to influence the way we operate. We take account of its impact in our strategic, financial and operating planning, and when determining our investment priorities.

Our Climate Change Planning Policy is central to how we integrate climate considerations into our decision making. It ensures that climate scenarios are reflected in our statutory plans and that a risk-based approach is applied when developing investment proposals for current and future AMP periods. Each plan assesses long-term risks to our assets and identifies the adaptation interventions required to maintain resilient services and deliver environmental improvements under a range of future climate scenarios. These assessments inform our investment proposals submitted to Ofwat as part of the price review process.

As shown in the table on the next page, our climate change planning policy requires all long-term strategies to consider how climate change may influence cost, performance and risk, supported by scenario testing and adaptive pathways where appropriate. This aligns with Ofwat's expectations on climate resilience and adaptation.

How climate scenarios inform our long-term planning

Scenario analysis enables us to identify the areas of our business that will be materially impacted by climate change, understand the scale and timing of the impact and develop appropriate mitigation strategies. Scenario modelling is incorporated into our planning process either through the explicit inclusion of uncertainty in projections, testing plans against more than one scenario or prioritising flexible and adaptive investments that can be scaled or sequenced in line with available funding.

In line with best practice climate risk management, we assess resilience across multiple future climate states. RCP 4.5 is used as our central planning scenario and is commonly interpreted as consistent with a lower-warming pathway (around 2°C). RCP 8.5 is applied as a high-impact stress-testing scenario, representing a significantly higher-warming future (around 4°C) and providing insight into system sensitivity under severe physical climate risk conditions. Analysis is undertaken to 2050 as a minimum and extended to 2100 where justified by asset design life or long-term exposure. Transition-related considerations are assessed using SSP-based pathways reflecting both ambitious and slower policy trajectories over the short and medium term. These scenario assessments inform our resilience planning and the scale of investment required in AMP8 and beyond.

	RCP 4.5	**RCP 8.5**
Long-term delivery strategy	Quantitative and qualitative assessment used to develop preferred pathway. Undertaken to 2050 and extending to 2100 where asset life requires.	Quantitative and qualitative assessment.
Water Resources Management Plan	Modelling used to inform LTDS and adaptive pathways to 2050 and extended where justified by scheme or asset life.	Modelling used to develop stress-tested scenario.
Drainage and Wastewater Management Plan	Modelling used to inform LTDS to 2050 with extension to 2100 for long-life assets.	Modelling used to develop stress tests.
Climate Adaptation Report	Quantitative and qualitative assessment to 2050 and 2100.	Quantitative and qualitative assessment.
Net-Zero carbon commitments	Net-Zero ambitions most relevant for SSP1-2.6 and Current Policies scenarios to 2035.	Net-Zero ambitions most relevant for SSP1-2.6 and Current Policies scenarios.

Our climate risks and opportunities (see pages 32 to 34) shape our future investment strategy and inform the timing and prioritisation of capital investment across water resources, wastewater networks, treatment assets and nature-based solutions, to ensure that we achieve our ambitions for customer service and environmental performance. As part of our 2025–2030 Delivery Plan, we are investing nearly £19 million to improve flood resilience at key water and wastewater sites, enhancing our ability to maintain service continuity and protect drinking water supplies under more extreme weather conditions.

Across AMP8, we will invest £49 million in schemes to reduce our operational GHG emissions. This investment is secured through our regulatory funding settlement with Ofwat and will be prioritised for delivery alongside our wider resilience and adaptation programmes.

We will continue to monitor progress against our common performance commitments, including the percentage reduction in CO_2e against the 2021–22 baseline and the overall reduction in tonnes of CO_2e delivered through our investment programme. This investment is secured through our regulatory funding settlement with Ofwat and forms a key part of our ambition to achieve Net Zero by 2040 and energy neutrality by 2050.

Climate change also affects our approach to financial planning. We assess both the operational and embodied carbon associated with capital investment, ensuring that carbon and cost are integrated into our strategic decision-making process. Our approach follows the DESNZ (2021) best practice guidance and uses up-to-date UK Government carbon values. Embodied and operational carbon estimates form part of the Unit Cost Database and feed into the Carbon and Cost Estimating Tool, which supports our multi-capital decision-making framework. The use of a £309 per tonne carbon value ensures that carbon considerations are reflected in business cases and lower-carbon solutions are appropriately valued.

We will continue to update our Climate Change Adaptation Report at least every five years to ensure that we reflect emerging risks, evolving evidence and any changes in regulatory expectations.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Financial impact

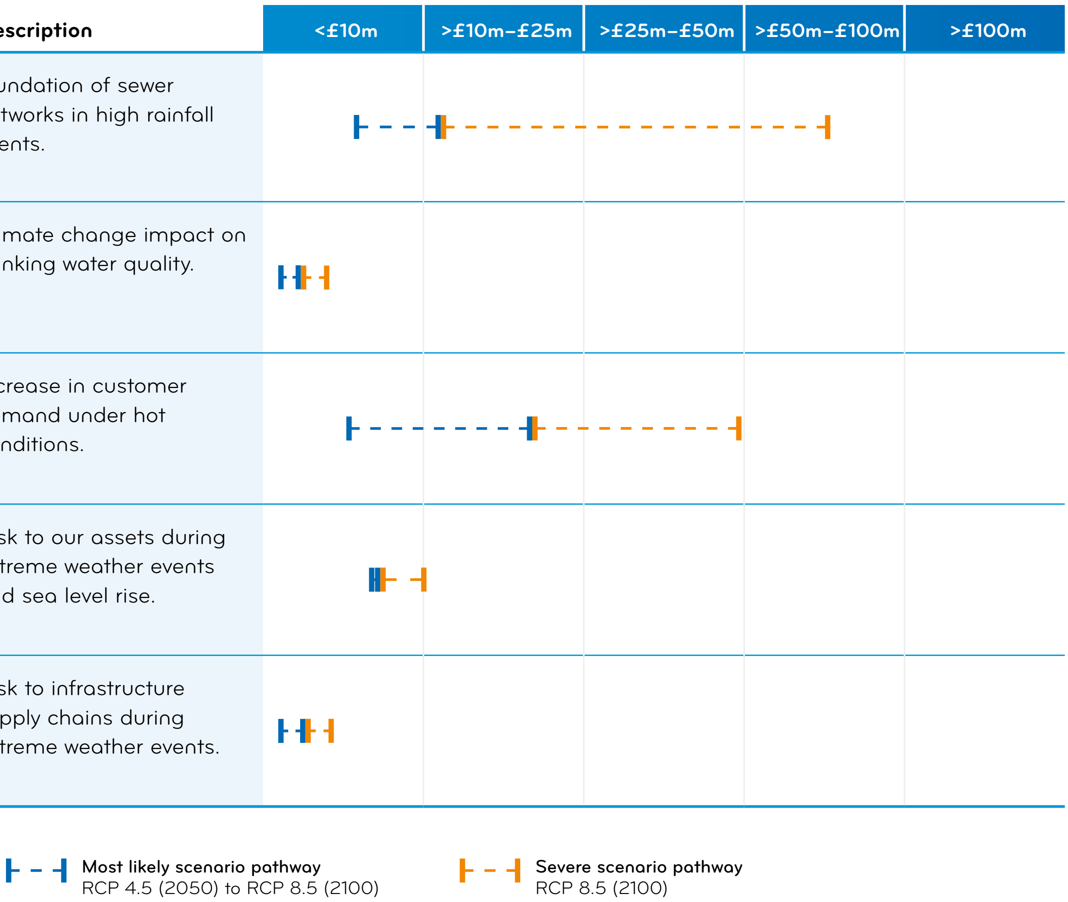
We have assessed the potential financial impact of our physical risks using our Service Measure Framework (SMF), which is a standardised valuation framework used across the business to assess risks and asset failures. In accordance with the SMF:

- Unmitigated financial impacts include costs related to operational response, staff resources, maintenance and remediation, incident management, customer service and compensation, and legal and regulatory compliance. These reflect the potential cost impacts of a worsening climate without future capital investment to strengthen our asset base beyond AMP8. The climate scenarios, which are set out on page 31, are based on available market forecasts.
- Future capital investment, required throughout the forecasted timeline, is excluded from the financial impact figures but forms a key mitigation measure. We will continue to invest in our assets to reduce the risk climate change has on our operations but this investment would need to be made available by Ofwat through allowed revenues over the forecasted period. As a regulated entity, Ofwat sets price controls, investment allowances, and performance targets through five-year cycles, during which environmental investment will remain a core focus.
- The mitigated position is derived by assessing the post-investment benefit from our AMP8 investment portfolios, reducing our risk exposure to climate impacts. The reduced post-investment risk evaluation has then been applied to the unmitigated financial impacts in bullet point 1 above on the assumption future investments will derive a similar post-investment risk outcome. This assumes that planned capital investment over the forecasted period made available by Ofwat will sufficiently mitigate increasing climate-related risks.

The potential financial residual impact, after mitigation, that our physical risks could have on our business is set out in the table below.

Range of potential mitigated annualised financial impacts from climate-related risks based on scenario analysis

Driver	Risk description	Potential financial impact (£m) over time period[1]
Acute: Flood and storms	P1 Inundation of sewer networks in high rainfall events.	
Chronic: Drought and hot weather	P2 Climate change impact on drinking water quality.	
	P3 Increase in customer demand under hot conditions.	
Acute: Floods and storms	P4 Risk to our assets during extreme weather events and sea level rise.	
	P5 Risk to infrastructure supply chains during extreme weather events.	



1 The blue and orange lines above illustrate the potential financial impact (current prices) in relation to each of the climate-related risks to 2050 and to 2100, under scenario analysis. See page 31 for further detail in relation to our scenarios. The potential financial impact of the risks above represents a residual view after consideration of mitigation measures management believe are available over the forecasted period. Impacts are presented within bands of less than £10 million to less than £100 million.

Resilience of our strategy taking into consideration different climate-related scenarios

Based on our assessment of our climate-related risk and opportunities and the scenario analyses testing described above, we believe our strategy (Welsh Water 2050) and investment plans (PR24) are resilient, applicable to our business planning cycles and adequately cover the potential impacts of our climate-related risks. These are underpinned by our Net Zero by 2040 plan which addresses the challenge and opportunities arising from the transition to a lower-carbon business. Accordingly, we confirm that the risks set out on pages 32 and 33 do not pose a material threat to the long-term resilience of our operations, with short-term operational impacts managed through business continuity planning and insurance for above-ground assets. This assessment is dependent on the continued funding and delivery of appropriate investment across resilience, asset maintenance and climate adaptation through future regulated business planning cycles.

Climate resilience and carbon transition risk impacts are reflected in our Viability Statement (see pages 49 to 53).

Our strategy for managing future challenges is set out in our 2023 Climate Change Adaptation Plan and includes the use of adaptive planning to account for plausible scenarios to at least 2050 for climate change, population growth, technology and environmental ambition. While the mitigations reflected our best view at the time, we acknowledge the significant uncertainty around long-term climate risks, and we continue to evolve our adaptive planning strategy as climate science, regulation and technology develops. Our next climate change adaptation review is scheduled to be undertaken in 2027.

Risk management

Processes for identifying and assessing climate-related risks

Our process for identifying and assessing risks is outlined on pages 39 to 41. The Governance and Strategy sections on pages 28 to 30 set out how these processes are applied to climate-related risks and opportunities.

Our ERM framework enables us to assess our climate-related risks, including their severity and the likelihood of occurrence over different time horizons. Risk scores, alongside defined risk appetite values, provide us with a clear basis for determining which risks are material, how they should be prioritised and where additional mitigations or strategic interventions may be required. This detailed information enables an objective assessment of our risks and mitigation priorities in accordance with our climate-related governance structure (see page 29).

Recent physical climate events, such as extreme weather and water quality impacts, have highlighted the increasing significance of physical risks. In light of these developments, we continue to refresh the relative scoring of climate-related risks in future cycles to ensure alignment with emerging evidence and operational experience.

Processes for managing climate-related risks and how they are integrated into our overall risk management framework

Climate-related risks are managed in line with our ERM framework (see page 39). Our approach includes clear ownership and accountability for each climate-related risk, continuous monitoring through our risk registers, regular reporting, implementation of controls and mitigations and ESG Committee and Board oversight.

Climate change is considered within our principal risk, 'climate resilience and carbon transition'. It, together with the other principal risks set out on pages 42 to 46, is also embedded and managed in line with our ERM framework.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Metrics and targets

Metrics to assess climate-related risks and opportunities in line with our strategy and risk management process

The tables below outline the key metrics and targets we use to measure and manage our climate-related risks and opportunities. These metrics are mapped to the relevant risk or opportunity, as outlined on pages 32 to 34. To ensure we deliver for our customers, communities and the environment, a number of these metrics are also used to monitor and assess our performance (see pages 13 and 181 to 187) and are incorporated in our remuneration arrangements (see pages 106 and 108).

Physical risks

Risk	Metric and Performance Against Target[1]	Performance FY26	Target FY26
P1	Internal sewer flooding (above target)	186	196
	External sewer flooding (below target)	3,446	3,197
P2	Customer contacts about water quality per 1,000 population (below target)	2.5	2
	Compliance risk index (below target)	7.1	3.8
P3	Per capita consumption (l/p/d) (below target)	149	144.9
	Leakage (Ml/d annual average) (below target)	232.6	211.6
P4	Portfolio Risk Assessment[2] (above-ground assets) (on target)	Applied during FY26	Periodic refresh of the PRA
P5	Treatment works compliance (below target)	98%	99%
	Portfolio Risk Assessment (above-ground assets) (on target)	Applied during FY26	Periodic refresh of the PRA

1 The detailed methodology for each performance commitment is available at https://www.ofwat.gov.uk/publication/pr24-final-methodology-appendix-7-performance-commitments/.

2 Our Portfolio Risk Assessment is used to identify and quantify the exposure of above-ground assets to flood risk, supporting prioritisation of resilience interventions and investment decisions, with an annual refresh to support Ofwat climate change PCD reporting.

Climate-related opportunity

Risk	Metric	Performance FY26	Target FY26
O1	Meters installed[3]	53.6%	51%

3 Percentage of household customers metered and charged on usage.

Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions, and the related risks

Our GHG emissions and associated energy consumption data is set out on pages 26 and 27. We measure and estimate our GHG emissions data in accordance with the Carbon Accounting Workbook, a standardised workbook and methodology developed by The UK Water Industry Research Limited. It is updated annually to reflect latest UK Government emissions factors. Our data is reported annually to ISO 14064 carbon reporting standard.

Targets used to manage climate-related risks and opportunities and performance against targets

Our sustainability targets, including our 'Journey to Net-Zero' targets, are detailed on page 20. The metrics and targets in the tables above enable us to track changes in risk exposure, evaluate the effectiveness of mitigations and measure progress in areas where climate change creates opportunities for efficiency and resilience.

Detailed information on the measures we use to assess our climate-related risks and opportunities is included in the Outcomes performance commitment appendix which is available at https://www.ofwat.gov.uk/publication/pr24-final-methodology-appendix-7-performance-commitments/.

RISK MANAGEMENT

Effective risk management is essential if we are to fulfil our purpose of providing essential services to our customers and communities now and in the future.

Our enterprise risk management framework

Our Group-wide enterprise risk management (ERM) framework provides the structure for us to anticipate and mitigate threats that could impact our business and prevent us from meeting our customer commitments. This framework, which is set out below, includes:

- A Board-led approach to ensure alignment of risk appetite and our strategic objectives.
- An established governance structure that includes Board and Audit and Risk Committee (ARC) oversight.
- A 'top down/bottom up' model that ensures accountability and ownership for risk identification, assessment, mitigation and monitoring at an asset, project, function and strategic level.

ERM framework

Top down

Board
- Approves risk appetite.
- Oversees governance.
- Reviews controls and principal and emerging risks.

Audit and Risk Committee (ARC)
- Oversees ERM framework and controls.
- Receives assurance from management.
- Receives Internal Audit reports.

Executive Committee (ExCo)
- Reviews risks and risk appetite.
- Ensures ERM framework and internal controls operate effectively.
- Proposes risk assessments.

Risk and control owners
- Assess, manage and report risks and controls.
- Maintain risk registers.

Colleagues
- Identify risks day-to-day.
- Apply controls and escalate issues.

Risk and Compliance
- Operates and oversees the ERM framework.
- Coordinates risk reporting and risk registers.
- Monitors risk profile against appetite and provides oversight and escalation to ExCo, ARC and Board.

Internal Audit
- Provides independent assurance.
- Reviews ERM framework effectiveness.

Bottom up

Three lines of defence

Reports and provides assurance to the Board and ARC

First Line

Operational management
- All employees.
- Business area and asset managers.
- Project managers.

Second Line
- Risk team.
- Governance forums.
- ExCo.

Third Line

Internal Audit.

RISK MANAGEMENT CONTINUED

Risk appetite

Our risk appetite is reviewed and approved by the Board. It guides the level of risk across a number of categories that we are prepared to accept in delivering our essential public health and environmental services to our customers and the communities we serve. Our overall risk appetite is averse to cautious, with specific levels for each category as detailed below.

Risk categories and approach	Risk appetite
Environmental: Committed to minimising our impact on the environment through sustainable practices, reducing our carbon footprint, setting measurable targets, monitoring progress and engaging stakeholders. **Governance, regulation and relationships:** Maintaining stakeholder confidence is a key priority. No appetite for risk taking that would result in reputational damage. **Operational (including people, health and safety):** Prioritise maintaining safe and secure operations, protecting employee wellbeing and safeguarding assets. No appetite for risk that would result in adverse health and safety conditions for any internal or external stakeholders or threaten the security and resilience of our operations and assets. **Information, technology and security:** Recognise the importance of safeguarding information, maintaining robust systems and ensuring secure operations and minimise exposure.	AVERSE Reluctance to take risks. Priority is given to preserving stability through low-risk strategies that minimise exposure to uncertainty. Predictable outcomes are preferred, avoiding even moderate levels of risk.
Financial: Maintaining a prudent and responsible approach to managing financial risk. Focus on securing stable and efficient funding and liquidity to ensure capability to meet both planned and unexpected cash outflow requirements as they arise.	CAUTIOUS Willingness to accept some risk in a controlled manner. A balance is sought between risk and reward, being mindful of potential downsides while open to opportunities.
Strategy and change: Prioritise the protection of relationships with customers and stakeholders and our reputation. Value innovation and receptive to implementing innovative solutions that provide enduring benefits for customers and the broader community.	OPEN Receptiveness to calculated risks for innovation. Comfortable with uncertainty and understand risk-taking is inherent in achieving goals. New ventures or innovative solutions may be explored with prudence through risk assessments to ensure risks are managed effectively and aligned with objectives. A balance is sought between embracing opportunities and managing risks responsibly.

We seek to manage our risks within appetite and ensure that appropriate mitigation measures are in place, with clear ownership and regular review. However, currently most of our principal risks are outside our risk appetite, despite effective implementation of relevant controls and mitigations. Delivering sustained improvement requires long-term investment, programme delivery and regulatory engagement over multiple years, reflecting the long life of our assets and the scale and complexity of change required. Accordingly, the Board is focused on ensuring delivery of defined investment and improvement actions and milestones and regularly overseeing and monitoring progress. This Board-level clear line of sight, from strategic intent to tangible actions and outcomes, supports a measured reduction in risk exposure over time in line with agreed plans.

Our principal risks

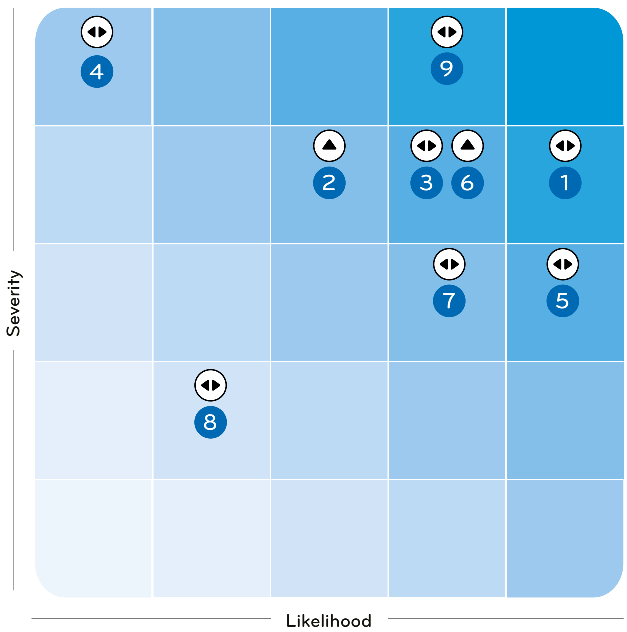
Our principal risks are set out on pages 42 to 46. On an ongoing basis we consider their likelihood and the potential severity of their impact on our customers, reputation and finances and implement mitigating controls and actions.

Taking our mitigating actions into account, our residual risk profile increased in FY26. Notably, stakeholder focus on our environmental performance intensified and impacted customer trust scores, which deteriorated year on year (52% in April 2026 compared to 61% in April 2025). Elevated cyber threat levels and frequent extreme weather events, including named storms, resulted in sustained operational pressures. More generally, we have experienced higher interest rates and sector-wide credit rating headwinds which, in part, have been offset by strengthened cost controls under our Trawsnewid transformation programme.

Our emerging risks

On a biannual basis the Board reviews the emerging risks that could impact the Group's operations, performance and reputation. Emerging risks are events and developments which are significantly uncertain but may become material due to changes in the external environment, regulation, science or stakeholder expectations. They are identified by horizon scanning, Board and Committee discussion, and engagement with external advisers and regulators. Our emerging risks are set out on pages 47 and 48.

Summary of our principal residual risks



Risk

1. Environmental performance and drainage management
2. Business continuity and asset health
3. Climate resilience and carbon transition
4. Health, safety and wellbeing
5. Cyber and digital resilience
6. Operational performance and costs
7. Customer trust and satisfaction
8. People, talent and diversity
9. Funding

Risk profile change during FY26

- Decreased
- No change
- Increased

RISK MANAGEMENT CONTINUED

Risk profile change during FY26

Decreased | No change | Increased | New

Our principal risks

Risk and potential impact	Risk profile change during FY26	Mitigation
1 **Environmental performance and drainage management** Failure to manage our environmental impact and comply with evolving regulatory requirements, including enforcement actions, new legislation and sector reforms, could result in reputational damage, loss of customer trust, significant fines, prosecutions and increased costs. **Risk category** Environmental	No change Intense regulatory and stakeholder scrutiny, together with challenging performance targets and increased customer interest in environmental issues, have continued. During FY26, our business was impacted by a number of extreme weather events. Storm Claudia had the most significant impact in Wales, causing severe flooding in parts of South and East Wales, while the others contributed to cumulative winter resilience and operational pressures. In March 2026 Ofwat announced that it was proposing to impose a £44.7 million enforcement package in relation to the operation of our wastewater treatment works and network between 2017 and 2023. See page 6.	• Investing significantly to improve our environmental performance (see page 6). • Maintain Board and ARC oversight of environmental performance. • Oversight by Drainage Policy Group. • Deliver the Drainage and Wastewater Management Plan to strengthen system resilience and support long-term compliance. • Proactively engage with regulators and sector bodies on evolving requirements and enforcement actions. • Regularly assess new legislation and adapt compliance frameworks. • Strengthen governance and assurance processes to support regulatory submissions. • Communicate transparently with stakeholders and integrate environmental risks into business planning.
2 **Business continuity and asset health** Failure of our strategic assets, workforce, corporate systems, supply chain provision or external events could prevent us from delivering clean and safe drinking water, wastewater services, environmental protection or cash collection. Inadequate investment, ageing infrastructure or incomplete asset data may further increase the risk of disruption and regulatory scrutiny. **Risk category** Operational	Increased During the year our operational teams experienced significant pressure, including from an unprecedented number of named storms that overloaded some drainage networks. Our operational and business continuity teams managed these events well, averting widespread service interruptions.	• Annual review of Incident Response Manual to enhance incident response and apply lessons learned from recent events. • Access wider industry support through Water UK Platinum Incident Management. • Continue to develop and refine procedures to reduce supply interruptions. • Increase asset resilience through targeted investment and maintenance. • Strengthen asset health monitoring and data quality. • Regularly test business continuity plans and conduct exercises for key disruption risks. • Operate an Incident Command Structure and maintain an Incident Response Manual to ensure effective event response.

Risk and potential impact	Risk profile change during FY26	Mitigation
3 **Climate resilience and carbon transition** Failure to mitigate and/or adapt to accelerated climate change could lead to our infrastructure and assets being overwhelmed by weather events and/or significantly damaged, which could materially impact customer service, the environment and our reputation. Inadequate planning or investment may result in poor long-term resilience, regulatory scrutiny and increased operational costs. **Risk category** Environmental	We continue to experience more intense weather events with growing evidence that climate change is leading to more intense events over time. During FY26, Storms Claudia and Goretti caused flooding, power outages and service disruption across our operating area. These events highlight the increasing frequency and severity of extreme weather, reinforcing the long-term risks posed by climate change to asset resilience and service continuity.	• Board-level oversight through the ESG Committee of near- and medium-term climate impacts including regular monitoring of environmental performance and reviews of climate-related risks and delivery of climate commitments, see pages 91 to 94. In parallel, short-term physical impacts of extreme weather events are managed through the Business Continuity risk (see above). • Consider climate change scenarios in our planning processes to ensure we invest appropriately to build resilience. See TCFD pages 28 to 38. • Review and report on our adaptation risks through to 2100. See our 2023 Climate Adaptation Report available at https://corporate.dwrcymru.com/en/about-us/our-plans and our climate-related disclosures (see pages 28 to 38). • Implement adaptive plans to 2050 as part of AMP8 planning in accordance with guidance from Ofwat, to ensure our plans are adaptable, given the uncertainty in the scale and timing of climate change impacts. • Implement our 'Journey to Net Zero' strategy to achieve Net Zero carbon by 2040 (see pages 25 to 27).
4 **Health, safety and wellbeing** Failure to operate a safe working environment in line with legal requirements and best practice could result in an employee, contractor, visitor or member of the public suffering a serious injury, ill health or fatality. Financial penalties, criminal prosecutions and loss of reputation could result. **Risk category** Operational	In November 2025, for the ninth consecutive year in a row, we were awarded a Gold Medal by the Royal Society for the Prevention of Accidents. This prestigious award recognises our strong health and safety performance, well-developed health and safety programmes and very low levels of harm or loss.	• Undertake monthly Board-level and ExCo reviews of health and safety performance. • Actively manage risk and monitor performance using leading and lagging indicators. • Provide frequent training and communications for all employees across a range of health and safety issues. • Senior management regular review and updating of our health, safety and wellbeing strategy and improvement plans. • Implementing operational procedures and policies that are aligned with ISO 45001.

RISK MANAGEMENT CONTINUED

Risk and potential impact	Risk profile change during FY26	Mitigation
5 **Cyber and digital resilience** A major loss or disruption to an information technology (IT) or operational technology (OT) system, or significant breach of sensitive information, including from a cyber attack, could lead to significant disruption to operational and customer services, significant reputational loss and potential regulatory censure and fines. **Risk category** Information, technology and security	The global cyber threat landscape deteriorated during FY26. We saw marked increases in criminally operated ransomware attacks and nation state targeting of critical national infrastructure including water organisations. In response we continue to operate at the highest alert level and have launched a revised cyber strategy for AMP8. Our enhanced cybersecurity programme is focused on increasing cyber defence capabilities across our OT network, increasing technical assurance activities and implementing zero-trust principles for digital identity management. These initiatives will support increased control outcome levels to meet the enhanced ECFA regulatory standard.	• Operate a comprehensive and continuously evolving cybersecurity programme across both IT and OT environments, focused on strengthening resilience, reducing vulnerabilities and responding to the changing threat landscape. • Maintain strong Board and Executive Committee oversight of cyber risk, supported by regular reporting, independent assurance and periodic review of the effectiveness of controls and resilience arrangements. • Deliver a programme of regular testing and exercising, from technical simulations through to executive level scenarios, to validate response capability, decision making and organisational preparedness.. • Promote a strong cybersecurity culture and capability across the organisation, including targeted awareness, training and specialist networks to address the human element of cyber risk. • Maintain robust detection and response capabilities, including continuous monitoring and incident response arrangements, supported by specialist expertise, to identify, contain and respond to emerging threats. • Enhance third party and supply chain risk management, with ongoing oversight of key suppliers and partners to ensure appropriate cybersecurity standards are maintained. • Commit to continuous improvement, with ongoing investment and learning from internal experience, external intelligence and industry best practice to strengthen cyber resilience over time. • Continue to improve secure configuration of systems including vulnerability management, access security and reducing the attack surface of technology.

Risk and potential impact	Risk profile change during FY26	Mitigation
6 **Operational performance and costs** Performance below agreed AMP efficiency targets could impact customer service, attract material Outcome Delivery Incentives and financial penalties, and erode customer, regulator and investor confidence. Sustained operational pressures, including extreme weather events, may further challenge delivery against performance commitments and increase the risk of penalties. Current geopolitical instability is impacting global energy markets, inflation, fuel costs, supply chains and the availability and price of key treatment chemicals. **Risk category** Operational	While we have achieved good performance this year on some important measures, such as C-MeX, Ofwat's key customer service measure, our performance in other areas has been disappointing. In particular, we have fallen behind our targets on water supply interruptions, water compliance, the EPA rating, waste treatment works compliance and leakage. See pages 181 to 187. During the year materially higher forecast Outcome Delivery Incentives and PCL penalties were imposed. While we have not experienced any material supply chain disruption, we remain vigilant to evolving risks and their potential to impact our operations and cost base.	• Oversight at Board level of operational strategies and financial and improvement plans to meet AMP performance commitments. • Undertake ExCo cost performance reviews each month. The Board also reviews performance against the cost plan at each meeting. • Monitor change projects to improve performance and meet cost efficiency targets supported by review at ExCo meetings each month. • Deploy smart technology to deliver our services more efficiently and to measure performance. • Working with the UK and Welsh Governments, and our industry partners, to monitor developments and, if required, implement appropriate mitigation measures to ensure resilience across our supply chain and maintain reliable services for our customers.
7 **Customer trust and satisfaction** Declining customer trust and satisfaction could lead to reputational damage, regulatory scrutiny and financial penalties, driven by poor service, rising bills, missed standards or negative publicity. **Risk category** Governance, regulation and relationships	Levels of customer trust in the water sector continue to fall driven by poor operational performance, stakeholder expectations and media and political scrutiny. CCW's annual Water Matters report, showed a year-on-year reduction in trust for all companies. While our trust level fell, it remained comparatively high, with a top-three ranking. During the year, customer bills increased, with the average household bill rising by 4.8% for 2026–27, reflecting the start of the AMP8 investment period and increased funding requirements. This increase, alongside wider cost-of-living pressures, has contributed to heightened customer sensitivity and expectations. Launched our updated Vulnerable Customer strategy and during FY26 contributed £14 million which supported over 150,000 households (see page 21).	• Undertaking extensive engagement programme with stakeholders to ensure new strategy aligns with stakeholders' expectations. See page 4. • Proactively engage with customers and other stakeholders including about service failure and the improvements we are making through increased investment and performance improvement strategies. • Regularly meet representatives of key stakeholder groups.

RISK MANAGEMENT CONTINUED

Risk and potential impact	Risk profile change during FY26	Mitigation
8 **People, talent and diversity** Failure to attract, retain and diversify talent to reflect the communities we serve could impact business performance. **Risk category** Operational	Our not-for-shareholder status, real living wage commitment, and hybrid working model make us attractive to applicants. During the year, we received 1,600 additional applications from under-represented groups. During the year, our overall employee engagement score fell to 58% from 76% last year. See page 22.	• Engagement results have been shared with managers, who are reviewing them with their teams and partnering with engagement champions to agree and implement locally held action plans. • Offer a range of training and development opportunities including: – Leadership Programme. – Women in Leadership Programme. – Rising Star Programme. • Implement diversity and inclusion initiatives including: – Network groups for different communities. – Education and awareness. – Celebrate diversity and host events such as International Women's Day, Pride Month, Black History Month.
9 **Funding** Financial underperformance against the agreed business plan, alongside a broad deterioration in sector confidence, could weaken perceptions of financial resilience and increase investor and lender risk sensitivity. In combination with adverse economic conditions or a reduction in our credit rating, this could make new financing more expensive than assumed in the current price control or more difficult to access, with potential implications for liquidity, customer affordability and payment behaviours. **Risk category** Financial	Geopolitical events, including geopolitical instability, imposed and potential trade tariffs, have led to significant macroeconomic and market volatility. This includes fluctuating bond yields and volatility in global financial markets. Sector-wide uncertainty, including ongoing concerns about the financial resilience of a major regulated water company, has also contributed to heightened investor scrutiny and market sensitivity. As at 31 March 2026, our liquidity headroom was £995 million, comprising cash and cash equivalents of £595 million and an undrawn revolving credit facility of £400 million. Gearing stood at 61%, remaining well within the thresholds of our covenants and existing credit ratings. Credit ratings remain at BBB+/Baa1/A- for senior Class B debt from Moody's and Fitch respectively.	• Monitor our debt covenant, credit ratios and funding requirements. • Monitor financial market and sector trends and issue debt in advance of needs to take advantage of periods when market liquidity is strong. • Manage our exposure to inflation and interest rates via our hedging policy. • Manage energy input prices through self-generation, financial derivatives and long-term power-purchase agreements. • Maintain active relationships with a number of lenders and diversify sources further.

Risk profile change during FY26

Decreased | No change | Increased | N New

Our emerging risks

Emerging risk	Status	Mitigation
Affordability and financeability There is a medium-term risk that following the Independent Water Commission (the Cunliffe Review) and subsequent Green and White Papers, uncertainty about the timing and direction of future regulatory arrangements may lead rating agencies and lenders to question whether the regulatory framework can, in the longer term, sustainably fund rising requirements, including ageing infrastructure, environmental and geographic pressures, and increasing standards and scrutiny. Lenders could increase the cost of finance or, in more adverse scenarios, constrain access to it. If the risks of increasing requirements compound with cost or availability of funding this could further increase costs and lead to higher delivery penalties which, in turn, further undermines investor confidence.	N Policy development following the Independent Water Commission (the Cunliffe Review) is ongoing, with future regulatory arrangements and priorities yet to be finalised. In the meantime, increasing environmental expectations, climate-related asset pressures and the scale of anticipated future investment have heightened focus from rating agencies and debt investors on how affordability, service standards and investment trade-offs will be managed within the regulatory framework. This has increased sensitivity to regulatory clarity and long-term predictability when assessing funding costs and access to finance.	In addition to mitigations embedded within individual strategic risks, management actions focus on: • Maintaining active engagement with Welsh Government, regulators and stakeholders to support clarity on future regulatory priorities, affordability considerations and investment phasing as the framework evolves. • Maintaining a robust long-term financial and funding strategy, including strong liquidity headroom, diversified funding sources and proactive engagement with lenders and investors. • Using scenario analysis and stress testing to assess financeability, bill impacts and covenant and credit metric headroom under a range of adverse regulatory, environmental and investment outcomes.
Wye Group Action There is a risk of financial liability arising from claims brought by a group of claimants alleging nuisance (private and public), trespass and breaches of the Environmental Protection Act in relation to wastewater operations in the catchments of the Rivers Wye, Usk and Lugg and their tributaries. The claimants are seeking damages and injunctive relief, which could impact operational processes and reputation, as well as give rise to financial exposure.	N The claims are at an early stage and remain subject to a high degree of legal and factual uncertainty. The outcome will depend on the progression of pleadings, claimant-specific information and the development of technical and expert evidence through the court process.	• The claims are being actively defended, with specialist external legal advisers instructed, with the support of our insurers. Management continues to engage with advisers to understand and respond to the evolving legal and factual position as the proceedings progress, with oversight through established governance arrangements.

RISK MANAGEMENT CONTINUED

Emerging risk	Status	Mitigation
Substances of emerging concern (Wastewater and Drinking Water) Emerging contaminants such as microplastics and man-made chemicals could adversely impact the quality of the water we supply, our water and wastewater treatment processes and affect our carbon targets and/or create public health concerns.	There is growing research and increasing media interest which has raised public awareness of perfluoroalkyl and polyfluoroalkyl substances (PFAS) in the water cycle. The Drinking Water Inspectorate has issued guidance requiring all water companies in England and Wales to analyse drinking water sources and supplies for the presence of PFAS and the European Chemicals Agency has approached the EU Commission to impose a ban on non-essential PFAS. This has received significant support although it is unlikely to become law until 2027/28. PFAS (monitoring and standards) is included in the Drinking Water Directive recast and limits for PFAS are expected to tighten. England and Wales have not adopted the DWD. In the future, Urban Wastewater Treatment Plants may be required to remove PFAS from wastewater. This would be part of the effort to manage risks of exceeding Environmental Quality Standards values or impacting drinking water resources.	• Processes and controls in place to monitor levels of PFAS in our drinking water sources and supplies. • Monitor developments in environmental and drinking water regulation. • Support research by the UK Water Industry Research body and others into the potential (treatment and public health) risk. • Adhere to regulatory guidance.

VIABILITY STATEMENT

The Directors have undertaken a robust assessment of the long-term viability of the Group, taking account of the Group's current position, a medium-term forecast reflecting the final determination, the potential impact of the principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions.

Assessment period

The Directors have assessed the viability of the Group over a five year period to March 2031. This assessment is based on the Group's short term financial plan to March 2027 and its Board approved five year financial forecast. The period is considered appropriate as it covers the remainder of the AMP to 2030, where there is a high level of visibility over regulatory allowances, together with a projection for the first year of AMP9 based on AMP8 allowance profiles adjusted for management assumptions..

Key factors

The assessment takes several factors into account including:

- **The financial budget for the period to 31 March 2027 and a projection of the period to 31 March 2031.** The projection is informed by a latest view of the capital programme phasing, PCL penalties and known or targeted cost adjustments.
- **The Group's principal risks and risk management processes** The Board undertakes a detailed assessment of the Group's principal risks and for the purposes of this Viability Statement, specifically focusing on those risks associated with the current levels of economic uncertainty, cost challenge and overall asset health. The Board also reviews the Audit and Risk Committee assessment of risks and estimated impact of mitigating activities on financial forecasting. Our assessment of risks is incorporated into our annual detailed budgeting and forecasting process. The Group's principal risks and measures to mitigate them are set out on pages 39 to 48.
- **The Group's financial position at 31 March 2026.** Relevant to the assessment are the following:
  - Maintenance of gearing in line with the Group's target of below 65%.
  - Availability of sufficient cash and credit facilities to fund the Group's financial commitments for at least 18 months.
  - Maintenance of credit ratings for the Group's bonds above Common Terms Agreement required levels
- **The Group's viability has been assessed** against the potential for a Trigger Event and/or an Event of Default. A Trigger event is an early warning mechanism designed to allow the Group time to implement change whilst an Event of Default would represent a more significant imposition on the business (see below).

Key assumptions

The following assumptions, estimates and sensitivities are applied to the assessment:

- The Group is able to continue to access affordable debt finance and capital markets, enabling it to successfully refinance its debt as it comes due in AMP8 and continue to roll over its revolving credit facilities, where necessary. It is assumed that any period in which the Group is unable to raise finance, for reasons outside the Group's control, does not extend beyond six months.
- The current regulatory and statutory framework does not change substantively beyond known variables in the period covered by this assessment. Any potential future benefit through changes has been excluded.
- The timing and quantum of the financial impact associated with the crystallisation of principal risks is based on historical evidence and the evaluation of similar events observed in the market.
- The severe but plausible scenario is based on the Board's view of each principal risk's post-mitigation likelihood and severity. See pages 39 to 48.

VIABILITY STATEMENT CONTINUED

Whole business securitisation structure

The Group operates within a Whole Business Securitisation (WBS) structure, under which the sub-group, headed by Glas Cymru Anghyfyngedig (GCA), raises debt and pledges its revenues and core assets to a Security Trustee for the benefit of its lenders. The WBS structure is governed by a Common Terms Agreement (CTA), which applies primarily to the operating company and other securitised group entities. While Glas Cymru Holdings is the ultimate parent company, it sits outside the securitised ring-fence and does not itself generate the cash flows used to service debt. The key financial covenants, credit rating requirements and creditor protections, including Trigger Events and Events of Default, are defined within the CTA and are assessed at the GCA level.

A Trigger Event is an early warning mechanism, not a default. It is designed to protect creditors, through additional oversight, and give the business time to take corrective action before more serious issues arise and therefore reducing the risk of progressing to default. A Trigger Event would restrict the Group's ability to raise and utilise new debt until agreement was reached to amend the CTA. An Event of Default is more serious and would arise if financial performance deteriorated further, with an automatic standstill period commencing, during which time creditors agree not to take enforcement action but cash flows are severely restricted and prioritised to servicing debt. Our long-term viability testing has focused on the Trigger Event and Events of Default levels. The most likely cause of a Trigger Event would be credit ratings downgrades of our B bonds to Baa2/BBB from Moodys and Fitch Respectively, with an Event of Default based around these credit ratings falling below investment grade.

Stress scenarios

Our viability assessment is based on exposing our forecasts to several negative 'stress' scenarios, these include specific crystallisations of our principal risks and one scenario where all risks materialise but the impact of each risk has been scaled to only reflect a proportional impact, based on the Group's risk register, so that the scenario represents a severe but plausible downside rather than a full worst case outcome..

Principal risk

1. Environmental performance and drainage management
2. Business continuity and asset health
3. Climate resilience and carbon transition
4. Health, safety and wellbeing
5. Cyber and digital resilience
6. Operational performance and costs
7. Customer trust and satisfaction
8. People, talent and diversity
9. Funding

Risk scenarios and principal risk (where relevant)	Stress test applied	Available mitigation options (see below)	Outcome
Failure to deliver cost efficiency challenges Efficiency targets are not delivered and adverse weather events have an additional adverse impact on operational performance necessitating additional capital expenditure. 1 2 3 6 7 9	£166m additional operating costs and £159m additional capital expenditure.	All	Trigger event not deemed probable with unmitigated EBITDA headroom averaging £15m per annum and Default headroom of £55m per annum.
Operational performance deterioration Operational performance declines incurring additional ODI penalties and asset health deteriorates. 2 6 7 9	£50m additional ODI penalties and £213m of additional capital expenditure.	All	Trigger event not deemed probable with unmitigated EBITDA headroom averaging £25m per annum and Default headroom of £80m per annum.
Macroeconomic and cost efficiency challenges Cost savings targets are not delivered, and political uncertainty continues also impacting borrowing costs. 6 7 9	£168m additional operating costs, £139m additional capital expenditure and 50bps higher borrowing rates.	All	Trigger event deemed probable without implementing controllable mitigation of c.£5m per annum and Default headroom of £50m per annum.
More severe but plausible scenario Non-delivery of efficiency challenges compounded by significant cost shocks which occur in a high-inflation and high cost-of-debt environment. Cost shocks are based on proportionally weighted impact of all risks materialising. 1 2 3 4 5 6 7 8 9	£40m additional ODI penalties, £290m additional operating costs and £275m of additional capital expenditure.	All	Trigger event deemed probable without implementing controllable mitigation of c.£30m per annum and Default headroom of £15m per annum.

VIABILITY STATEMENT CONTINUED

Mitigating actions

There are a number of key mitigations available to the Group, the effectiveness of which is underpinned by the strength of the Group's liquidity position. As well as the protection that exists from the regulatory environment within which the Group operates, several actions are available to mitigate more severe scenarios. When selecting mitigation actions in response to our stress scenarios, we would consider the balance of all stakeholder interests and would prioritise mitigating actions that would not lead to a breach of our customer commitments.

Mitigating actions	Considerations	Incorporated in our financial plan
1 Transformation programme	We are implementing a transformation programme aimed at fundamentally changing the way we work to drive improvements in performance and efficiency. To the extent that action plans have been defined, the impacts have been incorporated as mitigations.	Yes
2 Engage with ratings agencies and banks	Where a rating threshold or a covenant threshold is breached, a downgrade might not always be applied, with judgement also considered by rating agencies. We engage with rating agencies and our banks on a regular basis and will continue to liaise on macroeconomic pressures.	N/A
3 Treasury management – working capital management	Should new lending be unavailable for a period of time, we would use our revolving credit facilities or seek to manage our working capital through, for example, working with suppliers to agree longer credit terms where appropriate. We routinely evaluate our treasury management strategy, assessing our predicted cash requirements in future years and funding sources, with the aim of ensuring that enough liquidity is available to meet forecast financial needs as well as an adequate level of headroom as a contingency.	No
4 Further cost management	Deferral of annual pay awards for staff, tightening of spend on third party support and additional headcount reductions.	No
5 Deferral of performance penalties beyond LTV period	In general, performance penalties are recognised as a reduction to revenues two years after the performance commitment was breached. The Group has some ability to defer when to take performance penalties with the deferral of such penalties to later years, mitigating short-term cashflow and credit rating metric issues, allowing time to resolve operational and financial constraints.	Yes

Further mitigating actions available outside normal business considerations	Considerations	Incorporated in our financial plan
6 Reduce non-regulatory programme	In only the most extreme circumstances, we would look to reduce our expenditure to cover only our regulatory and legislative requirements.	No
7 Consider issuance of new funding sources	We have access to a wide range of capital markets and maintain a diverse range of funding sources. Our positive liquidity and gearing positions would be attractive should we seek to issue new sources of funding. Issuing new debt would raise cash flows in the short term but could detrimentally impact gearing and potentially expose the Group to more expensive debt in the long term.	No
8 Reprofile capital programme	We could seek to reprofile our capital programme in order to smooth the impact of risk scenarios on our cash flows and mitigate the effect on key performance ratios.	No
9 Regulatory change engagement	Potential benefits from changes to some of the regulatory regimes such as the outturn adjustment mechanisms and alternative routes to implementation of the ODI penalty regime (e.g. to require remedial investment in customer service rather than reductions in customer bills).	No

Additional mitigating actions are available to the Group and, if required, management would evaluate and deploy these in a timely and proportionate manner to support the delivery of the Group's financial resilience and stakeholder expectations. The Group regularly reviews its operating cost base and has embedded cost-reduction initiatives within its financial plan through the Trawsnewid programme.

In the most severe but plausible scenario, avoiding a breach of the trigger rating thresholds would require the delivery of additional operating cost reductions of approximately £30 million per annum on average (around 5% of operating costs) over the forecast period. The Directors consider this level of savings to be challenging but potentially achievable, based on areas of discretionary and controllable expenditure, including the deferral of staff pay increases and bonus schemes, and reductions in spend on third party consultants. These mitigating actions span multiple cost categories and are designed to be staged and scalable, allowing management to respond progressively should adverse conditions crystallise in the short term.

The Directors have also considered the role of regulatory engagement as part of the Group's broader response to a severe but plausible downside scenario. The Group maintains an open and constructive dialogue with Ofwat and other stakeholders, including in relation to operational performance, financial resilience and delivery of outcomes for customers.

In circumstances where external factors or exceptional events give rise to financial pressure, the Directors consider it reasonable that engagement with the regulator would include discussion of the application and, where appropriate, the calibration of Outcome Delivery Incentives (ODIs) and associated penalty mechanisms. This could include consideration of alternative delivery profiles, timing of rewards and penalties, or the use of regulatory discretion in line with established frameworks, while continuing to protect customers and uphold service standards.

While the outcome of such engagement cannot be assumed and remains subject to regulatory judgement, the Directors note that Ofwat has previously demonstrated a willingness to engage constructively where companies face genuine exogenous challenges and where continued delivery of essential services and long term value for customers could otherwise be compromised. Accordingly, regulatory engagement represents a potential mitigating pathway that could alleviate pressure on key financial metrics in downside scenarios, alongside and in addition to management led operational and financial mitigations

Conclusion

Having carried out a robust assessment of the Group's prospects over a five-year period, taking into account the Group's current financial position, the approved business plan, and the principal risks to which it is exposed, the Directors have considered a range of scenarios, including severe but plausible downside scenarios.

Under the severe but plausible scenario, a combination of adverse events leads to a deterioration in financial performance which, based on the resulting financial metrics, is likely to lead to a downgrade in the Group's credit ratings which could be sufficient to create a Trigger Event. The analysis demonstrates that the Group would continue to operate within all other financial obligations at the point of trigger. In addition, the Group retains sufficient committed liquidity to fund ongoing business operations and planned capital investment for a period of at least 15 months, during which time it would continue to deliver essential services to customers and maintain compliance with its regulatory and operational obligations. The financial metrics observed in the unmitigated downside scenario remain consistent with those typically associated with an investment-grade credit profile and thus do not indicate an Event of Default. This position would provide a basis for constructive engagement with creditors. On this basis, the Directors consider it reasonable to conclude that a resolution could be achieved in these circumstances and that the Group would remain viable.

The Directors have also considered the range of mitigating actions that management could reasonably take should this scenario arise. These include additional operational and cost efficiency measures, the deferral or re-profiling of discretionary expenditure where appropriate, and engagement with financing counterparties to establish the potential to amend or, where necessary, waive relevant terms of the CTA to restore funding access. The feasibility of these actions has been assessed with regard to the Group's track record, the strength of its stakeholder relationships, and the time available before liquidity would become constrained.

While the severe but plausible scenario identifies circumstances that would require timely and decisive management action, and outcomes remain subject to execution risk, the Directors consider that the Group would have sufficient liquidity, headroom and a range of credible mitigating options available to respond effectively. Accordingly, after taking into account the availability and timing of these actions, the Directors have a reasonable expectation that the Group would be able to continue in operation and meet its liabilities as they fall due over the period of assessment. The Directors will continue to monitor the Group's financial resilience, liquidity position and principal risks closely and will take further action as necessary should conditions deteriorate.

FINANCIAL REVIEW

Loss after tax and cash outflows have reduced as higher customer bills have only partially been offset by higher operational, financial and transformation costs.

Year ended 31 March	2026 £m	2025 £m	£m	% change
Revenue	**1,174**	920	254	28%
Operating expenses	**(449)**	(421)	(28)	7%
Other operating income	**15**	5	10	220%
Infrastructure renewal expenditure (IRE)	**(121)**	(121)	–	–
Adjusted EBITDA[1]	**619**	383	236	62%
Transformation and restructuring costs	**(23)**	–	(23)	100%
Other expenses (incl. depreciation and amortisation)	**(424)**	(392)	(32)	8%
Net finance expenses	**(241)**	(202)	(39)	19%
Fair value (losses) / gain on financial instruments	**(17)**	65	(82)	(126%)
Taxation	**20**	35	(15)	(43%)
Loss after tax	**(66)**	(111)	45	39%
Capital investment [1] excl. IRE	**496**	508	(12)	(2%)
In-year trading cash flow	**(84)**	(181)	97	(54%)
Adjusted net debt[1] (Common Terms Agreement 'CTA' basis)	**(5,069)**	(4,816)	(254)	5%
Gearing (%)[1]	**61%**	62%		1%
Liquidity	**995**	1,288	(293)	(23%)
Credit rating (Moody's, Standard & Poor's[2], Fitch)	**Baa1/BBB+/A-**	Baa1/BBB+/A-		

1 The Group reports under International Financial Reporting Standards (IFRS) and supplements its IFRS measures with alternative performance measures (APMs). A reconciliation to the most directly comparable IFRS measure, along with definitions and explanations of adjustments, is provided in Appendix A on pages 178 to 180.

2 Standard & Poor's ratings were withdrawn on 8 May 2026.

Revenue increased 28% to £1,174 million (FY25: £920 million), driven primarily by average bill increases of c.30 per cent associated with regulatory allowances to fund our AMP8 capital investment programme.

Adjusted EBITDA increased 62% to £619 million primarily reflecting revenue growth. Underlying operating expenses increased by 7% (£28 million), due to higher energy costs and increased doubtful debt charges in line with higher bills, offset by efficiency savings associated with the Trawsnewid programme. IRE was unchanged year on year recognising continued leakage and mains repairs investment.

Transformation and restructuring costs of £23 million (FY25: nil) relate to the delivery of Trawsnewid, our Group-wide transformation programme, and comprise professional service fees and employee severance costs.

Net finance costs were £39 million higher. This increase was due to interest charges on new bonds issued to cover maturing debt instruments and inflation increasing indexation on our index-linked debt portfolio and was partially offset by returns on higher levels of treasury deposits.

The £17 million loss on our financial instruments (FY25: £65 million gain) was driven by non-cash derivative mark-to-market valuation movements.

Our balance sheet remains strong with total available liquidity of £995 million and net assets of £1,537 million. Our adjusted net debt (on a CTA basis) increased 5% to £5,069 million (2025: £4,816 million), driven by an in-year trading cash outflow of £84 million and non-cash indexation of £170 million. Our regulated gearing, based on the RCV published by Ofwat, is 61% (2025: 62%).

Our free cash flow from operations was an inflow of £42 million (FY25: £99 million outflow). Capital investment excluding IRE was £496 million, down £12 million. The capital programme is well set to deliver a step up in investment through the remainder of AMP8, with the supply chain already in place and with visibility of the plan for the next four years. We are investing more time than originally anticipated in scheme design, looking to ensure programmes are efficiently structured, plus there has been some re-phasing of the plan, including the impact of delays in finalising the National Environment Programme (NEP).

During the year, our credit ratings were affirmed. Since the year end, we have discontinued our rating coverage with Standard & Poor's.

Operating profit overview

Year ended 31 March		2026 £m	2025 £m	Change £m
Revenue		**1,174**	920	254
Net people costs		**116**	118	(2)
Power		**86**	72	14
Doubtful debt		**34**	21	13
Other costs		**189**	190	(1)
Atypical costs		**9**	15	(6)
IRE		**121**	121	–
Adjusted EBITDA[1]		**619**	383	236
Employee related costs	9			
Professional service fees	14			
Transformation and restructuring costs		**23**	–	23

1 Definitions and reconciliations of alternative performance measures are included in Appendix A.

Revenue

Revenue increased by £254 million, driven by a c.30% uplift in household bills reflecting AMP8 regulatory allowances which had a £265 million impact. Our prices are determined every five years through Ofwat's price review process, which sets the framework for investment in our services and infrastructure.

Customer growth contributed £4 million to FY26 revenue however, increased metering uptake, as customers actively manage their bills, and an increase in customers on social tariffs, reduced revenue by £15 million and £2 million respectively.

During the year, we contributed £14 million (FY25: £14 million) in support of over 150,000 customers (FY25: 148,000). (see page 21).

People costs

Gross people costs increased by £9 million, reflecting a 3.5% annual pay award. Net people costs (excluding redundancy costs reported within transformation and restructuring) reduced by £2 million, driven by increased capitalisation of staff costs (£10 million) as we expanded our capital delivery capability to support our £4 billion AMP8 investment programme.

Power

Power costs increased by 19% (£14 million), driven by a 15% year-on-year increase in the weighted-average price of imported electricity, which rose to £202/MWh. Higher grid imports and reduced self-generation further contributed to the increase. In line with our hedging strategy, we hedge 70% of our wholesale price exposure which materially protects the business against price volatility. Our transformation programme identified in-year business efficiencies of £1 million.

Doubtful debt

Doubtful debt charges increased by £13 million, reflecting a £7 million one-off release recognised in the prior year and higher underlying charges of £6 million in line with increased household revenue (c.30%) offset by business improvements. Doubtful debt as a percentage of regulated revenue reduced to 2.9% (2025: 3.1% excluding one-off release).

Collection performance remained resilient, with 76% of household customers on direct debit (FY25: 75%). Proactive engagement and tailored support measures ensured customers in financial difficulty remained engaged through structured payment plans.

Atypical

A £4 million charge was recognised following the announcement of Ofwat's enforcement package in relation to the operation of our wastewater treatment works and network between 2017 and 2023 relating to wastewater treatment works, reflecting investment to improve river water quality in sensitive catchments. See page 6.

FINANCIAL REVIEW CONTINUED

While the year experienced fewer extreme weather events overall, Wales recorded its warmest summer, and among the top driest, on record. A major burst at Broughton (Flintshire) which disrupted supplies to over 22,000 properties, resulted in £3 million of unplanned operating and customer compensation costs.

The table below segments operating expenses by cost pressures and savings delivered from our transformation programme Trawsnewid, shown as a year-on-year waterfall:

Operating expenses	**£m**	**£m**
FY25		**421**
Power	15	
Doubtful debt	13	
Regulatory fees	5	
Rates	10	
Other inflationary pressures	10	
Atypical costs	(7)	
Cost pressures		**46**
Trawsnewid cost savings		**(18)**
FY26		**449**

IRE

IRE of £121 million remained consistent reflecting continued investment in leakage and mains renewals to improve security of supply and support long-term resilience.

Transformation and restructuring

Transformation and restructuring costs totalling £23 million relate to Trawsnewid, our multi year transformation programme designed to improve efficiency, effectiveness and customer outcomes. This includes a substantial redesign of the company, through which we are targeting a headcount reduction of c.12% (up to 500 roles) over the period to September 2028. During FY26, a total of c.180 employees were identified in the first phase of the restructuring programme (£7 million), with cash severance costs of £3 million incurred (c.90 employees), and £4 million provision for future restructuring costs (c.90 employees).

The programme has been supported by a professional services firm, at a cost of £15 million in FY26. As well as strengthening the delivery of the Trawsnewid programme through the provision of specialist expertise, independent challenge and proven delivery methods, this approach enabled the redesign and restructure of the entire organisation (c.4,000 roles) within a period of 5 months, with the provision of industry benchmarks and recommendations of capability enhancements. It allowed us to increase the pace of implementation, whilst reducing delivery risk to the programme and day-to-day operations.

Net finance costs

Net finance costs of £241 million were 19% higher. The combined impact of debt issuances totalling £750 million (FY25: £950 million) and the rising cost of debt, inflated interest charges by £43 million. Higher average inflation rates resulted in additional non-cash indexation charges totalling £20 million. These costs were partially mitigated through repayment of finance leases (£8 million) and an increased return on our treasury deposit investment, driven by higher liquidity (£14 million). Our effective interest cost rremained stable at 5.1% (FY25: 5.1%).

We continue to secure efficient funding in line with the Group's Treasury Policy, which ensures that our interest rate risk is mitigated with a diverse range of debt instruments. Recent issuances at tight pricing led to competitive credit spreads compared to the sector average. After considering the effect of swaps, 56% of our debt is index-linked, with the remainder at a floating (7%) or fixed rate (37%) (FY25: 70%, 5% and 25% respectively).

Gain/losses on financial instruments

The fair value of losses recognised during the year was driven by non-cash valuation movements of our derivatives (£53 million), reflecting lower discounting driven by a fall in SONIA (FY25: gain £8 million). Net settlements received during the year amounted to £36 million, £4 million lower than FY25. Two instruments reached maturity on 31 March 2026 and were settled for a combined £81 million in line with the maturing of the associated C3 Bond. See Note 4 for further information. Fair values fluctuate in line with market movements, which can be volatile, and this can give rise to significant gains and losses in the income statement.

Cash flow

Year ended 31 March	2026 £m	2025 £m	Change £m
Adjusted EBITDA[1]	**619**	383	236
Transformation and restructuring costs	**(23)**	–	(23)
Trading working capital movements	**(58)**	26	(84)
Capital investment [1] excl IRE	**(496)**	(508)	12
Free cash flows from operations	**42**	(99)	141
Net finance costs paid	**(162)**	(162)	–
Net receipts of derivative financial instruments	**36**	80	(44)
In-year trading cash flow[2] – Note 19	**(84)**	(181)	97
Non-cash movements[3] (indexation, accrued interest, other movements) – Note 19	**(170)**	(132)	(38)
Change in adjusted net debt[1]	**(254)**	(313)	59
Opening adjusted net debt[1]	**(4,816)**	(4,503)	
Closing adjusted net debt[1]	**(5,069)**	(4,816)	(254)

1 Definitions and reconciliations of alternative performance measures are included in Appendix A.

2 In-year trading cash flow reflects movement in cash and cash equivalents less principal debt payments and new debt issuances (£121 million inflow) and settlements of derivatives upon expiration (£81 million inflow).

3 Non-cash movements include £63 million indexation on swaps and £2 million other movements included in adjusted net debt in Appendix A.

Year ended 31 March	2026 £m	2025 £m	Change £m
Bonds	**4,243**	4,075	168
Bank loans	**910**	822	89
Lease liabilities	**96**	126	(30)
Net cash and cash equivalents	**(595)**	(638)	44
Swap indexation	**377**	394	(17)
Other (unamortised issue costs, accrued interest and cash outside GCA group)	**38**	37	1
Adjusted net debt[1]	**5,069**	4,816	254
RCV	**8,345**	7,723.1	622
Gearing[1]	**61%**	62%	

1 Definitions and reconciliations of alternative performance measures are included in Appendix A.

In-year trading cash flow

An inflow of £42 million represented £141 million increase in free cash flow from operations, driven by higher adjusted EBITDA, partly offset by an £58 million working capital outflow due to higher receivables following bill increases and prolonged cash recovery profile of customers under debt management.

Capital investment, excluding IRE, at £496 million, was marginally lower than the prior year due to additional scheme design investment and rephasing of the original plan, including the impact of delays in finalising the National Environment Programme (NEP).

Net financing costs paid of £162 million (FY25: £162 million) comprised interest paid £200 million (FY25: £186 million), cash interest received £38 million (FY25: £23 million). The impact of higher net debt and an increase in the effective cash cost of interest (which excludes the non-cash indexation charge on index-linked debt), offset by higher interest on treasury deposits, resulted in net finance costs paid remaining static year on year.

Net debt

We access financial markets and institutions to provide cash flow where the timings of cash flows on large capital projects and customer receipts are mismatched. Ultimately all available investment is only sourced from customer bills. As a result of in-year trading cash outflow flows of £84 million and non-cash increases of £170 million reflecting indexation charges and accrued interest, net debt increased 5% to £5,069 million (FY25: £4,816 million). Funding our capital investment programme and the accretion of inflation-linked debt were the main contributors to this rise in net debt.

At 31 March 2026, total liquidity stood at £995 million (FY25: £1,288 million), comprising unrestricted cash and cash equivalents of £595 million and undrawn credit and loan facilities of £400 million. The reduction in liquidity requirements reflects reduced level of bonds maturing in the next 12 months (£257 million) compared to the prior year (FY25: £490 million).

We target a liquidity ratio of at least 1.25:1, with cash flow requirements funded beyond a 12-month period. We invest cash in deposits with highly rated banks and money market liquidity funds. We also regularly review the list of counterparties and report this to the Audit and Risk Committee.

Our average debt maturity is 10.3 years (FY25: 10.1 years), reflecting the long-term nature of our asset base. Under the terms of our whole business securitisation, no more than 20% of our debt can fall due within a rolling 24-month period.

Financial resilience

We presently remain well within our covenanted financial ratios. Notably gearing is below 85% and we have significant headroom over our senior interest cover ratios, a measure of pre and post capital maintenance cash flows over interest in a given period. However, we are not immune from potential emerging risks impacting our credit rating metrics. For further information, see our long-term viability assessment on pages 49 to 53 and going concern on pages 134 and 135.

Our ratings remain among the highest in the UK utilities sector. Strong credit ratings promote investor confidence and allow us to access efficiently priced debt to fund our investment programme while keeping bills affordable for our customers. On 8 May 2026, Standards & Poor's credit ratings were withdrawn.

Long-term ratings	Moody's	Fitch
Class A	A1	A-
Class B	Baa1	A-
Class C	Baa3	BBB

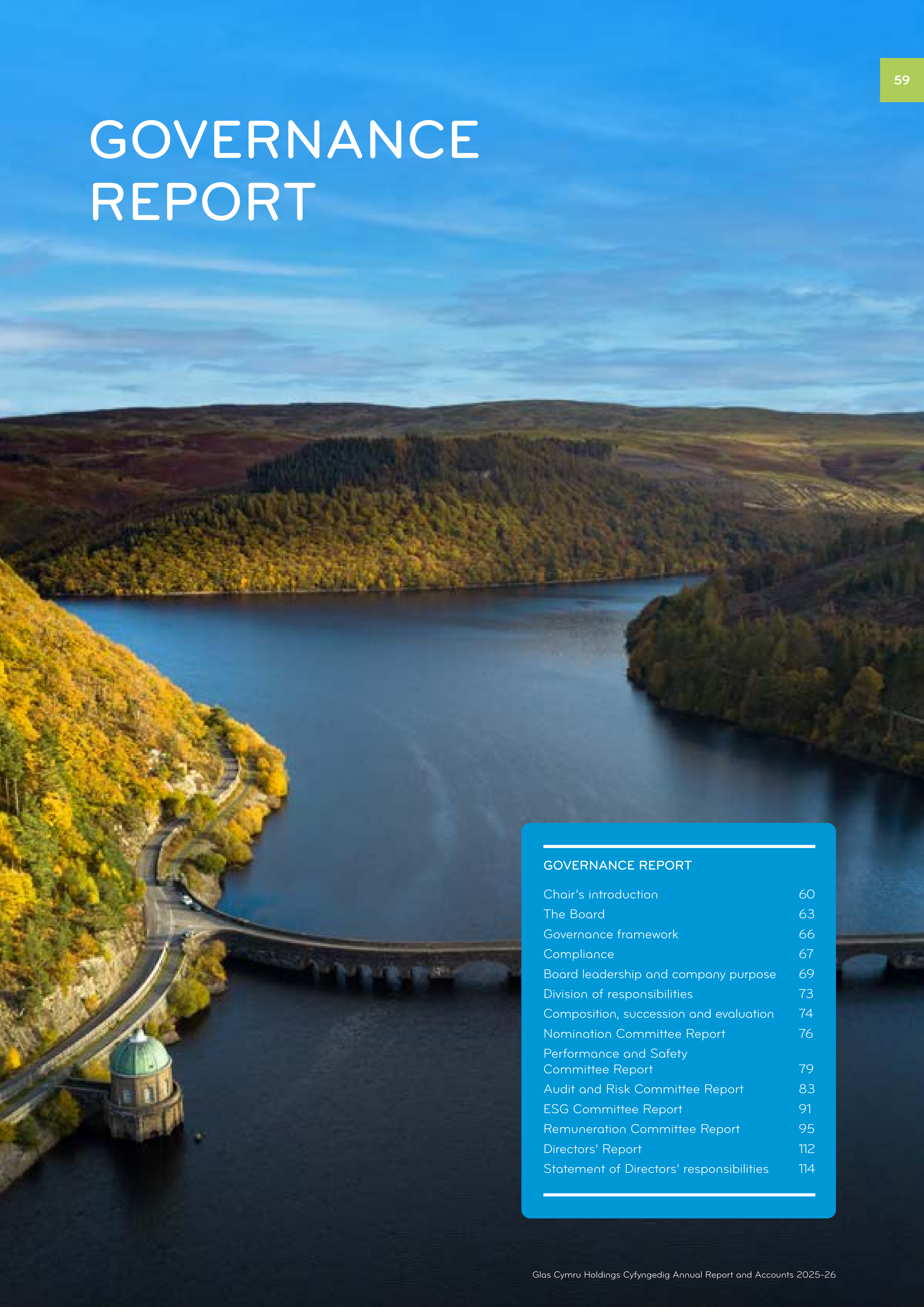
Dividends

As a company limited by guarantee we do not pay dividends to shareholders. No dividends were paid during the year (2025: none). No intra-group dividends have been declared. Any surpluses realised from our regulated business are retained for the benefit of our customers. See our dividend policy on page 112.

Taxation

No corporation tax will be payable in the year. As in previous years, taxable profits are more than offset by capital allowances on our investment programme.

GOVERNANCE REPORT



GOVERNANCE REPORT

CHAIR'S INTRODUCTION

During the year, the Board has continued to oversee the Group's performance and provide robust and constructive challenge. Fundamental change is now required across all parts of the business and the Board is determined to ensure that this change is delivered."

JANE HANSON CBE
Chair

Progress in FY26

- Oversaw the appointment of a new CEO and leadership transition arrangements.
- Oversaw the appointment of an interim CFO.
- Approved new and ambitious vision and outline long-term strategic framework.
- Received regular updates on and monitored delivery of the capital investment programme.
- Reviewed and approved a transformation programme to maximise efficiency and ensure long-term financial stability.
- Strengthened our working relationship with Members.
- Discussed stakeholder feedback and approved actions to address key issues raised including updated plans to identify and proactively support vulnerable customers.
- Reviewed and received updates in relation to the AMP8 funding plan to ensure that sufficient liquidity headroom is available to withstand adverse developments in funding markets and to minimise market risk.
- Reviewed and discussed the Independent Water Commission's interim and final reports and evidence submitted by the Group in relation to water industry reform.

Priorities for FY27

- Oversee the development of the Group's strategy.
- Monitor the delivery of the Group's Service Commitment Plan to improve performance in a number of areas and move it out of Ofwat's 'lagging behind' category.
- Oversee the evolution and further implementation of environmental standards and practices to improve our environmental performance and ranking, and a culture of continuous improvement focused on embedding industry best practices.
- Continue to monitor delivery of the Drinking Water Inspectorate's (DWI) transformation programme.
- Continue to monitor delivery of the transformation and capital investment programmes and the Group's financial performance.
- Oversee arrangements to implement Ofwat's Consumer Involvement Rule.
- Continue to engage with the Welsh Government and other regulators to ensure that the water industry is reformed for the benefit of customers and future generations.

On behalf of the Board, I am pleased to introduce our Governance Report for FY26, which has been prepared in accordance with the 2024 UK Corporate Governance Code (the Code) and Ofwat's Board Leadership, Transparency and Governance Principles (Ofwat's guidance). The Board is preparing for the new internal controls declaration in Provision 29, which is not required for this reporting period and will first apply to our financial year beginning 1 April 2026.

During the year, through the application of best practice and effective corporate governance procedures, the Board, supported by its Committees, has continued to oversee the Group's performance and provide robust and constructive challenge, for the mutual benefit of our customers, employees and other stakeholders.

Overview

As explained in my statement on page 2, FY26 was a challenging year. We had to make some difficult decisions in relation to restructuring our business while at the same time launching our largest-ever capital investment programme to deliver improvements for our customers, communities and the environment. It was also a year of leadership change and the Board devoted a significant amount of time to ensure smooth succession.

Throughout the year our customers and the communities we serve have continued to be our top priority. Recognising the critical importance of the services we provide, the Board has continued to focus on ensuring that we have effective processes and procedures in place to drive and accelerate operational and environmental improvements across our business.

While good progress has been made in strengthening performance reporting and improving financial controls and financial resilience, sustained effort is required to embed cultural change to support the delivery of our new vision and improve customer service levels and asset performance. The delivery of plans to budget and schedule also needs to be strengthened. The Board will continue to oversee these key areas very closely in the year ahead.

In relation to Ofwat's section 203 investigation, on behalf of the Board, I also would like to apologise. We accept that improvements are needed and we are already taking remedial steps that prioritise customer interests, transparency and accountability. In particular, we are introducing new procedures to ensure clearer oversight of statutory compliance, accelerate the escalation of issues and enhance the quality and consistency of compliance reporting data. In the year ahead, the Board supported by the Audit and Risk Committee, will devote a significant amount of its time to ensure that the agreed undertakings are delivered and longer-term remediation plans developed, recognising that full compliance will require sustained investment and robust governance over multiple regulatory periods.

CEO succession

As explained in my statement on page 2 and 3, the Board oversaw an orderly transition of executive leadership during the year. At the end of April 2025, we announced that Peter Perry would step down as CEO and retire from the Board. We commissioned a global search process and on 26 August 2025, based on the Nomination Committee's recommendation, the Board approved and announced the appointment of Roch Cheroux as our new CEO. Roch joined the Company on 6 October 2025 and on 5 January 2026 joined the Board as an Executive Director and Chief Executive Officer. Information about the search process is set out on pages 77 and 78.

Between 6 October 2025 and 31 December 2025, Peter and Roch worked very closely together. Roch also participated in an extensive onboarding programme.

CFO succession

In April 2025 we also announced that Mike Davis would step down as CFO and retire from the Board with effect from 30 June 2025. Following a global search process Mick Jeavons was appointed Interim CFO and joined the Company on 12 May 2025. The process to appoint a permanent CFO is ongoing.

Other Board and Committee changes

There were several other Board and Committee changes during the year. On 7 November 2025, due to the increasing demands of her position as Chief Executive of British Water and other roles, Lila Thompson stepped down from the Board and the Audit and Risk and ESG Committees with immediate effect.

Having served on the Board for over ten and eight years respectively, Joanne Kenrick and Tom Crick are not standing for re-election at our forthcoming AGM on 9 July 2026. They will both step down from the Board and their respective Committees (see page 3) at the AGM. Alison Wilcox will become Chair of the Remuneration Committee at the same time.

New vision and strategy

To ensure we become a trusted partner to the communities we serve and enrich their lives and the economy, extensive change is required across all areas of our business. To support the delivery of this change, the Group's new vision and outline long-term strategic framework (see page 11) were approved by the Board in December 2025 and February 2026 respectively. In the coming year, a significant amount of the Board's time will be spent overseeing the development of our new strategy, including plans to improve our performance year-on-year to ensure customers receive reliable, high-quality services they can depend on.

CHAIR'S INTRODUCTION CONTINUED

Transformation programme

During the summer of 2025 the Board considered a plan to restructure the business and redesign ways of working. Given that the implementation of the programme would create great uncertainty and result in job losses, the Board challenged management about the proposed initiatives including their impact on our planned extensive infrastructure investments, and their ability to deliver greater efficiency and better value services for customers. Following extensive debate and discussions the Board approved the programme recognising that, as a not-for-profit organisation, we have a duty to operate as efficiently and cost effectively as possible and must do so to ensure the long-term provision of reliable and affordable water and wastewater services, much needed environmental improvements and financial stability.

Stakeholders

We exist for the benefit of our customers and the communities we serve and, as highlighted above, our new vision reiterates our commitment to become a trusted partner and responsible steward. Understanding the issues that matter most to our customers, communities and other stakeholders and taking account of these issues in our decision-making process, are critically important if we are to build trust and deliver our vision. In particular, recognising that our service must improve and we must do more to protect the environment, we have committed over £4 billion to our five-year capital investment programme to deliver improvements for our customers, communities and the environment. Monitoring the delivery of this critical programme has been and will continue to be a key focus for the Board.

Regulation

It is encouraging that the Independent Water Commission (the Cunliffe Review), which was published in July 2025, recognised the distinct challenges and opportunities for Wales. In the coming months we will continue to engage with the Welsh Government and other regulators to ensure that these challenges are addressed and the opportunities effectively harnessed for the benefit of customers today and in the future.

We welcomed the introduction of Ofwat's Consumer Involvement Rule, which came into effect at the beginning of April 2026, and I am pleased to report that we have further enhanced our arrangements to ensure that customers are appropriately involved in decisions that materially impact them. Reflecting our commitment to treat the Welsh and English languages on the basis of equality in the provision of our services across Wales, in August 2025 we moved from voluntarily providing our services in Welsh to compliance with statutory Welsh Language Standards (the Standards) regulated by the Welsh Language Commissioner. The Board oversaw the implementation of the Standards and will continue to oversee relevant governance arrangements to ensure compliance.

Board evaluation

During the year, the Board commissioned Halex Consulting to undertake an independent Board effectiveness review, to ensure that our governance arrangements remain robust and fit for purpose in a period of significant challenge and change.

The review, which was completed in April 2026, concluded that the Board has been effective in stewarding the organisation through sustained operational and external pressures, demonstrating strong purpose-led leadership, commitment and resilience. The review recognised that, during 2025, the Board appropriately increased its level of operational engagement in response to underperformance and heightened scrutiny, and that, following the appointment of a new Chief Executive in early 2026, the Board is shifting towards more of a priority-and-decision-led governance while overseeing the Group's environmental and regulatory obligations, and holding the executive to account.

The review identified opportunities to strengthen further the effectiveness of our governance system, particularly through simplifying management information and setting a clear short- to medium-term performance trajectory. Under Roch's leadership, we have already made good progress in these areas and have a structured programme of improvements to ensure that the Board continues to operate with clarity, focus and effectiveness as the business moves into its next phase. See page 75 for further information.

Our Members

Our Members hold the Board to account and ensure that we deliver the best outcomes for our customers, our communities and the environment. Throughout the year they have continued to provide feedback and more importantly challenge us on key issues including environmental performance, the risks associated with our transformation programme, remuneration and our financial resilience (see page 72).

Recognising the importance of open and constructive engagement with our Members, and in response to their request for clearer articulation of their role, we undertook an extensive survey across our membership to gather feedback about their experiences. Based on the survey's findings, we have introduced a new Members' policy and launched a new dedicated Members' portal to enhance communication and provide Members with easy access to all relevant information in one place. Further information about the survey and its findings are set out on page 72.

Annual General Meeting

We held our FY25 Annual General Meeting (AGM) on 4 July 2025 and a large number of our Members were in attendance. Myself and my fellow Directors, together with a number of our senior management team, were pleased to have the opportunity to take their questions formally during the meeting and discuss their views on a range of issues after the formal meeting ended.

We look forward to meeting as many Members as possible at our forthcoming AGM which is scheduled to be held on 9 July 2026.

JANE HANSON CBE
Chair

4 June 2026

THE BOARD[1]

Our Board has a diverse mix of skills and experience.

JANE HANSON CBE
Independent Non-Executive Chair

N R

Appointed to the Board
Non-Executive Chair on 1 January 2025

Non-Executive Director on 1 January 2021

Skills and experience
- Over 20 years' board and governance experience having served on the boards of several private and listed companies and organisations in the charity and public sectors as a Non-Executive Director, Committee Chair and Chair.
- Extensive experience of strategic development, enterprise risk management and regulation gained during an executive career in blue-chip, heavily regulated entities.
- Chartered accountant.

External appointments
Chair of John Lewis Finance Limited, Audit Committee Chair and Non-Executive Director of Royal BAM Group NV and Chair of the Board of Trustees of the Bardi Symphony Orchestra.

ROCH CHEROUX
Chief Executive Officer

Appointed to the Board
Executive Director and Chief Executive Officer on 5 January 2026 having joined the Company on 6 October 2025

Skills and experience
- Significant water sector experience and proven senior leadership capabilities.
- Between 2019 and March 2025 Chief Executive of Sydney Water, Australia's largest water utility, and prior to that Chief Executive of South Australia Water Corporation.
- Earlier in his career he held senior executive roles at SUEZ, United Utilities, Tallinn Water and the Bouygues Group.

External appointments
None.

JOANNE KENRICK
Senior Independent / Non-Executive Director

A N R

Appointed to the Board
Senior Independent Non-Executive Director on 7 July 2023

Independent Non-Executive Director on 1 November 2015

Skills and experience
- Significant customer service and sales and marketing experience. Deep knowledge of sustainability.
- Marketing Director of Homebase until the end of 2015. Prior to that Chief Executive Officer of Start, the public-facing initiative for a more sustainable future, Marketing and Customer Proposition Director at B&Q and Marketing Director at the National Lottery and Group Sales and Marketing Director at Wilson Connolly.
- Law degree.

External appointments
Chair of The Co-operative Bank Plc, Senior Independent Director and Deputy Chair of Coventry Building Society. Non-Executive Director and Chair of the Remuneration Committee of Sirius Real Estate. Non-Executive Director and Consumer Duty champion for Vitality Health and Life Insurance.

Committee membership key

N Nomination Committee
P Performance and Safety Committee
A Audit and Risk Committee
E ESG Committee
R Remuneration Committee
Committee Chair

1 Included on this page and the following pages are the Directors of the Board as at the date of this Annual Report. During the year ended 31 March 2026, Lila Thompson, Mike Davis and Peter Perry also served on the Board. Lila Thompson stepped down from the Board on 7 November 2025 and Mike Davis stepped down from the Board and retired from the Group on 30 June 2025. Peter Perry stepped down from the Board on 31 December 2025. Peter remained available to support a smooth leadership transition until 31 March 2026, when he retired from the Group.

THE BOARD CONTINUED

PROFESSOR TOM CRICK MBE
Independent
Non-Executive Director

A E

Appointed to the Board
1 October 2017

Skills and experience
- Renowned computer science and technical expertise.
- Professor of Digital Policy at Swansea University and Chief Scientific Adviser at the UK Government's Department for Culture, Media and Sport (DCMS).
- Fellow of the Learned Society of Wales.

External appointments
Professor of Digital Policy at Swansea University, Chief Scientific Adviser at DCMS, Trustee of the Cumberland Lodge, Turing Fellow at the Alan Turing Institute and Professor of Digital Society and Policy at the University of Bristol.

DEBRA BOWEN REES
Independent
Non-Executive Director

E P N

Appointed to the Board
1 January 2020

Since April 2021 served as Board representative on the panel which recommends the appointment of Members.

Skills and experience
- Significant leadership and management experience, including managing safety-critical, regulated infrastructure.
- Chief Executive of Cardiff Airport having previously served as the airport's Managing Director and prior to that its Operations Director. Her earlier career was spent with the Royal Air Force where she served in a number of senior positions.

External appointments
Non-Executive Director of ACL International Coordination Limited and Senior Independent Director and Chair of the Remuneration Committee of Airport Coordination Ltd. Non-Executive Director of the Port of Milford Haven responsible for stakeholder strategy and engagement and Chair of the Port Advisory Committee.

SIR JAMES BEVAN KCMG
Independent
Non-Executive Director

E P

Appointed to the Board
11 February 2025

Skills and experience
- Extensive experience in government relations, leadership, operational delivery, regulation, environmental protection and climate change.
- Chief Executive of the Environment Agency from 2015 to 2023. Prior to that he served as a diplomat in Africa, Europe, the United States and India, and as the Chief Operating Officer of the Foreign, Commonwealth and Development Office.

External appointments
Trustee on the Board of the Canal and River Trust, Trustee of Clinton Devon Estates and Visiting Professor at Cranfield University.

DARREN JAMES
Independent Non-Executive Director

N P

Appointed to the Board
1 January 2025

Skills and experience
- Extensive experience in leading high-profile complex engineering programmes for public and private sector customers in highly regulated infrastructure sectors, in the UK and internationally.
- CEO of Aureos (formerly Keltbray Infrastructure Services) since 2024 having previously served as the company's CEO from April 2020. Prior to that he spent 30 years at Costain Group PLC, latterly as Chief Operating Officer. Previously served as Non-Executive Director at the Port of London Authority.
- Qualified civil engineer.

External appointments
CEO of Aureos and Board Member of the Rail Industry Association.

DARREN POPE
Independent Non-Executive Director

A P R

Appointed to the Board
1 January 2025

Skills and experience
- A decade of board and governance experience together with extensive knowledge of financial markets, risk management and transformation programme delivery.
- Served as Chief Financial Officer of TSB Bank and prior to that held senior and board-level positions at Lloyds Bank.
- Previously served as Audit Chair of Hargreaves Lansdown PLC, Virgin Money PLC, Network International Plc and Equiniti Plc.
- Qualified accountant.

External appointments
Audit Chair of Starling Bank.

ALISON WILCOX
Independent Non-Executive Director and Chair Designate of the Remuneration Committee

N P R

Appointed to the Board
1 January 2025

Skills and experience
- Significant human resources and business partnering knowledge and over 25 years' experience of operating at executive and board levels including at BT Group plc, Hays Group Plc and Vodafone.
- Extensive experience of transforming businesses to modernise and simplify operations and enhance customer experience.

External appointments
Chief People and Culture Officer of BT Group plc. Trustee Board Member and Nominations Committee Chair of Health Data Research UK and Non-Executive Director of Guy's and St Thomas' NHS Foundation Trust.

GOVERNANCE FRAMEWORK

Our governance framework supports the delivery of our purpose and ensures we run our business in a transparent and responsible way for the benefit of all our stakeholders over the long term.

Our Members

Individuals independently drawn from across our supply area (with no financial stake in the business). Membership is personal and Members are not appointed to represent any particular group or stakeholder interest. They do not receive a fee. A list of our current Members is available at https://corporate.dwrcymru.com/en/about-us/governance/our-members.

Hold the Board to account and ensure that the business remains focused on its primary purpose of providing high-quality water and sewerage services to the customers and communities we serve. Receive the Annual Report and Accounts, approve the Directors' Remuneration Report and the Directors' Remuneration Policy, elect Directors and appoint the Group's External Auditor.

The Board

The Directors of the joint Board of Glas Cymru Holdings Cyfyngedig (Glas Cymru) and Dŵr Cyrmu Cyfyngedig (Dŵr Cymru) (see page 63 to 65.

Collectively responsible for setting the Group's strategy and agreeing the plans developed by the Executive Committee (ExCo) to ensure the long-term success of the Group for the benefit of its customers and communities, having regard to the interests of stakeholders. Challenges, encourages, and monitors performance of the ExCo against the strategic objectives. Ensures adequate financial and human resources to achieve the Group's objectives. Oversees and ensures the Group's compliance with statutory and regulatory requirements. Oversees major capital investment projects. Sets the risk appetite for the business and ensures the adequacy and efficacy of the Group's systems of internal controls and risk management. Assesses and monitors the Group's culture, values and standards.

The Board has delegated detailed consideration of certain responsibilities to Board Committees, while retaining overall responsibility for decision making in these areas. Each Board Committee Chair reports back to the Board on the matters discussed, decisions taken and, where appropriate, makes recommendations to the Board on matters requiring its approval. The Matters Reserved to the Board and its Committees are monitored by the Company Secretary and are reviewed on an annual basis. See https://corporate.dwrcymru.com/en/library/terms-of-reference.

Board Committees

Nomination Committee

Reviews Board composition and ensures Board diversity and balance of skills. Reviews Board and ExCo succession plans to maintain continuity of skilled resource. Responsible for the process of recruiting new Directors and recommending their appointment to the Board.

Performance and Safety Committee (PSC)

Reviews and monitors operational performance and risks to the business arising from operational and health and safety-related issues. Reviews compliance with regulatory requirements.

Audit and Risk Committee (ARC)

Reviews the integrity, adequacy and effectiveness of the Group's systems of internal control, risk management and related activities. Oversees the preparation and review of financial and regulatory returns. Examines cases of whistleblowing, ensuring full independent assessment and resolution of issues raised.

Environment, Social and Governance (ESG) Committee

Oversees the Group's ESG approach. Considers how priorities and objectives are reported and measured, and monitors performance against the Company's ESG targets and objectives. Ensures that the Company develops and maintains appropriate policies to effectively support its strategy and minimise its environmental impact.

Remuneration Committee

Sets, reviews and recommends the policy on remuneration of the Chair of the Board, the Executive Directors and the senior management team. Maintains oversight of the remuneration policies and practices for the whole workforce, having regard to these when determining the remuneration of the Executive Directors.

Executive Committee (ExCo)

Comprises the leaders of key business function areas, who are appointed by the CEO. Responsible for implementing the strategy agreed by the Board to achieve the Group's strategic objectives and running the day-to-day business in accordance with the established risk management framework, compliance policies, internal control systems and reporting requirements.

Develops and implements strategy, operational plans, policies, procedures and budgets; monitors operating and financial performance; assesses and controls risks; and prioritises and allocates resources.

COMPLIANCE

Sound corporate governance is essential if we are to meet our customer commitments, achieve our strategic priorities and earn stakeholders' trust.

We confirm that during the financial year ended 31 March 2026 we have complied with Ofwat's guidance and the principles and provisions of the Code. In line with the 2024 Code's implementation timetable, the Board will make a Provision 29 declaration from the financial year beginning 1 April 2026. Our compliance with Ofwat's guidance is summarised in the table below and we explain how we have complied with the Code on pages 69 to 111.

How we meet the provisions of Ofwat's guidance on Board leadership, transparency and governance

Guidance provisions	How we have complied with the provisions	Further information
Purpose, values and culture	The Board of the Appointee (otherwise referred to as Dŵr Cymru Cyfyngedig, our regulated company or the Company), has established the Company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves. Our vision and culture underpin our decision making and are monitored by the Board to satisfy itself that behaviour throughout the business is aligned with the Company's purpose. The Company Direction and Performance Statement set out how the Company has set its aspirations and has performed for all those it serves.	See page 69. The Company Direction and Performance Statement is set out in our Annual Performance Report, which will be available from mid-July 2026 at http://corporate.dwrcymru.com/en/library/annual-performance-reports.
Standalone regulated company	The Company has an effective Board with full responsibility for all aspects of its business for the long term. The same Directors that sit on the Company Board also serve on the Board of our holding company, Glas Cymru Holdings Cyfyngedig (the Group), as our sole purpose is the provision of our essential water and wastewater services for the benefit of our customers. The role of the Board and those matters that are delegated to its Committees, all of which report to the Board, are set out on page 66.	See pages 63 to 65. Although the Group and the Company have the same Board members, we regularly review potential conflicts with members and consider any conflicts with reference to the agenda for each meeting.
Board leadership and transparency	The Board's leadership and approach to transparency and governance is designed to engender trust in the Company and ensure accountability for its actions. Information on the following is included in this Annual Report: our Group structure; dividend policy; principal risks and uncertainties; details of Board and Committee memberships; meeting attendance; and Executive Pay Policy.	Our Group structure is available at https://corporate.dwrcymru.com/en/about-us/company-structure. Dividend Policy (page 112). Principal risks and uncertainties (pages 42 to 46). Board and Committee membership and meeting attendance (page 69). Executive Pay Policy (pages 101 to 103).

COMPLIANCE CONTINUED

Guidance provisions	How we have complied with the provisions	Further information
Board structure and effectiveness	A review of the effectiveness of the Board and its Committees is undertaken annually. In accordance with the Code, every three years the evaluation is required to be externally facilitated. An external evaluation was carried out by Halex Consulting in FY23. The firm was also appointed to undertake an evaluation in respect of FY26.	FY26 external Board evaluation process and outcomes (page 75).
	The balance of skills and experience, and independence of the Board and its Committees, is kept under review. There is a majority of Non-Executive Directors on the Board and each of its Committees.	Information about the independence and objectivity of our Directors (pages 74 and 75).
	A formal, rigorous and transparent procedure for new appointments, led by the Nomination Committee, is in place and supported the appointment of our new CEO in FY26.	An overview of the process followed for new appointments can be found on page 78.

BOARD LEADERSHIP AND COMPANY PURPOSE

The Board

The Board is responsible for ensuring that the Group delivers on its purpose for the benefit of its customers and the communities it serves, having regard to the interests of all its stakeholders. The Board is also responsible for ensuring that the Group's culture reflects its values, supports its strategy and is aligned with the achievement of its purpose. The purpose and vision are actively used to test decisions.

The Board monitors culture across the Group using a number of mechanisms including stakeholder engagement (see pages 14 to 16) and the findings of our annual employee survey. The key insights arising from the employee survey undertaken in November 2025, in particular the fall in engagement levels, were considered by the Board at its meeting in February 2026. The Board also reviewed management's proposals to address the survey's findings (see pages 14 and 22) and supported the implementation of a number of initiatives to further strengthen the support provided to employees.

The Board is mindful that it is a custodian of a long-term business that provides vital public services and that investment for the long term is essential to ensure the Group continues to deliver its purpose for the next generation of customers. The governance framework we operate seeks to ensure a strong and sustainable financial and operational performance and that the Group operates within appropriately established risk parameters.

Board meetings and attendance

Eight scheduled Board meetings took place during the year with an additional four ad hoc quorate Board meetings convened to review arising issues including the new CEO and Interim CFO recruitment processes and the approval of the transformation programme. Every effort is made by Board members to attend all meetings. Minutes of meetings of the Board and its Committees are available to all Directors.

The table below shows the number of scheduled meetings attended and the maximum number of Board and Committee meetings Directors could have attended.

Director	Board	Nomination Committee	Performance and Safety Committee	Audit and Risk Committee	ESG Committee	Remuneration Committee
Jane Hanson	8/8	2/2				5/5
James Bevan	8/8		7/7		4/4	
Debra Bowen Rees	8/8	2/2	7/7		4/4	
Tom Crick	8/8			5/6	4/4	
Darren James	8/8	2/2	7/7			
Joanne Kenrick	8/8	2/2		6/6		5/5
Darren Pope	7/8		6/7	6/6		5/5
Alison Wilcox	7/8	2/2	6/7			5/5
Roch Cheroux[1]	2/2					
Peter Perry[2]	6/6					
Lila Thompson[3]	5/5			4/5	1/4	

1 Joined the Group on 6 October 2025 and appointed to the Board on 5 January 2026. As CEO Designate, attended both the November and December 2025 meetings. As CEO Designate and CEO attended not as a member, two meetings of each of the Performance and Safety Committee, the Audit and Risk Committee, the ESG Committee and the Remuneration Committee.

2 Stepped down from the Board and retired from the Group on 31 March 2026.

3 Stepped down from the Board on 7 November 2025.

Mike Davis stepped down from the Board and retired from the Group on 30 June 2025. Prior to that date he did not attend any meetings. From May 2025, in his capacity as Interim CFO, Mick Jeavons attended Board meetings.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Board activities

Every scheduled Board meeting considers a number of standing items including reports from the CEO, Interim CFO and members of the ExCo on financial and operational performance and any current and emerging issues. The Board's key focus areas during FY26 are set out below. Meeting agendas are prepared by the Company Secretary and agreed in consultation with the Chair and CEO, although any member of the Board may request that an item be added to the agenda.

Key activities of the Board during FY26

Key matter	Outcome
Strategy and performance	
New vision and strategy	• Considered the Group's new vision and outline long-term strategic framework. See pages 11 and 18. Following discussion, approved the outline framework and requested that regular updates on the strategy's evolution and development be presented to the Board.
Capital investment programme	• Considered the capital investment programme. While reconfirming delivery of the AMP8 plan by March 2030, given the visibility of the work plan, approved the reprofiling of the programme to weight the investment schedule towards the second half of AMP8.
Transformation programme	• Considered the proposed transformation programme (see pages 6 and 18) and challenged management in relation to the various initiatives and the deliverability of outcomes, including the requirement for headcount reduction, the risks associated with large-scale organisational change particularly during a period of heightened operational and regulatory pressure and the resulting impact on the business' day-to-day operations. Following extensive discussion, approved the implementation of the programme, emphasising that transformation must not compromise service resilience, safety or customer outcomes, and requested that updates on progress be provided at each Board meeting.
Operating performance	• Supported by the Performance and Safety Committee, continued to oversee the Company's operational performance including monitoring delivery of the Group's Service Commitment Plan and reviewing and challenging management in relation to the adequacy and effectiveness of improvement initiatives. • Considered the changing regulatory environment and its implications for both performance expectations and delivery risk. Recognising that long-term improvement would be best secured through actions that can be delivered sustainably, rather than short-term responses that increase execution risk or defer essential asset renewal, the Board consistently challenged management to ensure that regulatory commitments were credible, deliverable and proportionate, taking into account affordability, operational capacity and the need to protect base maintenance and public-health-critical investment.
Water resources	• Continued to oversee the implementation of the Water Resources Plan and, via the Performance and Safety Committee, the Drought Plan 29. • Reviewed and monitored delivery of Per Capita Consumption and Leakage recovery plans and targets.
Environmental performance	• Approved the Wastewater Investment plans for PR24 which prioritise reducing harm to the environment. • Continued to monitor the Group's performance against updated National Environmental Programme targets and the resulting impact on PR24 plans.
Vulnerable customer support	• Reviewed updated plans to identify and proactively support vulnerable customers. Following consideration and recognition that the plans aligned with the Group's new vision and its fundamental responsibility to support its customers, approved the implementation of the plans. See page 21. • Approved FY27 charge structure to minimise the level of charge increases to customers on social tariffs, noting again the Group's commitment to affordability.
IT, cyber and technology Infrastructure	• Regularly reviewed the Group's cybersecurity capability and considered updates on existing and emerging cyber threats.
Regulation	
The Independent Water Commission (the Cunliffe Review) and subsequent Government publications	• Received regular updates on the Group's engagement with the Welsh Government, Defra and regulators including its participation in the consultation process.
Evolving regulation	• Recognising that changes in regulatory frameworks and assessment methodologies are increasingly influencing reported outcomes and enforcement risk across the sector, ensured that external narratives clearly distinguished between underlying operational performance and the effects of methodological change, and that submissions to regulators were transparent about the constraints, trade-offs and judgement calls inherent in delivery planning.

Key matter	Outcome
Environmental, social and governance	
ESG	• Reviewed storm overflow and event duration monitoring and, noting the importance of enhanced monitoring and data assurance, challenged management on data quality, governance arrangements and the treatment of false positives. Furthermore, the Board sought assurance that monitoring activity was supporting, rather than distorting, environmental outcomes and reiterated that investment decisions should remain focused on reducing environmental harm, rather than being driven solely by reporting compliance or short-term regulatory optics. • Reviewed the Group's sustainability approach and, taking into account recommendations from the ESG Committee, approved updated ESG priorities and objectives, which place a clear emphasis on deliverability, affordability and long-term value creation. See page 20. • Participated in 'deep dives' in relation to drinking water quality and storm overflows. In relation to drinking water quality the discussions focused on the progress of the DWI transformation programme, the underlying drivers of compliance risk and an examination of asset condition. The deep dive session in relation to storm overflows focused on new monitoring requirements, regulatory methodologies, data integrity and governance, with the Committee noting that all operational and investment decisions should prioritise the reduction of environmental harm rather than reporting compliance. • Continued to monitor the progress of delivery of the Group's plan to achieve Net-Zero carbon emissions by 2040.
Risk management and internal controls	
Code Provision 29	• Reviewed ongoing work to enhance the Group's existing processes and controls to ensure compliance with Code Provision 29. See pages 84 and 87.
Effectiveness	• Supported by the Audit and Risk Committee, reviewed the effectiveness of the Group's risk management and internal control processes. See pages 85 and 87.
Principal and emerging risks	• Reviewed and challenged the ExCo's assessment of the Group's principal and emerging risks. In particular, given the external environment and legacy challenges facing the sector, in relation to those risks that remained outside stated appetite, the Board requested explicit articulation of risk tolerances, recovery trajectories and mitigating actions, to ensure that any acceptance of elevated risk was conscious, time-bound and subject to enhanced oversight. • Wye Group action (see page 47).
Financial reporting and controls	
Interim and full-year results	• Reviewed accounting policies and half-year and year-end financial statements and considered input from the Group's External Auditor.
Going concern and viability	• Reviewed recommendations from the Audit and Risk Committee in relation to the going concern basis of the financial statements and the Group's prospects and viability over the long term (see page 86). Based on the Audit and Risk Committee's recommendations, the Board approved the Going Concern and Viability Statements (see pages 134 and 135 and pages 49 to 53).
Financial approvals	
Prospectus and Sustainable Finance Framework	• Approved the Group's updated Prospectus and Sustainable Finance Framework to support the Group's financial plans for the delivery of the requirements of AMP8.
Funding plan	• Considered treasury strategy and debt issuance in light of increased market scrutiny, credit rating sensitivity and refinancing requirements. Discussions focused on maintaining adequate liquidity and covenant headroom while balancing the timing and cost of bond issuance against market conditions.
Board composition and effectiveness	
CEO succession	• Based on the Nomination Committee's recommendations, approved the appointment of Roch Cheroux as CEO. See page 77.
External Board evaluation	• Considered the findings of the external Board performance evaluation and agreed a number of actions to be implemented to enhance the Board's effectiveness. See page 75.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Members and how the Board engages with them

Members are selected by an Independent Member Selection Panel (the Panel) following an annual recruitment process based on open advertising. The Company Secretary organises the Member recruitment process and resulting induction process and the Panel recommends the final list of candidates to the Board for approval. The aim of the selection process is to maintain a balanced and diverse group of individuals, broadly reflecting the range of our customers' and key stakeholders' interests.

As highlighted on page 62, during the year we conducted a survey across our Members. A number of key insights emerged from the feedback provided, including the need to enhance engagement and improve retention of Members. To address these issues a new dedicated Members' portal was launched in December 2025. In addition, the existing Members' policy document was reviewed and a new policy was drafted which was sent to Members for their consideration. Taking account of comments received from Members, the new draft policy was updated then discussed and approved by the Board at its meeting in February 2026.

To support active engagement, we maintain a regular dialogue with our Members and proactively brief them on key issues. Non-Executive Director Debra Bowen Rees sits on the Panel as the Board's representative and the Chair is also available to meet and respond to Members when needed. In addition, Joanne Kenrick (on matters relating to Remuneration Policy) and the Company Secretary are available to meet with any Member outside scheduled Member meetings. The Company Secretary manages the Membership and seeks feedback from the Panel on the format and content of Members' meetings. In addition to the Group's AGM, 11 Membership meetings took place during FY26. These meetings included five regional Members' meetings, to ensure that we focus on local priorities and concerns, and an induction day for the three new Members that joined during the year, which was held at our head office in November 2025. During the year Members also participated in site visits during which they met with employees and discussed key developments and current challenges.

During the year our Members have provided feedback and challenge in relation to a number of key issues which we have addressed as follows:

- Our environmental performance including our environmental performance assessment and compliance risk index ratings, leakage and pollution reporting, and the need to accelerate improvement. In response to Members' feedback, to intensify the focus on performance and drive programmes to deliver change, environmental performance deep-dives now take place at every Board meeting and each meeting of the Performance and Safety Committee.
- The scale, pace and workforce impact of the transformation programme. In discussion with Members, the Board acknowledged their valid concerns about the risks associated with the transformation programme and explained that processes had been put in place to monitor the programme's delivery and, more importantly, minimise its impact on employees and ensure that service resilience, safety and customer outcomes are not compromised.
- The need for clear and direct alignment between remuneration, performance and values. The Remuneration Committee considered Members' feedback and in response, ahead of the 2025 AGM, updated the Remuneration Policy to reduce reliance on variable pay, strengthen discretion, enhance withholding and recovery provisions and include clearer linkage between pay and operational outcomes.
- The Group's capital funding strategy, adviser costs, value for money and the extent to which the investments being made benefit the communities we serve. Questions raised by Members in relation to these issues have reinforced the Board's focus on disciplined financial management as a cornerstone of customer affordability and long-term sustainability. Our updated ESG approach now includes an investment in community objective and to monitor its delivery, a project has been commissioned with Cardiff University to track the impact of the ongoing £4 billion capital investment programme on the communities we serve.

Board engagement with other stakeholders

Information about the Group's other stakeholders and how we engage with them is set out on pages 14 to 16. Examples of how the Board took stakeholders' interests into consideration during its decision-making process are included in the Section 172 Statement on page 17 and 18.

The Board regularly engages with:

- **Employees:** During the year Non-Executive Directors participated in discussions with Employee Engagement Champions covering a range of topics including CEO remuneration and public transparency, the transformation programme and the impact of social media on customer interaction and communication. On a monthly basis the CEO participates in two-way employee Teams briefings. The Non-Executive Directors also undertake site visits (see page 74). These site visits, which often include lunches and dinners with colleagues, provide excellent opportunities for the Board to experience colleagues' working environments first hand and to hear directly from employees.
- **Investors:** Access to financial markets is key to the delivery of our strategic objectives and we maintain close and open relationships with our debt investors. The Treasury team provides the Board with regular updates on market conditions, investor feedback and sector credit ratings, together with treasury strategy and proposed refinancing plans. The Chair, CEO, Interim CFO, Company Secretary and Group Treasurer meet with investors at our scheduled annual investor day and as required or requested by our investors.

DIVISION OF RESPONSIBILITIES

Our governance structure clearly separates responsibilities and defines the role of our Executive and Non-Executive Directors.

Chair

- Responsible for the leadership of the Board.
- Sets the agenda for Board meetings.
- Ensures the effectiveness of the Board and its Committees and good governance.

Senior Independent Director

- Meets with other Non-Executive Directors and the Executive Directors on an annual basis to review the performance of the Chair.
- Stands in as Chair at Board meetings in the event that the Chair is not able to attend.
- Acts as an informal sounding board for all members of the Board.

Non-Executive Directors

- Challenge the Executive Directors constructively and monitor delivery of the Group's strategy within the risk and control framework approved by the Board.
- Mentor and support members of the ExCo and senior managers across the business.
- Engage with stakeholders and consider relevant insights gathered at Board and Committee meetings.

Chief Executive Officer

- Responsible for leading the management of the Company, with support from the ExCo.

Members

- Hold the Board to account for the stewardship of the Group's assets and for providing an essential public service in a manner that will be sustainable for future generations. See page 72.

Company Secretary

- Supports the Chair in ensuring the Group operates effective governance and delivers against its statutory and regulatory responsibilities.
- Acts as the primary liaison and point of contact for the Group's Membership, ensuring that Members are kept up to date with emerging issues and sharing Member scrutiny and feedback with the Board and the ExCo.
- Available to support all Non-Executive Directors and the ExCo and promotes good information flows between the Board, the ExCo and internal committees and management teams within the Group.

COMPOSITION, SUCCESSION AND EVALUATION

Board composition

The Board considers that it, and its Committees, have the appropriate balance of skills and experience that are material to support the delivery of the Group's strategic objectives. The Board includes an independent Non-Executive Chair, seven independent Non-Executive Directors and one Executive Director. Biographical information about the Board is set out on pages 63 to 65.

The composition of the Board is reviewed annually by the Nomination Committee to confirm an appropriate diversity of background, skills and experience, and as part of Director succession planning.

Independence

We consider the independence of our Non-Executive Directors on an ongoing basis and formally on an annual basis. Our Chair and our Non-Executive Directors are considered to be independent in accordance with the Code and free from any relationship that would compromise their independent judgement. Potential conflicts of interest are considered at the start of each Board and Committee meeting. Directors recuse themselves from any matter if such a conflict is considered to exist.

Board and Committee appointments

A rigorous and transparent process is followed for the appointment of new Directors to the Board. Appointments to the Board and its Committees are made on the recommendation of the Nomination Committee. Information about the Nomination Committee's key activities during the year, including the work the Committee undertook in relation to the appointment of Roch Cheroux, is set out on pages 76 to 78.

Directors' induction and development

Each new external Non-Executive Director participates in an induction process to ensure that they are able to make a valuable contribution and fulfil their duties as quickly as possible. The programme includes meetings with the Chair and other Non-Executive Directors, members of the ExCo and senior managers across the business. Prior to their appointment being finalised, all new Non-Executive Directors meet with Ofwat. Site visits and one-on-one meetings with the Group's principal advisers are also included in the programme. Directors also receive 'deep dive' briefings on topics relevant to the operation and governance of the Group and can also attend the Institute of Directors' course for new directors.

During his first three months with the Group, Roch Cheroux participated in a bespoke induction programme which included roadshow meetings with employees, site visits, regional Member meetings and meetings with investors, regulators and other stakeholders.

As part of their ongoing development, the Company Secretary ensures that updates to legislation, corporate governance and reporting are brought to the attention of the Board and its Committees as appropriate. Regular attendance from our External Auditor, Deloitte, at meetings of the Audit and Risk Committee also supports the Directors being kept up to date on current developments in governance. Specific development sessions during FY26 covered charge schemes.

To improve their understanding of the Group's operational and investment activity Non-Executive Directors are expected to undertake at least two site visits each year. During FY26, the following site visits took place and a number of Non-Executive Directors participated:

- June 2025 – Ganol wastewater treatment plant in North Wales.
- August 2025 – Craig Coch Dam in the Elan Valley.
- August 2025 – Llandeilo and Bryngwyn water treatment works.
- October 2025 – Llanfoist phosphorus removal scheme.
- November 2025 – Elan Valley Visitor Centre.

Term and re-election

Non-Executive Directors are appointed for a three-year term, which can be renewed for up to two further periods of three years. Each Non-Executive Director (other than the Chair) must retire at each AGM following the ninth anniversary of their appointment under the terms of our Articles but will remain available for re-appointment subject to approval by Members in accordance with the Group's Articles.

All Directors seek re-election by Members every year at the AGM. Directors appointed during the year seek election at the next AGM following their appointment. Peter Perry and Mike Davis stepped down from the Board on 31 December 2025 and 30 June 2025 respectively. Lila Thompson also stepped down from the Board on 7 November 2025. As explained on page 3, Joanne Kenrick and Tom Crick are not standing for re-election at our forthcoming AGM.

External appointments

Our constitutional documents do not specify a particular allocation of time required by Non-Executive Directors to be effective in their roles. However, the Nomination Committee reviews the extent to which Non-Executive Directors have the appropriate time to fulfil their role effectively. In particular the Nomination Committee reviews the Non-Executive Directors' external appointments and other outside business interests to satisfy itself that any additional appointments will not adversely impact their time commitment to their role within the Group. The external appointments held by all Board members are set out in their biographies on pages 63 to 65.

Conflicts of interest

Before appointment, Directors are asked to disclose any other interests that may result in a conflict of interest, and all Directors are required to report to the Board any future business interests that could result in an actual or perceived conflict of interest. Any proposed new external appointments of an existing Director must be discussed with the Chair of the Board, in the first instance, and submitted to the Nomination Committee for approval.

Board evaluation

At the end of each Board meeting, there is a discussion as to Directors' views of the effectiveness of the meeting and opportunities for improvement to shape future Board business and discussion. In addition, on an annual basis a formal review of the performance of the Board and its Committees is undertaken. In every third year this formal review is undertaken by an independent third party.

In November 2025 the Board appointed Halex Consulting to undertake an independent effectiveness review of its performance. The process included the following phases:

- Phase 1: Creation of a detailed questionnaire covering a number of topics including boardroom dynamics, Board/management relationship and meeting management.
- Phase 2: Discussions one-on-one, with individual Directors based on the questionnaire and meeting observations.
- Phase 3: Collation of key insights into a report which was reviewed and discussed by the Board at its meeting in April 2026.
- Phase 4: Priority actions to address the report's findings agreed by the Board.

As explained on page 62, the review concluded that the Board has been effective in stewarding the organisation through sustained operational and external pressures, demonstrating strong purpose-led leadership, commitment and resilience.

Opportunities to strengthen further the effectiveness of the Group's governance system were identified and it was noted that some of these had already been addressed or were in the process of being addressed.

Priority actions to further strengthen the Group's governance system, all of which will be addressed in the coming year, include:

- Simplifying and synthesising information to ensure high-quality, decision-ready management information is made available to the Board and its Committees. Building on changes already made to dashboards and overall Board pack design, a Board digest and data pack will now be included in Board papers.
- Clarifying each Committee's remit through the introduction of a forward-looking rolling 12-month agenda aligned to key business priorities and a refresh of the Board and Committees' Terms of Reference.
- Continuing the Board's shift from operational engagement to strategic oversight, challenge and holding the executives to account.
- Embedding oversight through a unified short- to medium-term evidence-based performance trajectory with milestones aligned to regulatory expectations, organisational capacity and financial constraints.
- Increasing focus on leadership capabilities, critical role succession, culture and engagement.

NOMINATION COMMITTEE REPORT

During the year the Committee oversaw a smooth senior leadership transition. In the coming year, we will focus on ensuring that in other key roles across the business, we have the right skills and experience in place, and robust succession plans, to deliver our ambitious new vision."

JANE HANSON CBE
Chair of the Nomination Committee

Committee members

- Jane Hanson
- Debra Bowen Rees
- Darren James
- Joanne Kenrick
- Alison Wilcox

Key responsibilities

- Ensure the Board has the necessary skills, background and experience to enable the Group to meet its current and future strategic objectives.
- Regularly review the composition of the Board and its Committees in the context of Director rotation, the Group's strategy and activities, its diversity objectives and the Board's Terms of Reference.
- Establish orderly succession plans for Board and Committee roles and maintain oversight of ExCo succession plans.
- Oversee formal, rigorous and transparent Board appointments process.
- Work with other Board Committees, as appropriate, including the Remuneration Committee in respect of new Board appointee remuneration arrangements and issues relating to gender and ethnicity pay equality.

Progress in FY26

- Led a rigorous CEO recruitment process and recommended the appointment of Roch Cheroux to the role.
- Oversaw a smooth CEO transition and Roch Cheroux's induction programme.
- Reviewed Board composition and commissioned searches for a new Non-Executive Director.
- Oversaw appointment of interim CFO.
- Reviewed leadership continuity and executive resilience including putting in place interim financial leadership arrangements ahead of AMP8.

Priorities for FY27

- Appoint a new Non-Executive Director.
- Continue to monitor the composition of the Board and its Committees to ensure an appropriate balance of skills, diversity and tenure.
- Oversee management performance and leadership resilience during ongoing delivery of the transformation and investment programmes and development of the new strategy.
- Continue to review and monitor senior management succession planning.

On behalf of the Board, I am pleased to present this report which sets out the Committee's activities during the year.

Reflections on FY26

After many years of stable leadership, a substantial amount of the Committee's time during the year was spent on ensuring a smooth CEO transition following Peter Perry's decision to step down from the Board at the end of December 2025. Following a global search process, based on the Committee's recommendation, Roch Cheroux was appointed CEO and joined the business in September 2025. From that point until the end of the year the Committee oversaw Roch's deep and wide-ranging induction programme which covered a range of activities as described on page 74.

During the year the Committee also oversaw Mick Jeavons' appointment and induction as Interim CFO. The process to appoint a permanent CFO is ongoing.

As I explain on page 2, we need to improve our performance and key to that is the effective delivery of our transformation and investment programmes. During the coming year a key focus for the Committee will be ensuring that we have the right talent and capabilities in place now and in the future to deliver both programmes successfully.

Committee meetings

The Committee met twice during the year and members' attendance at meetings is set out on page 69. Other regular attendees at meetings of the Committee included the Business Support and People Director. In addition to the scheduled meeting, further quorate Committee meetings took place to consider the new CEO recruitment process. All members of the Committee are independent.

Committee activity

The Committee's Terms of Reference, which are available at https://corporate.dwrcymru.com/en/library/terms-of-reference, have informed the agenda and its key areas of focus during FY26.

The key activities of the Committee and the outcome of its deliberations are set out below.

Matter	Activity and outcome
CEO appointment	In April 2025 the Committee commissioned Spencer Stuart to undertake a global search for the Group's new CEO. The Board appointment process outlined on the next page was followed. Following the conclusion of a global search process, the Committee recommended to the Board the appointment of Roch Cheroux. This appointment was approved by the Board and announced on 27 August 2025.
Interim CFO appointment and Non-Executive Director search processes	Following a global search process, the Committee oversaw and recommended to the Board the appointment of Mick Jeavons as Interim CFO in May 2025. Taking into account the Board's evolving needs, including Audit and Risk Committee succession, the regulatory environment and future challenges, the Committee commissioned Odgers Berndtson to undertake a rigorous and structured search process for a new Non-Executive Director.
Board composition and balance	The Committee reviewed and discussed the Non-Executive Director skills, knowledge, experience, independence and diversity. As part of its review, the Committee refreshed the Board skills matrix, taking into account the evolving regulatory environment, organisational priorities and future challenges and used this to test whether capability was appropriately distributed across the Board and key Committees. This review informed decisions on succession planning and recruitment, providing assurance that the Board remains appropriately skilled, diverse and well-balanced to discharge its responsibilities effectively.
Ensuring diversity of thinking and approach	The Committee reviewed and refreshed the Board Diversity Policy to ensure continued alignment with the Code, the Equality Act 2010 and current national diversity frameworks. The Policy confirms that appointments are made on merit through a transparent and objective process, with diversity considerations supporting effective Board composition and succession planning. The Committee also reviewed the Group's 2025 gender and ethnicity pay gap data (see page 99) noting that the information demonstrated continued progress in supporting fair pay, progression and inclusive workforce representation.

NOMINATION COMMITTEE REPORT CONTINUED

Board appointment process

Our Board appointment recruitment process starts with the development of a candidate specification that outlines the required skills and experience for the role and takes account of the Group's diversity and inclusion objectives and orderly succession plans. Generally, external recruitment consultants are engaged to lead the process and Board vacancies are advertised externally. A long list of potential candidates is submitted to the Committee which then selects a short list of candidates for interview. Following the interviews, the Committee makes a recommendation to the Board and Board members have an opportunity to meet the preferred candidate. Ahead of formal appointment, Non-Executive Director appointments are also subject to a meeting with Ofwat.

Equality, diversity and inclusion

To ensure that the Board has the right balance of skills, knowledge and experience and our workforce is representative of the communities we serve, the Committee ensures implementation of the Board Diversity Policy (see adjacent panel and http://corporate.dwrcymru.com/en/library/company-statements/board-diversity-statement.) and oversees the plans to promote equality, diversity and inclusion across the business.

In the opinion of the Committee, the Board currently benefits from an appropriately diverse range of skills, knowledge and experience. See the Directors' biographies included on pages 63 to 65.

We support the recommendations of the Parker Review, which encourages companies to increase the ethnicity on boards. For over three and a half years until November 2025 our Board included a Director from a minority ethnic background. We are committed to having at least one Director from an ethnic minority background and, while all appointments will be made on merit, we will factor this commitment into our future Board recruitment processes.

Although we are not a listed company, we confirm that we comply with the following UK Listing Rules targets:

- At least 40% of the Board are women.
- Two of the senior Board positions (Chair and Senior Independent Director) are women.

At the end of FY26, 44% of our Board members (FY25: 45%) and 14% of the ExCo (FY25: 20%) were female, while in the wider workforce, of those senior managers reporting directly to a member of the ExCo, 36% (FY25: 36%) were female. Following changes to the composition of the ExCo which took effect on 1 May 2026, as at the date of this Annual Report, 13% of its members were female and, of those senior managers reporting directly to a member of ExCo, 42% were female.

Implementation of Board Diversity Policy

Objectives	Implementation
Ensure optimal decision making through diversity of thought by ensuring an appropriate range of skills on the Board and its Committees including knowledge, experience, backgrounds and characteristics. Regularly review Board composition, succession planning, talent development and the broader aspects of diversity.	See previous page in relation to CEO appointment and succession planning.
Work with recruitment consultancy firms who understand our values and approach to diversity and who will identify and propose suitable candidates.	Commissioned Spencer Stuart and Odgers Berndtson to undertake a global search for a CEO and new Non-Executive Director (see previous page). Spencer Stuart and Odgers Berndtson are signatories to the Voluntary Code of Conduct for Executive Search Firms and are committed to adhering to those standards.
Report annually, in the corporate governance section of the Annual Report, on the process the Committee has used in relation to Board appointments, its progress in maintaining or improving Board diversity and on gender diversity ratios.	See adjacent column.
Report on the Committee's oversight of plans to promote diversity within our workforce to ensure that the individuals working for us are truly representative of the communities that we serve.	See adjacent column.
Review the Diversity Policy annually and recommend any amendments to the Board.	See previous page.

JANE HANSON CBE
Chair of the Nomination Committee

4 June 2026

PERFORMANCE AND SAFETY COMMITTEE REPORT

Much of the Committee's time during the year has focused on monitoring the various initiatives to improve our operational and environmental performance for the benefit of our customers and the environment. While some progress has been made there is still much to do and the pace of change needs to be accelerated."

DARREN JAMES
Chair of the Performance and Safety Committee

Committee members

- Darren James
- James Bevan
- Debra Bowen Rees
- Darren Pope
- Alison Wilcox

Key responsibilities

- Challenges the ExCo to ensure continuous improvement in operational performance and the delivery of the DWI transformation programme.
- Reviews the Group's water and wastewater operational performance and assesses the appropriateness of water, wastewater and environmental strategies.
- Reviews and agrees the Group's operational systems and quality assurance audit programme and receives the findings of audit reports relating to water and wastewater service provision.
- Reviews the findings of Serious Incident Reviews of any water quality, environmental, safety or customer service failure.
- Reviews the adequacy of the Group's emergency and security arrangements and receives assurance that these are in line with relevant statutory guidance.
- Reviews and influences the Health and Safety Management Plan and monitors its delivery.
- Oversees the Group's compliance with its public health responsibilities and obligations.
- Assesses annual reports, including the Annual Dam Safety Report, Water Resources Management Plan and the Annual Health and Safety Report, and recommends these to the Board for approval.

Progress in FY26

- Monitored delivery of the initiatives to improve the Group's EPA ratings and clean water metrics.
- Monitored delivery of the DWI transformation programme.
- Monitored compliance with key PR24 performance metrics and project delivery plans.
- Continued to monitor the implementation of the Group's Health and Safety Management Plan and AMP8 construction health and safety plans and ensured that both continued to be effective given the significant increase in capital projects during AMP8.

Key priorities for FY27

- Oversee delivery of the Group's published Service Commitment Plan which aims to improve the Group's performance in a number of areas and move it out of Ofwat's 'lagging behind' category.
- Support the evolution and further implementation of environmental standards and practices to improve our environmental performance and ranking, and a culture of continuous improvement focused on embedding industry best practices across all environmental areas.
- Continue to oversee delivery of the DWI transformation programme.
- Oversee the development of enhanced performance and safety initiatives to support the Group's strategy.
- Monitor regulatory developments and the Group's engagement with the Welsh Government and other regulators to ensure the water industry is reformed for the benefit of customers and future generations.

PERFORMANCE AND SAFETY COMMITTEE REPORT CONTINUED

On behalf of the Board, I am pleased to present this report which sets out the Committee's activities during the year.

Reflections on FY26

Operating safely at all times is paramount. While I am pleased to report that our performance continues to be strong relative to the sector, we must not be complacent. Given the growing scale and complexity of our operations and investment projects, together with the increasing frequency of extreme weather events, the health and safety of our people, our contractors and those who visit our sites must remain a priority. In the coming year the Committee will continue to monitor and ensure that our competence and supervision assessments, together with our training and development programmes, continue to be robust.

During the year, the Committee spent much of its time overseeing various initiatives to improve our environmental performance and ranking and move the Group out of Ofwat's 'lagging behind' category. While I am pleased to report that we have made good progress in relation to leakage reduction, targeted improvements in wastewater treatment works compliance and the development of clearer performance trajectories, our wastewater compliance, pollution reduction and storm overflow improvement programmes have not delivered the pace of improvement required to offset historic under-investment and the impact of emerging regulatory interpretation changes. Recognising that our capabilities in relation to data quality, asset insight, performance forecasting and regulatory assurance need to be enhanced, the Committee has supported the strengthening of governance, management information and escalation arrangements, alongside targeted investment and capability-building initiatives, to improve oversight and accelerate progress.

The Committee has also continued to monitor progress in relation to the DWI transformation programme, which has achieved a number of milestones to date. While acknowledging that delivery of the programme is a multi-year challenge due to the age profile of our assets and our network complexity, public health protection must remain our priority. Continued open engagement with the Drinking Water Inspectorate will also be critical to achieving sustainable improvement.

During the year, in relation to regulatory focus, the clear shift from historic compliance to judgements on pace of improvement, prioritisation and affordability became more apparent. In this context, the Committee supports a proactive and transparent approach to regulatory engagement, favouring credible, evidence-based undertakings over short-term compliance responses that could undermine sustainable delivery.

Committee meetings and advisers

The Committee met seven times during the year and members' attendance at meetings is set out on page 69. Other regular attendees at meetings of the Committee included the CEO Designate, CEO and the Managing Directors of Water and Wastewater[1]. Independent consultants who are expert in environment and wastewater performance and water and public health also attended parts of some meetings to update the Committee on changes to the external environment including evolving regulation, and to provide independent public health, water quality and operational water advice.

Committee activities

The Committee Terms of Reference, which are available at https://corporate.dwrcymru.com/en/library/terms-of-reference, have informed the agenda and key areas of focus for the Committee during FY26.

The key activities of the Committee and the outcome of its deliberations are set out below.

Matter	Activity and outcome
Health and safety	Biannually the Committee reviewed and discussed health and safety reports presented by the Director of Health, Safety and Wellbeing. At each meeting it also reviewed reports of health and safety incidents, near misses and potential risks and subsequently updated the Board at each Board meeting. The Committee noted the work of the Process Safety Steering Group and its key areas of activity for FY26. Acknowledging the planned increase in capital programmes during AMP8, the Committee considered the Health and Safety Management Plan and AMP8 construction health and safety plans and challenged management to ensure that appropriate processes and procedures are in place to respond to the large increase in projects.

1 With effect from 1 May 2026, these roles were combined and their respective responsibilities transferred and shared between our new Chief Asset Officer and new Chief Operations Officer.

<table>
<tr><th>Matter</th><th>Activity and outcome</th></tr>
<tr><td>Engagement with regulators</td><td>Natural Resources Wales (NRW) attended the Committee's November 2025 meeting when an update was provided in relation to the portfolio review being undertaken, incident self-reporting, strategic opportunities and the future focus. The Committee considered the detailed feedback NRW provided on the proposals.

The DWI Chief Inspector attended the September 2025 Committee meeting to provide feedback on our recent performance and progress. The Committee will meet the Chief Inspector again in FY27 to undertake a review of the Group's Water Quality Performance.

Feedback provided by NRW and DWI, together with our other regulators, was considered by the Committee and the Board and has helped shape operational and strategic responses to the existing and emerging legislative and regulatory operational requirements.</td></tr>
<tr><td>Incident responses</td><td>The Committee reviewed in detail the operational response to the significant water main burst which impacted households and businesses in Broughton Flintshire. The review focused on the effectiveness of arrangements to maintain customer supply and protect vulnerable customers and specifically the speed of mobilisation, cross-functional coordination and the deployment of alternative water supplies, to ensure continuity of service. Particular emphasis was placed on the clarity of escalation, decision-making authority and communications, both internally and with customers. The Committee sought assurance that lessons identified were being embedded into emergency planning, network resilience and customer communication protocols to strengthen preparedness and reduce the impact of future supply interruptions.</td></tr>
<tr><td>Operational performance</td><td>The Committee continued to focus on ensuring that the Company improves its environmental performance and ranking before 2030. At each of its meetings the Committee reviewed the Group's EPA metrics and operational performance management reports from the following:
Managing Director of Water Services, Asset Planning and Capital Delivery.
Managing Director of Wastewater Services, Business Customers and Energy.
Regulatory correspondence updates from the Director of Quality, Policy and Compliance.
The Committee evaluated the above information against dashboards including KPIs to drive improvement and noted clear progress in a number of areas including the quality and consistency of reporting and improved visibility of year-to-date performance, emerging trends and forecast year-end positions, all of which support earlier identification of risk. However, the Committee noted that wastewater compliance, pollution reduction and EPA-related performance improvement had been slower to materialise and remained constrained by underlying asset condition, data limitations and changes in regulatory interpretation. To address this the Committee oversaw the further refinement of KPIs and metrics across Committee and Board reporting, and the enhancement of narrative linking KPI movements to root causes, planned interventions and investment requirements, to ensure that performance reporting provides robust assurance and informs effective Board oversight.

The Committee also regularly reviewed:
The Drinking Water Inspectorate transformation programme. While operational improvements were noted in several areas, the Committee acknowledged that recovery will be multi-year in nature, constrained by asset condition, network complexity and delivery capacity. The Committee emphasised the primacy of public health protection, encouraged continued open dialogue with the DWI and requested clearer articulation of exit criteria from transformation.
The delivery of Ofwat's Service Commitment Plan, which is focused on a small number of priority measures, including leakage, wastewater treatment works compliance, pollution performance and storm overflow metrics. The Committee recognised tangible progress had been made in leakage performance, with improved delivery confidence and clear evidence of year-on-year reduction, even where end-of-year targets remained stretching. However, the Committee also acknowledged that performance against wastewater and environmental commitments has been more constrained, reflecting historic under-investment, asset condition, severe weather impacts and changes in regulatory interpretation, meaning some targets were no longer achievable in-year. In response, the Committee reiterated the importance of demonstrating credible performance trajectories, transparency on trade-offs between cost, deliverability and affordability, and avoiding short-term actions that could undermine long-term resilience, while continuing to support sustained improvement through appropriate investment and governance oversight.</td></tr>
</table>

PERFORMANCE AND SAFETY COMMITTEE REPORT CONTINUED

Matter	Activity and outcome
Regulation	The Committee continued to oversee our compliance with regulatory and legislative requirements and during the year regular updates were provided to the Committee in relation to: • Environmental permit compliance. • Wastewater treatment. • Quality and flow compliance. • Regulatory enforcement. At its March 2026 meeting, the Committee spent time considering our performance against its Per Capita Consumption and Leakage Undertakings and scrutinised plans for the ongoing identification and resolution of unpermitted storm overflow discharges.
Operational strategies	The Committee received regular progress updates on the implementation of plans in relation to a number of the key operational issues including: • Water treatment works. • Drought plan. • Poly and perfluoroalkyl substances. • Sewer flooding. • Supply interruptions. • Pollution prevention. • Regulations 26 (water treatment and disinfection), 27/28 (risk assessment) and 29/30 (Contamination from Pipes) of the Water Supply (Water Quality) Regulations 2016. • Sewerage sludge. • Water quality. In each case, the Committee focused on the speed and effectiveness of implementation and short- and medium-term priorities were agreed with operational management.
Technical issues	The Committee reviewed in detail and recommended to the Board the Group's Annual Dam Safety Report. As part of this review the Committee considered the statutory Measures in the Interests of Safety, the independent inspection arrangements and the management of higher-risk assets. The Committee also considered the status of 10-year independent inspections, noting that two inspections had been deferred due to access constraints and works in progress, and took assurance that independent panel engineers had been engaged and that actions were being progressed within existing programmes to achieve compliance. The Committee also reviewed asset condition, prioritisation of risk-reduction works and the need for sustained investment to manage low-probability but high-consequence failure risks, including potential public safety impacts. The implications of climate change and more extreme weather events were also considered, with emphasis on ensuring inspection regimes, hydraulic assumptions and emergency arrangements remain appropriate.
Capital projects	The Committee continued to oversee a number of capital investment projects to improve and maintain our dam estate. The Committee recommended the annual report on dam safety to the Board for approval noting that the report demonstrated that the Group had met its responsibilities as an undertaker for dams that are registered under the Reservoirs Act 1975 (the Act), as now amended by the Flood and Water Management Act 2010, Schedule 4 (Reservoirs). In August 2025, the Committee together with other members of the Board visited Craig Coch Dam.
Risk and compliance	The Committee considered relevant strategic risk reports including, on a six-monthly basis, reports covering emergent environmental regulatory risks and risks linked to the most commonly used chemicals within water treatment processes and mitigation plans. Further information about these emerging risks is included on pages 47 and 48. The Committee received regular updates in relation to the risk management framework and internal controls that operate across the business and noted that an overall 'Satisfactory' opinion had been provided by the Internal Audit function in respect of FY26.

DARREN JAMES
Chair of the Performance and Safety Committee

4 June 2026

AUDIT AND RISK COMMITTEE REPORT

"We have made substantial progress in enhancing the quality of our annual and investor reporting. While at the balance sheet date our internal controls are broadly effective, historic failures mean we continue to focus attention here. I was delighted that we successfully raised £750 million this year albeit we remain alert to maintaining access to the funding necessary to deliver our extensive capital programme."

DARREN POPE
Chair of the Audit and Risk Committee

Committee members

- Darren Pope
- Tom Crick
- Joanne Kenrick
- Lila Thompson[1]

Key responsibilities

- Ensures the integrity of the Group's financial statements.
- Monitors the effectiveness of the Group's risk management framework including its internal controls.
- Oversees the governance and controls in relation to the Group's IT-related risks.
- Oversees the effectiveness, performance, objectivity and independence of the Internal Audit function.
- Reviews funding strategy and manages long-term financial viability.
- Oversees the performance, objectivity and independence of the Group's External Auditor and the effectiveness of the external audit process.
- Reviews and monitors investor, regulatory and other material external reporting prior to recommending to the Board for approval.

Progress in FY26

- Enhanced year end and interim reporting with quality underpinned by the Financial Reporting Council (FRC) review.
- Enhanced depth of organisational financial controls and enhanced monitoring of the Group's long-term viability in the context of changing regulatory and financial landscapes.
- Received regular updates on workstreams focused on confirming and enhancing the completeness of the Group's internal control universe and enhancing the Group's material internal controls to ensure compliance with Code Provision 29.
- Oversaw enhanced control framework to ensure completeness and accuracy of increasingly voluminous and detailed regulatory returns.
- Oversaw phase one enhancement of the Group's cyber defences.
- Oversaw the preparation for and documentation of bond issuances in September 2025 and February 2026 which raised £450 million and £125 million respectively.

1 Stepped down from the Committee and the Board on 7 November 2025.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Priorities for FY27

- Further improve performance management capabilities with specific focus on efficient delivery of the capital investment programme.
- Ensure processes and controls are in place to comply with Code Provision 29 including the provision of a Board declaration in relation to the effectiveness of the Group's material internal controls.
- Monitor the delivery of the enforcement package Ofwat is proposing to impose. See page 6.
- Continue to monitor the Group's long-term viability in the context of business transformation, changing regulation, environmental/demographic changes and financial landscapes.
- Progress second phase of IT cyber defence strategy and nascent AI control frameworks.
- Continue to oversee fundraising risks through business dialogue with investors, guarantors, rating agencies and the exploration of alternate debt markets outside the UK.

On behalf of the Board, I am pleased to present this report which sets out the Committee's activities during the year as well as the most material year-end judgements endorsed by the Committee.

Reflections on FY26

As the Group embarked on its largest investment programme to date and at the same time began implementing a significant change programme, the Committee continued to support the Board in ensuring that our reporting complies with the latest guidance and regulatory requirements and is fair, balanced and understandable.

I was particularly pleased with the FRC's periodic review[1] of our 2024/2025 Annual Report and Accounts which reassuringly only made relatively minor observations on the Report. We have of course incorporated these observations into this document but overall, the low number of modest observations validated the incredible hard work of the Finance team and the Committee over the last year or so. We have continued to improve disclosures this year as well as enhance readability of the document.

Given the sector-wide credit rating pressure and heightened investor scrutiny, the Committee devoted a significant amount of time to the Group's long-term financeability. In these discussions, the Committee focused on balanced and transparent disclosure that clearly articulates risks and mitigations. Early engagement with rating agencies and creditors, together with disciplined cost control and realistic capital phasing are, and will continue to be, critical to maintaining confidence. This will of course continue to be a focus.

We have continued to effectively manage our funding by raising new debt one to two years ahead of debt maturities to preserve liquidity ratios and going concern and, at the same time, diversify sources and maturities at the most effective cost. During the year, £750 million was raised in bonds and loans, including £100 million from a new bank lender.

We operate in a sector with huge structural risk and undertaking significant change. Operating effective risk management processes are more important than ever and this has been and will remain a considerable focus of the Committee.

In accordance with Provision 29 of the Code, in next year's Annual Report we must include a declaration about the effectiveness of our material internal controls as at the balance sheet date. In preparation, the Committee received regular updates on various projects that are underway to enhance the Group's current control framework and reiterated that any new processes and procedures, as well as ensuring compliance with the Code, should support better decision making and risk management. This work has initially focused on ensuring we have a complete record of all organisational controls from which we will define the most material controls and design enhanced testing and reporting around them. A work plan in relation to these matters has been agreed and updates on its progress will be provided to the Committee at each of its meetings in the coming year.

1 The FRC's review was based solely on the Group's Annual Report and Accounts for the year ended 31 March 2025 (the 2025 Accounts). The review was conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework but no detailed knowledge of our business or an understanding of the underlying transactions entered into by the Group. The FRC's review process provides no assurance that 2025 Accounts are correct in all material respects and the FRC's role is not to verify the information provided to it but to consider compliance with reporting requirements. The FRC's letter was written on the basis that the FRC (which includes its officers, employees and agents) accepts no liability for reliance on it by the Group or any third party, including but not limited to investors and shareholders.

In May 2026, the Committee undertook its annual review of the effectiveness of the Group's risk management procedures, noting the complexity of the organisation and the pressures upon it. Based on the evidence available, the Committee concluded that the Group operated within a broadly effective and adequate internal control system during FY26. This judgement recognises Ofwat's section 203 investigation into the Group's wastewater compliance and the undertakings that have been made to address non-compliance, which the Committee will monitor regularly in the coming year.

Following Ofwat's section 203 wastewater investigation, the Committee will play a key role in overseeing the ongoing governance, risk and assurance implications of the outcome. Its priorities will include monitoring the delivery of agreed undertakings and remediation plans to ensure they are robust, properly controlled and delivered to agreed milestones; scrutinising the adequacy of internal controls, management information and assurance over statutory and regulatory compliance; and overseeing the impact of the investigation on the Group's risk profile. The Committee will also focus on the quality and consistency of data underpinning compliance reporting, the effectiveness of escalation and challenge arrangements, and the alignment of disclosures within the Risk and Compliance Statement and future Annual Report and Accounts. Through this oversight, the Committee will support the Board to ensure that lessons learned are embedded, assurance frameworks are strengthened, and confidence is maintained with regulators and stakeholders.

During the year, the Board delegated to the Committee responsibility for overseeing the governance and controls related to the Group's IT risks. The initial focus of this work has been to ensure delivery of current regulatory cyber requirements, which has been completed. A second phase of development work, to meet ambitious new regulatory requirements, is currently underway and will be a specific focus of attention next year. In addition we are conscious of the emergence of AI as a tool for the business and the potential risk that this creates. During the coming year we will ensure appropriate frameworks and controls are in place before AI use becomes more extensive.

Committee competence and composition

Previously I served as Chief Financial Officer of TSB Bank and held senior positions at Lloyds Bank over ten years. Currently I am the Audit Chair of Starling Bank and have previously served as the Audit Chair of Hargreaves Lansdown PLC, Virgin Money PLC, Network International Plc and Equiniti Plc. All members of the Committee are independent Non-Executive Directors, and the Board is satisfied that the Committee has sufficient experience of the water sector and of financial matters to perform its duties effectively.

Committee meetings

The Committee met six times during the year and members' attendance at meetings is set out on page 69. Other regular attendees at meetings of the Committee included the CEO Designate, CEO, Interim CFO, Finance Director, Chief Risk Officer, Chief Internal Auditor, Group Secretary and representatives from the Group's External Auditor, Deloitte (the External Auditor). The Committee also has unrestricted access to management, legal and other independent professional advice to support the discharge of its duties. During the year, the Committee held separate private sessions with the Chief Risk Officer, Chief Internal Auditor and External Auditor without management present.

Committee activities

The Committee has an extensive agenda focused on delivering against its key responsibilities, which it oversees in conjunction with management, External Audit, Internal Audit and the Group Finance and Regulatory Compliance and Assurance functions. The Committee Terms of Reference, which are available at https://corporate.dwrcymru.com/en/library/terms-of-reference have informed the agenda and key areas of focus for the Committee during FY26.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The key activities of the Committee and the outcome of its deliberations are set out below.

Matter	Activity and outcome
Financial reporting	The Committee reviewed the Group's financial performance in detail at half-year and year-end (financial statements) including considering the significant accounting estimates and judgements (see below) prior to recommending approval of the financial statements to the Board. The Committee reviewed the final draft of this Annual Report and Accounts (ARA) and considered whether the contents represented a fair, balanced and understandable assessment of the Group's performance and financial position. As part of its consideration, the Committee took into account the following matters: • The ARA's messaging and its alignment with the Group's financial and operational performance during the year. • The balance of statutory reported measures and alternative performance measures. • The steps taken to verify the non-financial information contained in the ARA. • Recommendations received from both the FRC and Ofwat. • Feedback from our External Auditor based on both statutory compliance and market best practice. Following due consideration, the Committee confirmed to the Board that the ARA, taken as a whole, presented a fair, balanced and understandable assessment of the Group's position and prospects.
Going concern and long-term viability statements	The Committee considered the Going Concern Statement (see pages 134 and 135) and challenged the evidence and assumptions underpinning the prospects of the Group over a period of at least 12 months. See page 89. The Committee also considered the long-term Viability Statement (see pages 49 to 53). In doing this work it reviewed and challenged the factors and assumptions underlying the statements and reviewed in detail the various principal risk factors that had been tested. The Committee satisfied itself as to the scale of the risk modelled as well as the size and type of mitigation available. In relation to the Viability Statement, the Committee requested that, in addition to undertaking a probabilistic assessment of all risks occurring, a number of scenario views be prepared to provide further comfort. Following these detailed reviews, the Committee concluded that the Group had a reasonable expectation of remaining viable over an eight-year period to March 2033. The Committee recommended the Going Concern Statement and the Viability Statement for approval by the Board at respective meetings of the Committee and Board held in June 2026.
Treasury	The Committee carried out a detailed review of the updated debt programme prospectus ahead of its publication at the end of August 2025 and the subsequent bond issue early in September 2025. As part of this review the Committee: • Considered the attestations presented to it by senior management and external advisers to gain comfort on the accuracy and completeness of the disclosure. • Challenged the description and ranking of certain risk elements to ensure that they were appropriately disclosed. In November 2025, the Committee also reviewed the proposed funding strategy for FY27 including the appropriateness of the strategy for going concern, liquidity ratios, debt diversification and market pricing. Following this review, the Committee recommended the funding strategy for approval by the Board at the Board meeting held in December 2025.

Matter	Activity and outcome
Internal audit	During the year the Committee received regular progress reports from the Chief Internal Auditor in relation to the FY26 Internal Audit Plan. The Committee also received regular updates in relation to management's progress in addressing issues arising from internal audit findings. The Committee noted the positive and timely way in which management had addressed the vast majority of findings, which reflects the Group's culture and values and the effectiveness of the Internal Audit function. During the year the Committee kept under review management responses to unsatisfactory and limited opinion internal audit reports to ensure progress was made to remedy control weaknesses. The Committee reviewed the outline Internal Audit Plan for FY27 at its February 2026 meeting and approved the final plan at its May 2026 meeting. The Committee also reviewed and approved the Internal Audit Charter, which sets out the Internal Audit function's scope of work, and confirmed that it was satisfied of the function's independence and that the charter accorded with the latest Chartered Institute of Internal Auditors (CIIA) codes of practice and the Global Internal Audit Standards. The Committee considered a number of whistleblowing and special investigations reports and detailed public interest disclosures, made or referred to, the Internal Audit function. In particular, the Committee focused on the outcomes and lessons learned from each investigation and sought assurance from management that where valid concerns had been identified, appropriate action had been taken. Due to lower resources than originally planned and the short-term impact of the transformation programme, the FY25 audit plan ran into FY26 and as a result, the FY26 plan was reduced. As transformation activity concludes and the Group moves into 'business as usual' mode, the Committee is committed to ensuring that the Internal Audit function is fully resourced to undertake its approved plan. This will be a focus of the Committee during the course of FY27.
Internal control and risk management systems	The Committee continued to oversee the operation of the Group's risk management framework including, on behalf of the Board, ensuring the effectiveness of the risk management and internal controls operated across the business. In providing this oversight during the year the Committee: • Received reports on the effectiveness of financial controls. • Reviewed Business Systems and Quality Audit Plans. • Continued to assess the Group's risk profile including its principal and emerging risks (see pages 42 to 48). • Undertook detailed risk and compliance reviews in relation to our relevant statutory, licence and regulatory obligations. • Monitored the effectiveness of the Internal Audit function using a variety of inputs, including the Committee's interaction with the Chief Internal Auditor (see above) and delivery of the Internal Audit Plan. In line with the CIIA Code of Practice and the FRC Guidance on Audit Committees, an independent and objective external quality assessment of internal audit is required to be undertaken at least every five years. The last external review of the effectiveness of the Internal Audit function was undertaken by Protiviti in October 2023 and concluded that the Internal Audit function 'Generally Conforms' to the Institute of Internal Auditors' Standards. • Reviewed workstreams to ensure compliance with Provision 29 of the Code and reviewed progress in relation to mapping the Group's material controls to support a Board declaration on their effectiveness, which is required from FY27. See page 84. During the year the Committee received a report on the overall effectiveness of risk management and internal controls across the Group, which brings together inputs from second and third lines of defence as well as broader observations of business performance. This report was discussed and presented to the Board at its May 2026 meeting. Based on the evidence available, the Committee concluded that the Group operated within a broadly effective and adequate internal control system during FY26. This judgement recognises Ofwat's section 203 investigation into the Group's wastewater compliance and the undertakings that have been made to address non-compliance, which the Committee will monitor regularly in the coming year. While there are inevitably areas of material weakness and sustained control pressure, particularly within regulatory facing operational and compliance processes, these do not amount to a pervasive failure of the Group's overall control framework. Management has demonstrated a clear willingness to identify, prioritise and remediate control weaknesses, and throughout the coming year, the Committee will actively monitor progress and delivery to ensure controls are strengthened and appropriate mitigation actions are implemented.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Matter	Activity and outcome
IT	In relation to the Group's IT-related risks and specifically the governance framework and controls to manage, monitor and mitigate such risks, the Committee: • Maintained close oversight of IT-related risks and controls, recognising cyber resilience, third-party dependencies, access management and broader technology governance as increasingly material risks for a critical national infrastructure organisation. The Committee noted that good progress had been made in strengthening IT general controls and remediating previously identified weaknesses, while also acknowledging that cyber risk remained outside, or close to, the Board's risk appetite due to the evolving threat landscape and increasing regulatory expectations. • Monitored preparedness for enhanced cyber and technology regulation, including supply-chain assurance requirements, and sought assurance that appropriate capability and investment were in place. • Noted that the pace of AI adoption was accelerating faster than existing governance arrangements. Risks relating to data protection, model bias, vendor dependency and ethical use were highlighted, and management was asked to develop clearer governance arrangements before further expansion.
Governance	During the year the Committee spent time considering a number of governance-related matters as follows: • Oversight of the Group's compliance with the Code and review of its Terms of Reference and confirmation that these reflected evolving regulatory and best-practice expectations. • The effectiveness of governance arrangements supporting the preparation of the Annual Report and Accounts, including assessing the fair, balanced and understandable nature of the report, ensuring consistency across regulatory and investor disclosures, and scrutinising the robustness of Board statements relying on Committee assurance. • Reviewed the governance of major transformation and change programmes, key policy frameworks and statutory statements, ensuring that clear accountability, proportionate assurance and appropriate Board oversight were maintained. • Monitored the Group's risk governance architecture, including the structure of the strategic risk register, escalation arrangements, use of key risk indicators and alignment of risk reporting across the Board and Committees. • Received regular updates on key compliance areas, including Group vehicle operator licence, data protection, taxation and insurance arrangements. Monitored progress in complying with the Prompt Payment Code and noted continued positive progress against compliance targets. • Considered and recommended to the Board for approval key policies and procedures including Treasury and Taxation strategies, Anti-Bribery and Corruption, Anti-Fraud, Hospitality and Gifts and Conflicts of Interest Policies.
External Auditor	In accordance with the FRC Audit Committees and the External Audit: Minimum Standard, at its November 2025 meeting, the Committee undertook a full internal effectiveness review of the External Auditor's performance and the external audit process during FY26. As part of this review the Committee considered formal feedback in response to a detailed questionnaire completed by the Committee, members of the ExCo and relevant senior managers. Areas covered by the questionnaire included the External Auditor's interactions with the Board, the Committee and the Group's Finance team and audit quality. I also reported to the Committee about my regular catch-ups with the External Auditor during the course of the interim and full-year audit processes. The Committee satisfied itself about the independence and objectivity of the External Auditor. At its September 2025 meeting, the Committee received and approved the audit plan for FY26 and approved the External Auditor's engagement letter. The audit plan highlighted key corporate reform matters, including updates to the Code and key revisions focused on internal controls. The Committee discussed these matters and agreed that they should be addressed in the coming year. The Committee received updates on delivery of the FY26 audit plan from the External Auditor at each of its scheduled meetings during the year. The Committee recommended to the Board that Deloitte LLP be proposed for reappointment for the year ending 31 March 2027 at the forthcoming AGM. No contractual obligations restricted the Committee's choice of auditor; the recommendation is free from third-party influence; and no auditor liability agreement has been entered into. A resolution proposing the reappointment of Deloitte LLP as External Auditor will be put to Members at the forthcoming AGM.

Significant matters and judgements

The significant accounting matters and judgements considered by the Committee are summarised below, together with a summary of the specific issues the Committee considered and the outcomes. These matters are covered in further detail in the External Auditor's Report (see pages 116 to 128) and within the Group's financial statements (see pages 129 to 176).

Matter and judgement	Committee's focus	Outcome
Bad and doubtful debt charge	The methodology used to calculate the bad debt charge.	The Committee reviewed the methodology used by management to calculate the bad debt charge, noting that it had been updated during FY26 to enhance source data, enable full reconciliation and create a complete database of all transactions. KPIs developed by management to identify bad debt trends were also considered together with relevant risk factors. The Committee concluded that the bad debt charge was appropriate.
Going concern status	Assessment of the going concern status including the appropriateness of financial forecasts and sensitivities, liquidity and future funding and available headroom against credit rating requirements.	The Committee reviewed the financial forecasts and reviewed and challenged the sensitivity analysis that had been undertaken in relation to the forecasts. The availability of committed liquidity and future funding requirements were also considered. The Committee concluded that it was appropriate for the financial statements to be prepared on a going concern basis, and recommended their approval to the Board.
Infrastructure renewals expenditure	Operating and capital expenditure classification.	The Committee reviewed the analysis undertaken by management to identify capital and operational spend. Noting that an external, independent expert had assessed the appropriateness and completeness of capitalisation, the Committee concluded that the split between capital and operating expenditure was appropriate.
Recognition of income not yet invoiced	The approach taken to recognise customer revenue not yet invoiced.	The Committee considered the approach taken to calculate unbilled customer revenue, noting the use of historical consumption rates and elimination of high meter readings, and concluded that the proposed accrual was appropriate.
Defined benefit pension liabilities	The reasonableness of the assumptions applied to the pension scheme liabilities.	The Committee considered the assumptions in relation to future inflation and mortality and discount rates, noting that management had sought advice in relation to these key estimates from the pension scheme's actuary and the Group's pension adviser. The Committee concluded that the assumptions were reasonable.
Derivative financial instruments	The methodology adopted to estimate fair value.	The Committee reviewed the methodology and noted that an external independent expert had prepared the valuations and concluded that the fair value assumptions were appropriate.
Legal claims and provisions	The approach taken to assess and account for potential legal claims and regulatory penalties. See page 176.	The Committee reviewed the assumptions used to determine the provisions made in relation to certain regulatory penalties and ongoing litigation and concluded that they represented the best estimate of liability and were therefore appropriate.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Non-audit services and fees

Our policy is that the External Auditor will not generally be used for non-audit services, and that all non-audit matters are subject to our Procurement Policy and management approval pursuant to our Policy for the Provision of Non-Audit Services. All non-audit fees paid to the External Auditor must be approved by the Committee in advance in line with the Committee's delegated authority. There is a cap on fees for non-audit work across the Group of 70% of the three-year average statutory external audit fee in any financial year, applicable from the financial year starting 1 April 2022.

During FY26, audit fees for the Group's financial statements totalled £776,000 (FY25: £802,000), fees for other audit-related assurance services for assurance over the annual performance report were £115,000 (FY25: £112,000) and fees for other non-audit-related services including items such as limited assurance over green bonds and interims amounted to £235,000 (FY25: £166,000). As a result, non-audit fees accounted for 35% (FY25: 13%) of the average of the last three years' audit fees, which is well within the non-audit work fee cap described above. For further details of the non-audit services provided by Deloitte, see Note 3 to the financial statements on page 147.

DARREN POPE

Chair of the Audit and Risk Committee

4 June 2026

ESG COMMITTEE REPORT

During the year, the Committee oversaw the development of a new ESG approach, which it will continue to monitor to ensure that all initiatives support our new ambitious vision to foster thriving communities by providing world-class water services."

DEBRA BOWEN REES
Chair of the Environment, Social and Governance Committee

Committee members

- Debra Bowen Rees
- James Bevan
- Tom Crick
- Lila Thompson[1]

Key responsibilities

- Provides oversight on behalf of the Board in relation to delivery of the Group's ESG priorities and objectives and ensures that they are aligned with the Group's purpose and strategy.
- Advises upon, and recommends to the Board for approval, appropriate ESG short- and long-term targets and key ESG metrics.
- Monitors delivery of the Group's ESG objectives and compliance with its public commitments.
- Oversees the Group's stakeholder relationships.
- Monitors year-end carbon performance and progress against prior year targets.
- Oversees the Group's environmental non-financial reporting obligations and updates the Audit and Risk Committee in relation to emerging reporting trends and practices.

Progress in FY26

- Reviewed and recommended to the Board, approval of an updated ESG approach including updated objectives and targets to help create thriving and resilient communities in line with the Group's new vision.
- Reviewed progress towards achieving Net-Zero carbon emissions by 2040.
- Reviewed and recommended to the Board updated policy around statutory obligations and regulatory compliance for biodiversity net gain/net loss and reporting.
- Monitored progress in implementing changes based on Sustainable Fitch's recommendations.
- Considered and advised upon non-financial reporting disclosure requirements, including the EU Taxonomy and Corporate Sustainability Reporting Directive.

Priorities for FY27

- Monitor the implementation of the updated ESG approach and ensure that it supports the Group's vision and strategy.
- Oversee arrangements to implement Ofwat's Consumer Involvement Rule.
- Ensure the Group's environmental approach continues to align with the Welsh Government's policies aimed at halting and reversing nature decline.

1 Stepped down from the Committee and the Board on 7 November 2025.

ESG COMMITTEE REPORT CONTINUED

On behalf of the Board, I am pleased to present this report which sets out the Committee's activities during the year.

Reflections on FY26

During the year, the Committee reviewed the Group's updated ESG approach to ensure that it aligned with our new vision and would form an integral part of our new corporate strategy that is being currently developed. As part of this work, our ESG priorities were deliberately streamlined to focus on a smaller number of outcome-focused objectives, supported by a reduced KPI set designed to enhance clarity, accountability and Board oversight. As our strategy evolves, the Committee will carefully monitor our various ESG initiatives to ensure that they support its delivery and our vision to foster thriving communities by providing world-class water services.

Ofwat's Consumer Involvement Rule came into effect from 1 April 2026. We have already enhanced our existing arrangements to ensure customers are appropriately involved in decisions that materially impact them. These arrangements include a structured programme of customer research and engagement, with regular synthesis reporting to the Board and the ExCo, and the further integration of customer insight into strategic and operational decision making. Oversight of consumer affairs sits with this Committee, which has specific responsibility for ensuring the customer voice is considered through insights, expert input and direct customer engagement. Evidence of customer views informing decisions is embedded within Board governance processes, including decision papers and minutes and will be reported transparently to demonstrate compliance with the rule.

Committee meetings and advisers

The Committee met four times during the year and members' attendance at meetings is set out on page 69. The ExCo member responsible for ESG also attended all Committee meetings. Other regular attendees at meetings of the Committee included the CEO Designate, CEO, Interim CFO and the Head of Environmental Services.

Committee activities

To support the delivery of our vision and purpose, we operate a clear governance framework to ensure that sustainability and responsible business practices are embedded in our decision-making processes at every level.

The Committee Terms of Reference, which are available at https://corporate.dwrcymru.com/en/library/terms-of-reference have informed the agenda and key areas of focus for the Committee during FY26.

The key activities of the Committee and the outcome of its deliberations are set out below.

Matter	Activity and outcome
ESG priorities and objectives	During the year the Committee reviewed various papers in relation to proposals to update the Group's ESG approach including new ESG priorities and objectives. The Committee considered the alignment of the approach with the Group's new vision and recommended its approval to the Board. In the coming year, the Committee will receive regular updates on the delivery of various ESG statutory obligations and initiatives and will focus in particular on ensuring that the ESG approach supports the Group's updated strategy. See pages 19 and 20.
Climate change adaptation	The Committee received regular progress updates on our Net Zero carbon emissions by 2040 (see pages 25 to 27) including our approach to carbon sequestration/carbon capture use and storage workstreams. The Committee reaffirmed the importance of maintaining a long-term Net Zero ambition while being realistic about the constraints created by regulatory requirements, affordability pressures and delivery capacity. The need for a robust carbon baseline, realistic pathways and clear interim milestones, particularly in relation to Scope 1, 2 and longer-term Scope 3 emissions, were discussed. The Committee also spent a considerable amount of its time scrutinising plans to mitigate climate change risks and in particular the various initiatives to adapt assets and services. See pages 23 and 24 for information in relation to the Group's adaptation plans and progress to date. A copy of our Climate Change Adaptation Plan is available at http://corporate.dwrcymru.com/en/about-us/our-plans.

Matter	Activity and outcome
Nature	The Committee undertook a detailed overview of our biodiversity action plan in November 2025 and considered the progress that had been made in relation to each of the 19 commitments included within the plan. The Committee noted that, while good progress had been made in several areas, delivery against certain commitments was behind plan. This was largely due to funding and prioritisation issues and delivery constraints. The Committee requested clearer recovery plans and prioritisation, and stressed the importance of maintaining transparency around progress against publicly stated commitments. A copy of the plan is available at http://corporate.dwrcymru.com/en/community/environment/conservation-and-biodiversity. The Committee sought assurance that consideration of environmental and social impacts is embedded within our investment appraisal and business planning processes alongside more traditional cost metrics. The Committee noted that this was particularly important in evaluating long-term, catchment-based and nature-based solutions, where benefits accrue over extended time horizons and across multiple stakeholder groups.
Customer affordability	The Committee reviewed feedback from key stakeholders on a range of issues including take up on social tariffs and community projects. Taking this feedback into account the Committee considered and approved the following actions to increase take up: • Share data with energy networks, public health bodies, and local authorities to better identify customers experiencing vulnerability and offer tailored support. • Collaborate with community partners to ensure services reach those most in need. • Deliver targeted campaigns to raise awareness. These actions form part of our updated vulnerable customer support plan and were recommended to the Board for approval as part of our updated ESG approach.
Our people	During the year, the Committee continued to monitor workforce diversity and inclusion and progress against agreed workforce measures including social mobility and female leadership. As part of this oversight the Committee challenged management on the quality, completeness and transparency of data supporting Board and external reporting. While recognising that some progress had been achieved, the Committee noted that further work is required to strengthen insight and agreed that a more detailed review of workforce diversity and inclusion should be undertaken in the coming year.
Economic impact	In support of the delivery of the Group's vision and as part of the review of our revised ESG approach, the Committee proposed the introduction of an objective to increase the economic impact of our expenditure on the Welsh economy. This will be measured through gross value added data. See page 20.

ESG COMMITTEE REPORT CONTINUED

Matter	Activity and outcome
Governance and risk	The Committee considered the following ESG reporting and governance-related matters: • Reviewed and recommended for approval the ESG narrative for inclusion in this Annual Report and Accounts. • Scrutinised our approach to emerging non-financial reporting frameworks. • Reviewed Fitch's latest Sustainable Fitch Rating Report and the recommendations contained in the report to improve our current 'good' rating. At the Committee's meeting in April 2026, the actions required to implement the recommendations were discussed. Based on this discussion, the Committee agreed improvement plans and requested that regular progress reports be provided at each Committee meeting throughout FY27. • Reviewed our ESG risks and opportunities and progress against climate change risks on a six-monthly basis. The Committee's discussions informed the ongoing management of risk in this area, including the ongoing monitoring of ESG investment, asset resilience and energy security risks. • To build understanding of the evolving European sustainability reporting landscape and its potential implications for the Group the Committee received a teach-in on the EU Taxonomy and the Corporate Sustainability Reporting Directive. The session focused on the purpose and scope of both frameworks, the distinction between eligibility and alignment under the EU Taxonomy, and the significantly expanded disclosure, data and assurance requirements. The Committee discussed the relevance of these requirements to the Group, noting that while the organisation is not directly in scope in the near term, the frameworks are increasingly influencing investor expectations, regulatory thinking and best practice ESG reporting. The teach-in helped inform the Committee's approach to strengthening ESG data quality, governance and long-term reporting readiness.

DEBRA BOWEN REES
Chair of the Environment, Social and Governance Committee

4 June 2026

REMUNERATION REPORT

> In making its decisions the Committee has given careful and diligent consideration to the challenges the business faces, the significant work required to transform performance and the sensitive external context.

JOANNE KENRICK
Chair of the Remuneration Committee

Committee members

- Joanne Kenrick (Chair)
- Jane Hanson
- Alison Wilcox (Chair Designate)
- Darren Pope

Key responsibilities

- Sets and reviews remuneration for the Chair of the Board, the Executive Directors and ExCo members.
- Recommends the Remuneration Policy to the Board.
- Oversees the remuneration policies and practices for the whole workforce and takes these into account when determining the Executive Directors' remuneration.
- Recommends the Annual Report on Remuneration to the Board and Members for approval.

Progress in FY26

- Oversaw implementation of the Remuneration Policy approved by Members in July 2025.
- Set the remuneration for the incoming Chief Executive Officer in line with the Remuneration Policy.
- Endorsed the leaving arrangement for the former Chief Executive Officer in line with the Remuneration Policy.
- Endorsed the leaving arrangements for the outgoing Chief Financial Officer in line with the Remuneration Policy.

Priorities in FY27

- Continuing to engage with Ofwat and Members proactively and transparently as the Performance-Related Pay (PRP) mechanism evolves.
- Consideration of how incentive scorecards for the annual variable pay (AVP) may evolve to align to our customer, regulatory and operational priorities.
- Ensuring the remuneration structures across the organisation remain fit for purpose in light of our restructuring.

REMUNERATION REPORT CONTINUED

On behalf of the Board, I am pleased to present our FY26 Remuneration Report. The Directors' Remuneration Report, set out on pages 104 to 111 will be presented for advisory approval at our forthcoming AGM which is scheduled to take place on 9 July 2026.

This letter provides an overview of the Committee's activities during the year including the remuneration decisions the Committee made, in the context of the business' performance during FY26. Information about the remuneration principles that underpin our pay philosophy and the Committee's approach to implementing the Remuneration Policy (the Policy) for FY27 is included on pages 101 to 103. A copy of the Policy is included in our FY25 Annual Report and Accounts which is available at https://corporate.dwrcymru.com/en/library/group-annual-report-and-accounts/glas-cymru-cyfyngedig. Detail in relation to the Executive Directors' remuneration is set out on pages 105 to 109.

Context for payment decisions

Business performance

As explained within the Chief Executive's review (see pages 5 to 7), while water supplies were maintained and the need for temporary use bans avoided during Wales' warmest summer on record, our overall operational and environmental performance was not good enough. While we are already investing more to strengthen compliance, asset maintenance, pollution prevention and incident response, there is still much to do to deliver the services our customers rightly expect and meet the increasing environmental and regulatory requirements. Modernising our ageing infrastructure, through successful delivery of our investment programme, and transforming the way we work to become more efficient and effective, are essential if we are to deliver the step change in performance that is required. This will take time and will not be easy given the decisions we make will need to take account of financial pressures, affordability and the evolving regulatory landscape.

The challenges that the business faces will take several years to rectify. We have a new CEO, a refreshed and refocused strategy and are confident in the future. However, the Board and Remuneration Committee is realistic about the time that this will take and the very significant workload required of Roch Cheroux to lead the transformation. This is a pivotal time for the water industry, and Welsh Water. The decisions made in respect of remuneration for both the past year and the 2027 financial year have been given careful and diligent consideration, balancing the sensitive external context and the criticality of recognising the challenges ahead for our leaders of the future.

Ofwat recovery mechanism decision in respect of 2025 annual variable pay (AVP)

As reported last year, the Committee applied discretion to reduce the FY25 AVP from the formulaic outturn of 39.58% to 22.1% of the maximum in respect of the award for the Executive Directors. However, payment of the FY25 AVP was withheld because Ofwat's application of PRP Rules in respect of Welsh Water had not been published.

In November 2025, Ofwat published its determinations on variable pay in the sector. The determination for Welsh Water stated that Ofwat considered that, despite not being in breach of PRP Rules, bonus payments for the Executive Directors would not be permitted to be funded from customer receipts.

In the light of Ofwat's announcement, the Remuneration Committee undertook a comprehensive review of its decisions. The Committee satisfied itself that the outturn of the AVP scheme had been relatively low (22.1% of maximum), which reflected the performance of the business at a challenging time for the sector. However, there were some areas of performance during FY25 which had been good against the stretching targets set and payment was warranted. Accordingly, in line with the approach used in the prior year, the Committee approved the AVP payments detailed on pages 106 and 107 and agreed to apply Ofwat's default cost-sharing mechanism to ensure that customers did not fund the bonuses.

Compliance statement with Ofwat's disclosure guidance

This Report has been prepared on the basis of full compliance with Ofwat's 'RAG 3.16 Guideline for the format and disclosures for the annual performance report' published on 31 March 2026.

Executive Director changes

Peter Perry and Mike Davis

As explained on page 2, Peter Perry (former Chief Executive Officer) stepped down from the Board on 31 December 2025 and, to support a smooth leadership transition, remained actively employed before retiring from the Group on 31 March 2026. Mike Davis (former Chief Financial Officer) stepped down from the Board and left the Group on 30 June 2025. Full details of their remuneration paid during FY26 are included in the single figure table on page 105.

In accordance with the terms of his service agreement and the Remuneration Policy, a payment was made to Mike Davis, in respect of loss of office. The payment comprised contractual entitlements, including notice period obligations and any accrued benefits, and was subject to the Company's standard governance and approval processes. No additional discretionary payments were made. The payment is detailed on page 105.

Peter Perry received remuneration in line with the Policy for his full year of service during 2026. Accordingly, and as a retiree, he remained a participant in the AVP and Long Term Variable Pay Scheme (LTVPS) for the full year. However, as set out on the next page, no payment will be made to him under the AVP or, at vesting, the LTVPS, due to the breach of the PRP rules during FY26.

Joining terms for Roch Cheroux

After a global search, Roch Cheroux joined as Chief Executive Designate on 6 October 2025 and became Chief Executive, and was appointed to the Board, on 5 January 2026. The Nomination Committee and Board worked extremely hard throughout the process to secure Roch, who had alternative opportunities he could have pursued.

Setting the appropriate pay level for Roch has been particularly challenging against a backdrop of rapidly evolving and upward-moving external benchmarks, driven by the increasing scale, complexity and scrutiny associated with restoring the industry to long-term operational, environmental and financial resilience. This has been compounded by wider inflationary pressures in the executive labour market, both within and beyond the regulated utilities sector, where demand for proven, transformation-capable leadership has intensified.

In this context, the Committee took a deliberately measured approach at appointment, setting the CEO base salary at a level which, at the time, represented a conservative mid-market position relative to external benchmarks, but which was nonetheless sufficient to secure Roch's appointment. Following extensive deliberation, the starting salary was positioned at the lower end of the £550,000–£600,000 range considered appropriate by the Committee. A one-off relocation allowance, equivalent to 15% of base salary, was also agreed to support Roch and his family's move from Australia.

Subsequently, the Committee has continued to closely monitor external market movements and emerging remuneration trends across the sector, noting that a number of major water companies have initiated or signalled material revisions to executive pay frameworks and positioning for 2026. Against this backdrop and taking into account that Roch's initial salary was intentionally set at a conservative point, aligned to Roch completing his 6-month performance review period, the Committee determined that an adjustment was necessary to maintain an appropriate and defensible competitive position. Accordingly, a salary increase of 10.9% was approved, moving base salary from £550,000 to £610,000 with effect from 1 April 2026 (aligned to Roch completing his initial 6-month performance review period).

The Committee is satisfied that the salary for FY27 is competitive but not excessive relative to market. In making this judgement, the Committee has reviewed market benchmarks for our peer water companies in England & Wales based on the most up to date publicly available salary information. The Committee remains alert to the fact that the external market for talent in the sector is challenging, and that this will inevitably have an impact on salary inflation. With this in mind, the Committee is comfortable that the salary for 2027 enables us to keep pace with the market and the Committee will continue to monitor this matter closely.

Roch will also participate in the AVP and LTVPS on a pro-rata basis from date of joining.

Pay outcomes in relation to FY26

The Committee reviewed the outcome of the AVP and Long-Term Variable Pay Scheme (LTVPS) scorecards following the end of the financial year, and the full outcomes are set out on pages 106 and 107.

AVP summary

In line with the Policy approved by Members at the AGM, the AVP scheme has a potential maximum of 75% of salary for the Executive Directors, based on stretching performance targets. The scorecard of measures for the AVP in FY26 was based 80% on operational metrics and 20% on stakeholder metrics (comprising 10% customer, 5% colleague and 5% other external stakeholders).

For FY26, the formula-based scorecard outcome resulted in payouts of 26.2% of maximum. Payouts against operational and stakeholder metrics were 19.9% out of 80% and 6.3% out of 20% respectively.

In FY26 Welsh Water was sentenced for contraventions of the Environmental Permitting (England and Wales) Regulations 2016 (EP Regulations) following three prosecutions by Natural Resources Wales, and a further prosecution by the Environment Agency.

On 15 May 2025 Welsh Water was fined £1.35m, reduced to £120,000 on appeal in October 2025, concerning the monitoring of water quality at wastewater sites in 2020 and 2021. On 23 June 2025, Welsh Water was fined £250,000 following bursts on its Southeast Coast Sewerage main on 24 January 2023, 20 March 2023 and 11 January 2024; and relating to a sewage discharge following the collapse of a sewer located in Herbert's Wood, Pontypool in February 2023. On 11 July 2025, Welsh Water was fined £24,000 having exceeded the permitted level of ammonia within discharges from its Clehonger Wastewater Treatment Works on seven occasions between 23 November 2020 and 17 April 2021.

Criminal convictions constitute trigger events under Ofwat's PRP Rule, requiring prohibition of the payment of performance related executive pay to a director in respect of the year in which the company is sentenced following a criminal conviction.

The PRP Rule operates to prohibit the payment of PRP for FY26, as a result of the criminal sentencing outlined above, subject to applicable exemptions. An exemption applies to the Clehonger Wastewater Treatment Works conviction, reflecting the court's assessment of harm; however, PRP remains prohibited in relation to the remaining three prosecutions. Peter Perry was a director at the time of the events giving rise to the offences and as such payment of performance related pay is prohibited for FY26.

As all underlying events giving rise to the offences predated Roch Cheroux's appointment to the Board, he remains eligible to receive his AVP for the year, resulting in an entitlment of £34,704. Roch Cheroux, chose to waive his entitlement to this pay out for FY26.

REMUNERATION REPORT CONTINUED

No discretion was applied to adjust the payment terms beyond the formula driven outcome and the PRP rules prohibition requirements.

LTVPS summary

For AMP8 the LTVPS has a potential maximum award for the Executive Directors of 300% of salary over the five-year regulatory period.

The performance measures for the LTVPS are linked to significant industry-recognised milestones, the achievement of which will require a significant performance improvement during the course of AMP8. These are described more fully on page 104 but in summary are based on the following five milestones, each of which carry equal weighting of 60% of salary:

- Avoiding lagging status.
- Improving our National Resources Wales' (NRW) Environmental Performance Assessment rating.
- Exiting the Drinking Water Inspectorate's (DWI) transformation programme.
- Ensuring our long-term financial resilience.
- Total Operating Expenditure (Totex) over AMP8.

In our Directors' Remuneration Report last year, we noted that at the time of publication we were finalising the approach to assessing each of the five measures. This has now been done and is described below.

The Committee will regularly monitor performance against each measure over AMP8. In the case of our long-term financial resilience there will be a formal assessment at the end of each year, subject to an overall assessment at the end of AMP8. For the other four performance measures, noting their long-term nature and the time it will take for actions taken now to result in tangible improvements, a holistic assessment will be made based on their status at the end of AMP8. The final assessment for all five measures will result in a single payment, shortly after AMP8, subject to confirming that the total is justified taking into account the overall performance of the Company, the long-term sustainability of the performance improvement and that payment is permitted under the regulatory PRP rules. Further information about these measures is included on page 104 and the performance measures, targets and the basis for any payment will be disclosed in the FY30 Directors' Remuneration Report.

Directors' remuneration for FY27

As explained earlier in my report, Roch Cheroux will receive a salary increase from £550,000 to £610,000 (10.9%) from 1 April 2026 based on the need to maintain a fair, competitive and sustainable remuneration position, recognising the moving salary benchmarks for executive pay both within the sector and executive pay arena in general.

In line with the normal annual cycle, the Committee reviewed salary levels for ExCo members. The Committee considered several reference points, including the proposed increases for the wider workforce, business and individual performance in FY27, and the wider economic context and concluded it was appropriate to award a 3% salary increase, compared to a 3.6% increase applied to the wider workforce.

The Committee also reviewed the fee for the Chair of the Board, taking into account external market benchmarking. The Committee concluded that it was appropriate to award a 3% increase to the Chair.

The fees of the Non-Executive Directors were reviewed by the Chair of the Board and the Chief Executive Officer who decided that it was appropriate to award a 3% increase to the base fee. No changes were made to the supplementary fees for chairing Board Committees and undertaking the role of the Senior Independent Director.

Directors' salaries and fees that will apply in FY27 are set out on pages 108 and 109.

Mick Jeavons was appointed Interim CFO and joined the Company on 12 May 2025. He is not a member of the Board accordingly his remuneration arrangements are not included in this report.

The AVP and LTVPS will be operated in line with the Policy approved at last year's AGM and as described on pages 102 to 103.

Engagement with the workforce regarding remuneration

During the year I have continued to meet with a small focus group of colleagues from across the business to understand their perspectives on their own remuneration, and to explain and discuss how our principles are applied at Executive Director level.

Conclusion

I welcome any feedback or questions from Members in relation to the work of the Committee and our Policy.

As I step down from my role as Chair of the Remuneration Committee, I want to take this opportunity to express my sincere gratitude to each member of the Committee for their dedication, insight and professionalism. Together, we have navigated complex challenges and ensured that our remuneration remains fair, competitive and aligned with the long-term success of the organisation.

I am delighted to hand over the role of Chair to Alison Wilcox, who brings exceptional experience and perspective.

Thank you once again for your support and contribution during my tenure.

JOANNE KENRICK
Chair of the Remuneration Committee

4 June 2026

REMUNERATION ACROSS WELSH WATER

The decisions and debates that we have as a Committee about Directors' and executive remuneration include careful consideration of how we remunerate our employees and feedback from the business as to the wider employee experience.

The workforce pay policy is agreed with our recognised trade unions and follows the terms of our Working Together and Household Customer Services Partnership Agreements.

Fixed pay

The annual general salary award is agreed with our recognised trade unions and annual salary changes are applied consistently across the workforce.

Pension benefits are aligned across the Company. All Group Personal Pension Plan members are entitled to receive the same employer contribution as a percentage of salary, in line with best practice.

Variable pay

The AVP Scheme (for colleagues below Executive Director level and above Band 5) and the Colleague Reward Scheme (Bands 1 to 5) use a number of shared key metrics. This ensures transparency and a sense of shared ownership of the targets.

The AVP Scheme for colleagues above Band 5 includes metrics based on the achievement of personal objectives and metrics linked to the Company's performance. Maximum opportunity ranges from 10% to 60% of base salary, depending on band.

The Colleague Reward Scheme for Bands 1 to 5 does not include a personal element, and the level of payout is based entirely on the Company's performance against the identified metrics. The maximum opportunity under the Colleague Reward scheme is £1,500.

Gender pay gap

This year, both the median and mean pay gaps have decreased. The median gap fell from 7.6% in 2024 to 5.6% in 2025, while the mean gap reduced from 8.4% to 6.3% over the same period. These reductions are due to fewer women in the lower-paying quartiles and sustained representation in the higher-paying quartiles. We are pleased that both figures have improved, reflecting the ongoing efforts across the business. For further information see our 2025 Gender Pay Gap Report which is available at https://corporate.dwrcymru.com/en/library/company-statements/pay-gap-report.

Ethnicity pay gap

This year has seen a significant reduction in the ethnicity pay gap. The median gap fell from 4.9% in 2024 to -0.8% in 2025, and the mean gap decreased from 3.1% in 2024 to -0.8% in 2025. This decrease is primarily due to a more balanced distribution of colleagues across pay quartiles. Increased representation of colleagues who identify as Black, Asian or from an ethnic minority group in the upper quartiles has narrowed and ultimately reversed the gap.

Workforce remuneration FY26

- 3.5% salary increases effective from 1 April 2025 for all colleagues.
- Colleague reward scheme payout of £621 paid in July 2025.
- Employee Variable Pay Schemes – Company portion paid in July 2025 at 22.1% of maximum based on performance achieved.

Workforce remuneration highlights for FY27

- 3% salary increase for senior managers and 3.6% for other colleagues effective from 1 April 2026.
- Colleague reward scheme payout of £227 to be paid in July 2026.
- Employee Variable Pay Schemes – Company portion to be paid in July 2026 at 13.2% of maximum based on performance achieved.

REMUNERATION ACROSS WELSH WATER CONTINUED

Our remuneration principles

Our remuneration principles remain unchanged from last year's report.

1. Remuneration should reward/incentivise the long-term interests of the business, promote its long-term sustainable success and reflect its agreed future strategic approach.
2. Remuneration should help align the interests of Directors and employees with the Group's customers and reflect the Company's purpose and values.
3. Variable remuneration should be focused on the issues of key concern to the business i.e. water and environmental quality, customer service and financial performance.
4. Remuneration should reflect our aim to be one of the best-performing companies in the sector.
5. Remuneration targets should be stretching in relation to past performance and in comparison with other companies in the sector. Where possible, targets should be hard numbers which can be audited.
6. Remuneration is intended to incentivise management in the absence of shareholders and share options.
7. Remuneration should be fair and competitive in relation to the sector and internally to help attract and retain high-calibre individuals.
8. A meaningful but not excessive proportion of remuneration for the Executive Directors should be variable to achieve the right balance in relation to risk-taking, and there should be appropriate recovery mechanisms and Remuneration Committee discretion, to avoid any risk of reward for failure.
9. The remuneration structure should be sufficiently clear that those affected by it understand what it is aiming to achieve.
10. Remuneration will be transparent to Members and regularly subject to their approval.
11. Design and quantum of remuneration should take account of the Company's non-shareholder model, and the views of Members and other stakeholders.
12. Decisions made by the Committee should take account of workforce remuneration and related policies, and the alignment of incentives and reward with culture.

REMUNERATION POLICY

Our Remuneration Policy was approved by Members at the AGM held on 4 July 2025.

Its key elements are summarised below, and a copy of the full policy is included in our FY25 Annual Report and Accounts which is available at https://corporate.dwrcymru.com/en/library/group-annual-report-and-accounts/glas-cymru-cyfyngedig. No changes have been made to the policy for FY27 which applies to Dŵr Cymru Cyfyngedig and each company or subsidiary within the Group.

Purpose and link to strategy	Operation	Opportunity and performance metrics	Implementation for FY27
Base salary			
To help attract, retain and motivate high-calibre employees.	Normally reviewed annually and any increases typically applied with effect from 1 April. Salary reviews will reflect: • Role, experience and performance. • Wider economic conditions. • Increases awarded throughout the rest of the workforce. • Periodic reviews of remuneration within the water sector. • The relationship between fixed and performance-related pay.	Annual increases generally linked to those of the wider workforce, though the Remuneration Committee retains discretion to award increases to individuals above or below this level where appropriate. Higher than workforce average increases may be awarded if there is a material increase in scope or responsibility of the Executive Director's role, or where external benchmarking identifies that a market adjustment is required. **Performance metrics** Annual performance reviews.	In line with the normal annual cycle, the Committee reviewed salary levels for the Executive Directors. The salary for Roch Cheroux will be £610,000, an increase of 10.9%, from 1 April 2026.
Benefits			
To provide a market-competitive benefits package to help attract and retain employees.	The principal benefits for Executive Directors are: • Private medical insurance. • Health screening. • Car allowance. Other benefits may be provided based on individual circumstances, for example, relocation.	Value of benefits is based on the cost to the Company. **Performance metrics** None.	Executive Directors are entitled to private medical insurance for themselves and their family. Executive Directors are entitled to annual health screenings. Executive Directors receive a car allowance of £12,000 per annum. As part of the starting package, a one-off relocation allowance was agreed with Roch Cheroux, worth the equivalent of 15% of base salary to facilitate his and his family's relocation from Australia.

REMUNERATION POLICY CONTINUED

Purpose and link to strategy	Operation	Opportunity and performance metrics	Implementation for FY27
Pension			
To help attract and retain high-calibre employees.	All employees, including Executive Directors, are entitled to a maximum employer pension contribution of 11%. Eligible employees have the opportunity to opt out and receive a cash allowance. If the maximum employer contribution rate for the wider workforce changes then this new rate would also apply to Executive Directors. Life assurance at 4x base salary is provided for Executive Directors and all employees who participate in the DCWW Group Personal Pension Plan or Pension Cash Alternative Plan.	The maximum cash allowance is equivalent to the employer contribution of 11% of salary less employer NI contribution. **Performance metrics** None.	Roch Cheroux receives a cash allowance of 9.6% of salary in respect of pension contribution.
AVP			
To incentivise the annual delivery of stretching targets.	AVP targets are reviewed annually by the Committee. Performance is measured against threshold, target and maximum levels. Outturn against targets is determined by the Remuneration Committee after the year-end, based on performance against targets. Awards earned are paid as cash, are not pensionable and are subject to clawback provisions (see details on page 104). AVP awards may be varied (either increased or decreased) at the discretion of the Committee to better align with the performance achieved, including to reflect the experience of customers. The AVP rules allow the Committee to defer the payment of any awards until the completion of an ongoing investigation.	Maximum AVP potential of 75% of salary, for the achievement of stretching performance targets. **Performance metrics** Measures are selected by the Committee each year and will typically include (but may not be limited to) customer and operational measures taking account of the regulatory measures contained within our Business Plan and the AMP8 Final Determination.	The AVP scheme has a potential maximum of 75% of salary for the Executive Directors, based on stretching performance targets. The scorecard of measures for the AVP in FY27 is based 22.5% on customer metrics, 45% on delivery of regulatory operational goals, and the balance on employee, financial and investment goals. The full breakdown of the FY27 AVP scorecard is shown on page 108.

Purpose and link to strategy	Operation	Opportunity and performance metrics	Implementation for FY27
LTVPS			
To align the long-term focus of the Executive Directors with those of Welsh Water's customers and stakeholders. To incentivise achievement of the Company's long-term strategy.	Cash awards based on stretching performance targets. Performance against significant industry-recognised milestones will be assessed over the whole five-year period of AMP8. Following the AMP8 Final Determination, LTVPS awards may be varied (either increased or decreased) at the discretion of the Committee to better align with the performance achieved. Awards are subject to clawback provisions (see details on page 104). The LTVPS rules allow the Committee to defer the payment of any awards until the completion of an ongoing investigation.	The maximum potential award for Executive Directors is 300% of salary over the five-year regulatory period (i.e. equivalent to an average annual maximum potential award of 60% per annum). **Performance metrics** Measures are selected by the Committee at the start of the AMP based on industry-recognised milestones.	See LTVPS summary on page 109 and the performance framework for the LTVPS on page 104.
Non-Executive Directors' fees			
To provide an appropriate level of fee to attract and retain individuals with a broad range of experience and skill to support the Board in the delivery of its duties.	The Remuneration Committee determines the fee payable to the Chair of the Board. Separately, the Executive Directors and the Chair approve the fees payable to the Non-Executive Directors. The Company may make a payment in respect of any associated tax liability where this is considered to be appropriate.	Non-Executive Directors receive a base fee. Additional fees may be paid to reflect additional time commitments and/or responsibilities, for example to the Senior Independent Director and to Committee Chairs. **Performance metrics** The fees for the Board Chair and the Non-Executive Directors are subject to review annually. Increases are typically made in line with the average annual increase across the workforce. Higher increases may be made in the event that there is a significant change in the role, for example to take account of higher time commitment or increased scope.	3% increase in both Chair and Non-Executive base fee. No changes were made to the supplementary fees for chairing Board Committees and undertaking the role of the Senior Independent Director.

ANNUAL REPORT ON REMUNERATION

Performance assessment for the LTVPS

In the Directors' Remuneration Report last year, we disclosed the five performance measures against which we would assess performance for the LTVPS and noted that we were still finalising the approach to assessing each. This has now been done and will operate as follows.

The Committee will regularly monitor the Group's performance against each measure over AMP8. For the long-term financial resilience measure, where it is important to maintain an investment-grade credit rating throughout the AMP, there will be a formal assessment at the end of each year, subject to an overall assessment at the end of AMP8. For the other four performance measures, noting the long-term nature of these and the time it will take for actions taken now to result in tangible improvements, a holistic assessment will be made based on their status at the end of AMP8. The final assessment for all five measures will result in a single payment, shortly after AMP8, subject to the Committee confirming that this is justified based on the overall performance of the Company, the long-term sustainability of the performance improvement and that payment is permitted under the regulatory PRP rules. This approach is described in greater detail in the table below and there will be full disclosure of the performance measures, targets and the basis for any payment disclosed in the Directors' Remuneration Report for FY30.

Water company performance report	**Environment performance assessment (EPA)**	**DWI transformation status**	**Long-term financial resilience**	**Totex**
Target				
Out of lagging status in the Ofwat assessment by the end of AMP8. The assessment from Ofwat will depend on the number of targets met / failed with an expectation that a company can expect to be lagging if it fails at least half the measures included in the assessment.	**Improving our EPA rating from 2* by the end of AMP8.** NRW and the Environment Agency publish an annual EPA Report, assessing environmental performance across all companies. Companies are classified as either 4* (industry leading), 3* (good performer), 2* (requires improvement) or 1* (poor performer).	**Exiting the DWI transformation programme by the end of AMP8.** This is dependent on the delivery of all related DWI notices. Achievement of this measure will be evidenced by DWI confirming delivery of the notices and the exit of its transformation programme at the end of AMP8.	**To maintain an investment grade credit rating or above over AMP8.**	**The internal total expenditure (totex) over AMP8 must be in line with the business plan.**
Weighting				
20%	20%	20%	20%	20%

Malus and clawback provisions

The Committee may apply discretion to reduce AVP and/or LTVPS awards in whole or part using either malus or clawback. Malus is a reduction applied to AVP or LTVPS awards which have not yet been paid, and clawback is applied to seek recovery of awards already paid. There is a period of three years following the payment of the relevant award in which the Committee may commence an investigation into any potential trigger.

Examples of malus and clawback triggers are:

- A breach of the PRP Rules as specified by Ofwat.
- Misstatement or error in the data comprising the scorecard assessment.
- An error in the incentive calculation.
- Gross misconduct.
- Corporate failure.
- Serious reputational damage.

In the case of gross misconduct, corporate failure or reputational damage, this will incorporate specific triggers as set out in the Ofwat regulations.

Single figure of remuneration for Executive Directors (audited)

		Roch Cheroux[1]		Peter Perry[2]		Mike Davis[3]	
		FY26 £'000s	FY25 £'000s	FY26 £'000s	FY25 £'000s	FY26 £'000s	FY25 £'000s
	Salary	**269**	–	**345**	369	**82**	293
	Non-cash benefits[4]	**–**	–	**1**	2	**–**	2
	Other cash benefits[5]	**6**	–	**9**	12	**3**	12
	Pension[6]	**26**	–	**33**	36	**8**	28
	Relocation allowance	**50**	–	**–**	-	**–**	–
	Loss of office[7]	**–**	–	**–**	-	**559**	–
Fixed pay	**Total fixed pay**	**351**	–	**388**	419	**652**	335
	Annual variable pay[8] (AVP)	**–**	–	**–**	82	**–**	65
	Long-term variable pay (LTVPS)	**–**	–	**–**	–	**–**	–
Variable pay	Total performance-related pay	**–**	–	**–**	82	**–**	65
Total single figure of remuneration		**351**	–	**388**	501	**652**	400

1 Appointed to the Board as CEO Designate on 6 October 2025 and became CEO on 5 January 2026. Remuneration is shown from 6 October 2025.

2 Stepped down from the Board on 31 December 2025 and retired from the Group on 31 March 2026. Remuneration is shown from 1 April 2025 to 31 December 2025.

3 Stepped down from the Board and retired from the Group on 30 June 2025. Remuneration is shown up until 30 June 2025.

4 Taxable benefits relate to private health cover.

5 Car allowance.

6 This represents pension alternative cash plan payments, equivalent to 9.6% of salary.

7 This payment was made in accordance with the terms of Mike's service agreement and the Remuneration Policy.

8 Peter Perry was subject to PRP Rules and as such the payment of variable pay was prohibited in FY26. Roch was entitled to receive an AVP award of £34,704 but chose to waive this.

Loss of office

During the year, a payment of £558,886 was made to the outgoing Chief Financial Officer, Mike Davis, in respect of loss of office. This payment was made in accordance with the terms of his service agreement and the Policy. The payment comprised contractual entitlements, including notice period obligations (£490,500) and accrued benefits (£68,386), and was subject to the Company's standard governance and approval processes. No additional discretionary payments were made.

ANNUAL REPORT ON REMUNERATION
CONTINUED

FY26 AVP outcome

The table below shows the performance against the targets for AVP in FY26. Where the final outcome for a particular target is not available as at the date of this report, the award reported is based on the current best estimate. These values may therefore change.

		Weighting	Tier 1 (Threshold)	Tier 2 (On Target)	Tier 3 (Maximum)	FY26 Performance achieved	YOY	Performance stretch (Max)	Percentage of bonus earned
Stakeholder measures	**Metric**	**20%**	**25%**	**60%**	**100%**				
C-MeX	Rank	10%	3rd	2	1st	**6th**	↓	**LE**	0.0%
Employee engagement	Number of questions relative to benchmark	5%	18	22	26	**9**	↓	**AA**	0.0%
Regulator / stakeholder relationship	Maintain / Improve / Transform	5%	Maintained	Improved	Transformed	**Maintained**	**N/A**	**IP**	6.3%
Total percentage of stakeholder measures 6.3%									
Operational measures	**Metric**	**80%**	**25%**	**60%**	**100%**				
Discharge permit compliance	Percentage	10%	98.87%	99.44%	100%	**98.01%**	↓	**PC**	0.0%
Acceptability of water	Contacts per 1,000 population	10%	2.57	2.3	2.04	**2.51**	↑	**PC**	4.1%
Storm overflows (SO)	Average number of spills per SO	10%	55.58	49.25	42.92	**48.70**	↑	**PC**	7.9%
Compliance risk index	Score	10%	3.94	2.89	1.83	**7.10**	↓	**PC**	0.0%
Leakage	Annual average Ml/d	10%	222.5	217	211.6	**233.3**	↑	**PC**	0.0%
Bathing water compliance	Percentage	10%	86.78%	87.04%	87.30%	**83.92%**	↓	**PC**	0.0%
Cat 1 – 3 pollutions	Number	10%	125	108	91	**107**	↑	**PC**	7.8%
Cat 1 – 2 pollutions	Number	10%	6	3	0	**9**	↓	**PC**	0.0%
Total percentage of operational measures 19.9%									
Total percentage of salary based on 75% of salary opportunity 12.9%									

Performance stretch indicators

Code	Term	Description
LE	**Leading Excellence**	Performance comparable with the strongest-performing water companies in England and Wales.
AA	**Above Average**	Performance better than the sector average across England and Wales.
PC	**Performance Commitment**	Target level set in Welsh Water's regulatory determination by Ofwat.
IP	**Improvement Pathway**	Performance improvements aligned with Welsh Water's long-term improvement or transformation programmes.

The basis on which stretching targets were set

The targets for each AVP metric were set by the Committee, taking into account a range of factors.

Where possible, AVP metrics were reported against Ofwat's Final Determination methodology. Employee engagement and regulator/stakeholder relationship measures are not included in Ofwat's methodology and are assessed as follows:

- Employee engagement was measured against a global high-performing colleague engagement benchmark using our annual employee engagement survey.
- Regulator/stakeholder relationship is a subjective measure which was assessed by the Board.

In FY26, the ranges for other measures were set with reference to the following:

- Tier 1: 5% improvement on the previous year.
- Tier 2: Mid-point between Tier 1 and Tier 3.
- Tier 3: Ofwat Final Determination target.

Subject to the Tier 1 threshold measure being achieved, individual awards were pro-rated to the maximum Tier 3 award level, which would only be awarded if Ofwat's stretching Final Determination targets have been met.

FY26 LTVPS assessment of progress against performance measures as set at start of AMP8

The approach to performance assessment is described in the Policy section on page 104. The performance measures, targets and the basis for any payment will be disclosed in the FY29 Directors' Remuneration Report.

Fees for Chair and Non-Executive Directors (audited)

	Total Fees £'000s	
Non-Executive Directors	**FY26**	**FY25**
Alastair Lyons[1]	**–**	185
Jane Hanson	**256**	119
Joanne Kenrick	**86**	83
Debra Bowen Rees	**71**	68
Tom Crick	**66**	68
Lila Thompson[2]	**40**	63
Barbara Moorhouse[3]	**–**	57
Darren James[4]	**78**	19
Darren Pope[4]	**78**	19
Alison Wilcox[4]	**66**	16
James Bevan[5]	**66**	9

1 Alastair Lyons stepped down from the Board on 31 December 2024 and was succeeded by Jane Hanson.
2 Stepped down from the Board on 7 November 2025.
3 Stepped down from the Board on 31 December 2024.
4 Joined the Board on 1 January 2025.
5 Joined the Board on 11 February 2025.

No Non-Executive Director received any benefits or additional remuneration above their base fees. They are entitled to reimbursement of travel and accommodation expenses incurred in performance of their duties, in line with the Group's normal policies.

ANNUAL REPORT ON REMUNERATION
CONTINUED

Pay decisions for FY27

Executive Directors

Base salary

Roch Cheroux will receive a salary increase from £550,000 to £610,000 (10.9%) from 1 April 2026 based on the need to maintain a fair, competitive and sustainable remuneration position, recognising the moving salary benchmarks for executive pay both within the sector and executive pay arena in general.

In line with the normal annual cycle, the Committee reviewed salary levels for ExCo members. The Committee considered several reference points, including the proposed increases for the wider workforce, business and individual performance in FY27, and the wider economic context and concluded it was appropriate to award a 3%, compared to a 3.6% increase applied to the wider workforce. All increases were effective from April 2026.

Director	Base salary FY27	Base salary FY26	% increase
Roch Cheroux	**610,000**	550,000	10.9%

Benefits and pension

Benefits and pension arrangements will not change for FY27. All employees, including Executive Directors, are entitled to a maximum pension contribution of 11% of salary. Eligible employees have the opportunity to opt out and receive a cash allowance equivalent to 9.6%. Benefits in the year will also include private medical insurance, life assurance, health screening and a car allowance.

AVP

For FY27 AVP of up to 75% of salary may be earned, based on performance achieved. The performance measures which will be used are set out below and have been set with reference to the current prioritisation requirements and areas for improvement within the business plan aligned to the new strategy that is being developed by Roch and the Executive Committee.

The areas of prioritisation and improvement fall under the six objectives detailed below and each objective contains specific measures on a score card basis. The table below provides details of the performance stretch indicators for each of the measures and confirms the level of performance improvement required for the maximum achievement for each of the measures approved by the Committee.

Performance targets for the current year are commercially sensitive and will be disclosed retrospectively in the Directors' Remuneration Report for FY27.

Objective	Overall weighting	Measures	Weighting	Performance stretch indicator
Customer Experience & Trust	22.5%	CMeX	7.5%	UQ
		Total complaints	7.5%	IP
		Trust	7.5%	IP
Safe & Secure Water	22.5%	Compliance Risk Index (CRI)	7.5%	PCD
		Leakage	7.5%	PC+
		Acceptability of water	7.5%	PC+
Environmental Performance	22.5%	Discharge permit compliance	7.5%	PCD
		Serious Pollution Incidents[1]	7.5%	PCD
		Storm Overflow (SO) spills	7.5%	PC
Business & Financial Performance	17.5%	Operating cost	17.5%	IP
People & Culture	7.5%	Gender Diversity in senior roles	7.5%	IP
Capital delivery	7.5%	PCDs	7.5%	IP

1 Measure relates to category 2 pollutions only since a single category 1 results in prohibition of performance related pay for Executive Directors on this measure.

Performance stretch indicators

Code	Term	Description
UQ	**Upper Quartile**	Performance in the top 25% of water companies in England and Wales.
PC	**Performance Commitment**	Target level set in Welsh Water's regulatory determination by Ofwat.
PC+	**Enhanced Performance Commitment**	A more stretching level of performance beyond the baseline Performance Commitment.
PCD	**Performance Commitment Deadband**	Performance level at the point where penalties begin to apply.
IP	**Improvement Pathway**	Performance improvements aligned with Welsh Water's long-term improvement or transformation programmes.

LTVPS

For AMP8 the LTVPS has a potential maximum award for the Executive Directors of 300% of salary (equivalent to 60% of salary per annum).

The performance measures are linked to industry-recognised milestones, the achievement of which will require a significant performance improvement over AMP8. The approach to performance assessment is described in greater detail in the Policy section on page 104.

Fees for Chair of the Board and Non-Executive Directors

The fees payable to the Chair of the Board were reviewed in March 2026 and the Committee (in the absence of the Chair of the Board) resolved that the Chair of the Board's fee should be increased by 3%.

In March 2026, the Chair of the Board and the Chief Executive Officer reviewed the fees for the Non-Executive Directors and resolved that the base fees should be increased by 3%.

There is no increase to the fees for additional Board responsibilities.

Fees for FY27 will be as follows:

Role	FY27(£)	FY26(£)
Chair of the Board	**263,550**	255,855
Non-Executive Directors' base fee	**67,550**	65,585
Fees for additional Board responsibilities (added to the NED base fee)		
Senior Independent Director	**10,000**	10,000
Audit and Risk Committee Chair	**12,500**	12,500
Performance and Safety Committee Chair	**12,500**	12,500
Remuneration Committee Chair	**10,000**	10,000
Environment, Social and Governance Committee Chair	**5,000**	5,000

ANNUAL REPORT ON REMUNERATION

CONTINUED

CEO pay ratio

This is the sixth year that we have applied the CEO pay ratio reporting requirements for UK-listed companies which compares the CEO's pay to the 25th percentile, median and 75th percentile for employees. In order to calculate the ratio we have applied Methodology A from the UK Government guidance, which the Committee considers is the most accurate and robust method.

Year	Methodology	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY26	**A**	**15:1**	**11:1**	**9:1**
FY25	A	14:1	11:1	8:1
FY24	A	14:1	11:1	8:1
FY23	A	11:1	8:1	7:1
FY22	A	19:1	15:1	12:1
FY21	A	28:1	23:1	18:1
FY20	A	22:1	18:1	14:1

FY26 £	25th percentile pay	Median pay	75th percentile pay
Total pay	**37,121**	**48,475**	**61,727**
Salary	**33,364**	**42,228**	**48,987**

Methodology notes

- The figures for the CEO pay ratio reporting were calculated as at 31 March 2026.
- The figure used for the CEO pay is based on 9 months of Peter Perry and 3 months of Roch Cheroux's remuneration.
- The pay ratios reflect our remuneration principles and our approved Remuneration Policy. Total remuneration is considered to be fair and competitive and to reflect wider economic conditions, enabling us to attract and retain the necessary skills and talent.
- The variable pay elements have been estimated for the wider workforce, as individual payments are not finalised until July 2026.

How does the Chief Executive's pay compare to previous years?

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26[1]	FY26[2]
Total remuneration for Chief Executive (£'000)	629	679	607	685	892	675	792	489	501	**388**	**351**
Total CEO remuneration net of pension accrual (£'000)	629	601	624	678	555	602	380	489	501	**388**	**351**
Annual variable pay outcome (%)	75	65	67	60	50	40	nil	26	22.1	**nil**	**nil**
Long-term plan outcome (%)	65	27	25	19	23.1	30	nil	nil	nil	**n/a**	**n/a**

1 Disclosure in respect of Peter Perry. Peter stepped down from the Board on 31 December 2025 and from the Group on 31 March 2026. Remuneration is shown from 1 April 2025 to 31 December 2025.

2 Disclosure in respect of Roch Cheroux. Roch Cheroux joined as Chief Executive Designate on 6 October 2025 and became Chief Executive on 5 January 2026.

How does the total spend on executive pay and total staff pay compare to other expenditure?

£m except percentages	FY25	FY26	Change £m	%
Total expenditure	1,042.9	**1,071.6**	28.7	3%
Employee remuneration costs	216.1	**225.1**	9	4%
Customer return of value	14	**14**	-	-
Executive Director remuneration costs	0.9	**1.6**	0.7	78%

Directors' service contracts and letters of appointment

The effective dates of the service contracts of the Executive Directors and letters of appointment of the Non-Executive Directors in place at 31 March 2026 were as follows:

Joanne Kenrick 1 November 2015	**Tom Crick** 1 October 2017	**Debra Bowen Rees** 1 January 2020	**Jane Hanson** 1 January 2021	**Darren James** 1 January 2025
Darren Pope 1 January 2025	**Alison Wilcox** 1 January 2025	**James Bevan** 11 February 2025	**Roch Cheroux** 6 October 2025	

Enquiries for the inspection by Members of the above service contracts and letters of appointment should be made via email to the Company Secretary at company.secretary@dwrcymru.com.

Summary of Member votes on the Remuneration Policy and Annual Report on Remuneration

Members approved the Remuneration Policy for AMP8 at the 2025 AGM, and last approved the Annual Report on Remuneration at the 2025 AGM with the votes as follows:

	Vote for
Members (present in person or by proxy) who voted in favour of the Annual Report on Remuneration at the 2025 AGM	94%
Members (present in person or by proxy) who approved the Directors' Remuneration Policy at the 2025 AGM	95%

Responsibilities of the Committee

The Committee's responsibilities are set out on page 95 and its Terms of Reference, which have informed the agenda and key areas of focus for the Committee during FY26, are available at https://corporate.dwrcymru.com/en/library/terms-of-reference.

Committee meetings and advisers

The Committee met nine times during the year and members' attendance at meetings is set out on page 69. Other regular attendees at meetings of the Committee included the Chief Executive Officer, the Business Support and People Director, the Company Secretary, the Strategy and Regulation Director and the Head of Reward. No colleagues are present or participate in any discussions in respect of their own remuneration.

Advisers to the Committee

During FY26, the Committee received independent advice from Korn Ferry, who are signatories to the Remuneration Consultants Group Code of Conduct, and their advice is governed by the Code.

The Committee is satisfied that the advice received from Korn Ferry was independent and objective. The fees payable to Korn Ferry were £139,071 plus VAT (FY25: £201,694 plus VAT).

JOANNE KENRICK
Chair of the Remuneration Committee

4 June 2026

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group for the financial year ended 31 March 2026.

Information incorporated by reference

The following information is incorporated by reference into the Directors' Report:

- The performance review within the Strategic Report on pages 2 to 58, particularly the Chief Executive's review (pages 5 to 7), Performance (page 13), and the Financial Review (pages 54 to 58).
- Details of the Group's business model and strategy, sector context, the operation of its business, future developments and the results and financial position for FY26 within the Strategic Report on pages 5 to 12 and 54 to 58.
- Details of the Group's process for addressing the principal risks and uncertainties facing the Group set out in the Risk Management section on pages 39 to 48.
- The Corporate Governance Report set out on pages 60 to 111.

Financial performance

As at 31 March 2026, gearing remained strong at 61%. Further details are provided in the Financial Review (pages 54 to 58).

Dividend policy

The Group is a company limited by guarantee and does not have share capital. No dividends are paid outside the Group. Its non-shareholder model ensures the business operates for the benefit of customers both now and in the future and to protect the environment.

Dŵr Cymru Cyfyngedig – Appointed business

In March 2016 the Board approved a dividend policy to permit up to £100 million of funds to be distributed within the Group, but outside the regulatory ringfence, to fund commercial projects. Under this policy, intra-Group dividends totalling £30.2 million were paid in 2016–2017. No further intra-Group dividends have been paid.

The current Dividend Policy was approved by the Board in February 2026 and is available at https://corporate.dwrcymru.com/en/library/company-statements/dividend-policy. While no dividends are expected to be paid in the foreseeable future, any future recommendation will consider the Group's performance commitments, including customer service, regulatory obligations and pricing.

Financial instruments

Information on financial risk management and financial instruments is provided in Notes 1, 15 and 16 to the financial statements on pages 140 and 141 and 160 to 164.

Research and development

Details of the Group's investment in technical and innovation projects are included in the Strategic Report on page 24.

Directors

The Directors in office at the date of this Annual Report, are listed on pages 63 to 65. During the year ended 31 March 2026, Lila Thompson, Mike Davis and Peter Perry also served as Directors. Lila Thompson stepped down from the Board on 7 November 2025. Mike Davis stepped down from the Board and retired from the Group on 30 June 2025. Peter Perry stepped down from the Board on 31 December 2025. Peter remained available to support a smooth leadership transition until 31 March 2026, when he retired from the Group.

Directors' indemnity

The Company maintains Directors' and Officers' insurance covering legal action against Directors and provides an indemnity where a Director has not acted fraudulently or dishonestly. The indemnity qualifies under the Companies Act and benefits all Directors. No claims have been made against this policy since the date of the last report.

Employees

The Board recognises the importance of attracting, developing and retaining talent. In line with best practice, the Group's employment policies provide equal opportunities for all employees regardless of sex, race, disability, age, sexual orientation, gender reassignment, religious beliefs, marital status or being pregnant or on maternity leave.

We are an accredited Disability Confidence Leader. We give full and fair consideration to employment applications made by disabled people and training and career development is available to all employees based on each individual's ability and experience. In the case of employees who become disabled while in our employment, we make every effort to retain them and provide necessary training.

Engagement with employees and other stakeholders

Details of how the Directors engage with employees are set out on pages 14 and 72.

Information on how the Directors engage with and consider the interests of the Company's customers, suppliers and other stakeholders, and the impact of these considerations on principal decisions is provided on pages 14 to 18 and 72.

Amendment of articles of association

Unless otherwise specified, the Company's Articles of Association may be amended by a special resolution of its Members.

Political donations

It is Board policy not to make donations to political parties or to incur political expenditure. A charitable donation of £30,000 was made during the year to Step Change, a debt advice charity, to support its work in providing debt advice to those we serve. None of the donation provided was used directly to support Step Change's campaign work.

No other donations or payments were made that require disclosure under section 366 of the Companies Act 2006.

WaterAid

The Group does not engage in corporate sponsorship but supports WaterAid, which works to provide clean water and sanitation in deprived areas overseas.

Persons of significant control

The Group maintains a register of persons with significant control in compliance with the requirements of the Small Business, Enterprise and Employment Act 2015. The Company has identified registrable relevant legal entities within the Group structure.

Greenhouse gas emissions (GHG)

Information on the Group's annual GHG emissions and energy efficiency is provided on pages 25 and 27, in accordance with the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013.

Effectiveness of risk management and internal controls

The Board has delegated responsibility for overseeing the effectiveness of the Group's risk management framework and internal controls to the Audit and Risk Committee. The Audit and Risk Committee devotes significant time to fulfil this responsibility and conducts regular reviews (see pages 85 and 87).

Audit information

Deloitte LLP acted as External Auditor for the year ended 31 March 2026. The Directors confirm that, as far as they are aware, there is no relevant audit information of which the External Auditor is unaware, and they have taken all necessary steps to ensure that the External Auditor is aware of such information.

Going concern

The financial statements for FY26 have been prepared on a going concern basis. The Directors' Going Concern statement including details of why the going concern assumption is considered appropriate is set out on pages 134 and 135.

Human rights

The Group is committed to respecting human rights across its workforce and supply chain. The internal Code of Conduct is supported by policies including Anti-bullying and Harassment, Whistleblowing, Anti-bribery and Corruption, and Anti-Fraud. All policies are available at https://corporate.dwrcymru.com/en/legal-privacy/privacy-policy.

Data protection and information security

The Group is committed to handling personal information responsibly and in compliance with data protection legislation. The Group's Privacy Statement is available at https://corporate.dwrcymru.com/en/legal-privacy/privacy-policy.

Annual General Meeting (AGM)

The Company's AGM will be held on 9 July 2026.

By order of the Board

NICOLA FOREMAN
Company Secretary

4 June 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and financial statements of the Group and parent Company in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for the Group and the parent Company each financial year. In compliance with this requirement, the Directors have chosen to prepare these financial statements in accordance with UK-adopted international accounting standards and applicable law.

The Directors must not approve the financial statements unless they are satisfied that they present a true and fair view of the financial position of the Group and parent Company, including the Group's assets, liabilities, financial performance and profit or loss for the period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable, relevant and reliable.
- Confirm that the financial statements have been prepared in accordance with UK-adopted international accounting standards.
- Assess the Group and parent Company's ability to continue as a going concern and disclose any related matters as appropriate.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company, cease operations or have no realistic alternative but to do so.

The Directors are responsible for maintaining adequate accounting records that accurately reflect the parent Company's transactions and financial position at any time, ensuring compliance with the Companies Act 2006.

They must implement internal controls necessary to prepare financial statements free from material misstatement, whether due to fraud or error, and take reasonable steps to safeguard the Group's assets and prevent and detect fraud and other irregularities.

Additionally, the Directors have voluntarily prepared a Corporate Governance Statement (within the Directors' Report) as though the Company were subject to the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with those requirements.

The Directors are accountable for the maintenance and integrity of the corporate and financial information published on the Company's website. UK legislation governing the preparation and dissemination of financial statements may differ from laws in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the Group's performance.
- The Strategic Report provides a fair review of the business' performance, principal risks and future strategy,

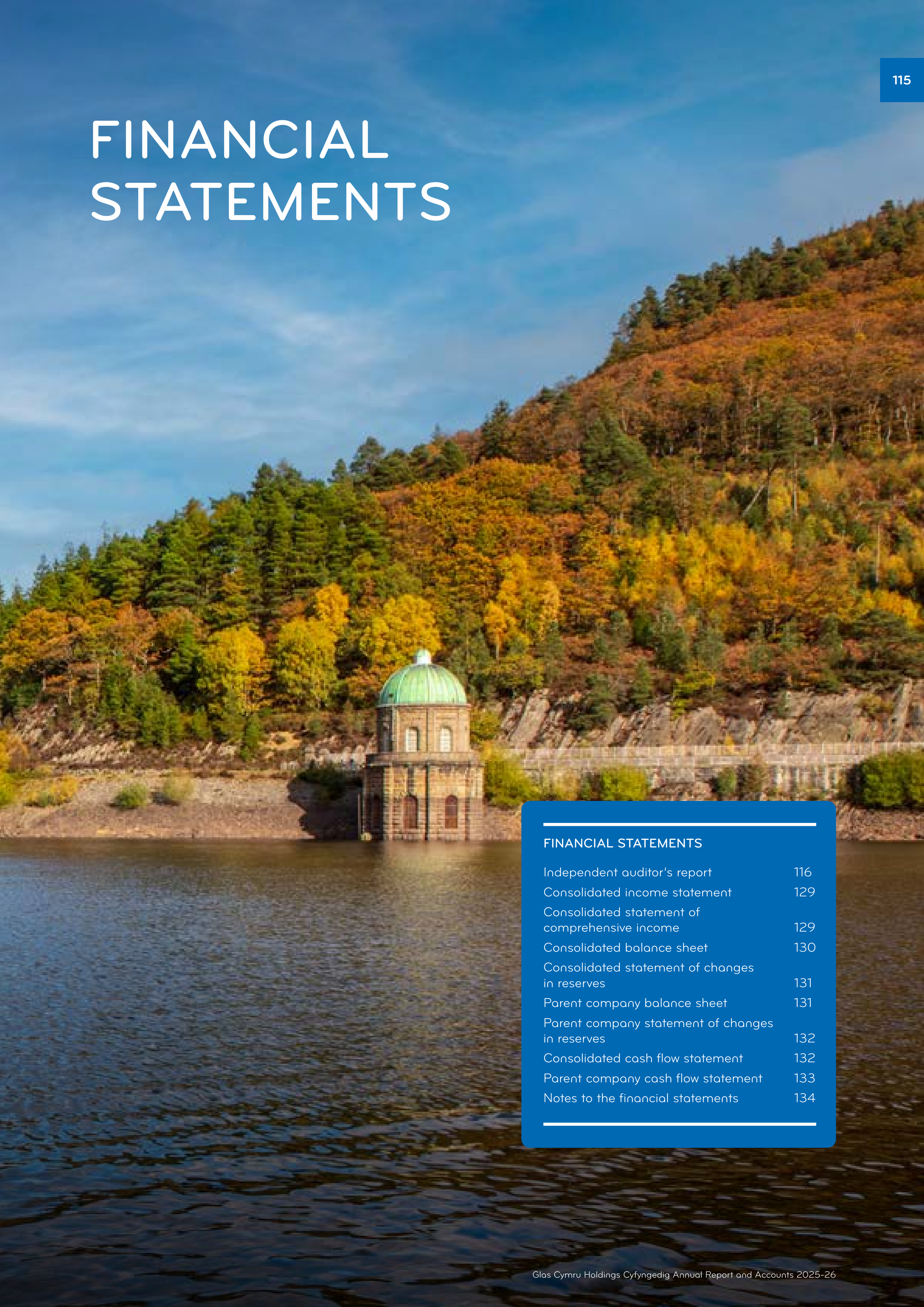
We believe the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for stakeholders to assess the Group's position, performance, business model and strategy.

By order of the Board

NICOLA FOREMAN
Company Secretary

4 June 2026

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLAS CYMRU HOLDINGS CYFYNGEDIG

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Glas Cymru Holdings Cyfyngedig (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2026 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in reserves;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 28 of the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 group and the parent 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. The non-audit services provided to the group and parent company for the year are disclosed in note 3 to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of the provision against household and non-household trade receivables in Dŵr Cymru Cyfyngedig; • Valuation of the measured income accrual in Dŵr Cymru Cyfyngedig; and • Classification of capital programme expenditure in Dŵr Cymru Cyfyngedig. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £15 million (2025: £14 million) which was determined on the basis of total assets, equating to 0.16% (2025: 0.15%) of total assets.
Scoping	Our scoping has resulted in over 99% (2025: over 99%) of group's revenue, 99% (2025: 99%) of loss before tax and 99% (2025: 99%) of total assets, being subject to audit testing.
Significant changes in our approach	There were no significant changes in our audit approach compared to the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- reviewing the group's borrowing arrangements and associated maturity profiles, including the level of committed undrawn facilities in the form of a revolving credit facility;
- assessing the level and coupon of new debt issuance forecast by the directors and the feasibility of these assumptions;
- assessing the appropriateness of the length of the outlook period used by the directors in their assessment;
- assessing the assumptions used in the cash flow forecasts for consistency with Board approved budgets;
- testing the arithmetic accuracy of the cash flow forecast;
- assessing the appropriateness and impact of severe but plausible downside scenarios;
- evaluating covenant compliance and headroom on those covenants;

- evaluating the risks associated with credit rating metrics and the impact of any downgrades, should they arise;
- evaluating the historical accuracy of forecasts prepared by management; and
- assessing the appropriateness of the directors' going concern disclosures in light of the above assessment.

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 group's and parent 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 group 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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.2 Valuation of the provision against household and non-household trade receivables in Dŵr Cymru Cyfyngedig

Key audit matter description	Dŵr Cymru Cyfyngedig supplies water to residential and business customers within Wales and parts of England and the provision for impairment of receivables represents the portion of customers who do not, or cannot, pay their bills. Management estimates the expected credit loss for their receivables when calculating the appropriate level of bad debt provision. As at 31 March 2026, the provision recorded was £96.8 million (2025: £87.0 million). The provision for trade receivables at Dŵr Cymru Cyfyngedig is based on the historical cash collection of debt invoiced to measured and unmeasured customers over the prior three years, which is considered by management to be representative of the collection risk on the receivables population. Management disaggregate the receivable population into risk categories. This disaggregation separates customers into household and non-household groups and further categorises them by the risk (high, medium and low) based on historic recoverability. An assessment of recoverability is then made, taking into account the impact of

	future economic conditions, for which management have considered factors including expected movements in household disposable income and unemployment rates. The key audit matter was focused on the appropriateness of the assumption that cash collection rates over the three prior years is a reasonable expectation for the determination of lifetime expected credit losses under IFRS 9 *Financial Instruments*. The bad debt provision is discussed in note 1 of the financial statements as an accounting judgement and an accounting estimate. The Audit and Risk Committee also considered this as a significant area of focus as discussed in the Audit and Risk Committee Report on page 89. The bad debt provision is discussed in note 11 to the financial statements. Management has included this as a source of estimation uncertainty in note 1 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures to address the key audit matter included the following: • obtaining an understanding of relevant controls over the determination of the bad debt provision, including controls over the supporting data and assumptions; • testing the completeness and accuracy of the data extracted from the billing system for use within the bad debt provision calculation; • assessing the appropriateness of management's methodology against the requirements of IFRS 9; • testing the accuracy of debtor ageing for each debt category for a sample of customers; • evaluating the reasonableness of economic data used within management's assessment; • evaluating the calculation used by management to calculate the cash collection rates, including management's assumptions used in the calculation of the bad debt provision, and challenging whether this represents lifetime expected credit loss; and • assessing the appropriateness of the disclosures relating to the key assumptions, and the range of sensitivities disclosed.
Key observations	We are satisfied that the assumptions applied in assessing the expected credit losses, are reasonable and that Dŵr Cymru Cyfyngedig's bad debt provision has been appropriately determined using relevant data, in accordance with IFRS 9 Financial Instruments.

5.3 Valuation of the measured income accrual in Dŵr Cymru Cyfyngedig

Key audit matter description	Over half of the customers served by Dŵr Cymru Cyfyngedig have their usage measured by a meter. Meter readings are taken periodically by the business from which an invoice will be raised and revenue recorded. Management estimates the water and waste usage for all customers to cover the period from the last recorded

	meter reading and the year-end date. This estimated usage is used to record accrued income for measured revenue. As at 31 March 2026 the measured income accrual was £127.6 million (2025: £93.0 million) which incorporates management's best estimate of the consumption of measured customers since the last meter read. The measured income accrual at Dŵr Cymru Cyfyngedig is based on two recent meter readings for measured customers, which is considered by management to be representative of average consumption. This estimated consumption is combined with tariff and standing charge data to produce an estimated measured income accrual. The key audit matter was focused on the appropriateness of the assumption that past consumption rates are accurately determined and provide a reasonable expectation for the customer level estimated consumption up to 31 March 2026. The measured income accrual estimates consumption of unread meters based on historical consumption and billing information. There is inherent judgement and the complexity in the calculation giving rise to a potential risk of fraud in this area. The measured income accrual is disclosed in note 11 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures to address the key audit matter included the following: • obtaining an understanding of relevant controls over the valuation of the measured income accrual; • performing an independent calculation of the measured income accrual using the underlying consumption data for a sample of customers; • assessing and challenging the key assumptions in the methodology; • testing the accuracy of the underlying consumption data which the model relies upon for a sample of customers; and • testing a sample of measured customers to assess the appropriateness of manual adjustments made by management.
Key observations	We are satisfied that the valuation of the measured income accrual is appropriate as at 31 March 2026.

5.4 Classification of capital programme expenditure in Dŵr Cymru Cyfyngedig

Key audit matter description	Dŵr Cymru Cyfyngedig has a substantial capital programme which is agreed with the regulator ('Ofwat') at the beginning of each AMP, and therefore incurs significant expenditure in relation to the development and maintenance of both infrastructure assets and operational structures. During the year, Dŵr Cymru Cyfyngedig has invested £617 million (2025: £629 million) of capital in water and wastewater assets as part of the AMP 8 planned investment programme. The investment is split between capital additions of £496

	million (2025: £508 million) which are added to the balance sheet, and infrastructure renewals expenditure of £121 million (2025: £121 million) which are maintenance costs expensed to the income statement. The residual balance of capital investment includes adopted assets of £85 million (2025: £162 million) and capitalised interest of £17 million (2025: £17 million). Included in capital additions of £503 million is £108 million (2025: £98 million) of people costs capitalised. As the determination of whether expenditure is capitalised or expensed in the period directly affects the group's reported financial performance, including against financial covenants and key metrics assessed by external credit rating agencies. There is a high degree of judgement involved in determining whether costs, including employee costs, meet the relevant criteria for capitalisation and therefore are included in the carrying value of Property, Plant and Equipment ('PPE'), or alternatively should be expensed immediately. The Audit and Risk Committee also considered this as a key judgement as discussed in the Audit and Risk Committee report on page 89. Further details are included within the critical accounting judgements note in note 1 to the financial statements and within note 8 Property, plant and equipment.
How the scope of our audit responded to the key audit matter	Our procedures to address the key audit matter included the following: • obtaining an understanding of relevant controls over the classification of capital programme expenditure; • for a sample of cases, assessing whether the capitalisation policy has been applied to the costs incurred by reviewing the business cases, making direct enquiries of individuals within the business, and inspecting invoices; • testing a sample of additions by inspecting supporting documents and making inquiries of project managers to evaluate whether the costs are in respect of enhancements to assets; and • evaluating the appropriateness of the accounting treatment for capitalising people costs by reference to the requirements of IAS 16 *Property, Plant and Equipment* and assessing the policies, procedures and assumptions used in estimating the value of people related costs that are directly attributable to capital projects.
Key observations	We are satisfied that costs capitalised are in respect of enhancements to the assets and that the assumptions made in respect of capitalisation of people related costs that are considered directly attributable to the construction of the asset are reasonable.

6. Our application of materiality

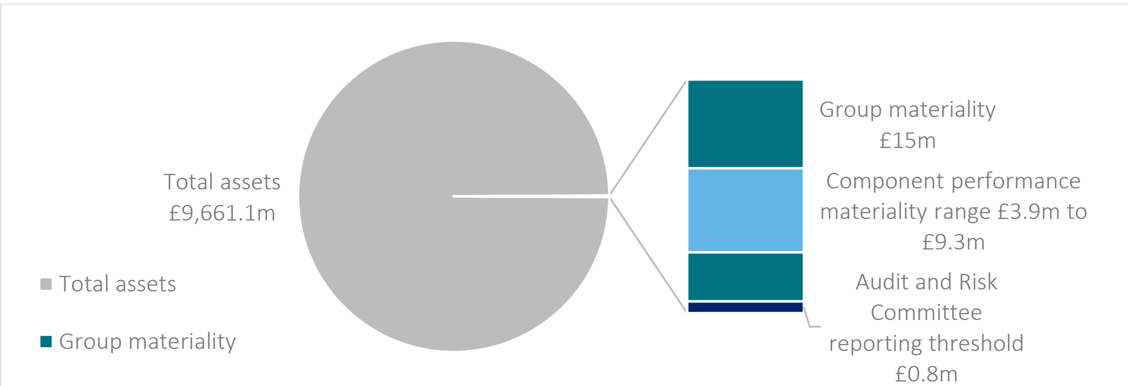
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£15.0 million (2025: £14.0 million)	£6.8 million (2025: £6.0 million)
Basis for determining materiality	We determined the group materiality with regards to a percentage of total assets (2026: 0.16%; 2025: 0.15%)	We determined the parent company materiality with regards to a percentage of net assets (2026: 0.17%; 2025: 0.17%).
Rationale for the benchmark applied	Given the group's key focus is on the maintenance and investment in the assets it owns and operates, we consider total assets to be the most relevant benchmark. We have also considered the appropriateness of our materiality in regard to other metrics, such as revenue and the group's regulatory capital value.	The parent company does not trade or exist for profit generating purposes, so materiality has been determined using net assets.



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.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2025: 65%) of group materiality which equates to £9.8 million (2025: £9.1 million)	65% (2025: 65%) of parent company materiality which equates to £4.4 million (2025: £3.9 million)
Basis and rationale for determining	The factors we considered in setting performance materiality included:	

performance materiality	• the quality of the control environment and whether we are able to rely on internal controls in our substantive testing; and • the number and value of uncorrected misstatements identified in our previous audit in the prior year.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.75 million (2025: £0.70 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

The Regulated Water and Wastewater business is primarily comprised of Dŵr Cymru Cyfyngedig and Dwr Cymru Financing (UK) plc and was subject to an audit of the entire financial information using performance materiality of £9.3 million (2025: £8.6 million). Of the group's four (2025: four) reporting components, we subjected three (2025: three) to an audit of the entire financial information for group purposes. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

This represented 99% (2025: 99%) of group's revenue, 99% (2025: 99%) of loss before tax and 99% (2025: 99%) of total assets, being subject to audit testing.

At the group level we also tested the consolidation process and carried out analytical procedures at an aggregated group level to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to an audit of the entire financial information.

7.2. Our consideration of the control environment

The group uses SAP as a financial accounting software platform. With the involvement of our information technology specialists, we obtained an understanding of relevant General Information Technology Controls within the group's financial accounting software platform and supporting applications, systems and tools, including access controls, change management controls and controls around segregation of duties. We also obtained an understanding of financial reporting controls relevant to our audit. In the course of these procedures we identified some deficiencies in manual controls which the group is taking action to remediate. We adopted a fully substantive approach in our audit.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the group'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. Whilst management has acknowledged the risks posed by climate change, they have assessed that there is no material impact arising from climate change on the judgements and estimates made in the financial statements for the year ended 31 March 2026 as disclosed in note 1 of the Financial Statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

We performed our own 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 reasonably possible risks of material misstatement as a result of climate change. We also deemed that 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.
With the involvement of our Environmental, Social and Governance ('ESG') specialists, we:

- evaluated the financial statement disclosures to assess whether climate risk assumptions underpinning specific account balances were appropriately disclosed; and
- read the climate change-related statements (as disclosed in the strategic report) and considered whether the information included in the narrative reporting is materially consistent with the financial statements and our knowledge obtained in the audit.

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 group's and the parent 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 group or the parent 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: 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 group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- management'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 group's sector;
- any matters we identified having obtained and reviewed the group'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; and
  - 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, pensions, treasury & pricing, IT, and ESG 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 area: Valuation of the measured income accrual in Dŵr Cymru Cyfyngedig.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

INDEPENDENT AUDITOR'S REPORT CONTINUED

We also obtained an understanding of the legal and regulatory framework that the group 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, pensions legislation 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 group's ability to operate or to avoid a material penalty. These included requirements imposed by The Water Services Regulatory Authority (Ofwat), Environment Agency, Drinking Water Inspectorate, Natural Resources Wales, GDPR and health and safety regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the measured income accrual in Dŵr Cymru Cyfyngedig 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 external 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 relevant regulatory authorities; 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 group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinions on other matter prescribed by our engagement letter

In our opinion the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the requirements of the Companies Act 2006 that would have applied were the company a quoted company.

14. 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 pages 134 and 135;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on pages 49 to 53;
- the directors' statement on fair, balanced and understandable set out on page 114;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 49;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 87; and
- the section describing the work of the Audit and Risk Committee set out on pages 83 to 90.

15. Matters on which we are required to report by exception

15.1. 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15.2. 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 or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

16.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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Delyth Jones FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cardiff, United Kingdom

4 June 2026

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2026

Continuing activities	Note	2026 £m	2025 £m
Revenue	2	**1,173.7**	919.5
Operating costs:			
Operational expenditure	3	**(415.6)**	(400.3)
Impairment of trade and other receivables	3	**(33.9)**	(21.2)
Other operating income	3	**15.5**	5.4
Transformation and restructuring costs	3	**(22.8)**	–
Infrastructure renewals expenditure	3	**(120.7)**	(120.7)
Depreciation and amortisation	3	**(424.0)**	(391.2)
	3	**(1,001.5)**	(928.0)
Operating profit/(loss)	3	**172.2**	(8.5)
Profit on disposal of fixed assets		**0.3**	–
Profit/(loss) before interest		**172.5**	(8.5)
Financial expenses:			
Financial income	4	**43.0**	29.1
Financial expenses	4	**(284.2)**	(231.1)
Fair value (losses)/gains on derivative financial instruments	4	**(17.0)**	64.5
		(258.2)	(137.5)
Loss before taxation		**(85.7)**	(146.0)
Taxation	5	**19.8**	34.9
Loss for the year		**(65.9)**	(111.1)

The Company has taken the exemption under section 408 of the Companies Act 2006 not to present a parent Company income statement. The profit of the parent Company for the year to 31 March 2026 was £1.7 million (2025: £1.6 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026 £m	2025 £m
Loss for the year		**(65.9)**	(111.1)
Items that will not be reclassified to profit or loss			
Actuarial gain recognised in the pension scheme	21	**8.1**	19.5
Revaluation of property, plant and equipment	7	**278.0**	(58.5)
Related deferred tax	6	**(69.5)**	14.6
Total items that will not be reclassified to profit or loss		**216.6**	(24.4)
Total comprehensive income/(loss) for the year		**150.7**	(135.5)

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026 £m	2025 £m
Assets			
Non-current assets			
Property, plant and equipment	8	**8,017.5**	7,539.3
Intangible assets	9	**174.5**	196.0
Trade and other receivables	11	**2.0**	0.6
Other financial assets:			
– derivative financial instruments	15	**1.2**	0.7
– employee benefits	21	**63.5**	52.5
		8,258.7	7,789.1
Current assets			
Inventories		**9.7**	8.5
Trade and other receivables	11	**791.5**	711.1
Cash and cash equivalents	12	**594.8**	638.4
Other financial assets: derivative financial instruments	15	**6.4**	2.6
		1,402.4	1,360.6
Total assets		**9,661.1**	9,149.7
Liabilities			
Current liabilities			
Trade and other payables	13	**(747.2)**	(732.4)
Provisions	17	**(6.0)**	(1.4)
Other financial liabilities:			
– borrowings	14	**(257.4)**	(624.3)
– derivative financial instruments	15	**–**	(68.6)
		(1,010.6)	(1,426.7)
Net current assets / (liabilities)		**391.8**	(66.1)
Non-current liabilities			
Trade and other payables	13	**(972.9)**	(886.1)
Employee benefits	21	**(2.0)**	(3.2)
Provisions	17	**(8.6)**	(4.6)
Other financial liabilities:			
– borrowings	14	**(4,991.7)**	(4,398.9)
– derivative financial instruments	15	**(326.0)**	(280.9)
Deferred tax – net	6	**(812.1)**	(762.8)
		(7,113.3)	(6,336.5)
Total liabilities		**(8,123.9)**	(7,763.2)
Net assets		**1,537.2**	1,386.5
Reserves			
Revaluation reserve	7	**1,644.9**	1,546.9
Retained earnings		**(107.7)**	(160.4)
Total reserves		**1,537.2**	1,386.5

The financial statements on pages 129 to 176 were approved by the Board of Directors on 4 June 2026 and were signed on its behalf by:

ROCH CHEROUX
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2026

	Revaluation reserve £m	Retained earnings £m	Total reserves £m
At 1 April 2024	1,696.2	(174.2)	**1,522.0**
Loss for the year	–	(111.1)	**(111.1)**
Actuarial gain net of tax	–	19.5	**19.5**
Revaluation net of tax	(43.9)	–	**(43.9)**
Transfer to retained earnings	(105.4)	105.4	**–**
At 31 March 2025	**1,546.9**	**(160.4)**	**1,386.5**
Loss for the year	**–**	**(65.9)**	**(65.9)**
Actuarial gain net of tax	**–**	**8.1**	**8.1**
Revaluation net of tax	**208.5**	**–**	**208.5**
Transfer to retained earnings	**(110.5)**	**110.5**	**–**
At 31 March 2026	**1,644.9**	**(107.7)**	**1,537.2**

PARENT COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026 £m	2025 £m
Assets			
Non-current assets			
Investment in subsidiaries	10	**3,864.4**	**3,517.9**
Other financial assets:			
– loans to Group undertakings	11	**21.6**	**21.6**
		3,886.0	**3,539.5**
Current assets			
Trade and other receivables		**4.8**	**3.7**
Cash and cash equivalents	12	**14.3**	**13.7**
		19.1	**17.4**
Net assets		**3,905.1**	**3,556.9**
Reserves			
Retained earnings		**40.7**	**39.0**
Revaluation reserve	7	**3,864.4**	**3,517.9**
Total reserves		**3,905.1**	**3,556.9**

The financial statements on pages 129 to 176 were approved by the Board of Directors on 4 June 2026 and were signed on its behalf by:

ROCH CHEROUX
Chief Executive Officer

Company number 09917809

PARENT COMPANY STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2026

	Revaluation reserve £m	Retained earnings £m	Total reserves £m
At 1 April 2024	3,502.0	37.4	3,539.4
Profit for the year	–	1.6	1.6
Revaluation	15.9	–	15.9
At 31 March 2025	**3,517.9**	**39.0**	**3,556.9**
Profit for the year	**-**	**1.7**	**1.7**
Revaluation	**346.5**	**-**	**346.5**
At 31 March 2026	**3,864.4**	**40.7**	**3,905.1**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026 £m	2025 £m
Cash flow from operating activities			
Cash generated from operations	18a	**537.6**	409.4
Income tax received		**0.6**	0.2
Net cash flow from operating activities		**538.2**	409.6
Cash flow from investing activities			
Interest received		**37.8**	23.2
Purchase of property, plant and equipment		**(489.6)**	(502.0)
Purchase of intangible assets		**(31.0)**	(39.5)
Proceeds from sale of plant and equipment		**0.2**	–
Grants and contributions received		**24.3**	33.3
Net cash outflow from investing activities		**(458.3)**	(485.0)
Net cash flow before financing activities		**79.9**	(75.4)
Cash flows from financing activities			
Loan issue costs		**(0.6)**	(1.2)
Long-term loans received		**175.0**	200.0
Term loan repayments		**(93.5)**	(171.0)
Bond issue proceeds		**577.1**	743.3
Bond issue costs		**(2.4)**	(2.2)
Payments for redemption of bonds		**(504.2)**	–
Interest paid	18b	**(199.7)**	(185.6)
Receipts on derivative financial instruments	18c	**46.5**	87.8
Payments on derivative financial instruments	18c	**(10.5)**	(7.6)
Payments for redemption or termination of derivative financial instruments	18d	**(80.8)**	(66.9)
Payment of lease liabilities		**(30.4)**	(49.9)
Net cash flow from financing activities		**(123.5)**	546.7
(Decrease)/increase in cash and cash equivalents	19b	**(43.6)**	471.3
Cash and cash equivalents at 1 April		**638.4**	167.1
Cash and cash equivalents at 31 March	12	**594.8**	638.4

Transformation and restructuring costs of £22.8 million are included in cash generated from operations. This can be split by cash paid in the year of £17.3 million, with £5.5 million remaining on the balance sheet; split £4.1 million provisions (note 17), and £1.4 million accruals (note 13).

PARENT COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026 £m	2025 £m
Cash flow from investing activities			
Interest received		**1.0**	1.7
Group tax payment		**(0.4)**	(0.3)
Net cash flow from investing activities		**0.6**	1.4
Increase in cash and cash equivalents			
Cash and cash equivalents at 1 April		**13.7**	12.3
Cash and cash equivalents at 31 March	12	**14.3**	13.7

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies, financial risk management and accounting estimates

Accounting policies for the year ended 31 March 2026

Glas Cymru Holdings Cyfyngedig (the Company) is a private company incorporated, domiciled and registered in Wales in the UK. The registered number is 09917809 and the registered address and head office is Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT.

The principal accounting policies adopted in the preparation of these financial statements are set out below. They have been applied consistently to both years presented.

Basis of preparation

Glas Cymru Holdings Cyfyngedig is limited by guarantee and is the ultimate parent Company of the Glas Group.

The consolidated financial statements of Glas Cymru Holdings Cyfyngedig and the parent Company financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards (UK-adopted IFRS). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets, other financial assets and liabilities (including derivative financial instruments) and parent Company investment at fair value through profit or loss. The presentational, and functional, currency of all Companies consolidated in these accounts is sterling and all balances are shown rounded in £m.
The preparation of financial statements under IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas including a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on pages 141 to 145.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Intra-Group transactions and profits are eliminated on consolidation.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

The Company financial statements present information about the Company as a separate entity and not about its Group.

Going concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group and parent Company have adequate resources for a period of at least 12 months from the date of their approval and that there are no material uncertainties to disclose.

The Directors have undertaken a detailed review, utilising the latest Board-approved financial projection, to assess the liquidity requirements of the Group compared against the cash and facilities currently available to the Group, compliance with our debt covenants and other conditions as governed in the Common Terms Agreement (CTA). The assessment period considered the ongoing requirement to raise debt to fund our growing investment programme, part of our business model, with a period of 18 months to 30 September 2027 deemed appropriate.

The Directors have assessed current market conditions, considered plausible downside scenarios, and evaluated the potential effectiveness of mitigating actions. The base financial plan has been stress-tested against these scenarios to assess the Group's ability to operate within existing covenants and facilities.

- Liquidity – The Group retains sufficient liquidity over the going concern period even under the most severe of the plausible downside scenarios.
- Debt covenants – The Group retained headroom against all default criteria within its debt covenant (where Class A interest cover ratio is required to exceed 1.6:1 and retention of two investment-grade credit ratings for the class A and B bonds), with no plausible scenario identified resulting in a default event.

Liquidity
At 31 March 2026, the Group had liquidity of £995 million, comprising £595 million of cash and cash equivalents and £400 million of undrawn committed bank facilities expiring in February 2029. This level of liquidity is forecast to cover the requirements of the business for a period of 15 months before new borrowings are required to meet ongoing operational requirements.

The financial plan forecasts approximately £1.0 billion of new funding over the next 18 months to maintain current liquidity levels and fund debt repayments of c.£0.3 billion and capital investment in accordance with our investment programme. The maturity profile of our borrowings is detailed in Note 16.

The Group maintains strong relationships with a diversified lender base and closely monitors market conditions, noting regular, well-subscribed debt issuances in the sector. The Directors are confident in the Group's ability to raise the required funding, supported by its track record, strong credit ratings, and access to alternative funding sources, including private placements and term loans. Liquidity is considered sufficient to meet operational requirements.

1. Accounting policies, financial risk management and accounting estimates CONTINUED

Debt covenants
Glas Cymru Anghyfyngedig, a subsidiary of Glas Cymru Holdings, has a CTA structured to align with, and enhance, its regulatory protections. The CTA establishes a single covenant framework, together with shared security and inter-creditor arrangements, applying consistently across debt providers.

The CTA distinguishes between a Trigger Event and an Event of Default. A Trigger Event operates as an early-warning mechanism to support creditworthiness and reduce the risk of an Event of Default. One consequence of a Trigger Event could be a restriction on raising additional debt: however, it does not permit enforcement of security and is therefore not considered a going concern issue at the point of trigger. In addition to senior cover ratio thresholds (2.0:1) the CTA requires at least one credit rating for Class A debt and Class B debt rated at or above Baa1/BBB+. The financial projections show compliance with all debt covenants and trigger event thresholds.

Sensitivity
The base financial projection has been stress-tested against two severe scenarios, consistent with the stress testing underpinning the long-term viability assessment (see pages 49 to 53). The first scenario applies a weighted impact reflecting the concurrent crystallisation of all principal risks. The second scenario models the full exposure of the operational performance and cost risks (primarily operating and capital cost overruns of £44 million and £15 million respectively over the assessment period) together with financing and funding risks, including higher inflation leading to increased interest costs of approximately £60 million and higher energy and other operating costs of approximately £35 million.

The sensitivities described above would negatively affect short-term financial ratios: however, they are not forecast to result in breaches of debt covenants associated with Events of Default. While these scenarios increase the risk of credit rating downgrades due to pressure on interest cover ratios, the Directors do not expect a Trigger Event to arise within the assessment period. This reflects the anticipated positive impact of higher inflation in the medium term on key financial ratios, driven primarily by inflation-linked increases in revenues.

Based on the Group's existing committed liquidity facilities and forecast cash flows, the Directors do not expect the downside scenarios, while resulting in additional cash outflows, to have a significant impact on liquidity within the going concern assessment period. While continued access to debt markets is assumed in the forecast, the Group has sufficient committed facilities in place to support operations in the event of a temporary disruption to market access.

Conclusion
While the severe but plausible scenarios indicate an increased risk of credit rating downgrades, the Directors do not consider it plausible that such downgrades would crystallise sufficiently early in the assessment period to result in a material adverse impact on the Group's liquidity position, covenant compliance or ability to continue operations.

Having considered these matters, the Directors do not believe that any material uncertainties exist that would cast significant doubt on the Group's ability to continue as a going concern.

Changes in accounting policies and disclosures
The following new standards, amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 April 2025:

Amendments

- Lack of Exchangeability (Amendments to IAS 21).
- Nature-dependent Electricity Contracts (Amendments to IFRS 9 / IFRS 7).
- Annual Improvements to IFRS Accounting Standards (IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7).

The adoption of these standards, amendments and interpretations has not had a material impact on the financial statements of the Group or parent Company.

Future changes to accounting standards
Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2026 reporting periods and have not been early adopted by the Group. These include:

- IFRS 18, Presentation and disclosure of financial statements, for which the main impact on the financial statements will be presentational.
- IFRS 20, Regulatory Assets and Regulatory Liabilities, is likely to present a material change to the financial statements. The impact remains under assessment by management.
- Amendments to IFRS 9 relating to the derecognition of financial instruments, including electronic payments, are effective from 1 January 2026. The Group does not expect these amendments to have a material impact on its financial statements.

Otherwise, these standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group is also aware of new standards and amendments under development, which are not yet issued, which may have a material impact in future reporting periods. Management is currently assessing the potential impact.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Accounting policies, financial risk management and accounting estimates CONTINUED

Revenue recognition

Revenue represents the income receivable in the ordinary course of business for performance obligations delivered, excluding value added tax. Revenue is segmented into two income streams, regulated revenue and other (non-regulated) revenue.

Regulated revenue relates to the provision of water, sewerage and related retail services, regulated by Water Services Regulation Authority (Ofwat). Revenue from customers with meters is recognised when the service is provided and is measured based on actual meter readings and estimated consumption for the period between the last meter reading and the year-end based on tariffs from the scheme of charges published annually. For customers who are not metered, the performance obligation is the ability to provide water and sewerage services throughout the period. Such customers are charged on an annual basis, coterminous with the financial year and revenue is recognised on a straight-line basis over the financial year.

All water companies have a legal obligation to allow third parties to establish an authorised connection to their networks and a number of activities may be necessary in order to achieve this, giving rise to the following transactions and accounting treatments under IFRS 15:

- Connection charges: these are amounts received from developers for connection to the network which the Group recognises as income on delivery of that performance obligation.
- Infrastructure income and requisitions: third-party contributions towards the Group's obligation to ensure future service provision to the connection or mains over its life; the Group estimates that an average connection lasts for 80 years and defers the release of charges over that period.
- Diversions: payment in return for moving a water or sewer main to accommodate other infrastructure changes. The performance obligation is to move the main, with no additional asset creation, therefore revenue is recognised when that obligation has been delivered.

The Group also receives income from developers for new connections to the water and sewerage networks in the form of adopted infrastructure assets, which are recognised as a deferred income balance at the fair value of the assets adopted which is released to the income statement as an equivalent to the depreciation of the associated assets to which they relate.

Other (non-regulated) revenue relates to income streams which are not subject to Ofwat's price control, principally comprising organic energy generation and certain other activities which are peripheral and/or complementary to the Group's core water and sewerage business.

Other operating income principally relates to sales of gas. Revenue from sales of gas is recognised upon delivery. Exports of renewable electricity is included with power costs as it is treated as a natural hedge to consumption. The Group's energy strategy is to enter into contracts that fix the price of consumption less exports of future power purchases in order to reduce the impact of power price variances. Exports of electricity is recognised upon delivery.

Presentation of operating costs

The Group presents operating costs on the face of the income statement using a presentation that reflects both the nature and purpose of the expenditure, aligned to how management monitors performance and allocates resources. Certain costs are presented by their specific nature (e.g. depreciation and amortisation, impairment), while others reflect distinct categories of operational or strategic activity (e.g. operational expenditure, transformation and restructuring costs).

Items are presented separately where they are material in size or nature, or where separate disclosure enhances the understanding of the Group's financial performance. Judgement is applied to ensure that the level of disaggregation provides relevant and reliable information without obscuring key trends. The classification and presentation of operating costs are applied consistently from period to period unless a change is considered to provide more relevant and reliable information.

Investments

The Company's investments comprise equity holdings in wholly owned subsidiaries, as set out in Note 10. These are stated at fair value with any resultant gain or loss being recognised directly in equity, in the revaluation reserve (Note 7).

The fair value has been calculated using an enterprise value referencing a premium adjusted shadow Regulatory Capital Value (RCV) (as defined under the accounting policy for property, plant and equipment below), and deducting net debt, fair value of derivatives and other working capital items. This calculated fair value has first been triangulated against a value-in-use methodology using discounted cash flows from a medium-term forecast to 31 March 2030 reflecting the final determination, and secondly against peer company comparatives. More information is given under critical accounting judgements and estimates below. The valuation of investments is classified within Level 3 of the IFRS 13 fair value hierarchy because it uses unobservable inputs, including the RCV, rather than observable market data. The valuation is carried out on an annual basis by members of the Group's regulatory and finance teams, with oversight from the Board.

Property, plant and equipment

The economic value of the Group's water and sewerage business is derived from the RCV set by Ofwat during its price reviews every five years and accordingly is deemed an appropriate measure of the fair value of its assets. The

1. Accounting policies, financial risk management and accounting estimates CONTINUED

Group considers that a fair value approach to valuing its assets better reflects the underlying value of the assets than historical cost accounting which understates the assets' current value in use. As the RCV is an unobservable input, being a regulatory benchmark to assess the economic value rather than observable market data, the valuation of property, plant and equipment is classified within Level 3 of the IFRS 13 fair value hierarchy. The valuation is carried out on an annual basis by members of the Group's regulatory and finance teams, with oversight from the Board.

As at 31 March 2026, the total value of tangible fixed assets have been revalued to their fair value with reference to the 'shadow RCV' of Dŵr Cymru Cyfyngedig, being the 31 March 2026 RCV published by Ofwat in its PR24 Final Determination with cost sharing adjustments including the impact of any totex over/underspend and Price Control Deliverables adjustments. The carrying value of the Group's ingangible assets is deducted from the 'shadow RCV' to arrive at the estimated fair value of property, plant and equiment. Timing variance adjustments are excluded as, although these are part of the RCV for regulatory reporting, for property, plant and equipment valuation purposes it is deemed inappropriate to reflect capital spend not yet incurred. The classes of asset impacted are infrastructure assets and operational structures.

The carrying value of assets is reviewed for impairment if circumstances dictate that the carrying value may not be recoverable; asset lives, and residual values are reviewed annually.

Property, plant and equipment comprise:

a. Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls).
b. Operational structure assets (being over-ground operational structures and equipment).
c. Other assets (including properties, plant and equipment, computer hardware and fixtures and fittings).

Infrastructure assets

Infrastructure assets comprise principally impounding reservoirs and a network of underground water and wastewater systems. For accounting purposes, the water system is segmented into components representing categories of asset classes with similar characteristics and asset lives. The wastewater system is segmented into components representing geographical operating areas, reflecting the way the Group operates its wastewater activities. Expenditure on infrastructure assets relating to increases in capacity, enhancements or material replacements of network components is treated as additions, which are included at cost. Expenditure incurred in repairing and maintaining the operating capability of individual infrastructure components, 'infrastructure renewals expenditure', is expensed in the year in which the expenditure is incurred.

The depreciation charge for infrastructure assets is determined for each component of the network and is based on each component's cost, estimated residual value and the expected remaining average useful life. The useful average economic lives of the infrastructure components range principally from 35 to 150 years, with a small number representing approximately 4% of the total number of infrastructure assets falling outside of this range.

Operational structure assets and other assets

Other assets are depreciated on a straight-line basis over their estimated useful economic lives, which are as follows:

Freehold buildings	30–60 years
Operational structures	5–80 years
Plant, equipment and computer hardware	3–40 years

Assets in the course of construction are not depreciated until commissioned. Land is not depreciated.

Capitalised borrowing costs

Capitalised borrowing costs are general and specific borrowing costs directly attributable to the acquisition, construction and production of qualifying assets which are capitalised. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Adopted assets

Adopted assets at no cost comprise principally sewers. They are recognised as additions to infrastructure assets or operational structures at fair value and depreciated on a straight-line basis over an estimated useful economic life of 80 years.

Intangible assets

Intangible assets comprise computer software and development costs. Intangible assets are initially included at cost less accumulated amortisation, which is amortised on a straight-line basis over their estimated useful economic lives. Cost reflects purchase price together with any expenditure directly attributable to bringing the asset into use, including directly attributable internal costs.

Internal expenditure is capitalised as internally generated intangibles only if it meets the criteria set out in IAS 38 'Intangible Assets', that the asset arises from the development phase of a project rather than the research phase, and only from the date that the following can be demonstrated:

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Accounting policies, financial risk management and accounting estimates CONTINUED

- The asset will generate probable future economic benefits.
- Intention and ability to complete the asset.
- Ability to reliably measure the expenditure attributable to the asset development.

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when the relevant recognition criteria are met.

The Group expenses costs incurred in the implementation and ongoing operation of computing systems built and delivered on a 'software as a service' (SaaS) basis and hosted in an external cloud environment. These do not generally give rise to an identifiable intangible asset that the Group controls. In limited circumstances, costs incurred in association with the implementation and customisation of a SaaS system may enhance the Group's existing digital infrastructure and would be expected to generate broader future economic benefit. Where this results in an identifiable intangible asset that the Group controls, the costs are capitalised in accordance with IAS 38 and are subsequently amortised over a period of generally 7 to 10 years.

The carrying values of intangible assets are reviewed for impairment if circumstances indicate they may not be recoverable. Intangible assets are amortised on a straight-line basis over their estimated useful economic lives, 7 years for development costs and ranging between 7 and 20 years for software. These asset lives are reviewed annually.

Leases

At inception of a contract the Group assesses whether a contract is, or contains, a lease. Where a lease is present, a right-of-use asset and lease liability is recognised at the commencement date. The lease liability is measured at the present value of future lease payments due over the term of the lease, with the right-of use asset recognised as property, plant and equipment at cost. This is generally equivalent to the initial measurement of the lease liability.

Lease payments are discounted using the interest rate implicit in the lease or, if that is not readily available, the Group's incremental rate of borrowing. Generally, the Group uses its incremental borrowing rate as the discount rate. After the commencement date, the lease liability is increased for the accretion of interest (being the unwinding of the discounting applied to future lease payments) and reduced by lease payments made. In addition to this, the carrying amount is updated to reflect any remeasurement or lease modifications. Remeasurements are typically required as a result of rent reviews or changes to the lease term. In these cases a corresponding adjustment to the right-of-use asset is made.

Depreciation of right-of-use assets is charged on a straight-line basis over the term of the lease. Where leases have a term of less than 12 months from the commencement date and do not have a purchase option, the Group applies the short-term lease recognition exemption available under IFRS 16. The Group applies the low-value recognition exemption permitted by the standard to leases of assets with a value of less than £2,500. Payments for short-term and low-value leases are instead charged to operating costs on a straight-line basis over the period of the lease.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

Grants and customer contributions

Grants and customer contributions in respect of expenditure on property, plant and equipment have been offset against these assets.

Capital expenditure programme incentive payments

The Group's agreements with its construction partners involved in delivering capital expenditure programmes incorporate incentive bonuses which are paid after completion. The cost of property, plant and equipment additions includes an accrual for incentive bonuses earned to date, based on management's best estimate, relating to projects substantially completed at the year-end, where the likelihood of making the incentive payment is considered probable.

Amounts recoverable from contract partners relating to targets not being achieved are recognised only on completed projects.

Inventory

Inventories are stated at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and measured subsequently at amortised cost less provision for impairment. They are first assessed individually for impairment, or collectively where the receivables are not significant individually. Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics, and these are assessed collectively for impairment based on the expected credit loss. Movements in the provision for impairment are recorded in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of change in value. Such investments are normally those with less than 3 months' maturity from the date of acquisition and typically include cash in hand and deposits with banks or other financial institutions.

1. Accounting policies, financial risk management and accounting estimates CONTINUED

Pension benefits

1) Defined benefit scheme

The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less present value of the defined benefit obligation at the year-end, net of the deferred tax liability recognised in relation to the pension scheme surplus. The fair value of these assets has been estimated based on the latest available observable prices, updated with reference to movements in comparable observable indices to the reporting date, and adjusted for judgements to reflect differences in the liquidity and credit components of the asset pricing. The defined benefit obligation is calculated annually by an independent actuary using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. More information is provided in Note 21.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

2) Defined contribution scheme

Obligations for contributions to this scheme are charged as employee costs and recognised as an expense in the income statement in the period in which they arise. The Group has no further payment obligations once the contributions have been paid.

Other financial liabilities

Debt is measured initially at fair value, being net proceeds after deduction of directly attributable issue costs, with subsequent measurement at amortised cost. Debt issue costs are amortised over the expected term of such instruments at a constant rate on the carrying amount and are recognised in the income statement under financial expenses.

Trade payables are obligations to pay for goods and services acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 1 year, or in the normal operating cycle of the business.

Derivative instruments utilised by the Group are interest rate swaps, inflation swaps (RPI-linked) and power hedges. Derivative instruments are used for hedging purposes to alter the risk profile of existing underlying exposures within the Group. Derivatives are recognised initially and subsequently remeasured at fair value. During the year to 31 March 2026, only one of the Group's derivatives qualified for hedge accounting, but the Company elected not to apply hedge accounting (2025: 1). All instruments are carried at fair value with changes in fair value being recognised immediately in the income statement.

Loans receivable

Loans receivable are measured at fair value on initial recognition. After initial recognition, loans receivable are subsequently measured at amortised cost using the effective interest rate method whereby interest is credited to the income statement and added to the carrying value of loans receivable at a constant rate in proportion to the loan amount outstanding. The Group and Company recognise a loss allowance for expected credit losses (ECL) on its loans receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Financing income and expenses

Financing expenses include interest payable, indexation on index-linked borrowings, index-linked swaps and finance charges on lease liabilities recognised in profit or loss using the effective interest method. Borrowing costs (financing expenses excluding swap settlements) 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. Financing income comprises interest receivable on funds invested.

Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

Taxation

Income tax for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in reserves.

Current tax is the expected tax payable on the taxable income for the year using rates substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related

1. Accounting policies, financial risk management and accounting estimates CONTINUED

deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax has been recognised in relation to rolled-over gains except for where reinvestment has been made in certain operational assets which the Group plans to use until the end of their useful economic life. The Group anticipates that these assets will then be scrapped for negligible proceeds, or proceeds less than their tax base, and therefore no chargeable gain is expected to arise in the future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been estimated reliably. More information is provided in Note 17. Provisions are not recognised for future operating losses.

Where there is a number of similar uninsured claims, the likelihood that an outflow will be required is determined by considering the class of claims as a whole. These claims reflect for example, clean water leaks or bursts and repairing the damage this has caused to the surrounding area, such as property damage or damages to highways.

Financing risk management objectives and policies

Treasury activities are managed within a formal set of treasury policies and objectives, which are reviewed regularly and approved by the Board at least annually. The policies specifically prohibit any transactions of a speculative nature and the use of complex financial instruments. Certain detailed policies for managing interest rate, currency, inflation and liquidity risks are approved by the Board and may be changed only with the consent of Dŵr Cymru Cyfyngedig's Security Trustee. Risk is mitigated further by limiting the level of exposure to any one counterparty.

The Group uses financial instruments to raise finance and manage operational risk; these instruments principally include listed bonds, leases, bank loan facilities and derivatives.

1) Credit risk

The Group's Board-approved treasury policy adopts a prudent approach to cash management and timed deposits are placed for a maximum of 3 months with banks subject to minimum long-term rating criteria of A-/A3/A-. Bonds can be purchased from certain AA-rated counterparties with maturities of up to 1 year and commercial paper purchases of up to 1 year can be placed with certain AAA-rated supranationals only. During the year ended 31 March 2026 the maximum cash investment with a single counterparty was £200 million (2025: £150 million).

2) Interest rate risk

The Group is covenanted to hedge at least 85% of its total outstanding financial liabilities into either index-linked or fixed rate obligations. As at 31 March 2026, the Group had hedges covering 100% of its total outstanding financial liabilities into either index-linked or fixed rate obligations, including free cash balances (2025: 100%). For this purpose, floating rate interest liabilities are hedged through a combination of derivative instruments and cash balances. The regulatory framework under which revenues and the regulatory asset value are indexed also exposes the Group to inflation risk. Therefore, subject to market constraints and Board approval, the Group may seek to raise new debt through index-linked instruments or to enter into appropriate hedging transactions.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Of total borrowings of £5,249 million as at 31 March 2026 (2025: £5,023 million), £nil related to floating rate debt (2025: £nil). The Group therefore considers overall interest rate exposure at the balance sheet date to be minimal.

As at 31 March 2026 93% (2025: 95%) of the Group's gross debt was at fixed or index-linked to RPI rates of interest after taking into account interest rate and RPI swaps. The hedges established to manage interest rate risks are generally economic in nature, but do not satisfy the requirements in order to be treated as hedges for accounting purposes. Accordingly, all movements in the fair value of derivative financial instruments are reflected in the income statement. This has resulted in a net liability of £318 million in the balance sheet at 31 March 2026 (2025: £346 million) but, assuming that the swaps are held to maturity, this will ultimately reduce to £nil as payments are made.

3) Power price hedges

The Group enters into contracts that fix the price of a proportion of future power purchases in order to reduce the impact of power price variances. These contracts qualify as financial instruments and are included in the financial statements.

4) Refinancing risk

Refinancing risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of borrowings across a range of instruments, types and maturities. The Group's policy is to ensure that the maturity profile does not impose an excessive strain on its ability to repay loans. Under this policy, no more than 20% of the principal of Group borrowings of £5,249 million (2025: £5,023 million) can fall due in any 24-month period.

1. Accounting policies, financial risk management and accounting estimates CONTINUED

5) Liquidity risk

The Group maintains committed banking facilities in order to provide flexibility in the management of its liquidity.

Under the CTA which governs obligations to bondholders and other financial creditors, the Group is required to have cash available to fund operations for 12 months.

As at 31 March 2026, the Group had committed borrowing facilities of £400 million, of which £400 million (2025: £650 million) remained undrawn, and cash and cash equivalents (excluding debt service payments account) of £595 million (2025: £638 million). There is also a £10 million overdraft facility renewable on an annual basis.

As at 31 March 2026, there was also a special liquidity facility of £175 million (2025: £175 million), required in order to meet certain interest and other obligations that may not be funded through operating cash flow in the event of a standstill being declared by the Security Trustee, following an event of default under the Group's debt financing covenants. The facility has been provided by an insurance provider and is renewable on a rolling 5-year evergreen basis.

6) Capital risk

The Group's objective when managing capital is to safeguard its ability to continue as a going concern. Given the regulatory environment in which the Group operates, the Group monitors capital on the basis of the gearing ratio. This is calculated as net debt (as defined in the Group's borrowing covenants) as a proportion of its RCV as determined by Ofwat and linked to movements in the Consumer Prices Index (CPIH) and Retail Prices Index (RPI). As at 31 March 2026, the measure of regulatory gearing was 61% (2025: 62%).

In respect of the risks detailed above, further quantitative disclosures are provided in Note 16.

Parent Company guarantee

The Company has provided a guarantee for each of the following subsidiaries in order for them to take the exemption from the requirement of an audit, in line with the requirements of S479A of the Companies Act 2006:

- Welsh Water Infrastructure Limited, company number 10082776
- Welsh Water Holdings Limited, company number 10079953
- Welsh Water Organic Waste Limited, company number 11468450
- Welsh Water Organic Energy Limited, company number 08356949
- Welsh Water Organic Energy (Cardiff) Limited, company number 08356859

Critical accounting estimates and judgements

The preparation of financial statements under IFRS requires management to make judgements in applying accounting policies and to make estimates, based on assumptions about the future, that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are based on management's best knowledge of the amount, event or actions, given the information available. Changes to these judgements and estimates could have a material effect on the financial statements, and where this is the case sensitivity analysis has been included.

On an ongoing basis, management evaluates the estimates using historical experience, consultation with experts and other methods considered reasonable. As estimates carry with them an inherent level of uncertainty, sensitivity analysis is performed where practicable and where, in management's opinion, it provides useful and meaningful information to understand a range of outcomes that could be considered reasonably possible. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The following paragraphs detail the critical accounting judgements and key sources of estimation uncertainty in the financial statements that management assesses to be significant, following consideration of the extent to which the estimates give rise to a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities within the next financial year.

1) Provision for impairment of trade receivables

ECL for trade receivables with similar credit risk are calculated using a statistical model and reasonable forecasts of the future impact of external economic factors on the Group's collection of trade receivables.

Accounting judgement

The criteria determined by management to calculate the provision for expected credit losses is as follows:

- Standardised historic collection rates based on 3-year observable trend.
- Risk categorisation of customers, split by household and non-household customers, segregated by high, medium and low risk based on historic recoverability.
- Statistical model projected for 4 years, excluding charging order recoverability reflecting management's long-term collection strategy.

Accounting estimate

The probability of failing to recover a debt is based on ECL, determined by past experience as shown in the bullet points below, and expected future movements in collection rates, adjusted for changes in external factors. There are a variety of macroeconomic factors that might impact household

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Accounting policies, financial risk management and accounting estimates CONTINUED

disposable income and therefore the expected credit losses on trade receivables, such as inflation, interest rates and Government support. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

The Group has observed collection rates of 99% for low and medium risk customers within 4 years, with a small proportion of our customer base struggling to pay their debts on time and are therefore, under debt management (high risk). Our recoverability of debts under this category principally contribute to our provision for impairment of trade receivables, with collection rates based on historical data below:

Debt age	Measured	Unmeasured
Less than 6 months	**8.6%**	9.9%
Between 6-12 months	**26.3%**	16.2%
Between 1-2 years	**39.3%**	36.1%
Between 2-3 years	**49.5%**	47.8%
Between 3-4 years	**56.1%**	58.6%
Between 4-5 years	**61.1%**	64.1%

Further recoverability rates have been applied to the following debt categories:

- 90% of debt subject to a charging order reflecting management's long-term recoverability strategy.
- 100% of "final" debt - representing balances that have fully progressed through our collection processes and are awaiting either approval for write-off or the conclusion of debt collection agency actions.

Management considers a range of scenarios when forecasting future impacts to expected credit losses, taking into account cash collection rates in the current year compared to recent years, incorporating the current economic uncertainty and projections all of which may impact recoverability of household receivables. The recoverability of household receivables, and the adequacy of our ECL allowance, will continue to be kept under review.

Sensitivities: At 31 March 2026, an allowance for ECL of £96.8 million (2025: £87.0 million) was supported by a three-year cash collection projection. The key sensitivities established by management to assess the reasonableness of the bad debt provision are as follows:

- A 1% deterioration in collection rates for our high-risk cohort of customers would increase the provision by £2.7 million.
- A 5% deterioration to the recoverability of the Group's long-term debt collection strategies, from a 90% historical trend, would increase the provision by £0.6 million.

2) Parent Company's expected credit losses

The Company approached its impairment assessment of intercompany loans via historical and forward-looking analyses, using both qualitative and quantitative information.

Accounting judgement

The above assessment led management to conclude that the Company's intercompany loan is of low credit risk. As such, the loan falls within 'stage 1' of IFRS 9's impairment model and 12-month expected credit losses can be calculated. These were determined to be immaterial and therefore no adjustment to carrying values nor additional disclosures were considered necessary.

3) Parent Company's investment in subsidiaries

The Company's investment in its subsidiaries is reported at fair value, using a premium adjusted shadow RCV (as defined under the accounting policy for property, plant and equipment above), and deducting net debt, fair value of derivatives and other working capital items. The calculated fair value has first been triangulated against a value-in-use methodology using discounted cash flows of the Board-approved financial plan to 31 March 2030, and secondly against peer company comparatives.

Accounting estimate

There is an inherent uncertainty involved in valuing the investment using a premium adjusted shadow RCV, with each 1% premium increasing the valuation by £82 million.

4) Pension benefits

Accounting estimate

The results of the latest triennial funding valuation at 31 March 2025 have been used to inform the Group's best estimate assumptions to use in calculating the defined benefit pension obligation reported at 31 March 2026, under IAS 19 (see also Note 21). The results of the funding valuation have been adjusted to take account of experience over the period, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the pension obligations, which impacts on the Group's balance sheet, income statement and statement of comprehensive income, is dependent on the IAS 19 actuarial calculation. The key assumptions are the discount rate, price inflation and salary increases, and mortality rates. These assumptions are used to calculate the present value of the estimated future cash outflows that will be required to meet the pension obligations. More information on these assumptions and sensitivity analysis on each is provided in Note 21.

Accounting estimate

Included within the defined benefit pension scheme's asset are assets with a fair value of £103.6 million (2025: £109.3 million) that are categorised as Level 3 financial assets within the IFRS 13 Fair value measurement hierarchy, meaning that their value is not observable at 31 March 2026. These assets comprise alternatives pooled funds and are considered to be the least liquid and hardest to value and

1. Accounting policies, financial risk management and accounting estimates CONTINUED

are therefore subject to a higher degree of estimation. The fair value of these assets has been estimated based on the latest available observable prices, updated with reference to movements in comparable observable indices to the reporting date, and adjusted for judgements to reflect differences in the liquidity and credit components of the asset pricing. A 5% movement in the fair value of these Level 3 financial assets would increase or decrease the overall carrying value of the pension asset by £5.2 million (2025: £5.5 million).

Accounting judgement

The tax liability associated with the net pension surplus has been treated against the surplus as management judges that any tax arising on the surplus does not meet the definition of an income tax under IAS 12 and therefore follows the guidance of IFRIC 14 to recognise the surplus net of the 25% tax charge.

5) Derivative financial instruments fair value estimation

Accounting judgement

In accordance with IFRS 13 Fair value measurement, trading and treasury derivatives of the Group are categorised into different levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability not based on observable market data.

Accounting estimate

All of the Group's treasury derivatives are categorised as Level 2. In accordance with IFRS 13, an adjustment factor has been applied to the swaps based on industry standard practice to take into account credit risk by estimating future cash flows based on applicable interest rate curves. Projected cash flows are then discounted back using discount factors which are derived from the applicable interest rate curves adjusted for management's estimate of counterparty and own credit risk, and market risk, where appropriate.

Trading derivatives, relating to power price hedges, are categorised as Level 2 where marked-to-market valuations are received for these trades. Where marked-to-market valuations are not received, the fair values are estimated rather than observable and are therefore categorised as Level 3.

At 31 March 2026 the fair values of derivatives were as follows:

Level 2:

Assets: trading derivatives £7.6 million (2025: £3.3 million).

Liabilities: trading derivatives £0.2 million, treasury derivatives £325.7 million (2025: trading derivatives £0.7 million, treasury derivatives £348.8 million).

Treasury derivatives relate to interest rate swap contracts. All derivatives are recorded on the balance sheet at fair value.

Level 2 debt investments are valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

6) Capitalisation

There is a high degree of judgement involved in determining whether costs, both initial and subsequent expenditure, including employee and other internal expenditure on both infrastructure and non-infrastructure assets, meet the relevant criteria for capitalisation (directly attributable to the asset, provide probable economic benefit and can be measured reliably) and therefore are included in the valuation of property, plant and equipment, or alternatively should be expensed immediately.

Accounting judgement

The Group capitalises expenditure relating to employee costs on both a direct and an indirect basis, through the use of timesheets and estimation of overhead costs that is attributable to a capital project. Management reviews at least annually, at a department level, whether time spent is on capital or operational activities.

Accounting estimate

Management's estimate of time spent on capital projects is used to determine capitalisation rates. Were the capitalisation percentage to increase or decrease by 5% this would result in a financial impact of £11.3 million (2025: £10.8 million), based on total employment costs.

This is monitored continually through a process of capital programme cost challenge and operating cost scrutiny, complemented by a third-party analysis of the capital programme breakdown between maintenance costs charged to the income statement and property, plant and equipment additions to the balance sheet.

7) Useful economic life impact on depreciation

Accounting estimate

The estimated useful economic lives of property, plant and equipment and intangible assets have been estimated based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of property, plant and equipment and intangibles investment to the Group, variations between actual and estimated useful economic lives could impact operating results both positively and negatively. As such, this is a key source of estimation uncertainty. The depreciation and amortisation expense

1. Accounting policies, financial risk management and accounting estimates CONTINUED

for the year was £424.0 million (2025: £391.2 million). A 10% increase in average asset lives would have resulted in a £38.5 million (2025: £35.6 million) reduction and a 10% decrease in average asset lives would have resulted in a £47.1 million increase (2025: £43.5 million).

Due to the total value of tangible and intangible fixed assets being revalued to the 'shadow RCV' of Dŵr Cymru Cyfyngedig, as outlined in the property, plant and equipment accounting policy above, for any increase or reduction to the depreciation and amortisation expense there would be a corresponding reduction or increase to net revaluation gains recognised in the statement of comprehensive income, and therefore there would be no impact on net assets or total reserves.

8) Property, plant and equipment fair value estimation

The Group's property, plant and equipment is reported at fair value, using a shadow RCV (as defined under the accounting policy for property plant and equipment above).

Accounting estimate

There is an inherent uncertainty involved in valuing property, plant and equipment using shadow RCV. A 1% increase or decrease in the RCV benchmark would result in a 1.3% increase or 1.0% decrease in the fair value of PPE. This reflects the degree to which the valuation is influenced by regulatory assumptions rather than observable market data.

9) Climate change

The Group is continually reviewing the impact climate change has on its financial statements.

The Group is exposed, due to the nature of its operations, to the constantly changing natural environment, influencing our strategy to ensure how our water and wastewater services are delivered in the future. The Group has set out ambitious climate-related targets over the short and long term, obtaining investment to deliver these targets, introducing assets required to deliver such services.

The Group continuously evaluates its strategic planning activities that incorporate defined climate scenarios, mitigation pledges and long-term climate models, reducing its exposure to a material impact in the valuation of its assets and liabilities. This incorporates the impact of climate change, adaptation to improve asset resilience, minimisation and mitigation of contributory impacts to climate change and its transition to net zero and the investment or replacement of assets required.

The Group has considered both its contribution and the affect of the natural environment in the preparation of these financial statements and the value of its assets and liabilities across a number of areas, predominantly the valuation of property, plant and equipment. The main considerations are detailed below.

The present risk to our reported financials resulting from climate change, environmental legislation or the Group's net zero measures surrounds the useful economic life of our property, plant and equipment. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be obsolete or for which no further use is planned, in part as a result of the Group's net zero strategy. No material accelerations were required in the current financial year, however, this is subject to continuous assessment, particularly as environmental legislation continues to evolve.

Detailed in our TCFD Report on pages 28 to 38, the Group is exposed to flood risk resulting from extreme weather events, the frequency of which are expected to increase as the effects of climate change become more apparent. The Group reviews operational assets following large-scale flooding, facilitated through identification of assets most at risk, and identifies items damaged beyond repair resulting in write downs through accelerated depreciation. The Group has and will continue to invest in flood defences and other resilience measures at the most vulnerable facilities to protect its assets. No such charges were required in the current financial year.

The UK climate also presents challenges with more prolonged periods of hot and dry weather through the summer, and an increase in average rainfall through the winter. This could impact our water operations reliant on water intake from the natural environment or dam water levels, possibly affecting the viability of certain types of assets in future years, or require a strategic reconfiguration of assets to respond to such challenges. We expect any such material impacts would materialise in the medium to long term, and therefore no financial impact has been identified in the current year.

Further information on our climate-change strategy is available on page 30.

10) Income from connections to the water and sewerage network

Accounting judgement

The Group receives income from developers for new connections to the water and sewerage networks in the form of adopted infrastructure assets. In assessing this income, we have judged the contract to be outside the scope of IFRS 15 and therefore recognised a deferred income balance at the fair value of the assets adopted, which is released to the income statement as an equivalent to depreciation of the associated assets to which they relate. Any connection charges to developers or domestic customers for new connections to the network are recognised immediately in revenue on completion of the new connection as that is judged to be the performance obligation under IFRS 15. During the year, the Group received infrastructure assets with a fair value of £ 84.9 million (2025: £161.7 million).

1. Accounting policies, financial risk management and accounting estimates CONTINUED

11) Unbilled revenue recognition

Accounting estimate

The Group raises bills in line with the regulatory price review processes setting out its entitlement to receive revenue. Metered customers are billed based on consumption of use, with estimations required for the units supplied between the dates of the last water meter reading and the billing date. Meters are read on a cyclical basis and the Group recognises revenue for unbilled amounts based on estimated usage from the last two bills through to each reporting date. The estimated usage is based on historical data, judgement and assumptions; actual results could differ from these estimates, which would result in revenues being adjusted in future periods. Revenue recognised for unbilled amounts for these customers at 31 March 2026 was £134.4 million (2025: £97.9 million). Had actual consumption deviated by 5%, revenue for unbilled amounts would have moved by £4.9 million (2025: £3.6 million).

2. Revenue

The Directors consider that there is only one operating segment, being the operation of water and sewerage business (and peripheral commercial activities) in the UK. As the Group has only domestic activities, there is also only one geographical segment; therefore, the disclosures for this segment have also already been given in these financial statements. The Dŵr Cymru Executive is the Group's chief operating decision maker with reports provided to it on this basis.

While the Group operates in a single segment, its activities can be disaggregated into the following principal income streams. Management define its primary performance measure as adjusted EBITDA, available in Appendix A.

Group	2026 £m	2025 £m
Water	**449.6**	340.8
Sewerage	**607.7**	503.2
Retail	**100.6**	62.8
Regulated Revenue	**1,157.9**	906.8
Other (non-regulated) revenue	**15.8**	12.7
Revenue	**1,173.7**	919.5
Regulated adjusted EBITDA	**618.3**	382.6
Non-regulated adjusted EBITDA	**0.7**	0.1
Adjusted EBITDA	**619.0**	382.7

Regulated revenue relates to the provision of water, sewerage and related retail services operating under Dŵr Cymru Cyfyngedig's licence as part of the water industry in England and Wales, regulated by the Water Services Regulation Authority (Ofwat).

Other (non-regulated) revenue relates to income streams which are not subject to Ofwat's price control; these principally comprise organic energy generation and certain other activities, which are peripheral and/or complementary to the Group's core water and sewerage business.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Operating (loss)/profit

The following items have been included in arriving at the operating (loss)/profit:

Group	2026 £m	2025 £m
Operating expenditure and other operating income		
Power	**85.5**	72.0
Chemicals	**21.6**	22.2
Materials and equipment	**14.6**	11.8
Vehicles and plant	**4.2**	6.8
Office expenses	**8.8**	7.0
Property costs	**3.9**	3.8
Insurance	**9.2**	8.2
Water and sewerage contractors	**14.2**	15.4
Laboratories and analytical services	**2.1**	1.9
Collection commissions	**1.5**	1.0
IT contracts	**23.1**	20.4
Bought-in services and other costs	**52.6**	58.2
Employee costs (Note 20)	**225.1**	216.1
Staff costs capitalised or classified to infrastructure renewals expenditure	**(108.4)**	(98.4)
Research and development credit	**(0.3)**	(0.2)
Rates	**29.5**	18.9
Natural Resource Wales/Environment Agency charges	**18.7**	18.9
Fees payable to Auditors	**1.1**	1.1
Atypical weather costs	**8.6**	15.2
Total operational expenditure	**415.6**	400.3
Impairment of trade and other receivables	**33.9**	21.2
Other operating income	**(15.5)**	(5.4)
Transformation and restructuring costs		
Employee-related costs	**8.9**	–
Professional service Fees	**13.4**	–
Other	**0.5**	–
Total transformation and restructuring costs	**22.8**	–
Infrastructure renewals expenditure	**120.7**	120.7
Depreciation and amortisation		
Depreciation of property, plant and equipment	**383.4**	356.7
Movement in deferred income	**(13.1)**	(11.8)
Amortisation of intangible assets	**53.7**	46.3
Total depreciation and amortisation	**424.0**	391.2
Total operating costs	**1,001.5**	928.0

The Group incurred insignificant expenses relating to short-term leases, leases of low-value assets or variable lease payments in 2026 and 2025.

Staff costs in the year of £4.5 million (2025: £4.7 million) have been classified to infrastructure renewals expenditure.

3. Operating (loss)/profit CONTINUED

Other operating income principally comprises £9.7 million of reservoir operating agreements (2025: £nil) and £5.8 million income from the export of internally generated gas (2025: £5.4 million)

Movement in deferred income relates to the income recognised on assets adopted by the Group at nil cost where the assets are initially recognised at fair value within fixed assets and depreciated over their useful economic life with a corresponding movement in deferred income.

Exports of renewable electricity is included within power costs as it is treated as a natural hedge to our consumption. Our energy strategy is to enter into contracts that fix the price of consumption less exports of future power purchases in order to reduce the impact of power price variances. During the year, consumption charges amounted to £104 million (2025: £89 million) with exports of £8 million (2025: £11 million).

Atypical costs reflect the one-off impacts from the Broughton (Flintshire) mains burst (£3 million), drought costs (£1 million) and provision for environmental remediation activities as part of our Ofwat Wastewater Treatment works redress package (£4 million). (2025: £15.2 million for the one-off impacts from Storm Burt, Storm Darragh and the Bryn Cowlyd mains burst).

Services provided by the Group's auditor

During the year, the Group obtained the following services from its statutory Auditor:

Group	2026 £000	2025 £000
Audit fees		
Audit of parent Company and consolidated financial statements	**66**	64
Audit of subsidiary companies	**710**	738
Total audit fees	**776**	802
Audit-related assurance services	**115**	112
Other assurance services	**235**	166
Total audit, audit-related and other assurance services	**1,126**	1,080
Total cost of services provided by the Group's auditors	**1,126**	1,080

Audit-related assurance services include audit work in respect of regulatory requirements: the Annual Performance Report. Other assurance services include review of interim financial statements, bond assurance procedures and other agreed upon procedures.

The Board has adopted a formal policy with respect to services received from external auditors. All non-audit work is subject to prior competitive tendering or approval by the Audit Committee.

Transformation and restructuring costs

During the year, the Group incurred £22.8 million (2025: £nil) of Transformation and Restructuring costs, disclosed separately due to their size, nature and non-recurring characteristics. The item is included within operating costs in the Consolidated Income Statement:

Transformation and restructuring costs comprise direct, incremental costs incurred as a result of the Group's Trawsnewid transformation programme, a Board-approved, time-limited strategic initiative designed to fundamentally change the Group's operating model in support of its medium- to long-term strategy. These costs primarily comprise employee-related costs and professional service fees. These costs are separately identifiable from normal operating costs, do not relate to the ongoing day-to-day trading activities of the Group and are not expected to recur in the same form once the transformation programme is completed.

Cash outflows relating to transformation and restructuring activities were £17.3 million, with the remaining payments expected in 2026/27.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Financing costs

Group	2026 £m	2025 £m
Interest on investments	**39.1**	27.1
Net interest income on pension scheme liabilities	**3.9**	2.0
Finance income	**43.0**	29.1
Financial expenses:		
Interest payable on bonds	**(166.4)**	(123.5)
Indexation on index-linked bonds	**(81.6)**	(61.5)
Indexation on index-linked loan	**(7.1)**	(7.2)
Interest payable on leases	**(6.6)**	(12.0)
Other loan interest	**(32.2)**	(35.3)
Other interest payable and finance costs	**(10.7)**	(10.4)
Capitalisation of borrowing costs under IAS 23 (2026: 5.8%; 2025: 5.4%)	**20.4**	18.8
Financial expenses before fair value gains/(losses) on derivative financial instruments	**(284.2)**	(231.1)
Settlements accruing on derivative financial instruments	**36.0**	39.7
Profit on termination of derivative financial instruments	**–**	16.5
Fair value gains/(losses) on interest rate swaps	**0.7**	(6.9)
Fair value (losses)/gains on index-linked swaps	**(58.3)**	13.7
Fair value gains on trading derivatives	**4.6**	1.5
Fair value (losses)/gains on derivative financial instruments	**(17.0)**	64.5
Net finance cost	**(258.2)**	(137.5)

Derivative financial instruments are held for economic hedging purposes although they do not qualify as accounting hedges. Consequently, the Group's interest rate and index-linked swaps are fair valued at each balance sheet date with the net loss or gain disclosed in the income statement. Over the life of these swaps, if held to maturity, these fair value adjustments will reverse and reduce to zero. (See Note 15 in respect of derivative financial instruments held on the balance sheet.)

Interest rate swap movements are caused by fluctuations in long-term interest rates, while the index-linked swap movements result from fluctuations in the value of index-linked gilts.

5. Taxation

Analysis of credit in the year

Group	2026 £m	2025 £m
Current tax		
Current tax on research and expenditure credit	**(0.1)**	–
Adjustment in respect of prior years	**0.2**	0.5
Total current tax	**0.1**	0.5
Deferred tax		
Origination and reversal of timing differences	**19.7**	34.4
Adjustment in respect of prior years	**–**	–
Total deferred tax (Note 6)	**19.7**	34.4
Taxation	**19.8**	34.9

Current tax is corporation tax which is payable on a company's profit or loss adjusted for tax purposes and is only charged where a taxable profit arises after these tax adjustments – see current tax reconciliation.

5. Taxation CONTINUED

Current taxes in respect of prior years of £0.2 million (2025: £0.5 million) relate to tax credits for R&D, and the remediation of contaminated land.

Pillar Two legislation, reflecting the OECD's Base Erosion Profit Shifting framework is effective for periods beginning 1 January 2024. The Group has applied the mandatory temporary exception under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules. As the Group meets the requirements of the 'routine profits test' under the UK's transitional safe harbour, the new rules do not impact the Group's tax charge for the current period.

The effective rate of tax for the year is lower (2025: lower) than the standard rate of corporation tax in the UK of 25% (2025: 25%). The differences are explained below:

Group	2026 £m	2025 £m
Loss before tax	**(85.7)**	(146.0)
Loss before tax multiplied by the corporation tax rate in the UK of 25% (2025: 25%)	**21.4**	36.6
Effect of:		
Adjustments in respect of prior years	**0.2**	0.5
Depreciation charged on non-qualifying assets	**(1.6)**	(2.0)
Expenses not deductible for tax purposes	**(0.2)**	(0.2)
Taxation	**19.8**	34.9

Current tax reconciliation

The table below reconciles the notional tax charge at the UK corporation tax rate to the total current tax charge for the year.

Group	2026 £m	2025 £m
Loss before tax	**(85.7)**	(146.0)
Expected tax credit (25%, 2025: 25%)	**21.4**	36.6
Depreciation in excess of capital allowances	**(33.2)**	(61.6)
Pension costs in excess of payments	**1.0**	0.5
Expenses not deductible for tax purposes	**(0.2)**	(0.1)
Fair value movements in derivatives – non-taxable	**2.8**	15.8
IFRIC 18 – release of income not taxable	**3.3**	2.9
Movement in provisions deductible when paid	**(0.7)**	0.9
Capitalised interest – tax deductible when capitalised	**5.1**	4.7
Adjustments in respect of prior years	**0.2**	0.5
Tax losses carried forward	**0.4**	0.3
Current taxation	**0.1**	0.5

The Group invests heavily in capital expenditure and is, therefore, able to claim tax relief in the form of capital allowances, a Government tax relief which aims to stimulate this type of investment. As the Group has no shareholders, the surpluses it generates help keep water bills down and are also reinvested to improve the quality of services to customers, rather than being paid to shareholders as dividends. This reinvestment is often in the form of capital expenditure, which attracts further capital allowances. As a result of the Group's profit forecasts and the capital allowances it is able to claim following the introduction of the full expensing regime for plant and machinery expenditure, the Group does not expect to pay corporation tax during AMP8 (2026–2030).

5. Taxation CONTINUED

The most significant factor impacting the Group's current tax charge is the difference between depreciation charged on property, plant and equipment in the financial statements and the tax relief claimed for this expenditure (capital allowances). Deferred taxes are recognised on the temporary difference between the carrying amount of the fixed assets in the accounts and the amount that will be deductible for tax purposes in future years. Depreciation exceeds the claim for capital allowances as the Group is able to determine the amount of capital allowances it claims during each period in accordance with the tax legislation. Capital allowances have not been fully claimed this year, or in the prior period.

Treasury derivative financial instruments are carried at their fair value. Fair value gains and losses (excluding payments and receipts) arising between balance sheet dates are recognised in the income statement but are not subject to corporation tax. Deferred taxes are recognised on the temporary difference, which is equal to the net fair value of the derivatives in the financial statements less the amounts that have been deducted for tax purposes.

Tax relief is claimed for interest costs which include the effect of the current year cash flows relating to treasury derivative financial instruments. Tax relief is also claimed for interest that is capitalised as part of fixed assets (see Note 5). The Group is entirely UK resident for tax purposes and is funded wholly by external debt, which is fully deductible in accordance with UK tax legislation. The Group has elected to be treated as 'qualifying infrastructure companies' under the Public Benefit Infrastructure Exemption provided for within the corporate interest restriction legislation. As a result, there is no interest restriction for the current period (2025: £nil).

New debt is raised through bond issues and the Group's bonds are listed on the Luxembourg stock e/+xchange. As 'quoted Eurobonds', there is no requirement to deduct UK withholding tax from interest payments. As such, there are no tax advantages to listing bonds in Luxembourg compared to London, as bonds listed on either exchange benefit from a withholding tax exemption in relation to interest. While bonds are issued as bearer bonds, they are transferred electronically via Euroclear and ClearStream and have not been issued in 'definitive form' (paper form).

6. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2025: 25%).

The movement in the deferred tax provision is as shown below:

Group	2026 £m	2025 £m
At 1 April	**762.8**	812.3
(Credit) to income statement	**(19.7)**	(34.4)
Less: charge to Income statement associated with pensions	**(0.5)**	(0.5)
(Credit)/charge to the statement of comprehensive income in respect of revaluation of fixed asset	**69.5**	(14.6)
At 31 March	**812.1**	762.8

Group	2026 £m	2025 £m
Effect of:		
Tax allowances in excess of depreciation	**344.1**	329.6
Deferred tax on revaluation of fixed assets	**550.1**	517.4
Capital gains rolled over	**4.0**	4.0
Deferred tax on tax losses carried forward	**(101.2)**	(101.7)
Deferred tax on losses on derivative financial instruments	**17.2**	14.2
Other tax differences	**(2.1)**	(0.7)
Deferred tax	**812.1**	762.8

6. Deferred tax CONTINUED

	Accelerated tax depreciation £m	Tax Losses £m	Other £m	Total £m
At 1 April 2024	917.7	(103.2)	(2.2)	812.3
Charge/(credit) to income	(52.1)	1.5	15.7	(34.9)
Charge/(credit) to equity	(14.6)	–	–	(14.6)
At 1 April 2025	**851.0**	**(101.7)**	**13.5**	**762.8**
Charge/(credit) to income	**(22.3)**	**0.5**	**1.6**	**(20.2)**
Charge/(credit) to equity	**69.5**	**–**	**–**	**69.5**
At 31 March 2026	**898.2**	**(101.2)**	**15.1**	**812.1**

An analysis of the movements in the major deferred tax liabilities and assets recognised by the Group is set out below:

Deferred taxes have been recognised on the temporary difference between the carrying amount of the fixed assets in the accounts and the amounts that will be deductible for tax purposes (capital allowances) in future years. As capital allowances have exceeded the depreciation charged on the fixed assets to date, there is a deferred tax liability of £344.1 million at the balance sheet date (2025: £329.7 million). A deferred tax liability of £550.1 million (2025: £517.4 million) has also been recognised in relation to revaluation surpluses arising from revaluing fixed assets to reflect shadow RCV (see Accounting Policy for property, plant and equipment). The associated deferred tax charge is charged to the revaluation reserve.

The Group has recognised a deferred tax liability of £17.2 million (2025: deferred tax liability of £14.2 million) in respect of derivative financial instruments, which are carried at their fair value in the accounts. The fair value movements relating to derivatives are not subject to corporation tax in the period in which they arise but are taxable/deductible in later periods when the actual cash flows occur. The maturities of the derivatives are set out in Note 15.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. These deferred tax assets will be recovered against the deferred tax liabilities in relation to fixed assets which will reverse in the same periods. The Group has the ability to determine the amount of capital allowances it claims, enabling taxable profits to be available in the periods in which deferred tax assets are recovered.

The Group has tax losses of £404.8 million carried forward at 31 March 2026 (2025: £406.7 million).

Deferred tax has not been provided on £133.0 million of chargeable gains, which have been rolled over where the new asset has been classified as operational structures, for example concrete tanks. These assets are typically demolished or scrapped at the end of their useful economic life and therefore we do not expect a chargeable gain will arise in the future. If deferred tax were recognised in respect of these gains, then the deferred tax liability at 31 March 2026 would increase by £33.3 million (2025: £33.3 million) being the rolled over gain multiplied by the rate used to calculate deferred taxes of 25% (2025: 25%).

The parent Company has no deferred tax balance (2025: nil).

7. Revaluation reserve

Group

The economic value of the Group's water and sewerage business is derived from the RCV set by Ofwat during its 5-yearly price reviews. The Group considers that a fair value approach to valuing its assets better reflects the underlying value of the assets than historical cost accounting, which understates the assets' current value in use.

As at 31 March 2026 tangible fixed assets have been revalued to their fair value with reference to the 'shadow RCV' of Dŵr Cymru Cyfyngedig, being the 31 March 2026 RCV published by Ofwat in its PR24 Final Determination with cost sharing adjustments including the impact of any totex over/underspend and Price Control Deliverables (PCD) adjustments, excludingtiming variance adjustments. The carrying value of the Group's intangible assets is deducted from the 'shadow RCV' to arrive at the estimated fair value of property, plant and equipment. Timing variance adjustments are excluded as, although these are part of the RCV for regulatory reporting, for property plant and equipment valuation purposes it is deemed inappropriate to reflect capital spend not yet incurred. The classes of asset impacted are infrastructure assets and operational structures.

The carrying value of assets is reviewed for impairment if circumstances dictate that the carrying value may not be recoverable, asset lines and residual values are reviewed annually.

Revaluation reserve movement	2026 £m	2025 £m
Revaluation reserve as at 1 April	**1,546.9**	1,696.2
Revaluation of assets to RCV	**278.0**	(58.5)
Depreciation charge on revalued assets	**(147.3)**	(140.6)
	130.7	(199.1)
Deferred tax on revaluation	**(69.5)**	14.6
Deferred tax on depreciation charge	**36.8**	35.2
	(32.7)	49.8
Revaluation reserve as at 31 March	**1,644.9**	1,546.9

Company

The movement in the parent Company's revaluation reserve relates solely to the increase in the value of the Company's investment in subsidiaries during the year, by £346 million, from £3,518 million to £3,864 million (2025: increase of £16 million, from £3,502 million to £3,518 million). This is reflected in the Statement of Changes in Reserves.

8. Property, plant and equipment

Group	Freehold land and buildings £m	Infrastructure assets £m	Operational structures £m	Plant, equipment, computer hardware £m	Total £m
Cost or valuation					
At 1 April 2024	42.0	3,692.0	5,395.1	284.2	9,413.3
Reclassification	36.0	–	(41.2)	5.2	–
Additions net of grants and contributions	–	311.5	335.3	4.4	651.2
Disposal	–	–	–	(0.7)	(0.7)
At 1 April 2025	**78.0**	**4,003.5**	**5,689.2**	**293.1**	**10,063.8**
Additions net of grants and contributions	**4.4**	**253.8**	**322.6**	**2.8**	**583.6**
Disposal	**–**	**–**	**–**	**(1.2)**	**(1.2)**
At 31 March 2026	82.4	4,257.3	6,011.8	294.7	10,646.2
Accumulated depreciation					
At 1 April 2024	25.9	–	1,810.2	273.9	2,110.0
Reclassification	(3.0)	–	8.7	(5.7)	–
Revaluation	–	29.1	29.4	–	58.5
Charge for the year	1.4	74.8	277.2	3.3	356.7
Released on disposal	–	–	–	(0.7)	(0.7)
At 1 April 2025	**24.3**	**103.9**	**2,125.5**	**270.8**	**2,524.5**
Revaluation	**–**	**(142.3)**	**(135.7)**	**–**	**(278.0)**
Charge for the year	**1.4**	**84.9**	**296.9**	**0.2**	**383.4**
Released on disposal	**–**	**–**	**–**	**(1.2)**	**(1.2)**
At 31 March 2026	**25.7**	**46.5**	**2,286.7**	**269.8**	**2,628.7**
Net book value					
At 31 March 2026	56.7	4,210.8	3,725.1	24.9	8,017.5
At 31 March 2025	53.7	3,899.6	3,563.7	22.3	7,539.3
At 31 March 2026 (historic cost basis)	56.7	2,952.8	2,787.7	24.9	5,822.1
At 31 March 2025 (historic cost basis)	53.7	2,755.3	2,637.7	22.3	5,469.0

The net book value of property, plant and equipment includes £304.1 million (2025: £318.0 million) in respect of assets in the course of construction, comprising £148.2 million in infrastructure assets and £155.9 million in operational structures.

The net book value of property, plant and equipment includes £140.5 million of borrowing costs capitalised in accordance with IAS 23 (2025: £126.7 million) of which £19.2 million were additions in the year (2025: £17.4 million).

The net book value of freehold land and buildings includes £15.9 million in respect of land, which is not depreciated (2025: £15.9 million).

During the previous year to 31 March 2025 buildings assets (visitor centres) with a net book value of £33 million were reclassified from Operational Structures to Freehold Land and Buildings.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. Property, plant and equipment CONTINUED

Right-of-use assets

Included within the above are right-of-use assets as analysed below:

Group	Infrastructure assets £m	Operational structures £m	Total £m
Net book value at 1 April 2024	396.7	0.1	396.8
Disposal	(73.9)	–	(73.9)
Revaluation	(3.1)	–	(3.1)
Depreciation	(24.4)	–	(24.4)
Net book value at 1 April 2025	**295.3**	**0.1**	**295.4**
Disposal	(34.3)	-	(34.3)
Revaluation	10.5	-	10.5
Depreciation	(19.2)	-	(19.2)
Net book value at 31 March 2026	**252.3**	**0.1**	**252.4**
Net book value at 31 March 2025	295.3	0.1	295.4
Net book value at 31 March 2026 (historical cost basis)	**180.5**	**0.1**	**180.6**
Net book value at 31 March 2025 (historical cost basis)	208.6	0.1	208.7

The disposal of £34.3 million (2025: £73.9 million) represented the termination of a lease arrangement with the Group retaining ownership of the underlying assets.

The Group's leases are principally made up of water and sewerage treatment infrastructure assets and equipment in order to carry out its operations.

The parent Company owns no property, plant or equipment.

9. Intangible assets

Group	Computer software £m	Development costs £m	Total £m
Cost			
At 1 April 2024	477.7	101.9	579.6
Additions	29.0	11.9	40.9
At 31 March 2025	**506.7**	**113.8**	**620.5**
Additions	**22.0**	**10.2**	**32.2**
At 31 March 2026	**528.7**	**124.0**	**652.7**
Accumulated amortisation			
At 1 April 2024	327.7	50.5	378.2
Charge for the year	**33.7**	**12.6**	46.3
At 31 March 2025	**361.4**	**63.1**	**424.5**
Charge for the year	**39.5**	**14.2**	**53.7**
At 31 March 2026	**400.9**	**77.3**	**478.2**
Net book value at 31 March 2026	**127.8**	**46.7**	**174.5**
Net book value at 31 March 2025	145.3	50.7	196.0

Other intangible assets includes £13.3 million of borrowing costs capitalised in accordance with IAS 23 (2025: £13.5 million), of which £1.2 million were additions in the year (2025: £1.4 million). The net book value of intangible assets includes £17.3 million in respect of assets in the course of construction (2025: £26.5 million).

Computer software includes one individual asset (2025: one) with a material net book value, being the customer billing system, which has a net book value of £15.3 million (2025: £17.0 million) and a remaining amortisation period of 9 years. There are no other intangible assets with an individually material net book value (2025: none).

The parent Company owns no intangible assets.

10. Investments Group

Equity of less than 10% is held in the following unlisted company:

	Principal activities	Country of incorporation	Holding
Water Research Centre (1989) Plc	Water research	England and Wales	B Ordinary Shares of £1

Parent company

The parent Company has a £10 investment in Glas Cymru Anghyfyngedig (100% holding) and a £100,000 investment in Welsh Water Holdings Limited (100%). It also has indirect investments in the following subsidiary undertakings:

	Principal activities	Tax residency	Country of incorporation	Class of capital	Holding
Glas Cymru (Securities) Cyfyngedig	Holding company	UK resident	England and Wales	Ordinary shares of £1	100%
Dŵr Cymru (Holdings) Limited	Holding company	UK resident	England and Wales	Ordinary shares of £1 and redeemable preferred ordinary shares of £1	100%
Dŵr Cymru Cyfyngedig	Water and sewerage	UK resident	England and Wales	Ordinary shares of £1	100%
Dŵr Cymru (Financing) UK Plc	Raising finance	UK resident	England and Wales	Ordinary shares of £1	100%
Welsh Water Infrastructure Limited	Competitive business activity in the water sector and other associated sectors	UK resident	England and Wales	Ordinary shares of £1	100%
Welsh Water Organic Energy Limited	Food waste processing, treatment and recycling	UK resident	England and Wales	Ordinary shares of £1	100%
Welsh Water Organic Energy (Cardiff) Limited	Operation and maintenance of an anaerobic digestion food waste facility	UK resident	England and Wales	Ordinary shares of £1	100%
Welsh Water Organic Waste Limited	Tankering of liquid waste for disposal	UK resident	England and Wales	Ordinary shares of £1	100%

The registered office of all the above companies is Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT.

The parent Company has revalued its investments in subsidiary undertakings to fair value; the carrying value is revalued annually and subject to an impairment review.

Further information on the Group's structure is available at https://corporate.dwrcymru.com/en/about-us/company-structure.

Investment in subsidiaries	2026 £m	2025 £m
At 1 April	**3,517.9**	3,502.0
Revaluation	**346.5**	15.9
At 31 March	**3,864.4**	3,517.9

The parent Company's investments in subsidiary companies are initially recognised at cost and subsequently revalued to fair value. The fair value of investments mainly comprises the fair value of the regulated water and sewerage company, Dŵr Cymru Cyfyngedig which has been valued at an enterprise value of shadow RCV triangulated against discounted cash flows from a medium term forecast to 31 March 2030 reflecting the final determination.

See also the critical accounting estimates in Note 1.

Revaluation amounts are recognised in other comprehensive income.

11. Trade and other receivables

Group	2026 £m	2025 £m
Current		
Trade receivables	**697.5**	637.4
Provision for impairment of receivables	**(96.8)**	(87.0)
Trade receivables – net	**600.7**	550.4
Prepayments	**9.5**	12.4
Accrued income	**156.1**	122.4
Other receivables	**25.2**	25.9
	791.5	711.1
Non-current		
Other receivables	**2.0**	0.6
Total trade and other receivables	**793.5**	711.7

The carrying amounts of trade and other receivables approximate to their fair value at 31 March 2026 and 31 March 2025.

As at 31 March 2026, based on a review of historical collection rates, it was considered that £96.8 million (2025: £87.0 million) of trade receivables were impaired and these have therefore been provided for. The impaired receivables relate mainly to the measured and unmeasured supply of water and sewerage services. Trade receivables aged greater than one month are past due; the net column shows amounts deemed not to be impaired.

2026 Trade receivables	Total £m	Provided for £m	Net £m
Billed in advance	**465.0**	**–**	**465.0**
Under 1 month	**23.4**	**(2.9)**	**20.5**
Between 1 and 6 months	**61.4**	**(13.0)**	**48.4**
Between 6 months and 1 year	**40.0**	**(14.8)**	**25.2**
Between 1 and 2 years	**42.8**	**(24.3)**	**18.5**
Between 2 and 3 years	**29.8**	**(20.0)**	**9.8**
Over 3 years	**35.1**	**(21.8)**	**13.3**
	697.5	**(96.8)**	**600.7**

2025 Trade receivables	Total £m	Provided for £m	Net £m
Billed in advance	453.1	–	453.1
Under 1 month	20.1	(5.8)	14.3
Between 1 and 6 months	39.1	(10.9)	28.2
Between 6 months and 1 year	35.4	(8.5)	26.9
Between 1 and 2 years	35.3	(20.8)	14.5
Between 2 and 3 years	27.2	(19.3)	7.9
Over 3 years	27.2	(21.7)	5.5
	637.4	(87.0)	550.4

11. Trade and other receivables CONTINUED

Movements in the provision for impairment of trade receivables are as follows:

	2026 £m	2025 £m
At 1 April	**87.0**	84.2
Charge to income statement	**33.9**	21.2
Receivables written off during the year as uncollectable	**(24.1)**	(18.4)
At 31 March	**96.8**	87.0

During the year, the Group has written off £24.1 million of debt which had been provided for in full (2025: £18.4 million).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The majority of trade receivables relates to a large number of small customer bills (household and non-household) such that the concentration risk is deemed low.

Debtors include £7.1 million in other receivables (2025: £11.9 million) and £19.2 million in accrued income (2025: £18.6 million) due from one quasi-governmental body.

Accrued income represents contract assets in respect of timing differences between customer bills and the Group's year-end. All amounts held in relation to these contract assets at the start of the reporting period have been recognised in the income statement during the year.

The creation and release of the provision for impaired receivables have been included in operational expenditure.

The risk of impairment of other classes of trade and other receivables is very low. All trade and other receivables are denominated in sterling.

The tables below illustrate the impact of applying the 'expected loss' model in accordance with IFRS 9. Debt provisioning is based on historical experience as adjusted for certain forward-looking factors.

2026	Historical default rates %	Forward-looking adjustment %	Adjustment total %	Historical impairment £m	Forward-looking adjustment £m	Total impairment £m
Billed in advance	–	–	–	–	–	–
Under 1 month	**12.3%**	–	**12.3%**	**2.9**	–	**2.9**
Between 1 and 6 months	**21.1%**	–	**21.1%**	**13.0**	–	**13.0**
Between 6 months and 1 year	**37.0%**	–	**37.0%**	**14.8**	–	**14.8**
Between 1 and 2 years	**56.9%**	–	**56.9%**	**24.3**	–	**24.3**
Between 2 and 3 years	**67.1%**	–	**67.1%**	**20.0**	–	**20.0**
Over 3 years	**83.5%**	–	**83.5%**	**21.8**	–	**21.8**
				96.8	–	**96.8**

2025	Historical default rates %	Forward-looking adjustment %	Adjustment total %	Historical impairment £m	Forward-looking adjustment £m	Total impairment £m
Billed in advance	–	–	–	–	–	–
Under 1 month	28.8%	–	28.8%	5.8	–	5.8
Between 1 and 6 months	28.0%	–	28.0%	10.9	–	10.9
Between 6 months and 1 year	24.0%	–	24.0%	8.5	–	8.5
Between 1 and 2 years	58.9%	–	58.9%	20.8	–	20.8
Between 2 and 3 years	70.9%	–	70.9%	19.3	–	19.3
Over 3 years	79.8%	–	79.8%	21.7	–	21.7
				87.0	–	87.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Trade and other receivables CONTINUED

The Group holds around 7,300 charging orders as collateral against £11.9 million of debt (2025: 7,700 orders against £12.7 million of debt).

The Group's trade receivables provisioning methodology applies the simplified approach allowed under IFRS 9 to measure expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables and accrued income. The impact on the accrual as at 31 March 2026 is £5.6 million, being a revenue provision of 4% against a gross balance of £134.4 million (2025: £4.9 million and 5% against a gross balance of £97.9 million). The impact on amounts billed in advance as at 31 March 2026 is £19.1 million, being a deferred income provision of 4% against a gross balance of £503.6 million (2025: £26.3 million and 5% against a gross balance of £499.8 million).

Company

The parent Company's loan to Group undertakings of £21.6 million (2025: £21.6 million) represents a loan to a wholly-owned subsidiary, Welsh Water Holdings Limited. The loan attracts interest at a rate of 5% and is repayable on demand. Interest accruing on the loan is included in trade and other receivables.

12. Cash and cash equivalents

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Cash at bank and in hand	**37.8**	56.4	**–**	–
Short-term deposits	**557.0**	582.0	**14.3**	13.7
	594.8	638.4	**14.3**	13.7

The effective interest rate on short-term deposits as at 31 March 2026 was 3.9% (2025: 4.5%) and these investments had an average maturity of 47 days (2025: 46 days). All cash and cash equivalents were held in sterling.

13. Trade and other payables

Group Current	2026 £m	2025 £m
Trade payables	**54.9**	64.7
Capital payables	**42.1**	26.9
Social security and other taxes	**4.5**	4.3
Other Creditors	**3.4**	–
Accruals	**144.0**	150.9
Deferred income	**498.3**	485.6
	747.2	732.4

Current deferred income includes contract liabilities of £13.1 million (2025: £11.8 million) for adopted infrastructure assets and £484.5 million (2025: £473.5 million) for customer billing in advance.

Group Non-current	2026 £m	2025 £m
Accruals	**31.4**	14.9
Deferred income	**941.5**	871.2
	972.9	886.1

Non-current deferred income includes contract liabilities of £938.6 million (2025: £868.5 million) for adopted infrastructure assets. The increase in this balance resulted from adopted infrastructure additions during the year.

The income statement recognises amounts included in these contract liabilities at the start of reporting period of £13.1 million (2025: £11.8 million) offset against depreciation and amortisation for adopted infrastructure assets, and £473.5 million (2025: £361.7 million) in revenue for customer billing in advance.

14. Other financial liabilities – borrowings

Group Current	2026 £m	2025 £m
Interest accruals	**26.1**	11.8
Bonds	**160.2**	489.6
Term loans	**69.9**	92.5
Lease liabilities	**1.2**	30.4
	257.4	624.3

Group Non-current	2026 £m	2025 £m
Interest accruals	**–**	–
Bonds	**4,056.5**	3,573.8
Term loans	**840.5**	729.2
Lease liabilities	**94.7**	95.9
	4,991.7	4,398.9

The parent Company has no borrowings.

Bonds are stated net of £20.1 million (2025: £22.1 million) unamortised issue costs and nil (2025: £0.8 million) of unamortised issue premium.

One Class B bond with a book value of £304 million and one Class C bond with a book value of £200 million were redeemed in the year at their book value at redemption date.

A security package was granted by Dŵr Cymru Cyfyngedig (DCC), as part of the Glas Cymru Anghyfyngedig Group's bond programme for the benefit of holders of senior bonds, finance lessors and other senior financial creditors.

The obligations of DCC are guaranteed by the Company, Glas Cymru (Securities) Cyfyngedig and Dŵr Cymru (Holdings) Limited. The main elements of the security package are:

i. a first fixed and floating security over all of DCC's assets and undertakings, to the extent permitted by the Water Industry Act, other applicable laws and its licence. and

ii. a fixed and floating security given by the guarantors referred to above, which are accrued on each of these companies' assets including, in the case of Dŵr Cymru (Holdings) Limited, a first fixed charge over its shares in DCC.

The Group's Class A Bonds of £1,260 million (2025: £1,223 million) benefit from a guarantee from Assured Guaranty UK Limited. Assured Guaranty's credit rating is graded as A1/AA by Moody's and Standard & Poor's, respectively and is not rated by Fitch. The credit rating of the Class A bonds has therefore defaulted to the higher of the financial guarantors' rating or the underlying rating of these bonds, of A1/A- from Moody's and Fitch, respectively. On 8 May 2026 we withdrew Standard & Poor's credit ratings. The underlying rating (Baa1/A-) reflects the standalone credit quality of these bonds without the benefit of the guarantee from Assured Guaranty and is the same as the credit ratings of the Group's Class B bonds of £2,677 million (2025: £2,362 million).

The Group's Class C bonds of £300 million (2025: £500 million) were rated by Baa3/BBB by Moody' and Fitch, respectively.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Other financial liabilities – borrowings CONTINUED

Term Loans	Type	Rate	Maturity	Outstanding balance 31 March 2026 £m
Amortising bank loans				
26030 tranche 1	Floating	O/N SONIA plus margin	15 September 2026	**1.3**
26030 tranche 2	Floating	O/N SONIA plus margin	15 December 2028	**22.5**
88379 tranches 1 & 2	Index-linked	O/N SONIA plus margin	15 January 2030	**101.4**
88379 tranche 3	Index-linked	Margin + RPI	15 May 2031	**60.2**
85397	Floating	Margin + RPI	15 December 2033	**200.0**
				385.4
2024 loan facility	Floating	O/N SONIA SONIA plus margin	31 March 2029	**125.0**
2023 loan facility	Floating	O/N SONIA SONIA plus margin	19 December 2030	**150.0**
2024 loan facility	Floating	O/N SONIA SONIA plus margin	30 November 2031	**75.0**
2026 loan facility	Floating	O/N SONIA SONIA plus margin	6 March 2032	**75.0**
2026 loan facility	Floating	O/N SONIA SONIA plus margin	16 March 2031	**100.0**
Total term loans				**910.4**

15. Other financial assets and liabilities – derivative financial instruments

Derivative financial instruments are held for economic hedging purposes. However, they do not qualify as accounting hedges and movements in their fair value are taken to the income statement (see Note 4).

Fair values Group – 2026	Assets £m	Liabilities £m
Current		
Index-linked swaps	**–**	**–**
Power hedging swaps	**6.4**	**–**
Total	**6.4**	**–**
Non-current		
Index-linked swaps	**–**	**(313.8)**
Interest rate swaps	**–**	**(12.0)**
Power hedging swaps	**1.2**	**(0.2)**
	1.2	**(326.0)**
Total	**7.6**	**(326.0)**

Fair values Group – 2025	Assets £m	Liabilities £m
Current		
Index-linked swaps	–	(68.6)
Power hedging swaps	2.6	–
Total	2.6	(68.6)
Non-current		
Index-linked swaps	–	(264.6)
Interest rate swaps	–	(15.6)
Power hedging swaps	0.7	(0.7)
	0.7	(280.9)
Total	3.3	(349.5)

15. Other financial assets and liabilities – derivative financial instruments CONTINUED

The Group has reviewed all contracts for embedded derivatives that are required to be accounted for separately if they do not meet certain requirements set out in IFRS 9; the Group has no such embedded derivatives.

Two swaps were terminated in the year, with a total termination payment of £80.8 million, reflecting the value of the swaps at the termination date. One swap was terminated in the previous year with a termination payment of £63.9 million plus related costs of £3 million included within the profit on termination of derivative financial instruments in the income statement.

The parent Company has no derivative financial instruments or embedded derivatives.

Interest rate swaps

At 31 March 2026, an interest rate swap fixed the interest rate on £192 million (2025: £192 million) of floating liabilities held by the Group. The maturity date of the swap is 31 March 2031, and the fixed interest rate is 5.67% per annum, payable quarterly.

Index-linked swaps

Lease swaps

The index-linked swaps have the effect of index-linking the interest rate on £96 million (2025: £126 million) of lease liabilities by reference to the Retail Prices Index (RPI).

The notional amount of index-linked swaps allocated to leases as at 31 March 2026 was £92 million (2025: £123 million), representing the average balance on the leases subject to floating interest rates for the year to 31 March 2026. The notional amount amortises over the life of the swaps to match the average floating rate balances of the leases.

The principal terms of the index-linked swaps are as follows:

Notional amount	£92 million amortising (2025: £123 million amortising)
Average swap maturity	12 years (2025: 13 years)
Average interest rate	1.50% fixed plus RPI (2025: 1.50% fixed plus RPI)

Bond swaps

The index-linked swaps have the effect of index-linking the interest rate on £950 million of fixed rate bonds by reference to the RPI (2025: £1,150 million).

The principal terms are as follows:

Indexed notional amount	£1,327 million (2025: £1,544 million)
Swap maturity	5 years (2025: 6 years)
Interest rate	(0.08)% indexed by RPI (2025: (0.35)% indexed by RPI)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Financing risk management

The policies of the Group in respect of financing risk management are included in the accounting policies note on pages 140 and 141.
The numerical financial instrument disclosures as required by IFRS 7 are set out below.

a) Interest rate risk

The effective interest rates at the balance sheet dates were as follows:

	2026	2025
Assets:		
Cash and cash equivalents	**3.9%**	4.5%
Liabilities:		
Bonds	**5.3%**	4.7%
Term loans	**4.1%**	4.5%
Other unsecured loans	**4.6%**	4.6%
Lease liabilities	**4.6%**	4.7%

Trade and other receivables and payables are non interest-bearing.

The effective interest rates ignore the effect of the interest rate and index-linked swaps set out in Note 15. They also exclude the indexation charge applicable to the index-linked bonds.

b) Liquidity risk

Group – 2026	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Assets:					
Cash and cash equivalents	**594.8**	**–**	**–**	**–**	**594.8**
Trade and other receivables	**791.5**	**2.0**	**–**	**–**	**793.5**
	1,386.3	**2.0**	**–**	**–**	**1,388.3**
Liabilities:					
Bonds	**161.9**	**350.0**	**810.4**	**2,914.5**	**4,236.8**
Term loans	**69.7**	**68.4**	**540.0**	**232.1**	**910.2**
Other unsecured loans	**0.2**	**–**	**–**	**–**	**0.2**
Lease liabilities	**1.2**	**1.3**	**4.9**	**88.5**	**95.9**
Trade and other payables	**747.2**	**14.5**	**42.5**	**915.9**	**1,720.1**
Derivative financial instruments	**(28.6)**	**136.9**	**(60.6)**	**376.8**	**424.5**
Future interest payable	**221.0**	**209.7**	**515.4**	**1,337.0**	**2,283.1**
	1,172.6	**780.8**	**1,852.6**	**5,864.8**	**9,670.8**

Group – 2025	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Assets:					
Cash and cash equivalents	638.4	–	–	–	638.4
Trade and other receivables	711.1	0.6	–	–	711.7
	1,349.5	0.6	–	–	1,350.1
Liabilities:					
Bonds	491.0	154.5	948.1	2,491.9	4,085.5
Term loans	92.3	68.4	318.9	341.9	821.5
Other unsecured loans	0.2	–	–	–	0.2
Lease liabilities	30.4	1.2	4.5	90.2	126.3
Trade and other payables	732.4	11.8	35.8	838.5	1,618.5
Derivative financial instruments	43.2	(29.5)	95.9	358.7	468.3
Future interest payable	193.1	180.1	427.9	1,232.9	2,034.0
	1,582.6	386.5	1,831.1	5,354.1	9,154.3

16. Financing risk management CONTINUED

The minimum lease payments under leases fall due as follows:

	2026 £m	2025 £m
Gross lease liabilities		
Within 1 year	**5.6**	36.4
Between 2 and 5 years	**22.9**	21.8
After 5 years	**114.1**	118.4
	142.6	176.6
Future interest	**(46.7)**	(50.3)
Net lease liabilities	**95.9**	126.3
Net lease liabilities are repayable as follows:		
Within 1 year (Note 14)	**1.2**	30.4
Between 2 and 5 years	**6.2**	5.7
After 5 years	**88.5**	90.2
Total over 1 year (Note 14)	**94.7**	95.9

c) Fair values

The fair values of the Group's derivative financial instruments are set out in Note 16. The following table summarises the fair value and book value of the Group's bonds.

	2026		2025	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Bonds	**4,236.8**	**3,609.7**	4,085.5	3,527.1

The fair values of the bonds redeemed in the year, at the redemption date, were £304 million for the Class B bond and £200 million for the Class C bond.

Fair value of bonds is assessed using level 2 fair value hierarchy techniques.

The fair values of other financial instruments are equal to the book values.

16. Financing risk management CONTINUED

d) Borrowing facilities

As at 31 March 2026, the Group had available committed borrowing facilities of £400 million, of which £400 million remains undrawn, in respect of which all conditions precedent had been met (2025: £650 million of which £650 million remained undrawn).

	2026 £m	2025 £m
Expiring in more than 1 year:	**400.0**	650.0

The committed borrowing facilities are available for three years.

At 31 March 2026, Dŵr Cymru (Financing) UK Plc had a special liquidity facility of £175 million (2025: £175 million), which it is required to maintain in order to meet certain Group interest and other obligations that cannot be funded through operating cash flow of the Group, in the event of a standstill being declared by the Security Trustee. A standstill would arise in the event that Dŵr Cymru Cyfyngedig defaults on its debt financing covenants. The facility is a 5-year evergreen facility provided by an insurance provider.

All of the above facilities are at floating rates of interest.

17. Provisions

Group – 2026	Transformation & Restructuring provision £m	Claims loss provision £m	Other provisions £m	Total £m
At 1 April 2025	–	4.3	1.7	6.0
Charged to income statement	7.5	–	4.0	11.5
Insured losses	–	2.2	–	2.2
Unused amounts reversed	–	(0.8)	(0.6)	(1.4)
Utilised in year	(3.4)	–	(0.3)	(3.7)
At 31 March 2026	4.1	5.7	4.8	14.6
Split as amounts to be utilised:				
Within 1 year	4.1	1.9	–	6.0
After more than 1 year	–	3.8	4.8	8.6
At 31 March 2026	4.1	5.7	4.8	14.6

Group – 2025	Transformation & Restructuring provision £m	Claims loss provision £m	Other provisions £m	Total £m
At 1 April 2024	1.0	6.8	2.4	10.2
Charged to income statement	–	1.6	(0.6)	1.0
Insured losses	–	(2.4)	–	(2.4)
Unused amounts reversed	(0.6)	–	(0.1)	(0.7)
Utilised in year	(0.4)	(1.7)	–	(2.1)
At 31 March 2025	–	4.3	1.7	6.0
Split as amounts to be utilised:				
Within 1 year	–	1.4	–	1.4
After more than 1 year	–	2.9	1.7	4.6
At 31 March 2025	–	4.3	1.7	6.0

The parent Company had no provisions at 31 March 2026 (2025: none).

Transformation and restructuring provision

This provides for employee-related costs incurred as a direct result of the Group's Trawsnewid transformation programme. We are targeting a headcount reduction of c.12% (up to 500 roles) over the period to September 2028, this figure may reduce depending on operational requirements and identified efficiencies. During FY26, a total of c.180 employees were identified as part of our restructuring programme, with cash severance costs of £3.4 million incurred (c.90 employees) and £4.1 million provision for future restructuring costs (c.90 employees) to be utilised in FY27.

Claims loss provision

This provision is in respect of claims against the Group, where claims are partly or fully covered by insurance, a corresponding insurance receivable is recognised in other receivables. The net loss provision after deducting an insurance receivable of £2.2 million (2025: £nil) is £3.5 million (2025: £4.3 million).

The utilisation period of these liabilities is uncertain due to the nature of claims but is estimated to be within 5 years.

Other provisions

Other provisions are made for certain other obligations which arise during the ordinary course of the Group's business.

At 31 March 2026, other provisions included £4.1 million (2025: £nil) in relation to the enforcement package proposed by Ofwat following its investigation into wastewater treatment compliance. This relates to schemes identified for environmental benefit where the expenditure is expected to be operational in nature rather than capital planned to take place in FY28 to FY30. The remaining £0.5 million (2025: £1.5 million) relates to management's estimate of expected fines related to known regulatory prosecutions. The utilisation period of these liabilities is uncertain due to the nature of claims but is estimated to be within five years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Net cash inflow from operating activities

a) Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

Group	2026 £m	2025 £m
Operating profit/(loss)	**172.2**	(8.5)
Adjustments for:		
Depreciation and amortisation	**424.0**	391.2
IAS 19 pension service cost	**(0.6)**	0.7
Changes in working capital:		
(Increase)/decrease in trade and other receivables	**(83.2)**	(70.7)
(Increase) in inventories	**(1.2)**	(0.6)
Increase/(decrease) in trade and other payables	**17.8**	101.5
Increase/(decrease) in provisions	**8.6**	(4.2)
	(58.0)	26.0
Cash generated from operations	**537.6**	409.4

b) Interest paid

Group	2026 £m	2025 £m
Interest payable per income statement	**284.2**	231.1
Less non-cash items:		
Indexation on index-linked bonds	**(81.6)**	(61.5)
Indexation on index-linked debt	**(7.1)**	(7.2)
Amortisation of bond issue costs	**(1.9)**	(1.6)
Amortisation of bond issue premium	**0.8**	0.8
Effect of capitalisation under IAS 23	**20.4**	18.8
Decrease in interest accruals	**(15.1)**	5.2
	(84.5)	(45.5)
Interest paid	**199.7**	185.6

c) Net receipts/(payments) on derivative financial instruments

Group	2026 £m	2025 £m
Settlements accruing in the year per income statement	**36.0**	39.7
Adjusted for non-cash items:		
Decrease in accrued receipts settled post year-end	**–**	40.5
Net receipts on derivative financial instruments per cash flow statement	**36.0**	80.2

d) Payments for redemption or termination on derivative financial instruments

Group	2026 £m	2025 £m
Payment made to redeem or terminate derivative financial instrument	**(80.8)**	(63.9)
Additional termination costs	**–**	(3.0)
Total payments for termination of derivative financial instruments	**(80.8)**	(66.9)

19. Analysis and reconciliation of net (debt)/funds

Net (debt)/funds is defined as the value of cash and cash equivalents less net accrued interest and total borrowings. Movements in net debt during the year are impacted by changes in liabilities from financing activities as detailed in table B below, which should be read in conjunction with the consolidated cash flow statement.

a) Net (debt)/funds at the balance sheet date may be analysed as:

	Group		Company	
	2026 £m	2025 £m	2026 £m	2025 £m
Cash and cash equivalents	594.8	638.4	14.3	13.7
Debt due after 1 year	(4,897.0)	(4,303.0)	-	–
Debt due within 1 year	(230.1)	(582.1)	-	–
Lease liabilities	(95.9)	(126.3)	-	–
Accrued interest	(26.1)	(11.8)	4.8	3.7
	(5,249.1)	(5,023.2)	4.8	3.7
Net (debt)/funds	(4,654.3)	(4,384.8)	19.1	17.4

b) The movement in net (debt)/funds during the year may be summarised as:

Group – 2026	Bonds £m	Term loans £m	Lease liabilities £m	Accrued interest £m	Total borrowings £m	Cash and cash equivalents £m	Net debt £m
Net debt at start of year	(4,063.4)	(821.7)	(126.3)	(11.8)	(5,023.2)	638.4	(4,384.8)
Cash flows used in financing activities:							
Receipts in respect of borrowings	(577.1)	(175.0)	–	–	(752.1)	752.1	–
Payments in respect of borrowings	506.6	94.1	30.4	–	631.1	(631.1)	–
Interest paid	–	–	–	–	–	(199.7)	(199.7)
Receipts/payments in respect of derivatives	–	–	–	–	–	(44.8)	(44.8)
	(70.5)	(80.9)	30.4	–	(121.0)	(123.5)	(244.5)
Non-cash movements:							
Indexation of index-linked debt	(81.6)	(7.1)	–	–	(88.7)	–	(88.7)
Movement in accrued interest	–	–	–	(14.3)	(14.3)	–	(14.3)
Other	(1.2)	(0.7)	–	–	(1.9)	–	(1.9)
Total changes arising from financing activities	(153.3)	(88.7)	30.4	(14.3)	(225.9)	(123.5)	(349.4)
Cash flow used in investing activities	–	–	–	–	–	(458.3)	(458.3)
Cash flow generated from operating activities	–	–	–	–	–	538.2	538.2
Net debt at end of year	(4,216.7)	(910.4)	(95.9)	(26.1)	(5,249.1)	594.8	(4,654.3)

19. Analysis and reconciliation of net (debt)/funds CONTINUED

Group – 2025	Bonds £m	Term loans £m	Lease liabilities £m	Accrued interest £m	Total borrowings £m	Cash and cash equivalents £m	Net debt £m
Net debt at start of year	(3,262.0)	(785.5)	(176.3)	(22.6)	(4,246.4)	167.1	(4,079.3)
Cash flows used in financing activities:							
Receipts in respect of borrowings	(743.3)	(200.0)	–	–	(943.3)	943.3	–
Payments in respect of borrowings	3.4	171.0	49.9	–	224.3	(224.3)	–
Interest paid	–	–	–	–	–	(185.6)	(185.6)
Receipts/payments in respect of derivatives	–	–	–	–	–	13.3	13.3
	(739.9)	(29.0)	49.9	–	(719.0)	546.7	(172.3)
Non-cash movements:							
Indexation of index-linked debt	(61.5)	(7.2)	–	–	(68.7)	–	(68.7)
Movement in accrued interest	–	–	–	10.8	10.8	–	10.8
Other	–	–	0.1	–	0.1	–	0.1
Total changes arising from financing activities	(801.4)	(36.2)	50.0	10.8	(776.8)	546.7	(230.1)
Cash flow used in investing activities	–	–	–	–	–	(485.0)	(485.0)
Cash flow generated from operating activities	–	–	–	–	–	409.6	409.6
Net debt at end of year	(4,063.4)	(821.7)	(126.3)	(11.8)	(5,023.2)	638.4	(4,384.8)

	Company	
	2026 £m	**2025 £m**
Net funds at 1 April	**17.4**	15.8
Movement in net cash	**0.6**	1.4
Movement in net funds arising from cash flows	**0.6**	1.4
Movement in accrued interest	**1.1**	0.2
Movement in net funds	**1.7**	1.6
Net funds at 31 March	**19.1**	17.4

20. Employees and Directors

Staff costs for the Group during the year

	2026 £m	2025 £m
Wages and salaries	**195.3**	181.0
Social security costs	**22.9**	18.9
Other pension costs – defined benefit scheme	**0.1**	0.2
Other pension costs – defined contribution scheme	**15.7**	16.0
Total employee costs	**234.0**	216.1
Less: Transformation and restructuring costs (including severance costs of £7.5 million)	**(8.9)**	–
Employee costs excluding transformation and restructuring costs (Note 3)	**225.1**	216.1

Of the above, £108.4 million (2025: £98.4 million) has been capitalised or classified within infrastructure renewals expenditure, being the investment cost of employees' work on the capital programme.

	2026 Number	2025 Number
Average number of people employed by the Group (including Executive Directors)	**4,056**	4,047

The Board delegates certain of the Company's strategic and operational activities to the Dŵr Cymru Executive, a senior management group comprising both Executive Directors and employees. Total remuneration of these key personnel was as follows:

	2026 £m	2025 £m
Executive Directors	**1.4**	0.9
Other key personnel	**3.5**	3.7
	4.9	4.6

During the year, the Group contributed £0.2 million to defined contribution pension plan for key management personnel.

For further information see the Remuneration Report on page 95-111.

No remuneration was paid or is payable by the parent Company. The Directors are employed by other companies in the Group and consider their duties to this Company incidental to their other activities within the Group. The parent Company had no employees during the year other than the Directors.

21. Pension commitments

The Group operates a funded defined benefit pension scheme (based on final pensionable salary and pensionable service), the DCWW Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. There were no plan amendments, curtailments or settlements during the year.

The DCWW Pension Scheme was closed to new members from 31 December 2005. A new defined contribution scheme, the DCWW Group Personal Pension Plan, was introduced from 1 January 2006. During the year, the Group made £15.7 million (2025: £16.0 million) of contributions to the defined contribution scheme, which are included in employee costs in the income statement (Note 3).

During 2011, the Group put arrangements in place via an Employer-Financed Retirement Benefit Scheme (EFRBS) for 4 'capped' Executive members of the scheme. The accrual of benefits under this agreement is conditional on remaining a member of the DCWW Pension Scheme. At 31 March 2026, there were 2 remaining Executive members with entitlements under this arrangement, 1 of whom is in receipt of his benefits.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Pension commitments CONTINUED

Defined benefit scheme

Assets and liabilities recognised on the balance sheet are as follows:

	2026 £m	2025 £m
Present value of funded obligations	**(324.3)**	(341.0)
Fair value of plan assets	**409.0**	411.0
	84.7	70.0
Deferred tax liability associated with pension scheme	**(21.2)**	(17.5)
Defined benefit asset (non-current assets)	**63.5**	52.5
ERFBS unfunded liability	**(2.7)**	(3.2)
Deferred tax asset associated with unfunded liability	**0.7**	–
Unfunded liability (non-current liabilities)	**(2.0)**	(3.2)
Net defined benefit asset	**61.5**	49.3

The difference between the pension assets and liabilities is recognised as a surplus or obligation in the statement of financial position. Where this difference results in a defined benefit surplus, this is recognised in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', on the basis that the Group has an unconditional right to any excess funds that may exist following the closure of the pension scheme once all members have left the plan and their benefits have been settled.

Charges to the income statement and other comprehensive income are as follows:

	2026 £m	2025 £m
Income statement:		
Service costs (included in employee costs)	**0.1**	0.2
Net interest expense/(income) (included in financing income)	**(3.9)**	(2.0)
Total (credited) to the income statement	**(3.8)**	(1.8)
Other comprehensive income:		
Return on plan assets, excluding interest income	**(7.0)**	(10.5)
Actuarial gain on defined benefit obligation	**17.8**	36.5
Deferred tax associated with pension scheme	**(2.7)**	(6.5)
Total credit to the statement of comprehensive income	**8.1**	19.5

Regulatory framework

The Scheme is funded and governed in line with the requirements of the Pensions Regulator. No allowance has been made for any minimum funding requirements under IFRIC 14.

The Scheme operates under Trust law and the corporate trustee (Welsh Water Pension Trustee Limited) is required by law to act in the interests of all relevant beneficiaries and is responsible for day-to-day governance and administration of the benefits. The trustee is assisted in the management of the Scheme by experienced professionals such as actuaries, administrators, and investment consultants.

The trustee has put in place a diversified investment strategy which aims to meet the liabilities of the Scheme. Details are set out in the Statement of Investment Principles, which is available on the Group's website. Day-to-day decisions around asset selection have been delegated to the trustee's fiduciary investment manager, which was BlackRock until January 2026, and Insight from February 2026.

21. Pension commitments CONTINUED

Risks

Through the Scheme, the Group is exposed to numerous risks, the most significant of which are detailed below:

- **Asset volatility:** Scheme liabilities are calculated using discount rates set with reference to bond yields (although discount rate methodology differs for accounting and funding purposes). If Scheme assets deliver a return that is lower than the discount rate, this will create or increase the Scheme deficit (all other things being equal). The Scheme holds various return seeking assets which are expected to outperform bonds in the long term, albeit at the risk of short-term volatility.
- **Movement in bond yields:** A decrease in corporate bond yields will increase the Scheme liabilities, although this will be offset by an increase in the value of the Scheme's bond holdings. The Scheme's current investment strategy aims to limit this risk by being fully hedged against movements in inflation.
- **Inflation risk:** As a large majority of the members' benefits are linked to inflation (subject to maximum annual caps), a high level of inflation will result in an increase of benefits attributable to the members, which will in turn increase the Scheme's liabilities. The Scheme's current investment strategy aims to limit this risk by being fully hedged against movements in interest rates.
- **Life expectancy:** The Scheme's obligations are to provide members with benefits for the remainder of their lives, so an increase in life expectancy will result in the Scheme paying members' benefits over a longer period, which will in turn increase the Scheme's liabilities.

Actuarial valuations

Under UK legislation there is a requirement that pension schemes are funded prudently, and that funding plans are agreed by pension scheme trustees. Defined benefit schemes are subject to funding valuations carried out by independent qualified actuaries, in conjunction with the schemes' trustees, on a triennial basis. These valuations inform the level of future contributions to be made by the Group in order to ensure that the schemes are appropriately funded and therefore that benefits can be paid. The most recent full actuarial valuation of the Scheme was undertaken as at 31 March 2025 by Joanne Eynon of Quantum Advisory, an independent, professionally qualified actuary, using the projected unit method.

The basis on which scheme liabilities are valued for funding purposes differs from the basis required under IAS 19 'Employee Benefits' for financial reporting, with liabilities on a funding basis being subject to assumptions at the valuation date that are not updated between revaluations. Under IAS 19, scheme assets and liabilities are valued on a consistent basis between companies with required disclosures regarding assumptions and sensitivities, so that the relative positions of companies are comparable.

Assumptions and sensitivity analysis

For the purposes of the IAS 19 valuation for these financial statements, the 31 March 2025 full actuarial valuation has been updated by an independent actuary as at 31 March 2026. The principal assumptions made were:

	2026	2025
Discount rate	**5.99%**	5.55%
RPI inflation assumption	**3.18%**	3.07%
Rate of uncapped pension increases	**2.88%**	3.07%
Rate of capped pension increases	**3.10%**	3.00%
Post retirement mortality (life expectancy)		
– Current pensioners aged 65 – males	**86.5 years**	86.2 years
– Current pensioners aged 65 – females	**89.0 years**	88.6 years
– Future pensioners aged 65 (currently aged 45) – males	**87.4 years**	87.2 years
– Future pensioners aged 65 (currently aged 45) – females	**90.1 years**	89.7 years

The mortality disclosures at 31 March 2026 use the CMI 2025 mortality projection model, with a long-term trend rate of 1.0% per annum.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Pension commitments CONTINUED

The inflation risk premium (IRP) remains the same as the prior year at 0.4%.

	Change in assumption	Increase/ (decrease) in liabilities £m
Discount rate	**+0.25%/-0.25%**	(9.2)/9.6
Discount rate	**+1.00%/-1.00%**	(34.2)/41.3
Price inflation	**+0.25%/-0.25%**	9.3/(9.0)
Price inflation	**+1.00%/-1.00%**	39.5/(31.3)
RPI 0.4% inflation risk premium	**Removal**	13.6
Mortality long -term improvement rate	**+0.25%**	1.4
Life expectancy age rating	**1 year**	7.0

The above sensitivity analysis is based on isolated changes in each assumption while holding all other assumption constant. This approach does not take into account that there is likely to be some level of correlation between the movements in different assumptions, however, it demonstrates how reasonably possible changes could impact on the measurement of the defined benefit surplus.

Discount rate assumption – in determining the discount rate to use, the Group considers market yields of high-quality corporate bonds, denominated in sterling, that have time to maturity approximating the terms of the pension liability. Were this discount rate to reduce or increase by 0.25%, the carrying value of the pension obligations as at 31 March 2026 would increase by £9.6 million or reduce by £9.2 million (2025: an increase of £10.3 million or a decrease of £9.8 million). It should be noted that actual rates may differ from the assumptions used due to changing market and economic conditions and longer or shorter lives of participants and, as such, this represents a key source of estimation uncertainty. Additionally, as long as credit spreads remain stable, the increase/decrease to the value of pension obligation resulting from discount rate changes will largely be offset by an increase/decrease in the value of the scheme's assets through changes to bond holdings and other instruments designed to hedge this exposure.

Price inflation assumption – a 0.25% movement in the inflation assumption would have resulted in an increase in liabilities of £9.3 million or a decrease of £9 million (2025: An increase or decrease of £9.6 million). A significant proportion of the scheme's benefit obligations are linked to inflation. The sensitivity to price inflation allows for the impact of changes to pensionable salary growth and pension increases, which are both assumed to be linked to price inflation. While inflation has been volatile in the near term, the value of the scheme's liabilities is based on inflation assumptions that reflect the full profile of the liabilities, in particular the long-term nature. Consistent with market practice, in deriving a best estimate of future RPI, the Group has applied an inflation risk premium of 0.4% (2025: 0.4%) reflecting the volatility of inflation predictions in the market. Removing this inflation risk premium would increase the defined benefit obligation by £13.6 million (2025: £16.1 million). There is no allowance for any further change in the inflation risk premium post-2030 as a result of RPI reform. A reduction in expected RPI will result in a reduction to the value of pension scheme liabilities; however, as our pension schemes are hedged for RPI inflation movements, this will result in a comparable reduction to the value of pension scheme assets.

Mortality assumption – this is broken down into current mortality rates (base table) and future improvements. For the present value calculation, the S4PxA base tables have been used, adjusted for weightings of 103% for males and 99% for females, with improvements in line with the CMI 2024 projection model, with a long-term trend rate of 1.0% per annum. The CMI model is used by UK pension schemes and insurance companies that need to make assumptions about future mortality rates. An increase in the life expectancy assumption of 1 year would have resulted in a 7.0 million increase to the scheme's total liabilities (2025: £7.2 million). An increase in the mortality long-term improvement rate of 0.25% would have resulted in a £1.4 million increase in the scheme's total liabilities (2025: £1.7 million). The majority of the scheme's obligations are to provide benefits for the life of the member and, as such, the scheme's liabilities are sensitive to these assumptions.

21. Pension commitments CONTINUED

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2026 £m	2025 £m
At 1 April	**341.0**	377.9
Current service cost	**0.1**	0.2
Interest expense	**18.4**	17.4
Actuarial (gains) arising from changes in financial assumptions	**(12.6)**	(37.8)
Actuarial (gains) arising from changes in demographic assumptions	**2.1**	(0.5)
Actuarial losses arising from experience	**(7.3)**	1.8
Benefits paid	**(17.4)**	(18.0)
At 31 March	**324.3**	341.0

Effect on future cash flows

The level of contributions is reviewed at each triennial valuation, the latest of which was 31 March 2025.

Under the current Schedule of Contributions, no deficit recovery contributions or future service contributions are expected to be paid by the group for the year ending 31 March 2027.

The duration of the Scheme's liabilities is approximately 12 years, and is an indicator of the weighted-average time until benefit payments are settled, taking account of the split of the defined benefit obligation between current employees, deferred members and the current pensioners of the schemes.

Scheme assets

Changes in the fair value plan assets are as follows:

	2026 £m	2025 £m
At 1 April	**411.0**	420.0
Interest income	**22.3**	19.4
Return on plan assets (excluding interest income)	**(7.0)**	(10.5)
Employer contributions	**0.1**	0.1
Benefits paid	**(17.4)**	(18.0)
At 31 March	**409.0**	411.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Pension commitments CONTINUED

At 31 March 2026	Underlying assets	Fair value of derivatives	Total assets	Scheme assets
Cash	**10.2**	**–**	**10.2**	**2%**
Equity and bonds	**322.6**	**(109.1)**	**213.5**	**52%**
Pooled investment funds	**81.7**	**-**	**81.7**	**20%**
Alternatives pooled funds	**103.6**	**–**	**103.6**	**26%**
Total fair value of scheme assets	**518.1**	**(109.1)**	**409.0**	**100%**
At 31 March 2025				
Cash	49.6	–	49.6	12%
Equity and bonds	266.0	(13.9)	252.1	61%
Alternatives pooled funds	109.3	–	109.3	27%
Total fair value of scheme assets	424.9	(13.9)	411.0	100%

The scheme has entered into a variety of derivative transactions to change the return characteristics of the assets held to help manage risks. As such, the above breakdown separates the assets of the schemes to illustrate the underlying risk characteristics of the assets held.

With the exception of cash, assets consist of equity and bonds and pooled investment funds, which are not quoted on an active market. Total assets include £103.6 million of Level 3 financial assets (2025: £109.3 million), comprising the alternatives pooled funds, which are diversified funds holding investments not bought or sold frequently and not homogenous, for example infrastructure projects, private companies and property. These are therefore considered to be the assets least liquid and hardest to value and are therefore subject to a higher degree of estimation, as detailed under the critical accounting estimates in Note 1.

Virgin Media Ltd v NTL Pension Trustees II Ltd & ORS

The Group is aware of the High Court ruling, upheld by the Court of Appeal in July 2024, in the case of Virgin Media Ltd v NTL Pension Trustees II Ltd & Ors, concerning the validity of certain changes made to pension schemes which were contracted-out on a salary-related basis from 6 April 1997 to 5 April 2016, and in particular the actuarial certification formalities which applied at the relevant time, as required by section 37 of the Pension Schemes Act 1993. The Group's defined benefit scheme was contracted out during the period in question. The Group has taken legal advice on whether the Scheme is exposed, and based on this advice does not consider there to be any material issues. Therefore no provision for any liabilities resulting from this ruling has been made.

22. Lessor

Operating lease

	2026 £m	2025 £m
Lease income	**0.1**	0.1

The Group leases land to Cardiff Council, currently the site of a composting facility which is operated by a fellow Group company, Welsh Water Organic Energy Limited, providing food and green waste services. The Group has classified this lease as an operating lease because it does not transfer substantially all the risks and rewards incidental to the ownership of the land. The lease payments are index-linked to RPI.

The remaining term of the lease is 7 years, with the total undiscounted current minimum lease receipts amounting to £0.7 million, recognised evenly over the remaining term.

23. Capital and other financial commitments

The Group's business plan at 31 March 2026 forecasts net capital expenditure and infrastructure renewals expenditure of £824 million (2025: £693 million) during the next financial year. While only a portion of this amount has been formally contracted for, the Group is effectively committed to a majority of the total as part of the capital investment programme approved by its regulator, Ofwat.

During the year, the Group accepted the proposed findings of Ofwat's investigation into the management of wastewater treatment works and sewer networks. The forecast capital expenditure includes the agreed redress package, which will fund environmental improvements and measures to reduce storm overflow impacts. Approximately £41 million will be invested in reducing spills from priority overflows and addressing groundwater infiltration into the sewer network, including targeted interventions and network investigations and improvements.

24. Related-party transactions

In accordance with the exemption afforded by IAS 24, there is no disclosure in the consolidated financial statements of transactions with entities that are part of the Glas Cymru Holdings Cyfyngedig group. Remuneration to key management personnel has been disclosed in Note 21.

The parent Company issued an intercompany loan to Welsh Water Holdings Limited, a wholly-owned subsidiary, during the year ended 31 March 2018. As at 31 March 2026, the balance on this loan stood at £21,533,698 (2025: £21,533,698). Interest is chargeable at a fixed rate of 5% and £1,510,405 was charged during the year (2025: £1,275,366). As at 31 March 2026 accrued interest receivable relating to this totalled £4,460,823 (2025: £3,379,035).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. Contingent liabilities

Contingent liabilities represent potential future cash outflows that are either possible but not probable or probable but cannot be measured with sufficient reliability.

The Environment Agency is undertaking an industry-wide investigation into compliance at sewerage treatment works, including DCC, which remains ongoing. DCC is co-operating fully with requests for information as they are received. At this stage there is no indication of a probable outflow in relation to this investigation.

On 8 October 2025 DCC received claims on behalf of 693 claimants relating to allegations that its activities have caused pollution in the rivers Wye, Lugg and Usk, and their tributaries. Solicitors acting for the claimants state that there are more than 4,000 claimants with further claims to be issued periodically with a total of 1,309 received to date. Avara Foods Limited and Freemans of Newent Limited are also named as defendants.

The first High Court hearing took place on 27 April 2026: no ruling on liability or the merits of the claims was made at that stage. DCC denies liability and plans to defend the case robustly. It is considered probably that an outflow of economic benefits will arise and accordingly no provision has been recognised.

DCC is subject to other ongoing investigations (pollution, water quality and compliance) by environmental regulators which could result in financial outflows, however the likelihood of financial outflow is not considered probable at this stage, and any potential exposure cannot be reliably estimated.

26. Status of the Company

The Company is limited by guarantee and does not have any share capital. In the event of the Company being wound up, the liability of the Members is limited to £1 each.

27. Elan Valley Trust Fund

In 1984 Welsh Water Authority entered into a conditional sale and purchase agreement with Severn Trent Water Authority for the sale of the aqueduct and associated works by which the bulk supply to Severn Trent reservoirs is conveyed.

The sum of £31.7 million, representing the consideration for the conditional sale, was invested in a trust fund. The principal function of the fund was to provide an income to Welsh Water Authority, while preserving the capital value of the fund in real terms. Welsh Water Authority's interest in this fund was vested in DCC under the provisions of the Water Act 1989.

The assets of the fund are not included in these financial statements. As at 31 March 2026, the market value of the trust fund was £83 million (2025: £88 million).

Interest receivable includes £4 million (2025: £4 million) in respect of distributions from the Elan Valley Trust Fund.

28. Immediate and ultimate holding company and controlling party

The immediate and ultimate holding company and controlling party is Glas Cymru Holdings Cyfyngedig, a company registered in England and Wales, company number 09917809, registered office Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT.
The largest and smallest group within which the results of the Company are consolidated is that headed by Glas Cymru Holdings Cyfyngedig.

APPENDICES

APPENDICES

APPENDIX A

ALTERNATIVE PERFORMANCE MEASURES

Introduction

In addition to measures prepared in accordance with international Financial Reporting Standards (IFRS), the Group presents certain Alternative Performance Measures (APMs) within this Annual Report and Accounts. APMs are non-IFRS financial measures that are used by management to assess underlying performance and financial position. The Directors believe that these APMs provide useful supplementary information for investors, analysts and other stakeholders, as they reflect the way in which management monitors the performance of the business, supports comparability of results across reporting periods, and facilitates a clearer understanding of the Group's operational performance and cash-generating capacity. APMs are not a substitute for IFRS measures and should be considered alongside the Group's IFRS financial information, rather than in isolation. As APMs are not defined by IFRS, they may not be directly comparable with similarly titled measures used by other entities. For transparency and consistency, each APM is clearly defined, its purpose and relevance explained, and where applicable, a reconciliation to the most directly comparable IFRS measure is provided within this report. The Group applies APMs consistently from period to period, and any changes in definitions or use are fully disclosed and explained.

Adjusted operating profit

Adjusted operating profit is a non-gaap measure and excludes items that are considered to be significant in nature and/or quantum at a Group level and where treatment as an adjusted item provides our stakeholders, such as our executive committee, our members, investors and other interested parties with additional information to assess the period-on-period underlying trading performance of the Group. If adjusting items meet this criteria, they are isolated by management and proposed for approval by the Glas Cymru Board. The Group excludes the following defined items.

1. Transformation and restructuring costs – the Group has incurred material additional costs as a direct result of our Trawsnewid transformation programme and these costs have subsequently been isolated as an adjusting item, approved by the Board. The programme is set to last between 2-3 years from inception (FY26), with projected cumulative costs of between £35-£40 million, reflective of both income statement and cash flow impact.

Adjusted EBITDA (earnings before, interest, tax, depreciation and amortisation)

Adjusted EBITDA is a non-GAAP performance measure used by management as an indicator of the operating cash-generating capacity of the Group, before the impact of capital investment and debt servicing obligations. It is not a measure of cash flow and should not be considered a substitute for cash generated from operations.

	£m Year ended 31 March 2026	£m Year ended 31 March 2025
Operating profit/(loss) as reported under (IFRS)	**172.2**	(8.5)
Add back Transformation and restructuring costs	**22.8**	–
Employee related costs	**8.9**	–
Professional service fees	**13.4**	–
Other	**0.5**	
Adjusted operating profit/(loss)	**195.0**	(8.5)
Add back Depreciation and amortisation	**424.0**	391.2
Adjusted EBITDA	**619.0**	382.7

Adjusted cash generated from operating activities

Adjusted cash generated from operating activities is a non-GAAP measure that provides management and investors additional insight into the underlying cash performance of the Group's operations by excluding the cash effects of items that are treated as adjusting items in adjusted operating profit/(loss), As detailed above, to include adjusted items in this statutory measure would distort the readers ability to assess underlying performance. Of the £23 million charges incurred, £17 million reflected cash paid during the year, and £6 million retained on our balance sheet.

	£m Year ended 31 March 2026	£m Year ended 31 March 2025
Cash generated from operations under IFRS - note 18.	**537.6**	409.4
Add back: Transformation and restructuring costs	**17.3**	–
Adjusted cash generated from operating activities	**554.9**	409.4

Adjusted net finance costs

Adjusted net finance costs represent net finance costs before the impact of non-cash fair value movements on derivative financial instruments. Adjusted net finance costs exclude unrealised fair value gains and losses recognised in the income statement on derivative financial instruments that are used by the Group to manage interest rate risk. These fair value movements do not impact cash flows in the period and can introduce volatility that is not reflective of the Group's underlying financing cost.

Accordingly, adjusted net finance costs are intended to reflect the economic cost of the Group's borrowing before the impact of non-cash fair value volatility post-hedging basis, thereby providing a more meaningful measure of the Group's underlying finance costs for the period to management, investors and readers of our annual report.

	£m Year ended 31 March 2026	£m Year ended 31 March 2025
Finance Income (IFRS)	**43.0**	29.1
Finance Expenses (IFRS)	**(284.2)**	(231.1)
Fair value (losses)/gains on derivative financial instruments	**(17.0)**	64.5
Net finance costs (IFRS)	**(258.2)**	(137.5)
Fair value movements losses/(gains) excluding settlements accruing on derivative financial instruments	**53.0**	(8.3)
Adjusted net finance costs	**(205.2)**	(145.8)

Adjusted net debt

Net debt is not presented as a single line item in the financial statements. For the purposes of this APM, net debt is calculated as total borrowings, lease liabilities and accrued interest less cash and cash equivalents, with further adjustments required by the CTA.

Adjusted net debt is a non-GAAP measure of indebtedness used by management and lenders to assess gearing in accordance with the terms of the Group's CTA. It is not a substitute for the Group's IFRS measures of financial position.

Adjusted net debt comprises total borrowings less cash and cash equivalents, adjusted for unamortised debt issue costs, swap indexation amounts, post year-end derivative settlements, accrued interest receivable and cash and cash equivalents held outside the GCA group, in accordance with the CTA.

The following items are included within adjusted net debt:

- **Unamortised issue costs:** Issue costs deducted from borrowings under IFRS but required to be included in indebtedness for CTA purposes.
- **Swap indexation:** The cumulative indexation accrued on fixed-rate bonds that have associated derivative instruments which convert the bonds to an index-linked basis under the CTA.
- **Accrued derivative settlements:** Timing differences between the receipt or payment of cash on derivative financial instruments and their accounting recognition.
- **Accrued interest receivable:** Interest receivable relating to financing arrangements that is included in adjusted net debt under the CTA.
- **Cash and cash equivalents held by entities outside the Glas Cymru Anghyfyngedig (GCA) group:** The GCA group includes the following companies that are subject to the whole business securitisation and the CTA:
  - Glas Cymru Anghyfyngedig (GCA)
  - Dŵr Cymru (Holdings) Limited (DCHD)
  - Glas Cymru (Securities) Limited (GLAS)
  - Dŵr Cymru Cyfyngedig (DCC)
  - Dŵr Cymru (Financing) UK plc (DCFC)

Such cash balances are excluded as they are not available to meet debt obligations within the CTA securitisation structure. A reconciliation between net debt and adjusted net debt is provided to clearly identify each adjustment.

APPENDIX A CONTINUED

ALTERNATIVE PERFORMANCE MEASURES

Gearing

Gearing is a non-GAAP measure and is defined, in accordance with the CTA, as the ratio of adjusted net debt to the RCV of the Group. Gearing is used by management and lenders to monitor compliance with financing covenants and to assess the long-term financial sustainability of the Group. Ofwat's RCV is the regulated value of a water company's assets, reflecting what has been invested over time and used to work out how much return the company is allowed to earn.

	£m Year ended 31 March 2026	£m Year ended 31 March 2025
Total borrowings	**(5,249.1)**	(5,023.2)
Less Cash & cash equivalents	**594.8**	638.4
Net debt (IFRS)	**(4,654.3)**	(4,384.8)
Less Unamortised issue costs	**(20.1)**	(22.1)
Less Swap indexation	**(377.2)**	(394.0)
Accrued interest receivable	**3.5**	2.8
Cash and cash equivalents outside the GCA Group	**(21.0)**	(17.4)
Adjusted net debt (CTA basis)	**(5,069.1)**	(4,815.5)
RCV	**8,345.0**	7,723.1
Gearing	**61%**	62%

Capital investment

Capital investment is a non-GAAP measure used by management to present the total level of cash expenditure incurred by the Group on its asset base during the period, reflecting both capitalised investment and expenditure charged directly to the income statement. It is a useful measure removing accounting treatments for comparability period-on-period. Capital investment comprises the aggregate of;

Capital investment includes only actual expenditure incurred in the period and is intended to provide a comprehensive view of the Group's investment in maintaining and enhancing its asset base, regardless of accounting treatment. Capital investment as shown below is not intended to reconcile to additions in Notes 8 and 9.

	£m Year ended 31 March 2026	£m Year ended 31 March 2025
Property, plant and equipment additions - page 132	**489.6**	502.0
Intangible additions - page 132	**31.0**	39.5
Grants and contributions received - page 132	**(24.3)**	(33.3)
Infrastructure renewals expenditure - page 129	**120.7**	120.7
Capital investment	**617.0**	628.9

APPENDIX B
PERFORMANCE METRICS

Set out below are the metrics we use to measure our performance[1]. They are consistent with both our internal management reporting and the external regulatory performance commitments Ofwat sets to ensure we deliver for our customers, the environment and wider society. The metrics represent the levels of service we seek to deliver and are linked to associated rewards and penalties.

Improving customer experience and trust

Household customer experience (C-MeX)

Ofwat target FY26	Performance FY26	Performance FY25
Industry median	**69.37**	79.56

How we measure: A combined score measuring household customer experience, based on survey feedback from customers who have contacted the Company and those who have not. A higher number indicates a better performance.

FY26 performance: Performance was lower than last year but remains broadly on track and better than the industry median. This reflects strong day-to-day service delivery, with some seasonal softening linked to methodology changes and sector-wide pressures related to bills. Improvements in communication and first-time resolution will support performance.

Business customer experience in Wales (B-MeX)
(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
78.75	**60.55**	N/A

How we measure: A weighted score measuring the experience of business customers in Wales, based on customer survey responses. A higher number indicates a better performance.

FY26 performance: Performance was below target. This was driven by delays and communication challenges on more complex developer services jobs. Improvements in communication and expectation management are underway.

Customer trust

Board target FY26	Performance FY26	Performance FY25
N/A	**6.66**	6.86

How we measure: The score from an independent Consumer Council for Water survey (the Survey), where customers rate how much they trust their water and sewerage company on a scale from 1 (do not trust at all) to 10 (trust completely). A higher score indicates a better performance.

FY26 performance: Customer trust declined compared to last year. This reflects sensitivity to price increases, service disruption and wider sector perceptions. Targeted communication and service improvements are planned to rebuild trust.

1 The performance outcomes and narrative in this Appendix, are subject to year-end validation and confirmation from third parties including Ofwat and the Drinking Water Inspectorate. Accordingly this information may change. If any change is required, updates will be posted on our website.

APPENDIX B CONTINUED

PERFORMANCE METRICS

Improving and protecting customers' water supply

Compliance risk index

Ofwat target FY26	Performance FY26	Performance FY25
0	**7.10**	4.15

How we measure: The risk arising from treated water compliance failures, calculated by summing the risk scores for all individual drink water quality failures in a calendar year. A lower number indicates a better performance.

FY26 performance: Performance was worse than last year and behind target. This was driven by iron and bacteriological failures compounded by legal notices increasing the overall score. Investment in monitoring, and mains and reservoir maintenance are expected to improve performance over AMP8.

Customer contacts about water quality

Ofwat target FY26	Performance FY26	Performance FY25
2.04	**2.51**	2.7

How we measure: The number of customer contacts we receive about the appearance, taste or odour of the drinking water we supply per 1,000 population. A lower number indicates a better performance.

FY26 performance: Contact rates improved year on year but remained above target. Discolouration from legacy upland sources and unlined iron mains was the main driver. Increased flushing and targeted mains replacement will continue to drive improvements.

Leakage reduction

Ofwat target FY26	Performance FY26	Performance FY25
235.8	**243.0**	249.7

How we measure: Reduction in three-year average leakage (Ml/d) since FY20. A lower number indicates a better performance.

FY26 performance: Leakage reduced during the year but remained above target. Performance was impacted by drought conditions and a significant freeze-thaw event in January. Increased investment in detection and repairs will support improvements, although three-year averages will take time to recover.

Per capita reduction in consumption

Ofwat target FY26	Performance FY26	Performance FY25
144.5	**149.5**	148.8

How we measure: Reduction in three-year average household water consumption (litres/person/day) since FY20. A lower number indicates a better performance.

FY26 performance: Per capita consumption increased and remained above target. This was driven by higher demand during prolonged dry weather. Metering, water efficiency programmes and the Cartref initiative are expected to reduce consumption over AMP8.

Reduction in business water demand

(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
168.9	**165.7**	N/A

How we measure: Reduction in three-year average business demand (Ml/d) since FY20. A lower number indicates a better performance.

FY26 performance: Business demand was slightly ahead of target. This reflects successful water efficiency engagement with business customers. Continued focus on efficiency will help maintain lower demand levels.

Water supply interruptions

Ofwat target FY26	Performance FY26	Performance FY25
5 minutes	**1 hour, 23 minutes and 11 seconds**	2 hours, 17 minutes and 44 seconds

How we measure: Average minutes lost per customer from interruptions lasting three hours or more using total duration of qualifying events divided by total connected properties. A lower number indicates a better performance.

FY26 performance: Supply interruptions improved year on year but remained above target. Performance was driven by a small number of high-impact trunk main failures. Increased mains replacement activity will support improvements over AMP8.

Repairs to burst water mains

Ofwat target FY26	Performance FY26	Performance FY25
133.5	**172.2**	165

How we measure: The number of burst main repairs per 1,000 km of treated water mains where water is lost. A higher number reflects we are repairing burst mains more often than expected.

FY26 performance: Repairs to burst mains were higher than target and last year's performance. This reflects increased leakage detection activity alongside deteriorating asset condition. Ongoing mains replacement will reduce reactive bursts over time.

Unplanned outage

Ofwat target FY26	Performance FY26	Performance FY25
2.1%	**0.35%**	0.34%

How we measure: The proportion of peak water production capacity unavailable due to unplanned outages lasting more than 24 hours. A lower number indicates a better performance.

FY26 performance: Unplanned outages remained better than target. This reflects effective proactive maintenance and asset management. Further resilience improvements are planned to sustain performance.

Protecting the environment

Greenhouse gas emissions (water)

(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
74,880	**86,081 (tCO_2e)**	N/A

How we measure: Reduction in water operational greenhouse gas emissions since FY25. A lower number indicates a better performance.

FY26 performance: Emissions were above target. This was driven by increased energy demand during drought conditions and lower renewable generation. Improvements in energy efficiency and renewable output are planned.

Greenhouse gas emissions (wastewater)

(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
109,054	**115,239 (tCO_2e)**	N/A

How we measure: Reduction in wastewater operational greenhouse gas emissions since FY25. A lower number indicates a better performance.

FY26 performance: Emissions were above target. This was driven by higher energy use and lower renewable generation. Improvements in generation and efficiency will support reductions.

Storm overflow spills

(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
42.92	**48.70**	N/A

How we measure: The average number of recorded spill events per storm overflow each year, adjusted to account for assets without event duration monitoring. A lower number indicates a better performance.

FY26 performance: Performance was below target. This was largely driven by the adjustment applied to unmonitored assets rather than underlying performance. Improvements in monitoring coverage and asset upgrades will reduce this impact.

Discharge permit compliance

Ofwat target FY26	Performance FY26	Performance FY25
100%	**98.01%**	98.71%

How we measure: Number of wastewater and water treatment works fully compliant with numeric discharge permit conditions. A higher number indicates a better performance.

FY26 performance: Performance was below last year and target. This was driven by tighter permit standards and operational challenges. Targeted investment and recovery plans will support improvement.

Total pollution incidents

Ofwat target FY26	Performance FY26	Performance FY25
25.02	**29.52**	36.41

How we measure: Total number of pollution incidents (categories 1, 2 and 3) per 10,000 km of sewer network. A lower number indicates a better performance.

FY26 performance: The number of pollution incidents fell year on year but remained above target. Improvements in foul sewer and combined storm overflow incidents were offset by increases in rising main failures. Delivery of the Pollution Incident Reduction Plan will support further improvements.

Serious pollution incidents

(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
0	**9**	N/A

How we measure: Total number of serious pollution incidents (categories 1 and 2) per year from sewage or water assets. A lower number indicates a better performance.

FY26 performance: Serious pollution incidents did not meet zero-incident target. Performance was heavily impacted by repeat failures at a single asset. Replacement of this asset and wider investment will reduce future incidents.

Internal sewer flooding

Ofwat target FY26	Performance FY26	Performance FY25
1.54	**1.22**	1.26

How we measure: Number of internal sewer flooding incidents per 100,000 sewer connections, including hydraulic and other causes. A lower number indicates a better performance.

FY26 performance: The number of internal sewer flooding incidents reduced year on year and met target. Blockages remain the primary driver of incidents. Ongoing targeted investment will continue to remove repeat risks.

External sewer flooding

Ofwat target FY26	Performance FY26	Performance FY25
21.65	**22.84**	22.56

How we measure: Number of external sewer flooding incidents per 100,000 sewer connections, including hydraulic and other causes. A lower number indicates a better performance.

FY26 performance: External sewer flooding increased and remained above target. This was driven by blockages and increased rainfall. Targeted investment will reduce repeat incidents.

Sewer collapses

Ofwat target FY26	Performance FY26	Performance FY25
7.11	**7.29**	6.2

How we measure: Number of sewer collapses per 10,000 km of sewer network that cause service or environmental impact and were not proactively identified. A lower number indicates a better performance.

FY26 performance: Sewer collapses increased and remained above target. This was driven by rising main failures. Replacement of high-risk assets will reduce repeat incidents.

River quality (phosphorus reduction)
(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
11.87%	**23.33%**	N/A

How we measure: The percentage reduction in phosphorus discharged to rivers compared with a 2020 baseline. A higher number indicates a better performance.

FY26 performance: Performance was better than target. This was driven by lower phosphorus loads during drier periods, although wetter conditions and higher flows reduced performance at times. Seasonal weather patterns will continue to influence performance going forward.

Bathing water quality
(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
87.3%	**83.9%**	N/A

How we measure: Weighted percentage score reflecting the classification (excellent, good, sufficient, poor) of designated bathing areas. A higher number indicates a better performance.

FY26 performance: Bathing water quality was worse than target. This reflects a shift from excellent to good classifications and multiple contributing sources. Ongoing analysis will identify targeted improvement actions.

APPENDIX B CONTINUED

PERFORMANCE METRICS

Biodiversity

(New measure)

Ofwat target FY26	Performance FY26	Performance FY25
0	**0**	N/A

How we measure: Net change in biodiversity units per km^2 of nominated land based on habitat condition, extent and strategic significance. A higher number indicates a better performance.

FY26 performance: Performance is in line with expectations. Progress reflects baseline survey completion and early-stage delivery. Improvements are expected later in AMP8 as schemes progress.

Improving culture

Reportable injuries

Board target FY26	Performance FY26	Performance FY25
5	**10**	8

How we measure: The number of work-related injuries required to be reported under health and safety regulations. A lower number indicates a better performance.

FY26 performance: Reportable injuries increased compared to last year. This was primarily driven by incidents involving contractors and their subcontractors. Targeted contractor improvement plans and strengthened health and safety governance are in place to reduce incidents.

Gender pay gap

Board target FY26	Performance FY26	Performance FY25
N/A	**5.6**	7.6

How we measure: The difference in average pay between men and women, expressed as a percentage.

FY26 performance: The gender pay gap reduced compared to last year. This reflects targeted recruitment, development and fair pay practices. Ongoing initiatives will continue to support further improvements.

Improving financial performance and investor confidence

Adjusted EBITDA

Board target FY26	Performance FY26	Performance FY25
£665 million	**£619 million**	£383 million

How we measure: The profit generated by the business that is available to invest in capital expenditure and service debt; defined as operating profit before depreciation and amortisation, adjusted for transformation and restructuring costs. See page 178.

FY26 performance: Significant improvement reflecting increase in revenue as a result of customer bill increases (31%) only partially offset by higher underlying operating costs (3%).

Profit/(Loss)

Board target FY26	Performance FY26	Performance FY25
£(26) million	**£(66) million**	£(111) million

How we measure: Profit or loss after all expenses and tax. Any profits represents surpluses available for distribution to customers or reinvestment into the network and operational assets.

FY26 performance: Loss after tax improved driven by improved adjusted EBITDA, partially offset by higher net interest expense and fair value losses on financial instruments driven primarily by macroeconomic factors.

Capital expenditure

Board target FY26	Performance FY26	Performance FY25
£564 million	**£496 million**	£508 million

How we measure: The money we invest in our network to provide our customer services.

FY26 performance: Capital investment was slightly lower due to rephasing of planned spend, additional time spent on scheme design and delays on major investment programmes. See page 180.

Gearing

Board target FY26	Performance FY26	Performance FY25
62%	**61%**	62%

How we measure: The proportion of net debt relative to our regulated capital value. A lower percentage means the Group is less reliant on debt relative to the value of its assets and has additional capacity to take on debt if required. See page 58.

FY26 performance: Gearing remained strong and ahead of Board targets, reflecting the rephasing of the capital investment programme across AMP8. Gearing is expected to increase as planned investment accelerates.

Credit ratings

Board target FY26	Performance FY26	Performance FY25
Baa1/A-	**Baa1/A-**	Baa1/A-

How we measure: External assessments of our creditworthiness by independent rating agencies. A higher rating indicates better creditworthiness.

FY26 performance: Credit ratings remained stable during the year. This reflects continued financial resilience despite wider sector pressures. Maintaining strong financial discipline will support ratings going forward.

APPENDIX C

REGULATION OF WATER COMPANIES IN WALES

Name	Description
Consumer Council for Water (CCW)	The Consumer Council for Water promotes and represents the interests of our customers in respect of prices, service and value for money. It also investigates customer complaints. Website: www.ccwater.org.uk
Department for Environment, Food & Rural Affairs (Defra)	The Department for Environment, Food & Rural Affairs is a UK Government department that is responsible for the environment in England. Website: www.gov.uk/government/organisations/department-for-environment-food-rural-affairs
Drinking Water Inspectorate (DWI)	The Drinking Water Inspectorate ensures that we supply water that is safe to drink and meets standards set out in Water Quality Regulations. It also investigates consumer complaints and incidents that affect, or could affect, drinking water quality. Website: www.dwi.gov.uk
Natural Resources Wales (NRW)	Natural Resources Wales is the environmental regulator for Wales and has a range of wider functions. It sets out the legal obligations for water companies in Wales every five years in the National Environment Plan. It monitors and enforces compliance with environmental water quality standards and ensures the proper use and management of water resources. Website: www.naturalresourceswales.gov.uk
Environment Agency (EA)	The Environment Agency is the principal environmental regulator for England. It monitors and enforces compliance with environmental water quality standards and ensures the proper use and management of water resources. Website: www.environment-agency.gov.uk
Ofwat	Ofwat is the economic regulator for the water industry in England and Wales. It ensures that we provide good-quality service at a fair price by setting revenue limits; ensuring that we properly carry out our statutory responsibilities; setting and incentivising performance standards and encouraging cost efficiency. Website: www.ofwat.gov.uk
Welsh Government	The Welsh Government sets policy affecting water and the environment in Wales, and publishes statutory guidance setting out the strategic priorities that it expects Ofwat to deliver in its regulation of the water industry in Wales. Website: www.gov.wales

APPENDIX D
GLOSSARY

Name	Description
Anaerobic digestion	A process by which organic material is broken down by bacteria and other micro-organisms to generate renewable energy.
Assets	These include infrastructure such as water mains and sewers, dams and reservoirs, water and sewage treatment works, pumping stations, company laboratories, depots and workshops.
Catchment	An area of land through which water drains into a body of water (such as a river or reservoir).
Common terms agreement	A common terms agreement establishes common terms across contracts, increasing efficiency and reducing the risk of misunderstandings and disputes.
Credit rating	Credit ratings provide an assessment of the credit quality of a company, which can affect the cost of borrowing.
Discharge permits	Legal agreements issued by the environmental regulator relating to the amount, quality and frequency of wastewater that can be returned to the environment.
EDI	Equality, Diversity and Inclusion.
Effluent	Water that flows from a sewage treatment plant after it has been treated.
Glas Cymru	Glas Cymru is used to refer to the Group holding company: Glas Cymru Holdings Cyfyngedig. Glas Cymru Cyfyngedig was formed in 2000 to own, finance and manage Dŵr Cymru Welsh Water. During 2015–16 Glas Cymru Cyfyngedig was re-registered as Glas Cymru Anghyfyngedig and Glas Cymru Holdings Cyfyngedig was created to be the holding company for the Glas Cymru Group.
Groundwater	Water that can be found in the saturated zone of the soil.
Group	Glas Cymru and all its subsidiaries.
Leakage	Water lost between the treatment works and the customer's premises.
Liquidity	The availability of readily convertible assets into cash. This represents cash and cash equivalents and revolving credit facilities for the Group.
Megalitres (Ml)	One megalitre is equal to 1,000 cubic metres or 1 million litres. A standard Olympic-size swimming pool contains 2.5 megalitres of water.
PR24	Ofwat's Price Review process 2024, which culminated in a Final Determination in December 2024, to set prices for AMP8 (2025–2030).
Pumping station	Used to pump water or sewerage from one place to another.
Representative Concentration Pathways (RCP)	Representative Concentration Pathways (RCP) are climate change scenarios to project future greenhouse gas concentrations. They have been formally adopted by the Intergovernmental Panel on Climate Change, and describe different climate change scenarios, all of which were considered possible depending on the amount of greenhouse gases (GHG) emitted in the years to come. The numeric values in RCP labelling indicate the change in radiative forcing (broadly the net absorption of energy in the Earth's atmosphere) from the year 1750 to the year 2100, with a higher value indicating a likely higher effect on global warming.
Real terms	The change in a financial number after removing the effect of inflation.
Regulatory Capital Value (RCV)	The asset value of Dŵr Cymru, determined by Ofwat, on which our investment returns (or Regulatory Returns) are allowed to be made. This is, in effect, a proxy for the economic value in use of the appointed business of Dŵr Cymru Cyfyngedig.
Reservoir	A natural or artificial lake where water is collected and stored until needed.
Return of value	Payments and investment made for the benefit of our customers funded from distributable profits, that could otherwise be paid out to shareholders as dividends in a shareholder-owned company.
Rising main	A pumped pipeline that carries wastewater.

APPENDIX D CONTINUED
GLOSSARY

Name	Description
Scorecard	A statistical record used by Welsh Water to measure achievement or progress towards particular goals.
Sewer	An underground pipe that takes household and non-household wastewater and surface water away from properties for treatment and disposal.
Sewer flooding	Occurs when wastewater escapes from sewer pipes through a manhole cover or a drain, or by backing up through toilets.
Storm overflows	Storm overflows (SO) act as relief valves to prevent the overloading of pipe networks which could otherwise lead to flooding of properties and treatment works. A combined storm overflow acts in the same way but where untreated rainwater and wastewater and sewage are carried together in a combined network.
Surface water	Run-off from rainwater that falls on to customers' properties (such as roofs, paths and driveways).
Totex	An Ofwat abbreviation for total expenditure. The total sum of capital expenditure and operational expenditure.
Trunk main	A main through which water is fed into a water distribution system. A trunk main will often run from a water treatment works to a service reservoir.
Wastewater	Waste matter from properties that is carried away from properties in sewers or drains.
Wastewater treatment works (WWTW)	Wastewater treatment works are designed to remove biological or chemical waste products from water before it is returned to water sources.
Water main	A large pipe that carries treated water to households.
Water Resource Management Plan (WRMP)	This outlines how a water company will maintain a sustainable balance between water supplies and demand over the next 25 years.
Water treatment works (WTW)	Water treatment plants produce drinking water for public consumption or industrial water for manufacturing or other business operations.

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Glas Cymru Holdings Cyfyngedig
Company Number: 09917809