



NI Water's restoration team working on phase two of the Mourne Wall Restoration Project, County Down.





## Chair's welcome

I am pleased to present the Corporate Governance Report for 2022/23. This report describes the key features of NI Water's corporate governance structure to support the long-term sustainable success of NI Water, generating value for all our stakeholders. The report also outlines compliance with the relevant provisions given NI Water Limited's status as a Government Owned Company under the Companies Act 2006 and as an NDPB sponsored by the DfI. The Board is committed to the principles of good corporate governance and delivering what matters for all our stakeholders. Details on how the Board understands the views of stakeholders and how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in the Board's discussions and decision making are set out on page 123.

## Putting back more than we take out

Our Strategy (2021-46) is designed to make Northern Ireland a more healthy, sustainable, and prosperous place in which to live. Our business invests to meet the needs of current and future generations. The strategy centres around five strategic priorities, which set out how we will deliver our purpose and vision:

- Customer** - delivering an exceptional customer experience;
- Water** - delivering great tasting, clean and safe water to meet customer need;
- Economy** - efficiently delivering infrastructure to underpin sustainable growth;
- Nature** - protecting and enhancing the natural environment; and
- People** - providing a great place to work.

The strategic priorities focus on sustainably growing all forms of capital (natural capital, social capital, intellectual capital, human capital, manufactured capital, and financial capital) to ensure that we put back more than we take out. The priorities provide a framework to support best practice corporate decision making (integrated thinking across the capitals and natural capital accounting), corporate reporting (integrated reporting across the capitals) and corporate governance.

The United Nations has developed 17 goals to deliver a more sustainable world by 2030 and we are proud to play our part in supporting delivery of at least 12 of these goals.



Read more at <https://www.niwater.com/ourstrategy/>

## Our purpose, vision, and values

Our purpose encapsulates why we exist as an organisation - namely to provide the water for life we all rely on to thrive. Our purpose is supported by a vision, which sets out what we will do to deliver our purpose namely to grow value and trust by being world class.

Our Values provide the cultural framework to support achievement of our purpose and vision and we encourage our employees to live these values.

We are committed to the highest standards of behaviour in how we do business. As a proud winner of the prestigious 'Employer of the Year' 2023 Belfast Telegraph Business Award, our people are central to everything we do. Our Values are at the heart of our decision making and centre around a more sustainable way of doing business by giving back more to society, the economy, and the natural environment than we take out.

Monitoring culture involves regular analysis and interpretation of evidence and information gathered from a range of sources. Through 2022/23 we used a range of listening strategies to understand the voice of our employees including issuing our sixth pulse survey focused on hybrid working, which reported a highly positive experience with 82% of respondents enjoying the flexibility, 81% benefitting from fuel and time savings and 79% experiencing a better work life balance because of hybrid working. Almost two-thirds of line managers confirmed they were experiencing management successes because of the hybrid model pilot, including increased productivity, better connected through Microsoft Teams and happier staff.

To further support early careers at NI Water, we surveyed our apprentices for the second year running to understand their experience of work. The results were overwhelmingly positive with 100% of respondents stating that they felt comfortable to 'be themselves' at work, 100% said that their teams on the ground demonstrated NI Water's corporate values in their day-to-day work and 100% saying they would recommend NI Water as a great place to work.

We also issued a values survey to all employees following the organisational wide launch of our new behaviour statements which showed significant progress in our values maturity with majority of respondents moving from a rating of Level 2 (awareness of the values) to Level 4 (living the values).

## Our Purpose

To provide the water for life we all rely on to thrive.

## Our Vision

To grow value and trust by being world-class



<b>Respect</b> Give it, get it, live it	<b>Excellence</b> Better, stronger, together	<b>Customer</b> Delivering for you	<b>Integrity</b> Do the right thing	<b>Sustainability</b> Build tomorrow's future today
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### Stakeholder engagement

Our strategy and PC21 Business Plan were co-developed with our stakeholders to ensure that customers are right at the heart of everything we do.

Details on how the Board understands the views of stakeholders and how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in the Board’s discussions and decision making are set out on page 123. The Board keeps these engagement mechanisms under review to ensure that they remain effective.

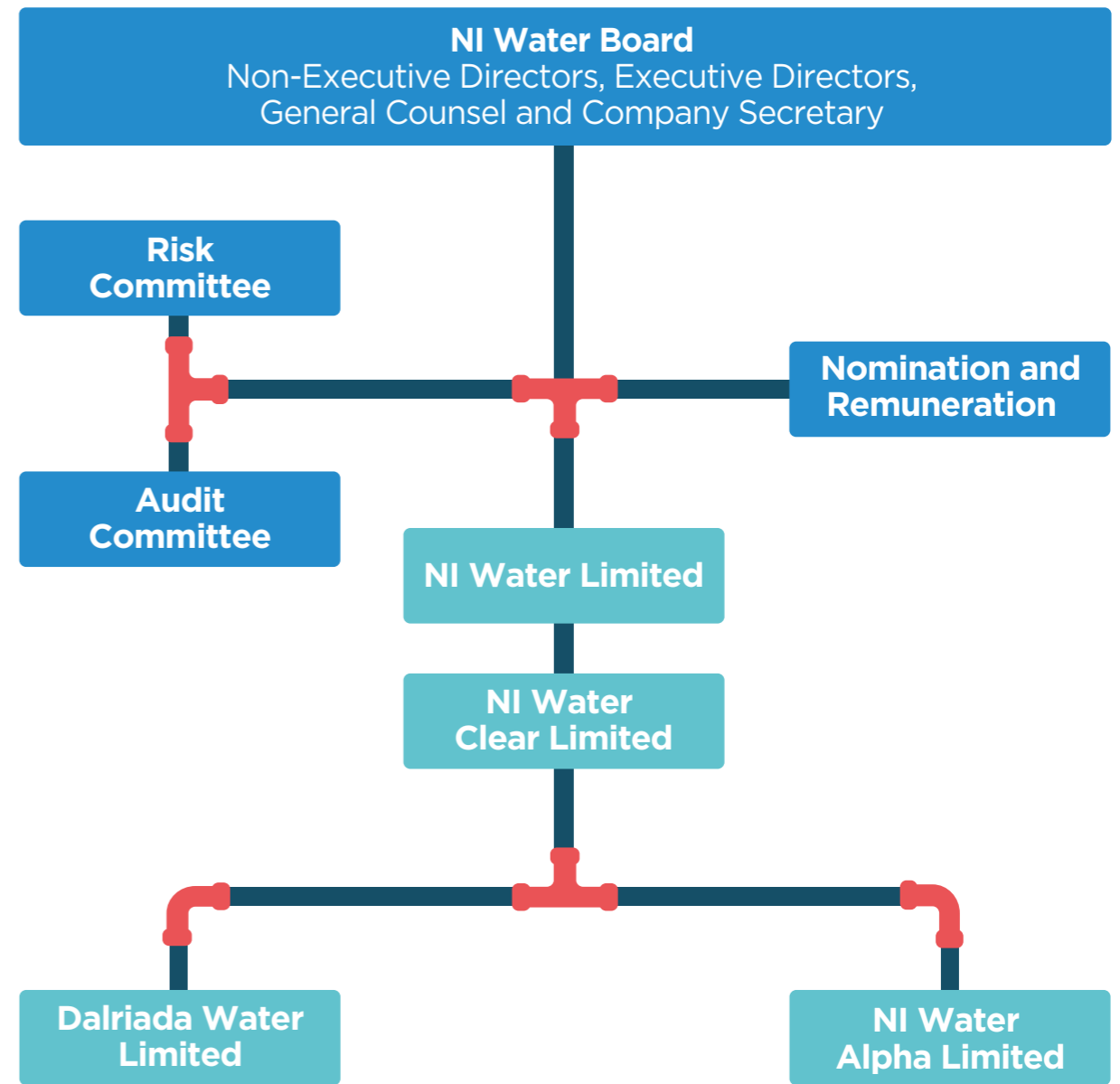
The Board draws on the following to ensure there is robust engagement with the workforce: the results of pulse surveys and action plans; Board and Executive Committee engagement sessions; consultation with the Trade Unions; encouraging involvement of employees in business performance through a regulatory performance delivery mechanism; and the work of around 30 employee champions from different parts of the business.

### Compliance statement

The Board has taken into consideration the governance arrangements established between NI Water Limited and its sole Shareholder the DfI through the Partnership Agreement and the relevant governance provisions in the Department of Finance (DoF) guidance entitled ‘Managing Public Money Northern Ireland’ (MPMNI). The Board considers that, during the year and up to the date of this report, NI Water has complied with the main principles of corporate governance that apply to NI Water as set out within the Partnership Agreement, and which are practical for a Government owned Company. NI Water seeks to emulate best practice corporate governance arrangements as set out in the ‘UK Corporate Governance Code’ and the Partnership Agreement draws on the same but also draws on ‘Corporate Governance for Central Government Departments: Code of Best Practice Northern Ireland’ (Governance Code). However, it should be noted that the Company’s commercial freedoms are restricted by the constraints of the public expenditure system and the provisions set down in the Partnership Agreement and consequently NI Water is not able to comply with all aspects of the UK Corporate Governance Code, nor is it required to. This includes the arrangements for appointment and termination of Board Members and their remuneration.

### Board and Executive Committee

The Board and Executive Committee structure is shown below:



Dalriada Water Holdings Limited was dissolved on 22 July 2022 and no longer forms part of NI Water Group.

### Operation of the Board

The Board has considered the status of the Non-Executive Directors over the year and considered them to be independent in character and judgement.



The operation of the Board and its responsibilities are outlined in the Partnership Agreement: <https://www.niwater.com/siteFiles/resources/2023/PartnershipAgreement.pdf>

## Summary of Board activity

The Board activity over 2022/23 is summarised below:

		Cross reference
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Reviewed progress against delivery of the Strategy (2021-46) through monthly updates from the Executive Committee on the strategy pillars and a half year strategic report;</li> </ul>	Page 24
	<ul style="list-style-type: none"> <li>Approved the Climate Change Strategy for NI Water including compliance requirements with TCFD;</li> </ul>	Page 58
<b>Governance</b>	<ul style="list-style-type: none"> <li>Reviewed the corporate risks and the risk appetite;</li> </ul>	Page 76
	<ul style="list-style-type: none"> <li>Reviewed the effectiveness of the risk management system and reviewed the effectiveness of the internal control systems;</li> </ul>	Page 113
	<ul style="list-style-type: none"> <li>Reviewed the terms of reference for the Audit, Risk, Nomination and Remuneration committees;</li> </ul>	Page 108
	<ul style="list-style-type: none"> <li>Reviewed developments in corporate governance;</li> <li>Reviewed the External Auditors' performance;</li> </ul>	Page 108 Page 109
<b>Business performance</b>	<ul style="list-style-type: none"> <li>Approved the Annual Integrated Report and Accounts for 2022/23;</li> </ul>	Page 108
	<ul style="list-style-type: none"> <li>Approved the Regulatory Accounts and the Annual Information Return for 2022/23;</li> </ul>	Page 108
	<ul style="list-style-type: none"> <li>Approved the going concern and long-term viability statements;</li> </ul>	Page 108
	<ul style="list-style-type: none"> <li>Monitored the delivery of the Annual Operating Plan and Budget for 2022/23;</li> </ul>	Page 108
	<ul style="list-style-type: none"> <li>Approved the Annual Operating Plan and Budget for 2023/24;</li> </ul>	Page 108
<b>Employees</b>	<ul style="list-style-type: none"> <li>Reviewed the health, safety and wellbeing activities and considered health and safety incidents involving employees and contractors as well as the Health and Safety Strategy to reinforce the zero harm ambition;</li> </ul>	Page 71
	<ul style="list-style-type: none"> <li>Discussed the results of the pulse surveys. Reviewed and endorsed the action plan to address areas for improvement and the workforce engagement mechanisms to ensure an accurate representation of employees' views are provided to the Board;</li> </ul>	Page 73
	<ul style="list-style-type: none"> <li>Reviewed the work being taken forward on the Group wide equality, diversity and inclusion policy;</li> </ul>	Page 130
<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>Undertook regular engagement with the Shareholder and key Stakeholders through the Water Senior Steering Group, the Outputs Review Group and other Stakeholder sub-groups and meetings; and</li> </ul>	Page 124
	<ul style="list-style-type: none"> <li>Undertook half yearly meetings with senior Shareholder representatives.</li> </ul>	Page 125

## Board committees

A committee structure is in place to assist the Board in the discharge of its responsibilities. The terms of reference for each Committee and the terms and conditions of appointment of Non-Executive Directors may be obtained on written request from the Group Company Secretary at the address given on the back cover of this report. The membership of the Board Committees is set out below:

Committee	Membership
Audit Committee	Peter McNaney, CBE (Chair)
	Maurice Bullick
	Paddy Larkin
Risk Committee	Belinda Oldfield (Chair)
	Marie-Thérèse McGivern
	Paddy Larkin
Nomination and Remuneration Committee	Dr Leonard J. P. O'Hagan, CBE DL (Chair)
	Peter McNaney, CBE
	Belinda Oldfield

## Length of service

The time served by Board members is shown below:

	Length of service as at 31 March 2023 (full years)	Date of appointment	Date of cessation
Dr Leonard J. P. O'Hagan, CBE DL	8	1 April 2015	31 March 2024
Peter McNaney, CBE	7	1 August 2015	31 January 2024
Paddy Larkin	3	1 February 2020	31 January 2024
Belinda Oldfield	3	1 February 2020	31 January 2024
Marie-Thérèse McGivern	3	1 February 2020	31 January 2024
Maurice Bullick	3	1 February 2020	31 January 2024
Sara Venning	12	21 May 2010	n/a
Ronan Larkin	17	19 September 2005*	n/a
Mark Ellesmere	16	26 June 2006*	n/a
Paul Harper**	6	1 January 2017	n/a
Des Nevin***	3	1 September 2020	n/a

\*Service pre 1 April 2007 is in respect of DRD Water Service.

\*\*Paul Harper (Director of Asset Delivery) retiring in April 2024. New appointment for Director of Infrastructure Delivery commencing 1 September 2023. Director of Engineering and Sustainability role to be filled.

\*\*\*Des Nevin (Director of Customer and Operations) retiring in October 2023. New appointment for Director of Customer and Operations commencing 1 September 2023.

## Meetings

Details of the Board and Board Committees' meetings attended by each Director during 2022/23 are shown below:

	Board meeting			Audit Committee			Risk Committee			Joint Audit Committee and Risk Committee			Nomination and Remuneration Committee		
	Held*		Attended	Held*		Attended	Held*		Attended	Held*		Attended	Held*		Attended
	Total	Available to attend		Total	Available to attend		Total	Available to attend		Total	Available to attend		Total	Available to attend	
Dr Leonard J. P. O'Hagan, CBE DL	11	11	9	-	-	-	-	-	-	-	-	-	4	4	3
Peter McNaney, CBE	11	11	11	4	4	4	-	-	-	1	1	1	4	4	4
Paddy Larkin	11	11	11	4	4	4	4	4	4	1	1	1	-	-	-
Maurice Bullick	11	11	10	4	4	3	-	-	-	1	1	0	-	-	-
Belinda Oldfield	11	11	9	-	-	-	4	4	4	1	1	1	4	4	4
Marie-Thérèse McGivern	11	11	10	-	-	-	4	4	3	1	1	0	-	-	-
Sara Venning	11	11	11	4	4	4	4	4	4	1	1	1	4	4	4
Ronan Larkin	11	11	11	4	4	4	4	4	4	1	1	1	-	-	-
Mark Ellesmere	11	11	11	4	4	4	4	4	4	1	1	1	4	4	4
Paul Harper	11	11	11	-	-	-	4	4	4	1	1	1	-	-	-
Des Nevin	11	11	11	-	-	-	4	4	4	1	1	1	-	-	-

\*This does not include ad hoc Board meetings during the year on specific items.



Dr Leonard J. P. O'Hagan CBE DL  
Chair of the Board  
29 June 2023



# Report by Chair of the Audit Committee



The Audit Committee monitored the integrity of financial reporting together with NI Water's formal announcements relating to its financial performance, paying particular attention to significant reporting judgements and assumptions contained therein. The Audit Committee provided oversight on the effectiveness of financial risk management and its associated controls, reviewed the effectiveness of NI Water's fraud prevention, theft, speak up (whistleblowing) and anti-bribery policies and procedures, conflict of interest, cyber-fraud awareness training and the effectiveness of investigations.

The Audit Committee met with the Risk Committee to consider the Internal Audit's Annual Assurance Statement, principal and emerging risks and the effectiveness of NI Water's internal control and risk management system.

## Significant matters

The significant matters that the Audit Committee considered in relation to the financial statements, and how these issues were addressed, are listed below:

- Risk relating to financial funding:** the Audit Committee was kept updated during the year on the funding position for 2022/23, including Resource DEL and Capital DEL planning envelopes in the absence of budgets being approved by the NI Executive, the significant in-year funding pressure created by rising power prices and the resolution of in-year funding pressure following Secretary of State's budget approval in December 2022. The Committee was also kept apprised of the proposed Operating Plan and Budget for 2023/24, ongoing liaison with the DfI and funding arrangements over the PC21 period;
- Subsidiary companies and consolidation:** the Audit Committee considered the appropriate accounting treatment on the consolidation of the subsidiary companies acquired in 2017/18. This included fair value accounting; the value and treatment of goodwill in the Group accounts and the treatment of the PPP contract in Dalriada Water Limited's accounts;
- Long-term viability statement:** the Audit Committee was regularly briefed on the management of the long-term viability for NI Water as reported in the statement, including the scenarios being considered, the impact of each of the scenarios and the conclusion on viability;
- TCFD climate disclosures:** the Audit Committee was regularly briefed on the development of NI Water's Climate Change Strategy and Climate Risk Model, including the draft disclosures as part of the transition towards alignment with the TCFD framework by 2023/24;
- NI Audit Office reports:** the Audit Committee was briefed on the NI Audit Office's report on the sale of Portavoe Reservoir and their ongoing review of funding of water infrastructure in Northern Ireland. The report is to be published during 2023/24;
- Risk relating to the pension scheme:** the Audit Committee considered the funding position of NI Water Limited's defined benefit pension scheme in light of changes in market conditions;
- Corporate governance and reporting reform:** the Audit Committee was briefed on the Department of Business, Energy and Industrial Strategy (BEIS) corporate reform agenda and wider developments in climate and sustainability related disclosures;
- Going concern:** the Audit Committee was briefed on the loan note instrument in place to the end of PC21, extension of the working capital facility and ongoing communications with the DfI in relation to securing appropriate funding for 2023/24 to enable NI Water to comply with its statutory duties and secure the continued provision of water and wastewater services; and
- Claims:** the claims level and treatment of claims from contractors were monitored during the year with additional information sought from management as appropriate.

Following a competitive tendering exercise, KPMG were appointed as external auditors under the current contract in November 2018 for three years with the option to extend for a further three years. The Audit Committee approved the proposal to take up the second one-year extension to November 2023. Following seven years as audit partner, John Poole has been replaced, for independence reasons, by Dominic Mudge. The accounts for the year ended 31 March 2023 are the first set of accounts signed by the current audit partner, Dominic Mudge.

## External Audit

The Audit Committee met with the External Auditors at least four times in the year. The Committee and the External Auditors also held separate meetings without the attendance of executive management. In their assessment of the independence of the External Auditors, the Committee received, in writing, details of relationships between the External Auditors and NI Water, which may bear on the External Auditors' independence and received confirmation of this independence.

The Audit Committee approved the level of the External Auditors' fees in respect of the audit of the Statutory and Regulatory Accounts of the Group and subsidiaries, considered the adequacy of the External Auditors' proposed audit plan, and reviewed compliance with their letter of engagement. During the year, the Audit Committee undertook a review of the effectiveness of the External Auditors. The review considered the qualifications, expertise, resources, and independence of the External Auditors. The Audit Committee is satisfied that the service provided by the External Auditors remains effective.

Non-audit services such as independent certification work are pre-approved as a matter of policy. Other non-audit services, which are considered to have the potential to impair or appear to impair the independence of the audit role, are precluded from being provided by the External Auditors.

Refer to Note D1 to the Statutory Accounts for the fees relating to audit and non-audit services. Non-audit services provided during 2022/23 were £12k (2021/22: £11k) in relation to subsidy assurance review.

## Internal Audit

The Audit Committee approved the Internal Audit Strategy, which includes reviews of corporate governance, risk management, financial and key operational processes. The Committee also monitored completion of the 2022/23 audit plan. The Head of Internal Audit provided a progress report to each Audit Committee meeting, which included an overview of audit review findings, follow up status of recommendations and summary of any advisory activity. The Head

of Internal Audit met with the Chair of the Audit Committee without management to discuss NI Water's overall control environment and as Chair of the Audit Committee, I have satisfied myself that Internal Audit has sufficient resources through those discussions. The Audit Committee assessed the safeguards in place to protect the independence of the Internal Audit Function and the Head of Internal Audit. These safeguards include the Head of Internal Audit having a primary reporting line to the Chair of the Audit Committee. In addition, the Internal Audit Charter, approved by the Audit Committee, provides the mandate, authority, scope, and responsibilities for the function, in accordance with the relevant Internal Audit professional standards. In accordance with the Public Sector Internal Audit Standards (PSIAS) and the International Professional Practice Framework (IPPF), the Head of Internal Audit provided an annual self-assessment of the function's performance to the Audit Committee. In addition, an External Quality Assessment of the Internal Audit function is completed at least once every five years, last completed by the Chartered Institute of Internal Auditors in February 2021, concluding that the Internal Audit function was in full conformance with the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Audit Standards.

The Committee evaluated the annual cycle of reports considered by the Committee and was content that it has fulfilled its function as provided for in the Audit Committee's terms of reference, as approved by the Board. A formal report was presented to the Board in September 2022.

As Chair of the Audit Committee, I provided a report to the Board after every Audit Committee meeting and the minutes of each meeting are circulated with Board papers.

Peter McNaney, CBE  
Chair of the Audit Committee  
29 June 2023

# Report by Chair of the Risk Committee



The Risk Committee provides oversight on NI Water’s risk and resilience management framework. The purpose of this report is to provide an insight into the work of the Risk Committee over the last 12 months.

The Committee met on a quarterly basis and reviewed the risk management system and processes, the progress in managing the corporate threats and opportunities towards the risk appetite, and the effectiveness of internal controls and resilience measures.

The Committee also considered emerging risks and their potential impact to NI Water; benchmarking of threats and opportunities; and the management of actions to reduce NI Water’s risk exposure to an acceptable level and to maximise the benefits from opportunities.

## Significant matters

The significant matters that the Risk Committee considered over the financial year are listed below:

- Risk governance:** over the financial year, the Risk Committee considered significant threats and opportunities to achieving strategic priorities for 2022/23 and emerging risks going forward. This included health and safety; human resources including recruitment and wellbeing; quality and security of water supply; cyber risks and data security; business continuity and major incident management; asset resilience; winter resilience, innovation, reputation and branding and environmental management. The Risk Committee reviewed the draft Cyber Assessment Framework self-assessment and recommended it to the Board for approval.
  - Corporate threat and opportunity management:** the Risk Committee considered the proposed corporate threats and opportunities at the start of the financial year and recommended these for Board approval.
- Summary risk maps with clear controls and actions to improve resilience and achieve the benefits from the opportunities were presented to the Committee on a quarterly basis. The Committee reviewed the completion of actions and the effectiveness of controls.


- A corporate threat and opportunity management report was included in the Chief Executive’s report to the Board on a monthly basis.

Six principal threats had an increase in the threat level over 2022/23 (page 79) and actions are in place to manage these risks.

NI Water has been underfunded through the PC15 regulatory settlement (2015-21). We have draft public expenditure limits from the DfI for 2023/24 which are below the levels required and have no visibility of funding for the final three years (2024/25 to 2026/27) of PC21. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets. Further details on the availability of public expenditure funding are contained at page 145.
- Risk appetite:** the Risk Committee monitored the progress towards the Board’s agreed risk appetite for the seven risk themes (consisting of both threats and opportunities). A six-monthly update is provided to the Risk Committee and a summary report to the Board.

- Emerging risks:** details of emerging risks based on local and global research, developments and incidents were reported to the Risk Committee along with details of the mitigating steps being taken and further action to improve resilience. We continue to communicate with stakeholders on the implications of key external risk factors that are beyond the control of NI Water, such as the impact of inflation on costs and lead times in the supply chain and public sector funding cuts. We identify steps needed to improve service and financial resilience (refer to the long-term viability statement on page 116). NI Water continues to take steps to manage emerging risks through horizon scanning.
  - Environmental Social Governance (ESG):** the Risk Committee received updates regarding NI Water’s engagement with Government, business partners and community partnerships to create further opportunities to work on a collaborative basis to restore the natural environment and benefit wider society. These activities are reported in other sections of the Annual Integrated Report.
  - Business resilience:** the Risk Committee received updates on business continuity management, emergency and major incident management and IT disaster recovery plans. This included an update on the plans put in place over the winter months to minimise any disruption to service because of severe weather incidents.
  - Risk training and awareness:** risk and resilience training and workshops and risk map meetings were held on a hybrid basis throughout the year. Colleagues were briefed on policy changes and updates through internal emails and NI Water’s (Source) intranet. The Integrated Risk and Resilience Framework was reviewed and approved by the Risk Committee.
  - Risk research, development and innovation:** the Risk Committee is encouraged by NI Water’s involvement in both local and international research activities in governance, risk and resilience management. Over the year the Committee received reports on the guest lectures provided to the masters programmes in Northern Ireland and the Republic of Ireland and the outcome of research projects for masters students in Queen’s University Belfast Management School and the Ulster University Business School. NI Water continues to participate in UK, European and international research through the ‘Water Research Foundation’ (WRF), the Water Sector Insurance Special Interest Group hosted by the Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC), the Water Sector Risk Managers Forum and the Northern Water Business Continuity Forum.
- A joint meeting between the Risk Committee and Audit Committee was held to review the Principal Risks on page 76 and the effectiveness of NI Water’s internal control and risk management framework. The Board was satisfied with the content of the Chairs’ reports included within the Annual Integrated Report and Accounts.
- The Committee evaluated the annual cycle of reports considered by the Committee and was content that it has fulfilled its function as provided for in the Risk Committee’s terms of reference. A formal report was presented to the Board.

Belinda Oldfield  
Chair of the Risk Committee  
29 June 2023

 Refer to the Directors’ remuneration report on page 126 in relation to the work of the Nomination and Remuneration Committee.



## Introduction

The Governance section on pages 98 to 133 sets out the role of the Board and the assessment of its effectiveness in discharging its responsibilities. MPMNI requires a 'Governance Statement' to be included in the Annual Integrated Report and Accounts. Given that some of the compliance requirements have already been included in the Governance section, the Governance Statement should be read in conjunction with this section. The Governance Statement forms part of the audited financial statements.

## Statutory, regulatory and NDPB context

NI Water Limited is a regulated Government owned company and is therefore required to comply with a range of statutory, regulatory, and NDPB related responsibilities. These responsibilities include those under the Companies Act 2006, the Water and Sewerage Services (Northern Ireland) Order 2006, the Licence granted by the Utility Regulator and relevant governance provisions in MPMNI. The full remit of responsibilities is set out in the Corporate Compliance Framework, which is monitored by the Board. The Directors can be held jointly and personally liable for failure to comply with many of these responsibilities.

## Scope of responsibility for the Chief Executive and Accounting Officer

The governance arrangements established between NI Water Limited and its sole Shareholder the DfI are set out in the Partnership Agreement. NI Water seeks to emulate best practice corporate governance arrangements as set out in the 'UK Corporate Governance Code' and the Partnership Agreement draws on the same but also draws on 'Corporate Governance for Central Government Departments: Code of Best Practice Northern Ireland' (Governance Code).

As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of NI Water's purpose, vision, and strategic priorities. I am also responsible for safeguarding the public funds and the Group's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Partnership Agreement.

The governance arrangement complies with the best practice standards of regularity and propriety in the use of public funds and the principles of MPMNI. The DfI approves NI Water's Annual Budget and Operating Plan and regularly reviews the Group's performance.

The work of the Group is directed by its Board and Executive Committee. There is a comprehensive reporting and accountability system provided through the Executive Committee, Board, and sub-committees of the Board who, together with the work of Internal and External Audit, support me in my role as Chief Executive and Accounting Officer.

## Governance framework

The system of internal control is designed to manage threats and opportunities to a reasonable level, and to achieve the Group's purpose, vision, and strategic priorities. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is supported by an integrated risk and resilience management framework to provide an ongoing process to identify and prioritise the risks to the achievement of the strategic priorities, to evaluate the likelihood and the impact should they be realised, and to manage them efficiently, effectively, and economically. The leadership team also considers opportunities for making improvements over the year to achieve better outcomes for our customers, further community engagement to improve sustainability and creative ways to promote health and wellbeing of our colleagues and business partners.

The Group's Integrated Governance Framework, supported by the Integrated Risk and Resilience Framework provides the appropriate structure to facilitate good governance and communication across the business and with key stakeholders. The Integrated Risk and Resilience Framework also sets out the potential impact of emerging risks and the approach to be taken by NI Water to manage these risks going forward.

The system of internal control has been in place in NI Water for the year ended 31 March 2023 and up to the date of approval of the Annual Integrated Report and Accounts, and accords with the DoF's and HM Treasury's guidance, where appropriate.

## Capacity to handle risk

NI Water manages risks in line with our Integrated Risk and Resilience Framework. The Framework clearly defines the roles and responsibilities of the Board, its Committees, the Executive Committee, Directors, Risk Champions, and employees. There is a clear chain of accountability from the Accounting Officer to all employees. The Framework provides guidance on how to undertake risk assessments and how to manage risk to an acceptable level as determined by the Board.

## The risk and control framework

A range of information was used to establish the corporate threats and opportunities at the start of the year. This included benchmarking threats and opportunities faced by other water companies, the Internal Audit Opinion, the Accounting Officer's Annual Assurance Statement, changes in legislation and Government guidance and emerging risks to NI Water.

During the year, the Executive Committee met on a quarterly basis to assess and evaluate corporate risks and agreed the necessary improvements required to address evolving business needs. The corporate and directorate risk registers have clearly defined owners. These registers were reviewed on a continual basis using risk management software, with monthly reports generated for monitoring purposes. Corporate risk maps were presented to the Risk Committee on a cyclical basis throughout the year. The Board received summary information monthly. Corporate risks can be viewed for business units and programme or project levels as appropriate, to evidence the effectiveness of controls and required actions. Directorate risks can also be escalated to senior management's attention when they are graded as 'high' or 'medium'. An established escalation process is also in place to alert the Chief Executive, Board and Stakeholders of significant new issues.

The Risk Committee updates the Board on a quarterly basis on threat improvements, benefits from opportunity realised, improvement in resilience, risks escalated and completion of improvement actions. The Risk Committee also received reports on risk appetite throughout the year. The Audit Committee received reports on financial risk management and informed the Board on NI Water's current and emerging financial risks.

The Board received updates on the status of corporate risks monthly. The Board provides a biannual risk management report, at a strategic level, to the DfI. Risk management is a permanent agenda item in the Shareholder meetings. Other stakeholders are involved in managing risks that impact upon them.

Refer to pages 108 and 110 for further details on the matters considered by the Board and sub-committees.

## Key risks materialising in year

During the year, risks have been effectively managed and principal risks are as reported in pages 80 to 89. Risks such as funding constraints continue to place NI Water in a situation where operational service delivery could be impacted in the short to medium term and inadequate levels of capital investment can impact the economic development and natural environment in Northern Ireland due to lack of asset capacity. Discussions are ongoing with the DfI on the governance funding model and the availability of public expenditure funding for the Utility Regulator's PC21 Final Determination. Further details on the availability of public expenditure funding are contained at page 145. Risks such as escalating energy and material costs, net zero and adverse weather-related events, which have wide implications for NI Water, continue to be managed in the context of constrained resourcing and asset capability, with steps taken where possible to improve on our resilience. Further details are contained in the Principal Risks section on page 76.

## Internal Audit

The Head of Internal Audit provided an 'Annual Opinion' on NI Water's system of governance, risk management and internal control. The opinion for the year ended 31 March 2023 is 'Satisfactory': 'While there is some residual risk identified this should not significantly impact on the achievement of objectives'.



The Directors present their report and the audited financial statements for the year ended 31 March 2023.

## Principal activities

The principal activities of NI Water (the Group) are the supply of water and the collection and treatment of sewage in Northern Ireland. The Parent Company (NI Water Limited) is domiciled and incorporated in Northern Ireland. The Registered Number is NI054463 and the Registered Office is: Westland House, 40 Old Westland Road, Belfast, BT14 6TE. The Parent Company is wholly owned by the DfI.

## Going concern

The financial statements have been prepared on a going concern basis notwithstanding the net current liabilities at 31 March 2023. The Directors consider it appropriate to adopt the going concern approach given the regulatory, financial and governance environment within which the Parent Company operates as described below:

- NI Water Limited is subject to economic regulation rather than market competition. As a result, the Parent Company provides water and sewerage services in Northern Ireland under the conditions in its Licence granted by the Utility Regulator and underpinned by the Water and Sewerage Services (Northern Ireland) Order 2006, which designates NI Water Limited as the sole Water and Sewerage Undertaker for Northern Ireland.
- Following the NI Assembly decision to defer the introduction of domestic water charges, NI Water Limited receives funding by means of a subsidy provided by the DfI. Due to the level of subsidy, NI Water Limited is also designated as a NDPB and is subject to public sector spending rules i.e. public expenditure.
- Following the launch of the 25 year strategy in September 2019, NI Water submitted its Business Plan for the PC21 Price Control period (April 2021 to March 2027) to the Utility Regulator in January 2020. The PC21 Business Plan is a strong, challenging and ambitious plan seeking to balance service delivery and consumer interests with continuing efficiency over both the near and longer-term.
- The Utility Regulator published the PC21 Final Determination in May 2021 endorsing the proposals outlined in the PC21 Business Plan and adding further challenge in some areas.
- The Board of NI Water accepted the PC21 Final Determination in July 2021, encouraged that the first year of PC21 (2021/22) was fully funded by the Department for Infrastructure and the NI Executive and on the basis of a continuing commitment to fund the PC21 Final Determination to deliver the outputs and outcomes for customers.
- Since then, global energy prices have risen to unprecedented levels and inflation has reached a 40-year high, both of which have created significant inescapable pressures on Resource DEL<sup>2</sup> in 2021/22 and 2022/23. Shortfalls in Resource DEL have been successfully met by in-year bids to the DfI in both years.
- Pressures in relation to energy and inflation are expected to prevail into 2023/24. NI Water's Operating Plan and Budget for the 2023/24 year sets out a Resource DEL requirement of £215m and a Capital DEL requirement of £370m. This reflects the third year of the PC21 Final Determination (2023/24) adjusted for higher energy costs and higher than forecast inflation. Since preparing the Operating Plan and Budget in February 2023, energy prices have improved and we have secured better rates on a number of our contracts. The current best estimate of our Resource DEL requirement is £195m.
- On 15 May 2023, the DfI Accounting Officer wrote to NI Water advising that the DfI was planning on the basis of a Resource DEL budget of £171.4m for NI Water in 2023/24. This planning assumption is £44m less than the 2023/24 Operating Plan and Budget and £24m less than the current best estimate.

2. Departmental Expenditure Limits (DEL) are Government budgets. The budgets are split between Resource DEL (RDEL) for day-to-day spending and Capital DEL (CDEL) for investment.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of corporate governance, internal control, and risk management. My review is informed by the work of managers within NI Water, who have responsibility for the development and maintenance of the internal control framework. I am also informed by other independent sources of assurance.

The Board, Audit Committee and Risk Committee have also provided their review of the effectiveness of the system of internal control and a plan to address any weaknesses and to ensure that continuous improvement of the system of internal control is in place.

A formalised assurance framework to assist me in assessing the extent of compliance with the specified responsibilities, including the effectiveness of the systems of internal control has been developed. The Audit Committee and Risk Committee considered the Internal Audit Opinion and Chief Executive's Annual Assurance Statement and informed the Board on the overall effectiveness of the Group's system of internal control and risk management.

The year end management assurance statements include a list of evidence to support management's response and the associated risks. The External Audit opinion for the Statutory, Regulatory and Regularity audits are all 'unqualified' and there is an effective process to manage closure of management letter points raised by the External Auditors.

I am therefore satisfied that the governance, risk management and internal control framework in NI Water is 'Satisfactory'.

## Chief Executive's Year End Assurance Statement – Exception Report

Whilst there is an adequate system of internal control in place in NI Water, several matters included in the 'Exception Report', appended to my Annual Assurance Statement to the DfI Accounting Officer, have been identified for further action. Most of the matters are reflected in the 'Principal Risks' section, while others are reported to the Shareholder.

NI Water was underfunded through PC15 regulatory settlement (2015-21). We have draft public expenditure limits from the DfI for 2023/24 which are below the levels required and have no visibility of funding for the final three years (2024/25 to 2026/27) of PC21. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets. Any underfunding of the Utility Regulator's PC21 Final Determination will increase the size and likelihood of the financial shocks as outlined in the long-term viability statement. Further details on the risks of underfunding are contained in the Principal Risks section on page 76. Further details on the availability of public expenditure funding are contained at page 145.

The Board and I will continue to address these matters. We will also work with our Shareholder, where there is joint accountability on certain threats and opportunities, to manage them towards the relevant risk appetite or opportunity realised level.



Sara Venning  
Accounting Officer  
29 June 2023

- On 1 June 2023, the DfI Deputy Secretary wrote to NI Water advising a Capital DEL allocation of £321.2m, a shortfall of £49m to the 2023/24 Operating Plan and Budget.
- On 8 June 2023, the DfI Accounting Officer provided a letter of assurance to NI Water in relation to the current shortfall in the Resource DEL allocation and contingency arrangements that may need to be put in place such that NI Water can continue to trade and meet its liabilities as they fall due for at least 12 months from the date of signing the financial statements for the year ended 31 March 2023. The letter of assurance provides the confirmation required to enable NI Water to comply with its statutory duties and secure the continued provision of water and wastewater services.
- NI Water has access to cash through the loan note instrument which enables the Company to draw down loans up to £1.75bn from 1 April 2022 to 31 March 2027. £155m was drawn down in 2022/23. In addition, the Company has access to a working capital facility of £20m.
- Operating Plan targets for 2023/24 reflect the Utility Regulator's PC21 Final Determination with some adjustment for efficient delivery.

The challenging public sector budget situation in Northern Ireland has created a shortfall in Resource DEL allocation which limits what NI Water can spend to run and operate its business in 2023/24. The shortfall in Capital DEL allocation creates a limit on what NI Water can invest in water and drainage infrastructure.

The current shortfalls in Resource DEL and Capital DEL allocations give rise to significant uncertainty and concern in the context of delivering six year PC21 programme of work as well as having the potential to lead to conflict in relation to:

- Obligations to deliver services under our Licence;
- Board's statutory duties;
- Accounting Officer responsibility not to overspend; and
- Regularity of spend.

Notwithstanding the current shortfalls in Resource DEL and Capital DEL, NI Water has access to cash to meet its liabilities as they fall due. On that basis and given the regulatory, financial and governance environment within which NI Water operates, the Directors have formed a judgement at the time of approving the financial statements that the Group has adequate resources to continue in operational existence for the foreseeable future and as such to continue as a going concern.

Further information is included in Note G2 (liquidity risk).

### Long-term viability statement

The long-term success of NI Water is dependent on the sustainability of its business model and its management of risk. Ultimately, this long-term success can only be realised if we move from a 'stop-start' approach to delivery because of underfunding and lack of visibility on funding, to multi-year funding in line with that determined by the independent Utility Regulator, supported by a mechanism to deal with financial shocks.

The purpose of the viability statement is to assist the Board in discharging its responsibility to ensure that the Group is financially resilient i.e., the extent to which the Group's financial arrangements enable it to avoid, cope with and recover from disruption (a 'financial shock'). The viability statement demonstrates how the Board has assured itself that this is the case, providing this assurance both to the Shareholder and wider stakeholders.

In making this assessment, the Board has taken account of the current position, the potential impact of the principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions. The Board's assessment has been made in the context of NI Water's funding arrangements. All other UK water companies benefit from funded regulatory settlements. NI Water has been underfunded through the PC15 regulatory settlement (2015-21). We have draft public expenditure limits from Government for 2023/24 which are below the levels required and have no visibility of funding for the final

three years (2024/25 to 2026/27) of PC21. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets.

This viability statement has been prepared in two stages, firstly by considering and reporting on the longer-term prospects by taking into account the Group's current position and principal risks, and then by stating whether the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their viability assessment, drawing attention to any qualifications or assumptions as necessary.

#### Stage 1 - longer-term prospects

The Directors have considered the Group's longer-term prospects, taking into account the Group's current position and principal risks. Refer to page 76.

#### Stage 2 - assessment of viability

##### Period covered

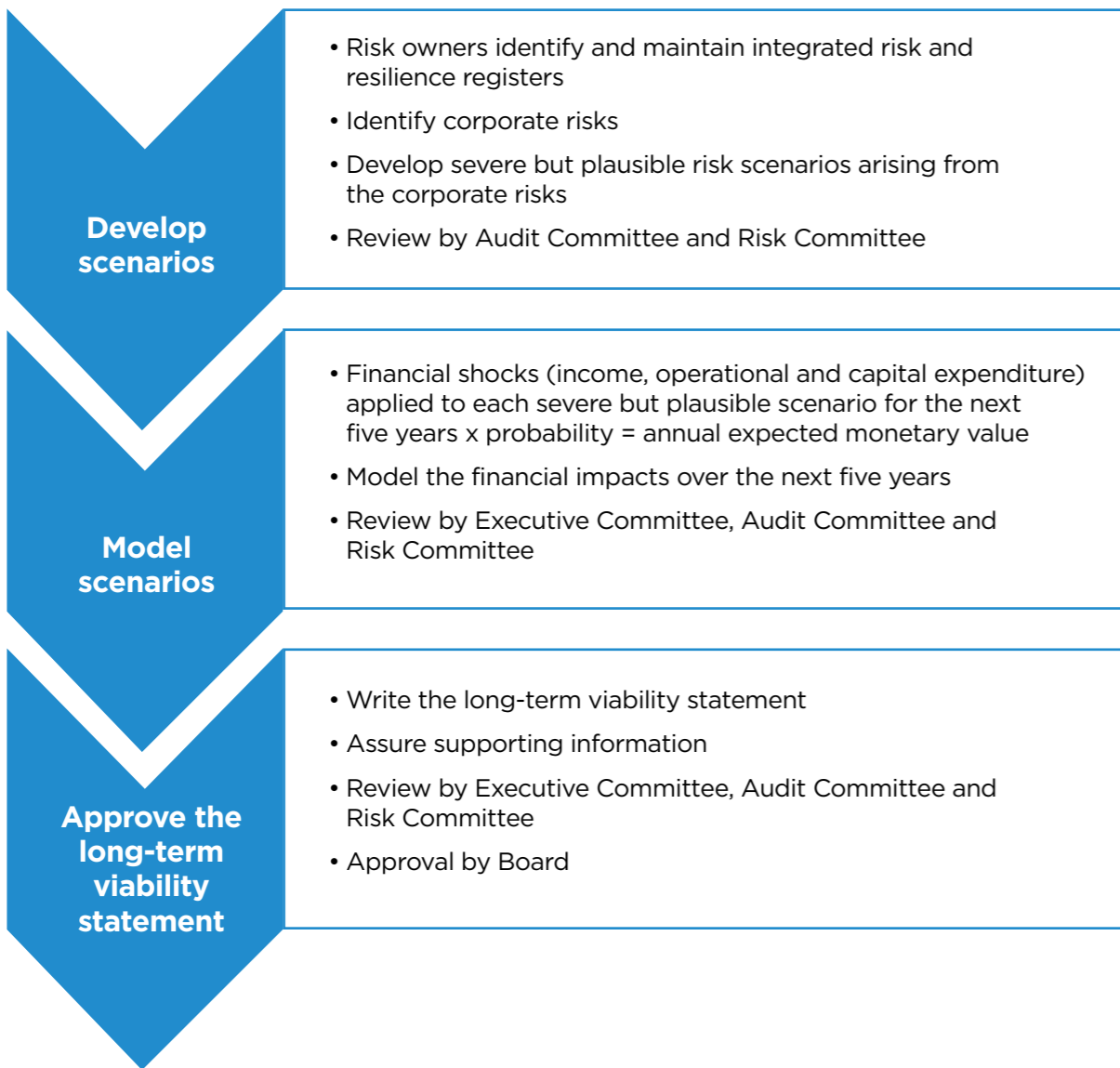
The Directors have considered the appropriate length of time over which to provide the viability statement. In making their assessment, they have taken account of the balance between timescale and robustness of analysis, and the time periods used and recommended across the water sector. The Directors consider that a five year period is appropriate given NI Water's position within the current regulatory cycle, the extent to which information is available on the direction of the subsequent Business Plans and the assessment periods used in the water sector.

This five year assessment period covers the remaining four years of PC21 and the first year of PC27, so extends beyond the end of the PC21 regulatory period (March 2027) and falls within our current strategic planning horizon (2021-46). Preparations for the PC27 Business Plan are at an early stage. In the absence of a PC27 Business Plan, we have assumed no material changes in income, expenditure, loan facilities or agreements between year 4 (final year of PC21) and year 5 (first year of PC27). The long-term Corporate Strategy and the PC21 Business Plan reflect the Directors' best view of prospects. The assumptions used in developing the PC21 Business Plan were based upon the best information currently available at that time.



**Approach**

The approach to developing our long-term viability statement is summarised below:



**Scenarios**

Several severe but plausible scenarios and underlying events were developed based on the corporate risks (a sub-set of the principal risks) and in liaison with risk owners. An estimate was made of the likely financial shock for each event, which was then multiplied by a probability of occurrence to give an expected monetary value. The expected monetary value for each event was summed to give the expected monetary value for each

scenario. The total of the expected monetary values for all the scenarios represents the anticipated financial shock for all corporate risks in each year of the five year assessment period. This financial shock is based on the Directors' current expectations and, by its very nature, is inherently unpredictable, speculative and involves risk and uncertainty because it relates to events and depends on circumstances that may or may not occur in the future.

Scenario number	Scenario name	Description of severe but plausible scenarios	Link to strategic risk (page 76)
1	Underfunding	Significant underfunding of the PC21 Final Determination	
2	Macroeconomic	Macro-economic shocks and stress (combination of inflation, interest rates, bad debt, tax duty/recession) may lead to changes in the number of non-domestic customers and levels of bad debt	 
3	Pension	Unanticipated additional contributions to the Pension Scheme arising from higher-than-expected actual inflation; lower than expected investment returns; the threat that movements in the value of the Scheme's liabilities are not met by corresponding movements in the value of the Scheme's assets; and members living for longer than expected	
4	People	A lack of people, capacity and capability compounded by a shortfall in STEM skills and talent in the marketplace may compromise our business performance and ability to retain critical skills	
5	Supply chain	Global supply chain disruptions, chemical pricing or changes to market conditions may lead to excessive energy or chemical cost inflation, power outages/blackouts and insolvency of key operational or capital contractors	 
6	Health and Safety	Major fire or explosion due to process safety failure, legionella/asbestos exposure or dam burst may lead to death or serious injury to colleague or member of the public	 
7	Cyber	Significant IT/cyber breach leads to major data loss (GDPR, NISD and SEMD) leading to investigation and fine by Information Commissioner or Competent Authority, service impact or breach of network information systems and security and emergency measure obligations	 
8	Drinking water	Major widespread water quality contamination event	 
9	Wastewater	Severe consent failure at key wastewater treatment works (including unexpected change to PPP Omega contract)	 
10	Pollution	Pollution and sewer flooding incidents lead to loss of reputation with regulators, key stakeholders, and damage to the natural and built environment	 
11	Severe weather	Multi-year dry spring/summer leads to severe drought and supply restrictions Severe winter followed by thaw leading to significant increase in leakage and supply interruptions Widespread flood inundation/coastal inundation/significant flood event including our ability to embed and transform our flood resilience	 
12	Net zero carbon	Significant increase in decarbonisation costs due to changes in the required rate of decarbonisation because of changes in legislation, technology, and climate	 

Financial shocks have not been developed in relation to scenario one due to the uncertainty around funding over PC21 and the subsequent difficulty in estimating the degree to which financial shocks relating to other scenarios will increase because of any underfunding. Scenario one is unique to NI Water as all other UK water companies benefit from funded regulatory settlements. NI Water has been underfunded through the PC15 regulatory settlement (2015-21) and has no visibility of funding for the remaining four years (2023/24 to 2026/27) of the six year PC21 regulatory settlement. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets. Any underfunding of the determination will increase the size and likelihood of the financial shocks across the other scenarios. Further details on the availability of public expenditure funding are contained at page 145.

The financial shocks in relation to scenario 12 (Net zero carbon) have been developed in the absence of a net zero aligned Business Plan. The shocks for this scenario will be reassessed once the PC27 Business Plan is developed. PC27 will be NI Water's first net zero aligned Business Plan.

We believe that the suite of scenarios considered encompasses the full spectrum of potential known risks and have sought to benchmark the severity of the scenarios against both historical risk events and other scenarios used within the industry. We have also looked at the frequency and impact of historic examples of scenarios for NI Water and across other water companies.

Energy price shocks and wider inflationary pressures are included within the suite of scenarios. Such events are difficult to predict given the level of uncertainty about their duration. We will reassess our planning assumptions as inflation expectations evolve.

The expected value method assumes that all major risk scenarios occur on an ongoing, albeit risk adjusted, basis. One event could occur and be mitigated before the next event occurred.

The following plausible combinations of financial shocks have also been considered:

- **Combination 1** – macroeconomic, pension and supply chain;
- **Combination 2** – people and pollution;

- **Combination 3** – health and safety, cyber, drinking water and wastewater;
- **Combination 4** – drinking water, severe weather and net zero carbon;
- **Combination 5** – health and safety, cyber and net zero carbon; and
- **Combination 6** – macroeconomic, pension, people, supply chain and wastewater.

As part of the assessment, reverse stress testing has been performed to understand the headroom in the Group's overdraft and capital loan notes for financial shocks before and after applying probabilities. Larger financial shocks (before applying a probability of occurrence) for income and operational expenditure and capital expenditure have been used to inform the stress testing.

#### Fundamental assumptions

This viability statement is based on the following fundamental assumptions:

- that the Utility Regulator's PC21 Final Determination is fully funded by the Shareholder;
- that the Shareholder, as the sponsoring Government Department, can provide public expenditure budget cover to allow the Group to incur additional expenditure associated with one or more of the severe but plausible scenarios occurring. This includes energy price shocks and wider inflationary shocks;
- a mechanism is agreed with the Shareholder to address the commitment for repayment of the 2027 Capital Loan Note on 31 March 2027 as outlined in Note G2 to the financial statements;
- that the current regulatory and statutory framework does not substantively change. From an economic perspective, given the market structure of water and wastewater services, threats to the Group's viability from risks such as reduced market share, substitution of services and reduced demand are low compared to those faced by many other industries; and
- that the assessment of financial shocks based on the above approach for this viability assessment represents the full range of financial shocks (known and unknown) and their magnitude. The assessment of financial shocks will be further embedded into the risk management process in future years.

In assessing the viability of NI Water, the Directors have taken account of:

- the availability of public expenditure funding as outlined on page 145;
- the Group's current liquidity position as outlined on page 95;
- the detailed financial projections developed as part of the planning process, which include the best available information about the PC21 regulatory period ending in March 2027; and
- the severe but plausible scenarios and stress testing described above.

#### Mitigating actions

The English and Welsh water companies can undertake a range of actions to mitigate the impact of severe but plausible financial shocks. These actions include use of cash reserves, access to borrowing on the financial markets, flexing capital investment programme between years, moving expenditure between operational and capital expenditure, cutting dividends, equity injections, equity reductions and significantly increasing the size and scope of their commercial insurance programmes. These mitigating actions are either not available to NI Water given its NDPB status or would not provide any additional spending power. Furthermore, the English and Welsh water companies operate under a funded regulatory settlement, unlike NI Water, which has been underfunded through PC15 regulatory settlement (2015-21). We have draft public expenditure limits from Government for 2023/24 which are below the levels required and have no visibility of funding for the final three years (2024/25 to 2026/27) of PC21. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets. NI Water's financial resilience is therefore dependent on its sponsoring Government Department for both access to funding and public expenditure budget cover to incur expenditure, the latter of which is the fundamental constraint. Severe but plausible financial shocks would likely require additional funding bids to the DfI.

Such bids would compete with other bids on public expenditure within the sponsoring Government department and across the public sector. Further details on the availability of public expenditure funding are contained at page 145.

#### Assurance

We applied two levels of assurance over our long-term viability statement.

- Level 1 - liaison with corporate risk owners and review by Corporate Governance, Financial Accounting and Regulation teams in Finance, Regulation and Commercial Directorate. Level 1 assurance included ensuring that the long-term viability statement was produced in line with best practice and the UK Corporate Governance Code; and
- Level 2 - the viability statement was subject to scrutiny and challenge by the Executive Committee, the Audit Committee, the Risk Committee and the Board at key stages in its development.

#### Conclusion

The Directors have concluded that, subject to the fundamental assumptions outlined above, there is a reasonable expectation that NI Water will be able to continue in operation and meet its liabilities as they fall due over the five year assessment period ending on 31 March 2028.



## Future developments

The Directors are not aware at the date of this report of any likely major changes to NI Water's activities in the next year.

## Dividends and reserves

NI Water Limited's dividend policy is to provide a return to the Shareholder the Dfl based on a percentage of the regulatory capital value less net debt. The return reflects the cost of equity set in the PC21 Final Determination. Payment of any dividend is subject to NI Water having sufficient distributable profits. Refer to the Principal Risks (page 76) for factors which could impact on the amount of distributable profits.

It is anticipated that a final dividend of £21.0m for the year ended 31 March 2023 (2022: £19.0m<sup>3</sup>) may be approved by the Shareholder upon the recommendation of the Board later this year. However, this has not been included within the financial statements as the dividend was not declared before 31 March 2023.

## Directors and Officers

The Directors and Officers who served during the year and up to the date of this report are set out on page 107.



Further details on our Board and Executive Committee can be found at:  
[Our executive committee](#)  
[Our Board](#)

## Directors' and Officers' indemnities

Directors and Officers are indemnified by NI Water against costs incurred by them in carrying out their duties, including defending proceedings brought against them arising out of their positions as Directors; or in which they are acquitted; or judgement is given in their favour; or relief from any liability is granted to them by the Court.

## Policy on the payment of creditors

NI Water's policy is to agree payment terms with suppliers and to pay on time according to those agreed terms. In the absence of

alternative agreements, the policy is to make payment not more than 30 days after receipt of a valid invoice. The year to date ratio, expressed in days, between the time invoices from large suppliers fall due and the time invoices were actually paid at 31 March 2023, was 31.8 days (2022: 31.6 days). NI Water has adopted the public sector supplier payment policy for small and medium sized suppliers of 10 days after receipt of a valid invoice in accordance with the Northern Ireland Executive's policy.

As at 31 March 2023, the year to date ratio stood at 11.5 days (2022: 11.5 days).

## Political and charitable contributions

NI Water made no political or charitable donations nor did it incur any political expenditure during the year.

## Research and development

NI Water invested £0.19m on Research and development in 2022/23 (2022: £0.34m).

Refer to Note G1(f)(ii) to the Statutory Accounts for the accounting treatment.

## Employees

NI Water uses an increased range of communication channels to keep its employees involved in the Group's affairs to engage them and keep them informed and appraised on performance and other business related matters. NI Water continues to oppose all forms of unlawful and unfair discrimination. It remains the Group's policy to promote equality of opportunity for all our employees during their employment. NI Water is recognised as a disability confident employer, as an endorsement of our commitment to recruit and retain disabled people and people with health conditions. Read more about diversity and inclusion on page 130.

## Directors' interests in contracts

No Director had a material interest at any time during the year in any contract of significance with NI Water. The key personnel and Directors did not carry out any transactions with related parties of the Group.

## Regulation - 'ring fencing'

In accordance with the requirements of the regulatory Licence, the Board

confirmed, that as at 31 March 2023, it had available to it sufficient rights and assets, not including financial resources, which would enable a special administrator to manage the affairs, business and property of NI Water Limited in order that the purposes of a special administration order could be achieved if such an order were made.

## Regulation - 'cross directorships'

Directors and employees of NI Water may be Directors of related companies when this is in the best interests of NI Water, and where appropriate arrangements are in place to avoid conflicts of interest. These arrangements include prior approval of any cross directorships by the Board and the Shareholder. In addition, Directors holding cross directorships are required to disclose any such interests prior to making decisions which may result in, or give the appearance of, a conflict of interest.

## Greenhouse gas emissions

Details on greenhouse gas emissions are included on page 64.

## Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of NI Water consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended 31 March 2023 (see page 104) and by reference to the approval of our Strategy (2021-46) and PC21 Business Plan (2021-27), supported by the Board assurance statement accompanying our plan:

### (a) Long-term decisions

Our Strategy and Business Plan set out the step change in investment required to address the country's most critical needs and enable Northern Ireland to thrive from its water and sewerage infrastructure.

The NI Water Board has driven the strategic development of our Strategy and Business Plan. It has challenged the Executive Committee to put forward a strategy

and plan that delivers for the health, the environment and the economy in Northern Ireland while being affordable for customers and deliverable for our people and our supply chain. The Board has obtained confirmation from its independent Board Assurance Advisor that the Strategy and Business Plan are clear, structured and evidence based, and the narrative is supported by robust data. The Board reviewed the Group's response to the PC21 Draft Determination and approved the response to the PC21 Final Determination.

### (b) Employees

Our people are the most important drivers of our success and our Strategy and Business Plan aims to create a more diverse, engaged and high-performance organisation in which all employees are supported and empowered to reach their full potential and excel in whatever they do. In addition to our annual employee engagement survey and other engagement channels, we engaged with our people and Trade Unions specifically in developing our Strategy, which has a separate strategic priority on people. The Business Plan underpins the Strategy and commits us to ensuring that our people are strongly equipped with the skills and competency to succeed in an era of unprecedented change in the workplace. It focuses on developing and delivering a sound resourcing plan to build the diverse and inclusive workforce of the future, anticipate and address current and future skill gaps and ensure a strong leadership and talent pipeline.

The Business Plan also commits us to protecting the health, safety and wellbeing of our people through sector leading health, safety and wellbeing performance and our zero accident and harm ambition. We have updated our employees and the Trade Unions in relation to the PC21 Draft and Final Determinations and engaged on the Climate Change Strategy through a NI Water Live event and updates on Source in May 2023.

Our Business Plan was also developed to ensure that the employer pension contributions meet the funding requirements of the Pension Scheme.

### (c) Suppliers, customers and others:

#### Supply chain

Continuing to engage with our supply chain remains a critical focus. Following the introduction of the new Procurement Policy

3. The dividend in respect of the year ended 31 March 2022 was paid in February 2023.

Note (PPN) 01/21 – Scoring Social Value, NI Water and the Social Value Unit at the Strategic Investment Board hosted a hybrid event in June 2022, where just under 300 people were in attendance. Keynote speakers from the public, private and third sector led the conversation on this new and significant step change in public procurement and the feedback has been extremely positive.

In February 2022, the Institute of Water facilitated a “Working in Partnership” event. Suppliers from across various sectors were in attendance, to hear from NI Water’s Commercial and Procurement professionals on how the procurement landscape is evolving and how Government Policy (Social Value, Supply Chain Resilience and Human Rights) is impacting on how we buy goods and services. NI Water are assessing their markets to determine the risk associated human rights violations and consequently suppliers (in medium/high risk markets) are being asked to evidence their own human rights policy at time of tender.



NI Water staff and the Social Value Unit at the Strategic Investment Board at the Social Value Supplier Engagement Session in Belfast, County Antrim.

Collaborating with suppliers; having regular meetings at supplier’s sites, availing of the opportunity to tour their premises, meeting more of their teams and learning more about ways of working, has proven an excellent way to build on our supplier relationship management strategies. The team have also been part of a number of external market engagement and ‘Meet the Buyer’ events, where they have also supported panel discussions. And finally, at the 2022 World Procurement Awards, the team were thrilled to have been shortlisted as a finalist for their award under the Transformation category.

#### Customers

Our Strategy and Business Plan are based on engagement with our domestic customers and our non-domestic customers including developers. We recognise that we have

a different relationship with our domestic customers from our peers in the rest of the UK and that not paying directly for water and sewerage services makes them even further removed and our service even more invisible. During the second year of PC21 we have continued to work in partnership with the Utility Regulator, the CCNI and the DfI in our approach to meeting customer expectations and targets via the consumer engagement oversight group Understanding the views of customers through surveys and feedback has remained a focus for us. Read more about customer engagement on page 20.

#### Principal Stakeholders

Our principal stakeholders helped us co-create our Strategy and Business Plan. A range of working groups and challenge groups provided us with assurance that we developed a plan that reflects our strategic priorities. Our participation in these groups has ensured that we have provided a forum for stakeholders for strategic discussion on priority issues.

The Outputs Review Group, chaired by the DfI ensures NI Water is held accountable for progress on key outputs, and can coordinate the delivery of the price control process.

Customer Measures/Satisfaction working group, chaired by the Utility Regulator and comprising CCNI, the DfI and NI Water coordinates the development and monitoring of new consumer performance measures and oversees the implementation of the Utility Regulator’s consumer protection best practice framework.

Further details on engaging with our stakeholders is contained in the ‘Listening to you’ section on page 20.

#### Local Councils

We have presented the current status of water and wastewater infrastructure, capacity constraints and our PC21 capital investment programme to four Local Councils. In addition, we have also presented our capacity constraint information and investment proposals to the Local Development Planning Teams within eight of the Local Councils in the context of their Local Development Plans and the ‘hub’ towns and cities that are central to their growth plans. NI Water has participated in the Independent Examinations held by the Planning Appeals Commission on Local Development Plans for Antrim and Newtownabbey Borough Council Mid and East Antrim Borough Council, and Lisburn and Castlereagh City Council.

Our engagement over 2022/23 highlighted that a fully funded PC21 Final Determination will only begin to address current development constraints and that sustained investment will be required in future price control periods into the mid-2040s.

#### Business organisations

We continued to focus on engaging with industry groups on delivery of our PC21 Business Plan as we move towards our midway review, showcasing what can be done when investment is in place. These groups included construction, manufacturing, hospitality, and agri-food. We liaised with key stakeholders and groups such as the Construction Employers’ Federation, NI Food and Drink Association, Retail NI, Hospitality Ulster, and the Ulster Farmers Union. In line with our continued climate ambitions, we also continue our engaged membership of the Responsible Plastic Management Programme.

#### Political parties

We held updated briefings advising Councils on our Capital Delivery Programme. We held site visits and briefings for elected representatives at sites including Dundrum and Ballyronan Wastewater Treatment Works, as well as the Brompton/Stricklands wastewater pumping stations upgrade.

We met with Party Leaders, Party Infrastructure Spokespersons and Party Policy Advisors to ensure that local elected representatives are all fully aware of the status of water and wastewater infrastructure, NI Water’s recommended PC21 capital investment programme for Northern Ireland and the consequences should inadequate funding continue. We also attended the party-political conferences.

#### (d) Community and the environment

The Strategy and PC21 Business Plan were developed in line with the DfI’s Draft Social and Environmental Guidance for Water and Sewerage Services (2021-27). Government priorities for PC21 are set out in the draft guidance. The strategic priorities focus on sustainably growing all forms of capital (natural capital, social capital, intellectual capital, human capital, manufactured capital and financial capital) to ensure that we put back more than we take out. The priorities provide a framework to support best practice corporate decision making (integrated thinking across the capitals and natural capital accounting) and corporate reporting (integrated reporting across the capitals). We are proud to play our part in supporting delivery of at least

12 of the UN’s Sustainable Development Goals. Our Climate Change Strategy was published in May 2023 and outlines our approach to net zero and building climate resilience. Find out more at page 58.

#### (e) Business conduct

As the Board of Directors, we are committed to the highest standards of behaviour in how we do business. Our values provide the cultural framework to support achievement of our purpose and vision, and we encourage our employees to live these values. Our values are at the heart of our decision making and underpin everything we do. They centre around a more sustainable way of doing business by putting back more to society, the economy, and the natural environment than we take out. The values are embedded in our code of ethics, which links to other policies such as those on speak up (whistleblowing), fraud prevention, anti-bribery and corruption and modern slavery.

#### (f) Shareholder

As a Board of Directors, our intention is to behave responsibly toward our sole Shareholder the DfI, so it too may benefit from the successful delivery of our Business Plans. This includes servicing the borrowings from the DfI and paying a dividend to the DfI, which represents a return to the taxpayer on the amount invested in the Group.

#### Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors’ report confirm that, so far as they are each aware, there is no relevant audit information of which the Group’s auditors are unaware and each Director has taken steps they should have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group’s auditors are aware of that information.

#### Auditor

Pursuant to Section 487 of the Companies Act 2006, the External Auditors will be deemed to be re-appointed and KPMG will therefore continue in office.

By order of the Board

Mark Ellesmere  
Company Secretary  
29 June 2023



# Directors' remuneration report

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee determines, on behalf of the Board, and subject to approval by the Shareholder, the NI Water policy on the remuneration of Executive Directors and Executives. Only independent Non-Executive Directors may serve on the Committee.

The Committee met four times in the year

## Board appointments and diversity

The Nomination and Remuneration Committee has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, succession planning and making recommendations to the Board and Shareholder on maintaining an appropriate balance of skills and experience on the Board. This includes consideration of gender and ethnic diversity. The Shareholder appoints the Chair and all other Non-Executive Board members and participates in and approves the appointment of all Executive Directors to the Board.

## Remuneration policy

NI Water's policy on remuneration of Executive Directors and Executives is to attract, retain and motivate the best people, recognising the input they have to the ongoing success of the business.

Consistent with this policy, and in accordance with Article 62 of the Water and Sewerage Services (Northern Ireland) Order 2006, the benefit packages awarded by NI Water to Executive Directors and Executives are intended to be competitive, and under the policy should comprise base salary, and a discretionary performance related bonus designed to incentivise Directors and align their interests with those of the Shareholder. The remuneration consists of the following elements:

### Base salaries

Under the policy, base salaries for each Executive Director and Executive should be reviewed annually considering inflation. Notwithstanding this policy NI Water Limited is subject to public sector pay policy because of its current governance arrangements.

### Annual bonus

There was no bonus scheme in 2022/23 for Executive Directors and Senior Managers.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

### Group Companies

Apart from NI Water Limited, the Directors of the other companies in the Group did not receive any emoluments for their services.

### Non-Executive Directors' remuneration

The higher fees for the Chair of the Board reflect the additional responsibilities of that role. Further details on the fees paid to the Non-Executive Directors are provided on page 128.

### Directors' employment contracts

The Executive Directors covered by this report hold appointments which are open ended. The policy relating to notice periods and termination payments is contained within their service agreements and/or NI Water's Employee Handbook. The Non-Executive Directors covered by this report hold appointments which last for four years and the DfI Minister has the option of reappointing for a further four years after consideration of relevant performance assessments.

## Fees paid to members of the Executive Committee

Current	Year to 31 March 2023					Year to 31 March 2022				
	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Pension benefits £000 <sup>4</sup>	Total £000	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Pension benefits £000	Total £000
Sara Venning	180 - 185	-	-	92	270 - 275	165 - 170	-	-	71	235 - 240
Ronan Larkin	135 - 140	-	-	110	245 - 250	125 - 130	-	-	62	185 - 190
Paul Harper	130 - 135	-	-	47	175 - 180	115 - 120	-	-	44	160 - 165
Des Nevin	130 - 135	-	-	99	225 - 230	115 - 120	-	-	101	220 - 225
<b>Current member of the Executive Committee (not Executive Director):</b>										
Mark Ellesmere	130 - 135	-	-	90	220 - 225	120 - 125	-	-	61	180 - 185
Alistair Jinks	130 - 135	-	-	103	230 - 235	115 - 120	-	-	60	180 - 185
Rose Kelly	115 - 120	-	-	43	160 - 165	105 - 110	-	-	40	145 - 150

## Pay multiples

The relationship between the remuneration of the highest paid Director and the median remuneration of NI Water's workforce is shown below. The banded remuneration of the highest paid Director in NI Water was £180k to £185k on a full year equivalent basis (2022: £165k to £170k). This was 4.77 times (2022: 4.74 times) the median remuneration

of the workforce, which was £37,772 (2022: £35,046). The marginal change in the median pay multiple (ratio) between 2021/22 and 2022/23 was primarily due to the annual uplift to the remuneration of the highest paid director offset in part by increases to the minimum levels of remuneration.

Group	Year to 31 March 2023	Year to 31 March 2022
	Highest paid Director (£000)	180 - 185
25 <sup>th</sup> Percentile (£)	31,786	28,925
Pay multiple ratio for 25th percentile	5.67	5.74
Median total remuneration (£)	37,772	35,046
Pay multiple ratio for median remuneration	4.77	4.74
75 <sup>th</sup> Percentile (£)	45,028	41,642
Pay multiple ratio for 75th percentile	4.00	3.99
Range of remuneration (£000)	17 - 180	15 - 170

4. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases include increases due to inflation and any increase or decrease due to a transfer of pension rights.

## Gender pay gaps

The gender pay gap regulations in place across the rest of the UK have not yet been brought into force in Northern Ireland. We have disclosed the gender pay gap information below to help as part of our commitment to a diverse and inclusive workforce. The median and mean gender pay gaps are the difference between the mean and median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees.

The reason for the pay gap (negative) is because 36% of our workforce are frontline employees who are typically lower paid than non-frontline employees and that 99% of our frontline employees are male. Further details on the gender of persons employed are shown in Note E1 to the Statutory Accounts.

Group		
	Year to 31 March 2023	Year to 31 March 2022
National median gender pay gap (%)	<b>8.3</b>	7.9
Our median pay gap (%)	<b>(9.4)</b>	(16.3)
Our mean pay gap (%)	<b>(5.4)</b>	(8.8)

## Fees paid to Non-Executive Directors

Current Non-Executive Directors:	Year to 31 March 2023				Year to 31 March 2022			
	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Total £000	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Total £000
Dr Leonard J. P. O'Hagan CBE DL-Chair of the Board	40 - 45	-	-	40 - 45	40 - 45	-	-	40 - 45
Peter McNaney, CBE	15 - 20	-	-	15 - 20	15 - 20	-	-	15 - 20
Belinda Oldfield	15 - 20	-	-	15 - 20	15 - 20	-	-	15 - 20
Marie-Thérèse McGivern	15 - 20	-	-	15 - 20	15 - 20	-	-	15 - 20
Patrick Larkin	15 - 20	-	-	15 - 20	15 - 20	-	-	15 - 20
Maurice Bullick	15 - 20	-	-	15 - 20	15 - 20	-	-	15 - 20

## Pension entitlements

Non-Executive Directors do not participate in NI Water's pension scheme. All Executive Directors are members of the defined benefit pension arrangements. The accrued pension entitlement is the amount that the Executive Director would receive at Normal Retirement Age if they retired at the end of the year. The increase in the accrued entitlement is the difference between the accrued benefit at the year end and that at the previous year end. Further details on pensions are provided in Notes E2 and G3 to the Statutory Accounts.

## Transfer values

The Cash Equivalent Transfer Value (CETV) for an individual Executive Director is the actuarially assessed capitalised value of the pension scheme benefits accrued at a particular point in time. All transfer values have been calculated on the basis of actuarial advice in accordance with Technical Actuarial Standards issued by the Financial Reporting Council. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Director's pension benefit. Transfer values do not represent sums payable to individual Directors and therefore cannot be added meaningfully to annual remuneration.

## Increase in transfer value less Directors' contributions

The real increase in CETV shows the increase over the year in the transfer value of the accrued benefits after deducting the Director's personal contributions to the scheme. Further details on Directors' remuneration are shown in Note E1a to the Statutory Accounts.

## Pension benefits for members of the Executive Committee

Current Executive Directors:	Accrued pension at age 60 at 31 March 2023 £000	Related lump sum at 31 March 2023 £000	Real increase in pension at NRA £000	Real increase in lump sum at age 60 £000
Sara Venning	40 - 45	75 - 80	5.0 - 7.5	10.0 - 12.5
Ronan Larkin	40 - 45	-	5.0 - 7.5	-
Paul Harper	10 - 15	40 - 45	2.5 - 5.0	7.5 - 10.0
Des Nevin	65 - 70	205 - 210	5.0 - 7.5	17.5 - 20.0
Current member of the Executive Committee (not Executive Director):				
Mark Ellesmere	40 - 45	55 - 60	5.0 - 7.5	7.5 - 10.0
Alistair Jinks	40 - 45	-	5.0 - 7.5	-
Rose Kelly	10 - 15	30 - 35	0 - 2.5	5.0 - 7.5

## Pension (CETV) benefits for members of the Executive Committee

Current Executive Directors:	CETV at 31 March 2023 <sup>5</sup> £000	CETV at 31 March 2022 <sup>6</sup> £000	Increase/(decrease) in transfer value less Director's contribution (net of inflation <sup>7</sup> ) £000	Employer contribution (to nearest £100)
Sara Venning	471	734	54	52,400
Ronan Larkin	699	869	107	40,400
Paul Harper	247	255	41	37,800
Des Nevin	1,426	1,749	139	37,800
Current member of the Executive Committee (not Executive Director):				
Mark Ellesmere	572	831	67	38,400
Alistair Jinks	727	836	115	37,800
Rose Kelly	167	179	31	34,600

5. Based on accrued benefits at 31 March 2023 and financial conditions as at 31 March 2023.

6. Based on accrued benefits at 31 March 2022 and financial conditions as at 31 March 2022.

7. CPI inflation of 3.10% (CPI figure for the year to September 2021).



## What have we done to improve diversity and inclusion?

Valuing people for who they are and the contributions they bring provides the cultural framework to support achievement of our purpose and vision, placing our commitment to diversity and inclusion at the heart of how we do business.

Our diversity and inclusion strategy aims to provide an inclusive work environment where everyone feels welcomed and treated with respect and dignity; and better meet the needs of our customers by ensuring that our workforce represents the diverse communities we serve. The objectives of the strategy are to:

- increase employee engagement through providing an inclusive workplace;
- increase diversity within our workforce;
- place a commitment to diversity, equality and inclusion firmly within our new corporate values;
- enhance employer brand and promote breadth of careers within NI Water;
- widen our schools outreach, to positively influence STEM career choices;
- develop inclusive leaders capable of developing a culture of diversity and inclusion within teams; and
- involve employees in developing the strategy, focusing activity in the areas that matter most.



Highlights of our diversity and inclusion journey are shown below.

Over the last 12 months NI Water has been recognised at the highest levels for its commitment to diversity, equality, and inclusion via the achievement of numerous prestigious business awards including the silver diversity charter mark, at that time becoming only the second public sector organization to have achieved the standard and one of 12 organisations in Northern Ireland.



NI Water's CEO receiving the Silver Diversity Charter Mark from Diversity Mark.

### A beacon of best practice

NI Water were also announced winners of the Belfast Chamber Business Award 2022 for Diversity and Inclusion and were awarded not one but two Business in the Community Responsible Business Awards for Best Diversity and Inclusion, and Fair Chance for All.



Best Diversity and Inclusion 2022 WINNER



## Helping to 'Level Up' Northern Ireland

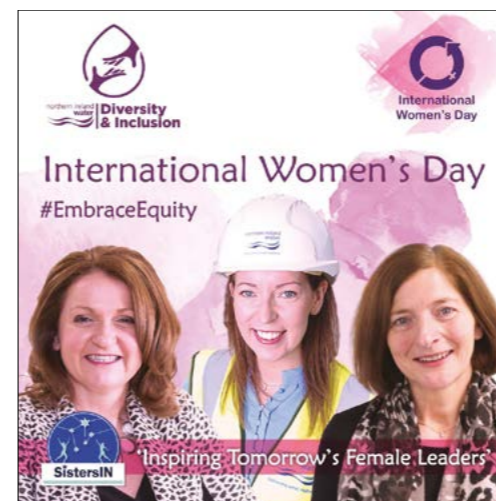
In 2021/22, NI Water became the first company in Northern Ireland to sign up the UK Government's 'Levelling Up' goals, which seek to drive equality of opportunity and support social mobility post COVID-19. In recognition of the fact that 50% of young people from disadvantaged backgrounds in the UK leave compulsory education without GCSE Maths and English qualifications, we have changed our recruitment practice to offer a skills based alternative to assess basic numeracy and literacy, ensuring access to employment regardless of social background.



NI Water, the first Company in NI to sign up to Government's Levelling Up Goals

## Increasing female representation

Changes have been made to hiring practices including use of female role models and imagery in recruitment marketing, changing the performance factors used to select, use of gender neutral language in recruitment advertising, mandatory unconscious bias training for interviewers, female mentoring initiatives and revised schools outreach campaigns to strengthen our employer brand. As a result, the percentage of females hired increased from 30% in 2015/16 to 42% in 2022/23.



## Raising awareness

During 2022/23, we continued our diversity and inclusion education to support our key areas of focus (gender, age and social mobility) via campaigns for International Women's Day and a brand new preparation for retirement service including sessions for staff on understanding your pension and designing your future. Four NI Water teams completed the Belfast Marathon to raise funds to help disadvantaged young people within our communities to receive important skills training to help gain employment, exceeding their intended funding target by 50%.



One of NI Water's teams who completed the Belfast Marathon to raise funds to help disadvantaged young people within our communities.

## Developing inclusive leaders

In 2022/23, NI Water's entire senior leadership team (circa 70 people) participated in Inclusive leadership training to model our commitment from the top in developing a culture of diversity and inclusion and equip our leaders with the skills and knowledge necessary to fulfill our ambitions.

### Supporting early careers

Our award winning apprentice academy continues to go from strength to strength, growing from five apprentices in 2019 to 108 apprentices, higher level apprentices and graduates in 2022/23. Diversifying into new business areas including Science, Finance and Accountancy, Commercial Management, Data Analytics and ICT as well as our staple programs in Water Utilities and Engineering. Our academy was recently named Northern Ireland's Best Apprenticeship Scheme 2022 by the CIPD. This strategy continues to have a positive impact on culture at NI Water helping achieve a more balanced age profile and increasing female representation (average 17% of our annual entry level intake are female).



### Bringing our values to life

During 2022/23, we undertook an organisational wide campaign to introduce the new behaviour statements underpinning each of our values (Respect, Excellence, Integrity, Customer and Sustainability) and create a common standard of behaviour to which we can all aspire. A follow up values pulse survey reported that the campaign had been successful in advancing our values maturity with the majority of employees moving from a rating of Level 2 (awareness of the values) to Level 4 (living the values) in one year.

### The journey continues

We've come a long way in the last three years but there is more to do. In 2023/24, we will roll out Inclusive Leadership training to our middle management population, we also aim to become JAM card accredited to support neurodiversity amongst customers and colleagues. We will continue our awareness campaigns in four areas (gender, age, social mobility and neuro diversity) and advance our social mobility agenda via actioning our 'levelling up' recommendations, growing and diversifying our entry level strategy and increasing the use of social clauses within our supply chain contracts.

Dr Leonard J. P. O'Hagan CBE DL  
Chair of the Board  
29 June 2023

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report, the Strategic Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year.

On that basis they have elected to prepare the Group and Parent Company financial statements consistent with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006, and the relevant provisions of the Water and Sewerage Services (Northern Ireland) Order 2006. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to

them to safeguard the assets of the Group and the Parent Company and to prevent and detect fraud and other irregularities.

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

Having taken advice from the Audit Committee, the Directors consider that the Annual Integrated Report and Accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for the Shareholder to assess the Group and Parent Company's position, performance, business model and strategy.

Each of the Directors, whose names are listed on page 107 confirm that, to the best of their knowledge:

- the Group financial statements give a true and fair view of the assets, liabilities, financial position of the Group as at 31 March 2023 and of its profit for the year then ended;
- the Parent Company's statement of financial position gives a true and fair view of the state of affairs of the Parent Company's affairs as at 31 March 2023; and
- the Strategic Report includes a fair view of the development and performance of the business and the position of the Group and Parent Company together with a description of the principal risks and uncertainties it faces.

On behalf of the board

Mark Ellesmere  
Company Secretary  
29 June 2023