Principal risks

The implementation of our strategic priorities is measured using a number of strategic performance indicators and managed using an opportunity/threat management model. 'Principal Risks (threats and opportunities)' and 'Corporate Risks (threats and opportunities)' are used interchangeably.

Strategic Priorities	Strategic performance indicators (SPIs)	Principal threat / Principal opportunity Read more page 79
Customer - delivering an exceptional customer experience. Read more page 30	 Reduction in customers reporting service failures First point of contact resolution More customers singing our praises (Net Promoter Score) 	
Water - delivering great tasting, clean and safe water to meet customer need. Read more page 36	Water quality complianceReduction in leakageReduction in supply interruptions	
Economy - efficiently delivering infrastructure to underpin sustainable growth. Read more page 50	 Increase/(decrease) in customer tariffs Number of economic constraint areas removed Number of serious development restrictions removed Bathing water quality 	
Nature - protecting and enhancing the natural environment. Read more page 58	 Reduction in our pollution incidents Wastewater compliance Reduction in number of properties at risk of out of sewer flooding Reduction in our carbon footprint 	
People - providing a great place to work. Read more page 68	 Employee attendance Reduction in health and safety incidents 	

Principal threat





























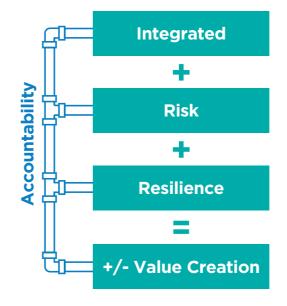
Principal risks

Risk and resilience

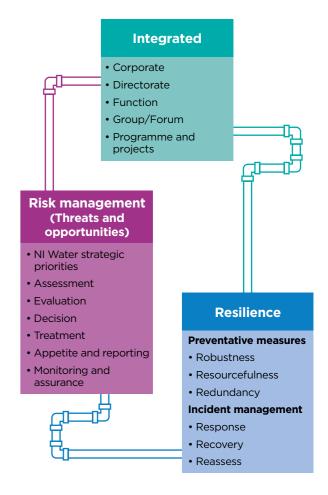
NI Water manages risks (both threats and opportunities) through our integrated risk and resilience framework, highlighting the connection between risk and resilience and emphasising accountability to protect value creation.

We foster a culture of resilience, ensuring the business is prepared for incidents rather than just considering their possibility. This involves proactive planning and adaptive responses to minimise disruption and swiftly return to normal operations. All corporate risks are documented with existing controls and actions for continuous improvement in resilience.

NI Water's integrated risk and resilience framework



NI Water's integrated risk and resilience model



NI Water's approach to risk management

NI Water implements an integrated risk and resilience framework. This framework outlines the objective of risk management and resilience within NI Water, which is to protect and create value. It describes the process for identifying, prioritising and managing risks which may impact on the achievement of NI Water's strategic priorities.

Principal risks

An integrated approach to embedding risk and resilience culture

The framework integrates risk management and resilience across NI Water, avoiding siloed approaches for effective coordination. It also considers risks from relationships with business partners and stakeholders through an extended enterprise approach. This encourages effective risk management across the whole business.

Our approach to risk management is to have a risk culture where our employees and strategic partners are aware of how they contribute towards our strategic priorities. There is a collaborative approach to analyse the downside risk (threats) that could have a detrimental impact on the achievement of our priorities but also to consider the upside risk (opportunities) towards deriving better outcomes.

Using integrated risk management software, risk owners can manage controls and track actions over the predetermined timeline towards achieving the risk appetite. Corporate risk maps are linked to directorate, programme and project threats and opportunities.

NI Water defines resilience as the 'strategic, organisational capacity of NI Water to resist and react/respond to and recover from disruptive threats and survive both foreseen and unforeseen risks.'

Building a resilient business is becoming increasingly important, particularly as NI Water faces a range of risk factors such as energy price shocks, climate change and cyber-attacks. Many of these risk factors are outside of NI Water's direct control and can be extremely difficult to predict in terms of impact and likelihood.

Emerging Risks

Through a process of horizon scanning emerging risks, benchmarking, risk trend analysis and workshops held on a business-wide basis, corporate threats and opportunities are established at the start of year. These are updated throughout the year to take account of emerging risks.

The role of the Board

The Board provides commitment at the highest level and has overall responsibility for maintaining and developing a sound system of internal control that supports the achievement of NI Water's strategic priorities.

The description of corporate risks, the risk gradings and the individual risk appetite are approved by the Board.

The Board approves the detailed risk appetite statements under each risk appetite category. Movement towards the desired risk appetite is evidenced by the completed actions in risk registers at corporate, directorate and programme/ project level, review of the effectiveness of internal controls and completion of internal audit recommendations.

The Board receives a monthly progress report on the management of risks towards the projected risk appetite for each individual risk. The Board also receives an annual assurance statement covering the effectiveness of NI Water's risk management and internal control systems.

In February 2025, the Board hosted a risk workshop in order to refresh its assessment of risk appetite. Risk themes were reviewed with additional focus on key risk themes. Reviews of risk appetite take place bi-annually.

The role of the Risk, Audit and Executive Committee

The Risk Committee considers the corporate risks throughout the year, reviewing the effectiveness of clearly defined controls and the completion of actions towards the delivery of expected outcomes and the appetite level.

The Audit Committee considers financial risks on a regular basis and at year end holds a joint meeting with the Risk Committee to consider the overall effectiveness of NI Water's system of internal controls and risk management.

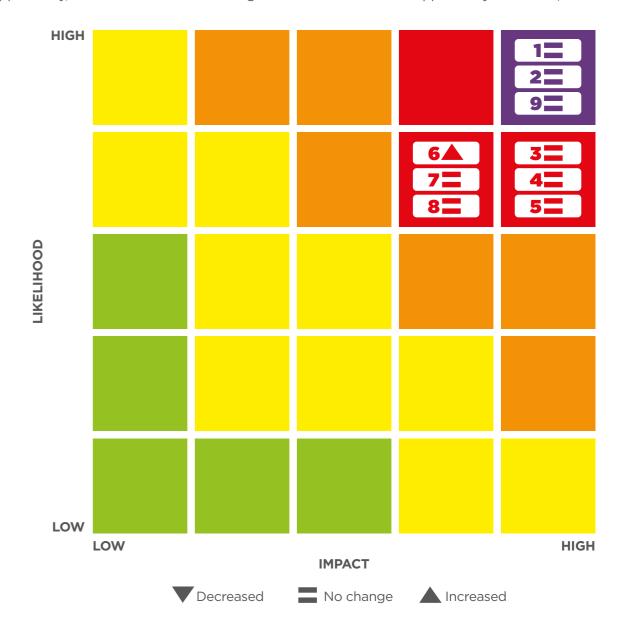
The Executive Committee meets monthly to consider corporate risk maps and the completion of actions within agreed timelines.



Read more about risk management on pages 160 and 264.

Principal threats

NI Water has nine corporate threats and three corporate opportunities. For each threat or opportunity, we have identified the change in the level of threat or opportunity over 2024/25.





1 Funding



2 Wastewater*



3 Supply chain



4 Health and safety



5 Cyber risks



6 Water quality and supply



7 People and wellbeing



8 Business resilience



9 Climate change*

*Risk escalated to highest level possible.

NI Water Annual Integrated Report and Accounts 2024/25

1. Funding

Strategic priorities: Customer, Water, Economy, Nature, People





Background to the threat

Northern Ireland remains the only region of the UK where the regulated water company lacks visibility of funding across the Price Control period. Lacking financial safeguards available to other utilities, such as the accumulation of significant cash reserves, makes it difficult to manage unforeseen costs.

The current governance model creates funding uncertainty, impacting the environment, economy and customers. Inadequate wastewater infrastructure results in increased risk of illegal discharge, in addition to capacity constraints in our wastewater system, which creates a barrier to economic growth. The inability to connect new builds housing to networks is a further consequence.

The absence of medium to long-term funding certainty undermines delivery, causing 'stop-start' investments and limits optimisation. This affects the ability to achieve strategic priorities including climate change and Power of Water initiatives. The current funding model constraints also fail to provide the necessary funding as determined by the Utility Regulator through the Price Control process.

Managing the threat

NI Water increased customer bills in 2024/25 according to a formula agreed with the Northern Ireland Utility Regulator. However, public expenditure budget allocations and associated gaps to funding requirements can prevent NI Water from spending the income received from customers. Even with full funding and bill increases, historic underinvestment will take multiple price controls to remedy. NI Water continues to work with the Utility Regulator and the Dfl to make the case for ringfenced funding over PC21 supported by a financial risk mechanism, including the approval of strategic capital projects to reduce the threat of adverse impacts on customers. In the meantime, NI Water ensures that the implications on the delivery of our services because of funding constraints are fully analysed, managed, and communicated to the public in a clear and responsible manner.

Emerging risks

Pressures in relation to energy and inflation are expected to continue in future budget periods. The uncertainty in relation to funding affects the supply chain's commitment and NI Water's ability to deliver capital efficiencies. NI Water faces a lack of visibility of funding across price control periods and the potential of a further significant gap to its funding for the remaining three years of the PC21 regulatory settlement (including the one-year extension). We have also identified additional funding pressures as part of the ongoing PC21 Mid-Term Review process.

On 20 December 2024, the Utility Regulator issued a Notice of Initial Enquiry into NI Water's compliance with certain obligations, followed by a formal Article 261 Notice on 27 March 2025. NI Water submitted the requested information on 22 May 2025 and awaits further engagement. Separately, on 6 February 2025, the Utility Regulator raised concerns regarding the 'Directors' certificate of going concern' in NI Water's 2023/24 Regulatory Accounts, with additional information submitted on 6 March 2025. Dfl has carried out a review of the Living with Water Programme and the Programme Board has been stood down. Current funding in PC21 cannot take this project forward and the programme has largely paused. NI Water commenced a programme of essential maintenance in April 2025 to ensure that the existing facilities operate as effectively as possible until they have been upgraded.

In March 2025 the Minister for Infrastructure confirmed her intention to engage forensic accountancy services to examine a projected NI Water overspend for 2024/25.

Owners

Director of Finance Regulation and Commercial; Director of Engineering and Sustainability.



Find out more about funding world class economic infrastructure at page 52, going concern at page 201 and long-term viability at page 170.

Principal threats

2. Wastewater

Strategic priorities: **Customer, Water, Economy, Nature**



Background to the threat

NI Water seeks to develop a more resilient wastewater network and to protect and enhance the natural environment. The removal, treatment and return of wastewater is a cornerstone for public health in any modern economy. This overall threat encompasses the aged asset base and historical underinvestment in wastewater assets as a direct result of underfunding. This impacts social and domestic housing and businesses across Northern Ireland. Climate change contributes to this threat as NI Water adapts to storm intensity and longer drier periods which leads to issues of treatability of wastewater.

Managing the threat

A collaborative Wastewater (Regulatory)
Reform Group has been established with
NIEA to oversee the delivery of new
compliance assessment reform agenda.
This will look across a range of regulatory
areas that need to be addressed over the
coming years to modernise the approach
to wastewater compliance. A Programme
Manager is in place to identify requirements
of the reform agenda and brief the
Executive Committee on consequences for
the Company.

Emerging risks

Any cost reductions imposed over and above the Utility Regulator's PC21 Final Determination will directly result in cuts to essential wastewater upgrades, impacting our customers, the local economy and resulting in legal implications. NI Water is currently over halfway through this plan, and there has been underinvestment in wastewater due to funding constraints, which will further exacerbate the impacts.

Owners

Director of Customer and Operations, and Director of Engineering and Sustainability.



3. Supply chain

Strategic priorities: Customer, Water, Economy



Background to the threat

We rely on a complex supply chain for goods, services and construction works. Any disruption to this supply chain could impact on the delivery of our services. NI Water is experiencing significant cost increases across many of the materials used to construct and operate our assets. We also face longer lead times and difficulty in sourcing some goods, services, and construction materials.

Managing the threat

NI Water has established a commercial team, which brings together procurement teams and contract managers. We have established a Supply Chain Resilience Working Group to review supply chain risks and agree mitigating actions to ensure resilience in this area, such as reprofiling of regulatory deliverables. As part of our procurement strategy, we have established four integrated partnerships, which will ultimately expand our available supply chain.

Emerging risks

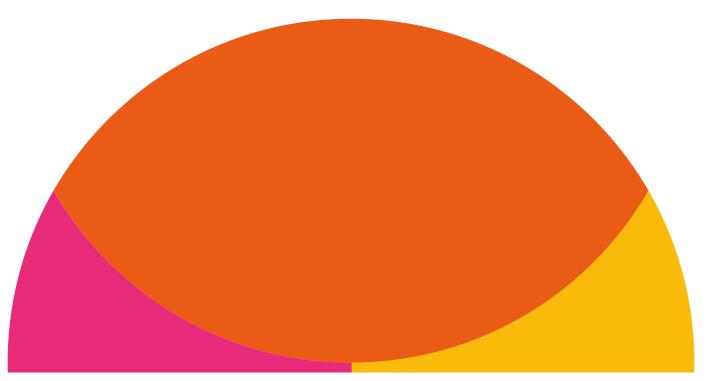
Rising geopolitical tensions, continued economic uncertainty and climate change will increasingly pressure logistics and procurement operations.

Owners

Director of Finance, Regulation and Commercial; Director of Infrastructure Delivery and Director of Customer and Operations.



Find out more about the pressures caused by supply chain inflation in Note 1(c) to the financial statements on page 201.



Principal threats

4. Health and safety

Strategic priorities: **People**



Background to the threat

The nature of our business means that our employees, contractors, and customers can face a range of health and safety risks. These include risks associated with operating in confined spaces, road traffic, construction activities, operational sites, and water bodies.

Managing the threat

NI Water's vision for health and safety for employees, contractors and customers is the 'pursuit of zero harm by raising standards and performance through the identification and adoption of industry best practice and the development of an empowered, valued, engaged, accountable and competent workforce'. We are committed to ensuring that all work activities are conducted in compliance with the Health and Safety at Work (NI) Order 1978.

NI Water has a dedicated Health and Safety team, which is key to ensuring that NI Water complies with relevant legislation and best practice. The Health and Safety Focus Group, made up of representatives from across NI Water, meets monthly to examine NI Water and contractor incidents, review health and safety training needs, and general promotion of health and safety; providing assurance to the Executive Committee, the Risk Committee and the Board on health and safety related matters.

NI Water's Health, Safety and Facilities
Transformation Programme 2021–2025 sets
out several priorities for health and safety.
Work continued during 2024/25 to progress
this plan, with progress being tracked by the
Executive Committee, Risk Committee and
Board. Completion of the transformation
programme will help us to realise
sustainable, measurable improvements and
compliance in health and safety for the
benefit of our people.

Emerging risks

Delivery of the Health, Safety and Facilities Transformation Programme is dependent on funding for PC21.

Owner

Director of People and Learning; Director of Infrastructure Delivery.



Find out more about health and safety at page 72.



NI Water Annual Integrated Report and Accounts 2024/25

5. Cyber risks

Strategic priorities: Customer, Water, Economy, Nature, People



Background to the threat

The robustness and accuracy of data, increasing regulation, changes in technology and the impact of cybercrime may have a significant disruption to levels of service. The General Data Protection Regulation (GDPR) brings increased regulatory requirements in respect of privacy and the processing, storage, and retention of personal information. The Network and Information Security (NIS) Regulations, mandatory for Operators of Essential Services, establishes a set of principles to improve the security and resilience of network and information systems across the UK.

Cybercrimes are increasing in both frequency and disruptive potential. These crimes can cause interruption to computer control systems and impact on data integrity. This could have a significant adverse impact on business performance over the recovery period.

Managing the threat

NI Water is making improvements in its information governance to manage the quality of information to support service delivery. There is a constant cycle of work to improve cyber resilience through updating of systems controls, compliance with system supplier updates, training, and awareness. In 2024/25, we continued our simulated phishing campaigns to test our awareness of phishing email attacks and to help educate users in how attackers attempt to gain access to their systems. We also introduced additional monitoring tools and back up facilities.

At the request of the Competent Authority (Department of Finance), we completed a self-assessment against the Network and Information Systems Cyber Assessment Framework (NIS CAF) principles. NI Water was provided with 'reasonable assurance' that we are protecting the delivery of our essential service using appropriate and proportionate technical and organisational controls.

Sources of advice and guidance in NI Water include our regular contact with National Cyber Security Centre water sector cyber consultants, the All-Island Information Exchange hosted by the National Protective Security Authority. We also work in collaboration with UK water companies as a member of the networks water security group and of the strategic security board, both under the umbrella of Water UK.

Emerging risks

The UK's National Cyber Security Centre has advised NI Water that the cyber threat level against Critical National Infrastructure from Russia has increased, with Russia expending more effort on sabotage. There has been a significant increase in disruptive and destructive attack attempts and this increase is expected to continue both in terms of volume and sophistication. We continue to monitor the situation.

Owners

Chief Information Officer; General Counsel and Company Secretary.

Principal threats

6. Water quality and supply

Strategic priorities: Customer, Water, Economy, People





Background to the threat

Predicting the future security of water resources inevitably includes uncertainty. Our main challenges arise from climate change impacts, which may affect both customer demand and the availability of water resources, from policy requirements to seek to achieve net zero carbon and climate resilience, from any environmental regulation pressure on abstraction licenses, from customer expectations about levels of service, resilience to drought and environmental stewardship and the overarching need to provide such services cost effectively.

Managing the threat

NI Water has a Resource and Supply Resilience Plan, a 50-year plan for water supply across Northern Ireland. The Plan includes a focus on continued high levels of leakage detection, sustained investment in water mains and water efficiency initiatives.

We have developed a Potable Water Level of Service to inform PC21, which will be revised for PC28. It seeks to ensure the transmission network and service reservoir storage is sufficient for water movement and storage and to ensure a balanced, sustainable, resilient service to all customers.

NI Water has also developed an 'Interruption to Supply Strategy', which is based around five key areas: developing our performance and processes, improving our network, developing our SMART network and maintaining supplies to customers. The strategy sets out what NI Water needs to focus upon to improve our supply interruption performance and achieve better service for our customers by reducing our lost minutes per property by 70% over PC21 and targeting zero interruptions by 2050.

We continue to use innovative pilot plants for water quality compliance and to pilot new technologies. A cross-directorate working group is in place to monitor algal blooms and plan for any potential risks associated with supply including the identification of investment needs to mitigate and reduce taste and odour complaints because of blue green algae.

Emerging risks

There is an increased focus on sustainability including net zero carbon, biodiversity net gain and enhancing our natural capital. Reduced levels of capital investment over the PC21 period such as watermains rehabilitation may lead a negative impact on service to customers in the longer-term.

Owner

Director of Customer and Operations; Director of Engineering and Sustainability.



Find out more about providing world class water on tap at page 46.



7. People and wellbeing

Strategic priorities: People



Background to the threat

The current socio-economic pressures, such as skills shortfalls, labour shortages and competitive reward market have the potential to make it more difficult for NI Water to attract and retain the right talent for the organisation. NI Water also has an ageing workforce with limited diversity and low turnover.

Managing the threat

NI Water is committed to providing a great place to work. Attracting, developing, retaining, and partnering with the best talent is fundamental to the success of our business and therefore, we want to be recognised as a local employer of choice that champions diversity and puts people first.

Our People Strategy is focused on driving performance for our customers through building capability, ensuring we have the right people with the right skills performing their roles to the best of their ability.

We regularly invite our colleagues to participate in ongoing engagement surveys so that we can listen to their concerns and suggestions on how we can make NI Water a great place to work.

Our award-winning Health and Wellbeing Strategy helps staff 'live well' through a range of initiatives to support mental, physical, financial, and social health such as our live well roadshow, winter wellness programme and spring forward programme.

Emerging risks

Public sector pay and costs of living pressures are being exacerbated by widespread labour shortages.

Owner

Director of People and Learning.



Find out more about providing a great place to work at page 70.



Principal threats

8. Business resilience

Strategic priorities: Customer, Water, Economy, Nature, People



Background to the threat

NI Water could suffer a major failure in its assets or be unable to respond effectively to a major incident caused by severe weather. This could cause a significant impact to our customers due to deterioration in the quality of drinking water, interruptions to supply and management of wastewater services, including an adverse impact to the environment. NI Water could also suffer failure from a major cyber-attack.

Managing the threat

NI Water continues to work with the Utility Regulator and Dfl on medium and long-term funding arrangements to ensure that assets are maintained and replaced appropriately. Significant work was undertaken as part of the PC21 submission to determine the capital maintenance required for assets and any impact on customers if this maintenance is not undertaken. This assessment indicated that additional capital (base) maintenance is required during PC21 to be able to maintain service levels.

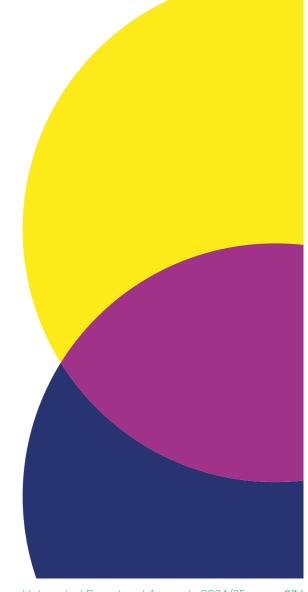
NI Water's business continuity management framework, major incident plan and IT disaster recovery plan are continually being updated to reflect best practice and key learning points from annual exercises and previous major incidents to reduce the impact of adverse events and to manage recovery to business as usual.

Emerging risks

NI Water is gaining a better understanding of its asset base through ongoing modelling work to support the PC28 Business Plan. This work may identify the need for additional funding for business resilience. Underfunding of the PC21 capital programme and underinvestment in key assets may start to expose NI Water to the likelihood of more asset failures resulting in an increased frequency in incidents.

Owners

Director of Infrastructure Delivery; Director of Customer and Operations; Director of Finance, Regulation and Commercial, and Director of Business Services.



9. Climate change

Strategic priorities: Customer, Water, Economy, Nature, People





Background to the threat

Transitioning to a zero carbon, climate resilient economy is a long-term aspiration, but we need to act with urgency and prioritise delivery now. We are in a climate emergency and facing energy and wider economic uncertainty. The need to act becomes more pressing with each day that passes.

Addressing climate change is critical to the water sector given the impact on the quality and quantity of water sources, the carbon intensity of our sector's supply chain, and the exposure of our assets to extreme weather events. We will mitigate emissions from our activities, reduce emissions where we can from our construction and the wider supply chain, and adapt our assets to extreme weather events.

Managing the threat

At NI Water, we are committed to delivering a net zero, climate resilient future for all our customers. We have challenged ourselves to go further and faster than the net zero 2050 targets set in law. NI Water has committed to achieve net zero for the energy we use by 2030 and net zero for all our emissions by 2040, as measured against our 2020/21 adjusted baseline. As an operator of critical national infrastructure, we must be ready for climate change. We are moving our business to a higher state of readiness by planning for two degrees of temperature rise by 2050 and preparing for four degrees by 2090. We are determined to harness the huge and largely unseen potential for NI Water to address climate change. Several of the approaches we are taking will benefit our society and economy more broadly as it seeks to decarbonise and exploit the benefits of green growth through a just transition.

Our Climate Change Strategy lays the foundations to help us reach our climate change commitments under future Price Controls. While our spending for PC21 has largely been set, we are finding ways to decarbonise our business now which will enable us to make deeper emissions reductions in PC28. Implementation of the Climate Change Strategy commenced in 2023/24, which will help us prepare our PC28 Business Plan.

Emerging risks

Climate change is a systemic problem for Northern Ireland and requires systemic solutions. And we need holistic solutions that also address the changes of the global energy crisis and growing pressures on public sector funding that we experience as a government owned company. We will continue to collaborate across government and with the Utility Regulator to find the most cost-effective way to invest in our services, which supports those who can least afford to pay, places fairness across generations at the heart of our approach while restoring our natural environment. If the Final Determination for PC28 does not meet our climate strategy ambitions, we will not be able to deliver on our Climate Change Strategy.

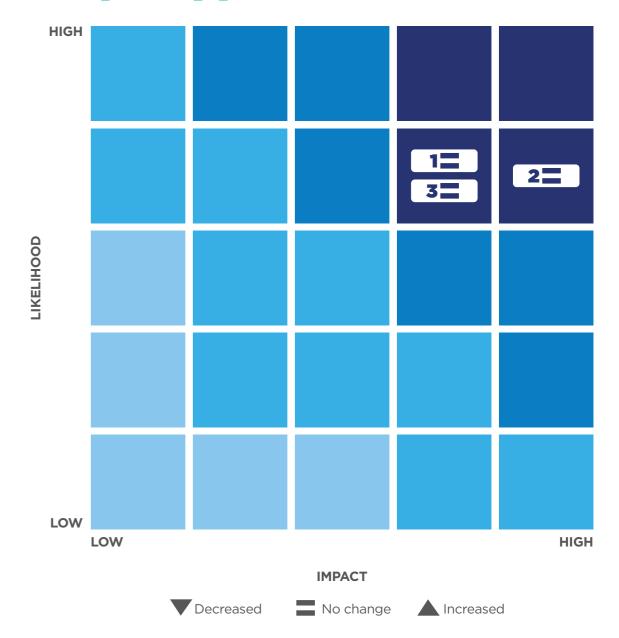
Owners

Director of Engineering and Sustainability; Director of Business Services and Director of Customer and Operations.



Find out more about our Climate Change Strategy at page 108.

Principal opportunities





1 Living with Water Programme*



2 Stakeholder engagement and education



3 Customer service and innovation

*Likelihood to be reassessed in 2025/26 following pausing of the Programme in 2024/25.

Principal opportunities

1. Living with Water Programme

Strategic priorities: Customer, Economy, Nature





Background to the opportunity

In July 2014, the NI Executive agreed to develop a strategic drainage infrastructure plan for greater Belfast. The plan aims to protect against flooding, enhance the environment and support economic growth by improving capacity for new connections. The initiative is now known as the 'Living with Water Programme' and is led by Dfl. Other Programme Board members include NI Water, the Utility Regulator, DAERA, NIEA and Belfast City Council.

An Integrated Plan for Drainage and Wastewater Management in Greater Belfast was published in 2021/22 and included an estimated cost of £1.4bn over 12 years.

Exploiting the opportunity

NI Water's participation in the programme provides an opportunity to develop the catchment based multi-agency sustainable solutions and upgrade the sewerage networks and six wastewater treatment works that discharge into Inner Belfast Lough. The upgrades need to be undertaken in a way that Government and NI Water can afford, and which minimises disruption during construction.

The approach is being extended to develop catchment based and integrated solutions in other towns and cities across Northern Ireland.

Emerging risks

Inflation has had a significant impact on construction projects across the public and private sectors with materials and labour costs climbing sharply over the last two years. The current estimate of programme costs has increased to £2.1bn.

Dfl has carried out a review of the Living with Water Programme and following this review the Programme Board has been stood down. Current funding DEL allocations in PC21 cannot take this project forward and the programme has largely paused. NI Water commenced a programme of essential maintenance in April 2025 to ensure that the existing facilities operate as effectively as possible until they have been upgraded.

Owner

Director of Infrastructure Delivery.



Find out more about the Living with Water Programme at page 64.



Principal opportunities

2. Stakeholder engagement and education

Strategic priorities: Customer, Water, Economy, Nature, People





Background to the opportunity

NI Water is seeking to create a legacy for our communities and to work in such a way which puts more back into society than we take out. This includes engaging with stakeholders and the community to educate and benefit local communities.

Exploiting the opportunity

NI Water is engaged in numerous and wideranging sustainable development projects to safeguard public health, underpin economic growth, and restore nature. Our work positions us as custodians of the natural environment.

Our fantastic Cares Challenge continued throughout 2024/25 and as part of this we supported various charities.

We are proud of our unique education programme, which includes the Waterbus mobile classroom initiative. We have educated over 200,000 'water-whizz' school kids about the value of water for health, the economy and nature.

Emerging risks

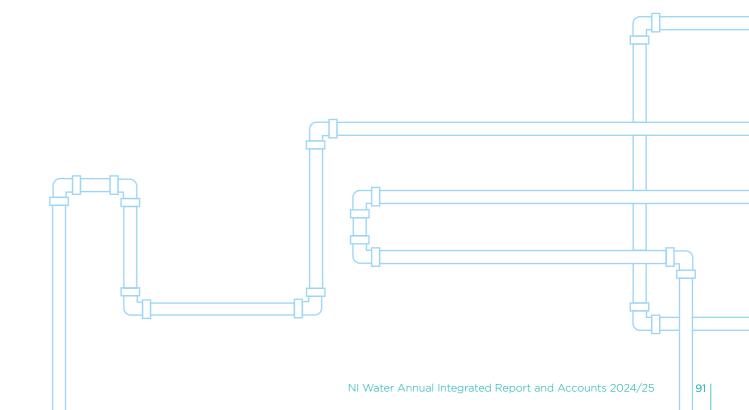
Balancing the rising public expectations for environmental stewardship with pressures on affordability.

Owners

Director of Engineering and Sustainability; and Director of Business Services.



Find out more about creating a legacy for our communities at page 74.



Principal opportunities

3. Customer service and innovation

Strategic priorities: Customer





Background to the opportunity

NI Water is seeking to deliver a world class customer experience. Changing customer expectations, the digital revolution and demographic and lifestyle changes are all leading NI Water to embrace new ways to meet customer needs, now and in the future.

Exploiting the opportunity

Future developments in artificial intelligence and machines will enable us to spend less time on low value-added tasks and instead focus on customer care and improving customer journeys. More customers are using self-service options such as web and mobile self-service, interactive voice response or chatbots as their preferred point of contact.

Through cooperation with other utilities, business partners, universities and in-house development, we continue to support and implement new technologies to improve customer experience and efficiency in service delivery. Our online self-service provides enhanced customer experience with added functionality for simple to use and environmentally friendly processes.

We continued to support our vulnerable customers through promotion of our Customer Care Register. We have undertaken independent research on our register and plan to raise awareness of our service provision through continued engagement with local community groups, other utilities and media promotion.

We provided input on the Utility Regulator's Best Practice Framework and adopted the new Code of Practice for Consumers in Vulnerable Circumstances, published in 2024/25.

Emerging risks

Customers want to be increasingly in control of how they interact with us, driving the need to be at the right place, at the right time, on the right channel and serving customers to a standard provided by leading service providers.

Owner

Director of Customer and Operations.



Find out more about delivering a world class customer experience at page 32.

