



Corporate governance



Chair's welcome

I am pleased to present the Corporate Governance Report for 2023/24. 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(1) of the Companies Act 2006 have been considered in the Board's discussions and decision making are set out on page 142.

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.

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**

Corporate governance



Respect Give it, get it, live it	Excellence Better, stronger, together	Customer Delivering for you	Integrity Do the right thing	Sustainability Build tomorrow's future today
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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.

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.

Our Values provide the cultural framework to support achievement of our purpose and vision. Through living these values every day, 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. It is only with a motivated, safe and healthy workforce that we can deliver exceptional standards of customer service. We do this by placing care for our people front and centre in how we do business, looking after them through all of life's events and providing the conditions for them to perform their role to the best of their ability.

Monitoring the health of our corporate culture involves regular analysis and interpretation of evidence and information gathered from a range of sources. In 2022, we engaged a new expert culture and engagement partner (Gallup) to help design and deliver a new holistic listening strategy across NI Water to gather the voice of the employee and develop our ability to measure what it is like to work here.

In partnership with Gallup in 2023 we conducted a cultural analysis of NI Water involving interviews and focus groups with a diverse range of over 70 employees across NI Water. The findings of this were used to inform the construct of a company-wide employee survey (NI Water Unplugged) which was issued to all employees in November 2023.

The survey achieved a phenomenal response rate with over 1,000 people taking part. Results reported higher than average engagement levels across all functions, a supportive and inclusive culture, a strong emphasis on safety and an agile and empowered organisation. The survey also identified clear areas for development which will form the basis for action planning in 2024 and beyond.



Corporate governance

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(1) of the Companies Act 2006 have been considered in the Board's discussions and decision making are set out on page 142. 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 employee 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

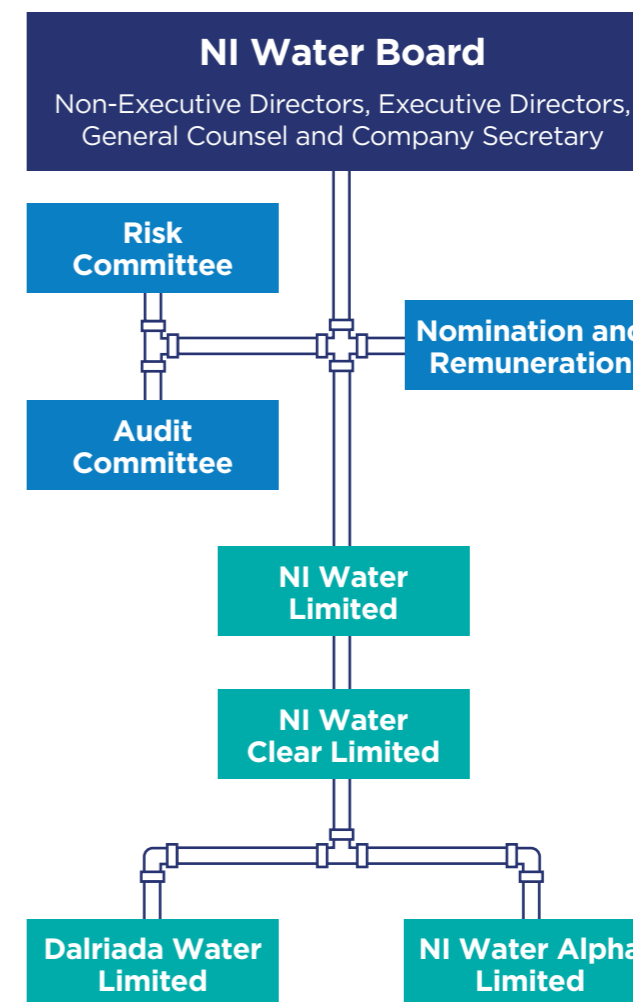
The Board has taken into consideration the governance arrangements established between NI Water Limited and its sole Shareholder the DfI through the Partnership Agreement and the relevant governance provisions in the Department of Finance (DoF) guidance entitled 'Managing Public Money Northern Ireland' (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.

Corporate governance

Board and Executive Committee

The Board and Executive Committee structure is shown below:



Principal Subsidiary Undertakings	Principal Activity
NI Water Clear Limited	Holding Company
NI Water Alpha Limited	Operation and maintenance of clean water treatment facilities
Dalriada Water Limited	Construction and financing of clean water treatment facilities

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.

A Board Effectiveness Review was carried out during 2023/24 by an external provider at the Board's request. A number of actions arising from the review are now being taken forward.



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



Corporate governance

Summary of Board activity

The Board activity over 2023/24 is summarised below:

		Cross reference
Strategy	<ul style="list-style-type: none"> 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; 	Page 28
	<ul style="list-style-type: none"> Approved the Climate Change Strategy for NI Water including compliance requirements with TCFD; 	Page 62
Governance	<ul style="list-style-type: none"> Reviewed the corporate risks and the risk appetite; 	Page 84
	<ul style="list-style-type: none"> Reviewed the effectiveness of the risk management system and reviewed the effectiveness of the internal control systems; 	Page 131
	<ul style="list-style-type: none"> Reviewed the terms of reference for the Audit, Risk, Nomination and Remuneration committees; 	Page 126
	<ul style="list-style-type: none"> Reviewed developments in corporate governance; 	Page 126
	<ul style="list-style-type: none"> Reviewed the External Auditors' performance; 	Page 127
Business performance	<ul style="list-style-type: none"> Approved the Annual Integrated Report and Accounts for 2023/24; 	Page 126
	<ul style="list-style-type: none"> Approved the Regulatory Accounts and the Annual Information Return for 2023/24; 	Page 126
	<ul style="list-style-type: none"> Approved the going concern and long-term viability statements; 	Page 126
	<ul style="list-style-type: none"> Monitored the delivery of the Annual Operating Plan and Budget for 2023/24; 	Page 126
	<ul style="list-style-type: none"> Approved the Annual Operating Plan and Budget for 2024/25; 	Page 126
Employees	<ul style="list-style-type: none"> 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; 	Page 80
	<ul style="list-style-type: none"> Discussed the results of the employee 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; 	Page 81
	<ul style="list-style-type: none"> Reviewed the work being taken forward on the Group wide equality, diversity and inclusion policy; 	Page 150
Stakeholders	<ul style="list-style-type: none"> 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 	Page 143
	<ul style="list-style-type: none"> Undertook half-yearly meetings with senior Shareholder representatives. 	Page 145

Corporate governance

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, OBE (Chair)**
	Paddy Larkin
	Danny McSorley***
Risk Committee	Belinda Oldfield (Chair)
	Marie-Thérèse McGivern
	Paddy Larkin
Nomination and Remuneration Committee	Dr Leonard J. P. O'Hagan, CBE DL (Chair)* Jo Aston (Chair)****
	Peter McNaney, CBE*
	Belinda Oldfield
	Danny McSorley***

*Ceased Board appointment on 31 March 2024.

**Appointed as Chair of the Audit Committee on 1 April 2024.

***Appointed as a Non-Executive Director on 1 April 2024 to serve a first term for a period up to four years.

****Appointed as Chair of the Board on 1 April 2024 to serve a first term for a period up to four years.

Corporate governance

Board member biographies

Non-Executive Directors



Jo Aston - Chair

Appointed: April 2024

Jo Aston was appointed Chair in April 2024. Jo is a Chartered Civil Engineer who has worked in both the private and public sectors with experience in all aspects of the utility business.

While employed by the Economic Utility Regulator for Northern Ireland, she led the reform of both Water and Energy Sectors.

She brings her experience in roles such as Director of Water Regulation, Director of Wholesale Energy Markets, Managing Director of the Electricity System Operator for Northern Ireland.

Mrs Aston is currently a Non-Executive Board Member and Chair of the Audit and Risk Assurance Committee for The Department of The Executive Office.



Danny McSorley

Appointed: April 2024

Danny McSorley was appointed as Non-Executive Director in April 2024. He is a Chartered Civil Engineer and brings to the Board over twenty years strategic leadership experience in Central and Local Government.

He is a former Chief Executive of Rivers Agency and Strabane and Omagh District Councils. He has more recently served as Independent Chair of the Safety Technical Group which advised the Department for Communities on the spectator safety aspects of the Stadia Programme.

Mr McSorley is currently a Non-Executive Director of the Strategic Investment Board for Northern Ireland.



Paddy Larkin

Appointed: February 2020

Patrick is an Engineering Graduate from Queen's University Belfast. Since 2010 he has been Chief Executive of Mutual Energy Ltd. He was previously Chief Executive of Premier Power, a subsidiary of the BG Group and owner of Ballylumford Power Station and spent time in Engineering and Commercial roles in the Company.



Belinda Oldfield

Appointed: February 2020

Belinda is a Fellow of the Institution of Civil Engineers (ICE). She has over 30 years' experience in the water industry in Scotland and retired from Scottish Water in 2022. Ms Oldfield is a Non-Executive Director with Scottish Government, a member of the Corporate Board and the Audit and Assurance Committee. She is also a member of the University of Strathclyde Court and the Audit and Risk Committee.



Marie-Thérèse McGivern

Appointed: February 2020

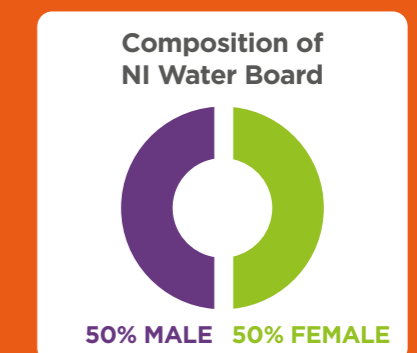
Marie-Thérèse recently served as Principal and Chief Executive of Belfast Metropolitan College. Prior to that, she was Director of Development at Belfast City Council where she was responsible for economic development, arts, tourism, events and community services. She is Chair of Maritime Belfast and Chair for the Employability and Skills Advisory Board for the £10bn Belfast Region City Deal. She is a Non-Executive Director of the Strategic Investment Board for Northern Ireland.



Maurice Bullick, OBE

Appointed: February 2020

Maurice is a Fellow of the Institute of Chartered Accountants in Ireland and is currently Finance and Compliance Director of Belfast Harbour Commissioners. He is Honorary Treasurer and Council Member of the British Ports Association, and a former Co-Opted Member of the NI Water Audit and Risk Committees.



Corporate governance

Board member biographies

Executive Board Members



Dr Sara Venning Chief Executive

Appointed: May 2010

Sara graduated from Queen's University Belfast with a Master of Electrical and Electronic Engineering after which she joined NIE as Customer Operations Manager. In 2010 she joined NI Water as Director of Customer Service Delivery and has been CEO since 2014. She has a passion for excellence, driving change that is transforming NI Water to becoming world class. Sara is a former President of the Institute of Water, the UK water sector industry body and current President of the WaterAid NI Committee, part of the international WaterAid charity working to transform lives by improving access to clean water, hygiene, and sanitation in the world's poorest communities.



Ronan Larkin Finance, Regulation and Commercial Director

Appointed: September 2005

Ronan is the Finance, Regulation and Commercial Director and a member of the NI Water Executive Committee. He is a director of the Alpha group of companies at NI Water. He is responsible for financial, economic regulatory and commercial matters at NI Water. Ronan is a Fellow of The Institute of Water, and its President in Ireland. He has previously held commercial and financial roles in various organisations in the UK and Ireland.



Mark Ellesmere General Counsel and Company Secretary

Appointed: June 2006

Mark is General Counsel and Company Secretary and a member of the NI Water Executive Committee. He is responsible for all legal matters impacting on the organisation including NI Water's in-house legal function as well as external advisors instructed on behalf of NI Water.

Corporate governance



Stephanie McCullagh Director of Customer and Operations

Appointed: September 2023

As the Director of Customer and Operations, Stephanie is responsible for water and wastewater services together with all aspects of customer service delivery. Stephanie joined DRD Water Service in 1996, is a chartered member of the Institution of Civil Engineers and has held a number of senior positions in NI Water across Engineering, Business Improvement and Customer and Operations.



Corporate governance

Executive Committee Member biographies

Executive Committee Members



Alistair Jinks
Director of Business Services

Appointed: April 2017

Alistair's experience in managing business change across a number of sectors, including telecoms, manufacturing and retail, has helped NI Water to deliver improvements in our service and efficiency levels. Having joined NI Water in 2006 Alistair now heads up Business Improvement and Corporate Affairs.



Rose Kelly
Director of People and Learning

Appointed: January 2018

Rose has an extensive and varied background in HR, people development, corporate social responsibility and business; she is a graduate from Queen's University Belfast. Rose previously worked in the technology sector where she was Vice President and Chief Administrative Officer. Rose has led a range of innovative people and management strategies and is well placed to help us bring an even greater focus on our people and teams - helping all colleagues develop and flourish.



Tzvetelina Bogoina
Director of Infrastructure Delivery

Appointed: September 2023

Prior to joining NI Water, Tzvetelina was Capital Programme Director in the Strategic Investment Board with leadership responsibility for the delivery of transformative major capital investments in the public sector. Tzvetelina previously worked as Development Director at Balfour Beatty Investments and has over 15 years' experience across key commercial, governance and financial aspects of developing major public infrastructure, regeneration and property investment projects in UK and Europe.



Dr Gary Curran
Interim Director of Engineering and Sustainability

Appointed: September 2023

Following graduation from Queen's University Belfast Gary undertook a research role to develop the operating strategy for the new Lagan Weir before gaining his PhD. He then moved to a local consultancy firm for a period before joining NI Water 31 years ago. Gary started his career in DRD Water Service's Design Group before transferring into Customer and Operations, ultimately with responsibility for the Developer Services, Metering and Billing Teams. Outside of NI Water Gary has been the Secretary for the Institute of Civil Engineers and is currently a Director in UKWIR and a Trustee for the NI Water Pensions Scheme.

Composition of NI Water Executive Committee



50% MALE 50% FEMALE

Corporate governance

GOVERNANCE

GOVERNANCE

Corporate governance

Length of service

The time served by Board members is shown below:

	Length of service as at 31 March 2024 (full years)	Date of appointment	Date of cessation
Jo Aston	-	1 April 2024	31 March 2028
Dr Leonard J. P. O'Hagan, CBE DL	9	1 April 2015	31 March 2024
Peter McNaney, CBE	8	1 August 2015	31 March 2024
Paddy Larkin	4	1 February 2020	31 January 2028
Belinda Oldfield	4	1 February 2020	31 January 2028
Marie-Thérèse McGivern	4	1 February 2020	31 January 2028
Maurice Bullick, OBE	4	1 February 2020	31 January 2028
Danny McSorley	-	1 April 2024	31 March 2028
Dr Sara Venning	13	21 May 2010	n/a
Ronan Larkin	18	19 September 2005*	n/a
Mark Ellesmere	17	26 June 2006*	n/a
Paul Harper**	7	1 January 2017	30 September 2023
Des Nevin, MBE***	3	1 September 2020	06 October 2023
Stephanie McCullagh***	-	1 September 2023	n/a

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

**Paul Harper (Director of Asset Delivery) is retiring in April 2024. He ceased being a Director of the Company under the Companies Act 2006 on 30 September 2023. Tzvetelina Bogoina was appointed Director of Infrastructure Delivery on 1 September 2023. She is not a Director of the Company under the Companies Act 2006. Dr Gary Curran was appointed Interim Director of Engineering and Sustainability on 1 September 2023. He is not a Director of the Company under the Companies Act 2006.

***Des Nevin, MBE (Director of Customer and Operations) ceased his employment with NI Water on 6 October 2023. Stephanie McCullagh was appointed Director of Customer and Operations on 1 September 2023.



Corporate governance

Meetings

Details of the Board and Board Committees' meetings attended by each Director during 2023/24 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	10	-	-	-	-	-	-	-	-	-	2	1	1
Peter McNaney, CBE	11	11	9	4	4	3	-	-	-	1	1	1	2	2	2
Paddy Larkin	11	11	11	4	4	3	4	4	3	1	1	1	-	-	-
Maurice Bullick, OBE	11	11	9	4	4	4	-	-	-	1	1	1	-	-	-
Belinda Oldfield	11	11	11	-	-	-	4	4	4	1	1	1	2	2	2
Marie-Thérèse McGivern	11	11	11	-	-	-	4	4	3	1	1	1	1	1	1
Dr Sara Venning	11	11	11	4	4	4	4	4	4	1	1	1	2	2	2
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	2	2	2
Paul Harper	11	5	5	-	-	-	4	2	1	1	1	1	-	-	-
Des Nevin, MBE	11	5	5	-	-	-	4	2	2	1	1	1	-	-	-
Stephanie McCullagh	11	6	6	-	-	-	-	-	-	-	-	-	-	-	-

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

Jo Aston
Chair of the Board
8 July 2024

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, conflict of interest, 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 2023/24, including significant shortfalls in both Resource DEL and Capital DEL allocations compared to NI Water's 2023/24 Operating Plan and Budget and the two Dfl commissioned reviews (Living with Water Programme and Capital Expenditure for 2023/24). The Committee was also kept apprised of the proposed Operating Plan and Budget for 2024/25, ongoing liaison with the Dfl and funding arrangements over the PC21 period;
- **Going concern:** the Audit Committee was briefed on the loan note instrument and the working capital facility in place to the end of PC21, ongoing communications with the Dfl in relation to securing appropriate funding for 2024/25 to enable NI Water to comply with its regulatory and statutory duties and secure the continued provision of water and wastewater services and the going concern disclosures;
- **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;
- **Sustainability reporting:** the Audit Committee was regularly briefed on developments in sustainability reporting, including the disclosures required under the TCFD and TNFD frameworks, multi-capitals reporting, the Climate Change Act (NI) 2022 and the new IFRS Sustainability Disclosure Standards;
- **Subsidiary companies and consolidation:** the Audit Committee considered the appropriate accounting treatment on the consolidation of the subsidiary companies. 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;
- **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;
- **Risk relating to holiday pay:** the Audit Committee were informed of the liability relating to The Supreme Court decision regarding backdated holiday pay;
- **NI Audit Office reports:** the Audit Committee was briefed on NI Audit Office reports such as the review of the funding of water infrastructure in Northern Ireland;
- **Corporate governance and reporting reform:** the Audit Committee was briefed on the UK Government's corporate reform agenda, the new FRC Corporate Governance Code and developments in non-financial reporting; and
- **Claims:** the claims level and treatment of claims from contractors were monitored during the year with additional information sought from management as appropriate.

Report by Chair of the Audit Committee

External Audit

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 third and final one-year extension to November 2024. A tender exercise for external audit services beyond 2024 is ongoing at the time of reporting. The first set of accounts signed by the current audit partner, Dominic Mudge, was for the year ended 31 March 2023.

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 2023/24 were £12k (2022/23: £12k) 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 2023/24 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 2023.

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.

Maurice Bullick, OBE
Chair of the Audit Committee
8 July 2024

Report by Chair of the Risk Committee



The Risk Committee provides oversight on NI Water's risk and resilience management framework to protect and create value. The purpose of this report is to provide an insight into the work of the Risk Committee over the last year.

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 2023/24 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; climate change, winter resilience, innovation, reputation and branding and environmental management.
- **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 monthly. Two principal threats had an increase in the threat level over 2023/24 (page 87) and actions are in place to manage these risks. Overall, three out of nine principal risks are at the highest level of threat.

Funding has moved from a threat to an issue, which is cascading across other corporate risks. The long term success of NI Water can only be realised if we move from a 'stop-start' approach to delivery as a result of underfunding, to multi-year funding in line with that determined by the independent Utility Regulator, supported by a mechanism to deal with financial shocks.

Northern Ireland remains the only region of the UK where the regulated water company lacks visibility of funding across the Price Control period and lacks financial resilience. NI Water has been underfunded through the PC15 regulatory settlement (2015-21). In the PC21 regulatory period, NI Water was funded below the levels required for 2023/24 and faces the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. Additional funding pressures have been identified as part of the ongoing PC21 Mid-Term Review process. NI Water continues to work with the DfI and the Utility Regulator 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, mitigated where possible, and communicated to the public in a clear and responsive manner. Further details on the availability of public expenditure funding are contained at page 165.

Report by Chair of the Risk Committee

- **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. A Board risk appetite workshop is planned for 2024/25 to review the approach to risk appetite and benchmark against best practice.

- **Emerging risks:** details of emerging risks are contained on page 86. Identification of emerging risks is based on local and global research, developments and incidents were reported to the Risk Committee along with details of mitigating steps being taken and further action to improve resilience. The emerging risk landscape has been analysed across a variety of areas including political, economic, sociological, technological, environmental, and legal and regulatory.

We continue to work with stakeholders on the implications of key external risk factors that are beyond the control of NI Water, such as public sector funding cuts, the impact of inflation on costs and lead times in the supply chain. We also identify steps needed to improve service and financial resilience (refer to the long-term viability statement on page 136). NI Water continues to take steps to manage emerging risks through horizon scanning.

- **Sustainability:** 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 respond to the climate emergency, 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.

- **Insured risks:** the Risk Committee received an update on the insurance programme for operational and construction activities, including the linkage to corporate risks, the annual insurance renewal and insurance market engagement.

- **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.

- **Risk research, development, and innovation:** the Risk Committee is encouraged by NI Water's involvement in research activities in governance, risk and resilience management. NI Water participates in risk research, development and innovation through a range of channels including insurer funded risk bursaries, 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 84 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
8 July 2024

Refer to the Directors' remuneration report on page 146 in relation to the work of the Nomination and Remuneration Committee.

Governance Statement

Introduction

The Governance section on pages 110 to 153 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. NI Water's Annual Budget and Operating Plan is submitted to the DfI for approval. The DfI 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

Governance Statement

2024 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 bi-annual 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 126 and 129 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 84 to 100.

A significant shortfall in public expenditure funding is NI Water's highest principal risk. This risk has crystallised in year, creating cascading impacts across the other principal risks. The underfunding of NI Water's capital programme for 2023/24, combined with lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement, significantly reduces NI Water's ability to deliver the PC21 Final Determination. We have also identified additional funding pressures as part of the ongoing PC21 Mid-Term Review process. Further details on the availability of public expenditure funding, PC21 Mid-Term Review and impact on going concern are contained at page 133.

The Northern Ireland Audit Office published a review of 'Funding water infrastructure in Northern Ireland' in March 2024. The review highlighted key systematic weaknesses in the funding framework and makes recommendations to address these. DfI is also undertaking reviews of the Living With Water Programme and Capital Expenditure for 2023/24.

Other principal risks such as wastewater constraints, supply chain inflation and the climate change, 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 on the Principal Risks are contained on page 84.

Governance Statement

Internal Audit

The Head of Internal Audit provided an Annual Opinion on NI Water's system of governance, risk management and internal control. Internal audit results in year support that there is an adequate and effective system of internal control, governance and risk management within NI Water, providing 'Satisfactory' assurance in that regard. However, the issues with the governance and associated funding model have been considered to now present a significant risk that the organisation will fail to meet its strategies and objectives. This current unsustainable position with the governance and associated funding model has resulted in an overall 'Limited' opinion for the year ended 31 March 2024, due to the significant risk that this presents to the achievement of the organisation's strategies and objectives.

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.

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

Whilst there is an adequate system of governance, risk management and internal control in place in NI Water, several matters are included in the 'Exception Report' appended to my Annual Assurance Statement to the DfI Accounting Officer. The most notable matter is the material underfunding, which significantly reduces NI Water's ability to deliver the PC21 Final Determination. This increases the risk of regulatory sanction by the Utility Regulator for potential breaches of the regulatory licence and increases the risk of breaching statutory requirements associated with NI Water's activities. Most of the matters in the Exception Report are reflected in the 'Principal Risks' section, while others are reported separately to DfI as sole Shareholder.

The Board and I continue to stress the need for NI Water to be fully funded in line with the independent Utility Regulator's PC21 Final Determination, supported by a mechanism to deal with financial shocks. We are working with our Government Shareholder and other key stakeholders to have a sustainable funding model for PC21 to underpin Northern Ireland's vital water and wastewater infrastructure.

Sara Venning

Dr Sara Venning
Accounting Officer
8 July 2024



Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2024.

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 2024. The Directors consider it appropriate to adopt the going concern approach given the regulatory, financial and governance environment within which the Parent Company operates and that there is a reasonable expectation that NI Water will continue to operate for 12 months from the date of approving the financial statements. However, material uncertainties exist which cast doubt on the ability of the organisation to continue as a going concern in the future. This is described in more detail below:

- NI Water 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 independent Utility Regulator and underpinned by the Water and Sewerage Services (Northern Ireland) Order 2006, which designates NI Water 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 receives funding by means of a subsidy provided by DfI. Due to the level of subsidy, NI Water is also designated as a NDPB and is subject to public sector spending rules i.e., public expenditure.
- 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 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 DfI and the NI Executive and based on a continuing commitment to fund the PC21 Final Determination to deliver the outputs and outcomes for customers.

- Since then, there has been significant volatility in global energy prices which, combined with higher inflation more generally, has created a shortfall in Resource DEL in each of the first three years of PC21. Shortfalls were successfully met by in-year bids to DfI in 2021/22 and 2022/23. In the absence of monitoring rounds during 2023/24, it was 13 March 2024 before DfI advised that it was able to secure an additional £27m to regularise 2023/24 Resource DEL allocation to £172m in line with NI Water's forecast.
- While NI Water's requirement for Capital DEL cover was fully met in the first two years of PC21, 2023/24 has been challenging. NI Water's Operating Plan and Budget for 2023/24 set out a Capital DEL requirement of £370m reflecting the third year of PC21 Final Determination. NI Water reduced its requirement to £353m to reflect minimum Capital DEL allocation required to mitigate risk of prosecution, resulting in a shortfall of £31.8m to the Capital DEL allocation of £321.2m advised by DfI. DfI submitted a bid for additional capital funding to make up the shortfall but the Secretary of State did not make any additional in-year capital allocations. In December 2023, DfI sought an absolute assurance from NI Water Board that the £321.2m Capital DEL allocation would not be exceeded. An assurance was provided by the NI Water Board and management took steps to slow down the PC21 capital programme.

2024/25 Operating Plan and Budget

- NI Water's Operating Plan and Budget for the 2024/25 (Year 4 of PC21) sets out a Resource DEL requirement of £175.9m and a Capital DEL requirement of £470m to ensure that NI Water can deliver on its statutory and regulatory commitments. Operating Plan targets for 2024/25 reflect the Utility Regulator's PC21 Final Determination with adjustment for slippage in 2023/24 due to shortfall in Capital DEL funding and reprofiling for efficient delivery.
- On 23 May 2024, the DfI Minister wrote to NI Water advising indicative budget

Directors' report

allocations for the 2024/25 financial year of £137.7m Resource DEL and £324.5m Capital DEL resulting in shortfalls of £38.2m and £145.5m respectively.

2024/25 Funding Position	RDEL £m	CDEL £m	Total £m
NI Water Operating Plan and Budget	175.9	470.0	645.9
Dfl Indicative Allocations	137.7	324.5	462.2
	(38.2)	(145.5)	(183.7)

- On 21 June 2024, the Dfl Permanent Secretary provided a letter of assurance confirming NI Water is authorised to borrow against its current loan note in order to finance its normal trading activities in 2024/25, ensuring that expenditure financed by loan funding is covered within its public expenditure budget agreed by the Department.

Outlook to end of PC21 Price Control period

- NI Water made its PC21 Mid-Term Review submission to the Utility Regulator on 29 September 2023. Following engagement with NI Water and principal stakeholders, the Utility Regulator published its Draft Determination on 2 May 2024 for an eight-week consultation period. The PC21 Mid-Term Review Draft Determination proposes the following:

- Limited adjustments to PC21 output targets.
- Average tariff increase of 4.6% for non-domestic consumers in each of the last two years of the PC21 period (2025/26 and 2026/27) to mitigate against an unprecedented increase in NI Water's power costs.
- A capital allowance of c£2.4bn (nominal prices) for the full six-year price control period to maintain existing services and deliver the upgrades required to meet its quality, environmental and service level obligations.

- The Utility Regulator estimates that Capital DEL provision for the last three years of PC21 (2024/25 – 2026/27) would need to be £1,482m to deliver the planned investment and outputs. This is a reduction

to NI Water's Mid-Term Review submission of £1,792m. NI Water plans to challenge some of the difference in its response to the Utility Regulator's consultation.

- The Dfl Permanent Secretary has informed NI Water that it should be planning for a 'Reasonable Worst Case Scenario' of c.£321m Capital DEL in each of the last three years of PC21 which equates to £966m, a shortfall of £516m (35%) from Utility Regulator's Draft Determination.

Capital DEL	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
NI Water PC21 MTR Submission (Sept 2023)	562	666	564	1,792
Utility Regulator PC21 MTR Draft Determination (May 2024)	465	557	460	1,482
Dfl Reasonable Worst Case Scenario (Nov 2023)	324	321	321	966
Shortfall in Dfl Funding	(141)	(236)	(139)	(516)

- The Dfl Permanent Secretary has also indicated that Resource DEL provision is likely to be similarly constrained going forward.

Resource DEL	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
NI Water PC21 MTR Submission (Sept 2023)	169	151	143	463
Utility Regulator PC21 MTR Draft Determination (May 2024)	178	169	164	511
Dfl Reasonable Worst Case Scenario (Nov 2023)	138	145	145	428
Shortfall in Dfl Funding	(40)	(24)	(19)	(83)

- NI Water has access to cash through the loan note instrument which enables the Company to draw down loans up to £1.75bn

Directors' report

from 1 April 2022 to 31 March 2027, subject to headroom restrictions. £215m was drawn down in 2023/24 bringing the cumulative total drawdown to £370m. In addition, the Company has access to a working capital facility of £20m.

- The availability of Resource and Capital DEL to enable delivery of PC21 outputs is the overriding constraint, irrespective of access to cash. A shortfall in Resource DEL allocation limits what cash NI Water can spend to run and operate its business. A shortfall in Capital DEL allocation creates a limit on what cash NI Water can invest in water and drainage infrastructure. NI Water is prohibited from spending any cash in excess of the DEL allocations without prior approval from Dfl.

- The Board of NI Water finds itself in a difficult position and is concerned about future funding and the ability to discharge its statutory and regulatory duties and secure the continued provision of water and wastewater services. The Utility Regulator has informed NI Water that delivery of all outputs within PC21 are necessary to discharge its statutory and regulatory duties and this is underpinned in PC21 Mid-Term Review Draft Determination, with limited adjustment to PC21 output targets. The Dfl has informed NI Water that it should prepare Operating Plans for the remaining three years of PC21 based on a projected Capital DEL of £321m, which is materially below the amounts determined by the Utility Regulator.

- As a Government owned company operating under a regulatory licence, NI Water is unable to unilaterally decide which statutory or regulatory obligations it will or will not perform. Both the Dfl and the Utility Regulator have statutory and regulatory obligations relating to funding. This includes a statutory obligation under Article 6 of the Water and Sewerage Services (NI) Order 2006 to ensure that NI Water is able to finance the proper carrying out of its functions.

- The current and anticipated shortfalls in Resource and Capital DEL allocations give rise to material uncertainty regarding going concern in the context of delivering a six-year PC21 programme of work as well as having the potential to lead to conflicting requirements in relation to:

- Obligations to deliver services under the regulatory licence;
- Board's statutory duties;
- Accounting Officer responsibility not to overspend against budget; and
- Regularity of spend.

- The Board is keen to avoid a repeat of events in 2023/24 where it experienced a potential conflict between its budgetary authority and its regulatory obligations. The Board notes that in the event that a material mismatch continues to arise between anticipated funded expenditure limits and those required to deliver PC21, both the Dfl and the Utility Regulator could consider the agreed procedures in the Memorandum of Understanding and Consequent Written Agreement. These procedures include reference to the PC21 Social & Environmental Guidance which informs how water and sewerage services are provided in Northern Ireland and sets out what NI Water will need to do to, meet its environmental obligations, continue to make improvements in service delivery and work to operate sustainably, taking account of climate change.

- The Dfl has convened a forum to include the Utility Regulator and other key stakeholders in the Water Senior Stakeholder Group to engage in the development of a reasoned submission which will consider an agreed adjusted programme of outputs and outcomes for PC21.

- Until this forum has completed its work and a reasoned adjusted programme for PC21 is agreed, NI Water continues to face a significant mismatch between the PC21 output targets set by the Utility Regulator and the Capital DEL funding indicated by the Dfl. NI Water is exposed to enforcement proceedings from the Utility Regulator which could result in the removal of NI Water's licence to operate, and the possibility of legal action by other stakeholders for failure to meet its statutory obligations.

- In such circumstances, material uncertainties exist, which cast doubt on the ability of the organisation to continue as a going concern in the future.

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

Directors' report

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. Decisions made by the Board will have a direct impact on the long-term viability of the Group.

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.

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 assumptions or qualifications 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 84.

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 three years of PC21 and the first two years of PC27, so extends beyond the end of the PC21 regulatory period (March 2027) and falls within our current strategic planning horizon (2021-46). The PC21 Mid-Term Review process is ongoing. 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 PC21 and PC27. The long-term Corporate Strategy, the PC21 Business Plan and the ongoing PC21 Mid-Term Review reflect the Directors' best view of future prospects. The assumptions used in developing the PC21 Business Plan were based upon the best information currently available at that time.

Directors' report

Approach

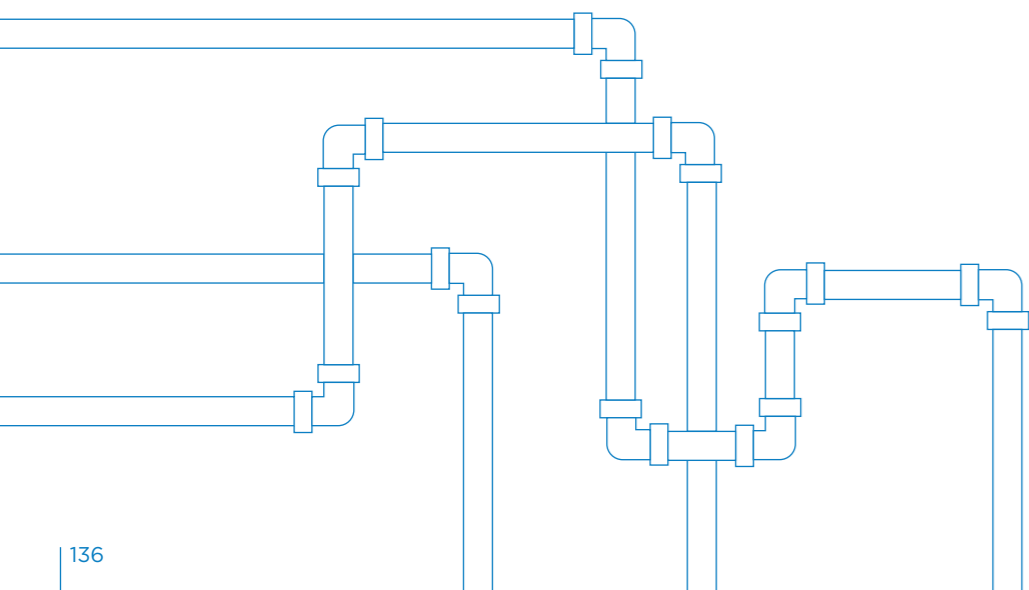
The approach to developing our long-term viability statement is summarised below:














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.



Directors' report

Scenario number	Scenario name	Description of severe but plausible scenarios	Link to strategic risk (page 84)
1	Underfunding	Significant underfunding of the PC21 Final Determination	
2	Macroeconomic	Macroeconomic 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)	
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	

Directors' report

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 most of the other UK water companies benefit from funded regulatory settlements. NI Water has been underfunded through the PC15 regulatory settlement (2015-21). NI Water faces a lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. We have identified additional funding pressures as part of the ongoing PC21 Mid-Term Review. Underfunding of this magnitude is likely to materially increase the size and likelihood of the financial shocks across the other scenarios. Further details on the availability of public expenditure funding and the PC21 Mid-Term Review are contained at page 165 of the financial statements.

In the absence of a costed climate strategy, scenario #12 inflates the cost of decarbonising energy as a proxy for the costs of decarbonising the whole business. Assumptions are made in relation to other areas under development (such as process emissions, carbon in the supply chain and carbon stored in our land) and a change in the legislated date for achieving net zero carbon. A further adjustment is made for the transition risk exposure over PC21 as calculated in the climate-related financial risk model. A revised assessment of these costs can be made once the climate strategy has been costed as part of the PC27 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. Consideration has also been given to any additional borrowing requirements because of the PC21 Mid-Term Review.

Fundamental assumptions and qualifications

This viability statement is based on the following fundamental assumptions and qualifications:

- in previous years the Directors assumed that the Utility Regulator's PC21 Final Determination would be fully funded by the Shareholder, with the potential for recovery of any underfunding in earlier years to be caught up over the remainder of PC21. This assumption no longer holds. NI Water faces a lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. Underfunding of this magnitude is likely to materially increase the size and likelihood of the financial shocks across the other scenarios;

Directors' report

- the Directors assume 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;
- in previous years the Directors assumed that the Shareholder would provide additional funding and capital loan arrangements for PC21 if required by the PC21 Mid-Term Review. As noted above, NI Water is facing the potential of material cuts to funding for the PC21 Final Determination;
- in the absence of a PC27 Business Plan, the Directors have assumed no material changes in income, expenditure, loan facilities or agreements between PC21 and PC27;
- the Directors assume that a mechanism is agreed with the Shareholder to address the commitment for repayment of the 2027 Capital Loan Note on 31 March 2027;
- the Directors assume that the Utility Regulator's PC27 Final Determination is fully funded by the Shareholder;
- the Directors assume that the Shareholder will provide working capital facilities and capital loan arrangements on which borrowings may be taken in the PC27 period;
- the Directors assume 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
- the Directors assume that their 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, the PC21 Mid-Term Review and

- the impact on going concern as outlined in page 165 of the financial statements;
- the Group's current liquidity position as outlined on page 107;
- 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, most of 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). NI Water faces a lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. We have identified additional funding pressures as part of the ongoing PC21 Mid-Term Review process. Underfunding of this magnitude is likely to materially increase the size and likelihood of the financial shocks across the other scenarios. 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 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 and the PC21 Mid-Term Review are contained at page 165 of the financial statements.

Directors' report

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 and qualifications outlined above, material uncertainties exist that cast doubt on the ability of the organisation to continue as a going concern over the five-year assessment period ending on 31 March 2029.

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 84) for factors which could impact on the amount of distributable profits.

It is anticipated that a final dividend of £24.0m for the year ended 31 March 2024 (2022/23: £21.0m) 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 2024.

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 125.



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 2024, was 31.7 days (2022/23: 31.8 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 2024, the year to date ratio stood at 11.3 days (2022/23: 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 £0.32m on Research and development in 2023/24 (2022/23: £0.19m).

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

Directors' report

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 150.

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 2024, 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 70.

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 2024 (see page 116) 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.

Directors' report

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

Collaboration and engagement with our existing and potential suppliers along with our customers continue to be at the forefront of what we do.

Work is underway for the re-tender of our largest operational contract, Water and Wastewater Network Services. Supplier engagement events were held where NI Water stakeholders delivered presentations to potential suppliers to ensure that the market was aware of this tender coming out, market capacity and capability was understood, and NI Water could share aspirations for the contract. Bidder interest in the tender is a testament to the success of these events.

As part of our ongoing supplier relationship management development, the team have attended multiple Meet the Buyer events, sat on panel discussions, and delivered external presentations – from how we support our suppliers to drive social value, to how we are implementing our climate



NI Water staff at Supplier Market Engagement Session in Craigavon, County Armagh.

change strategy (particular Scope 3) within the delivery of our contracts. Participating in this level of external activity has provided us with the opportunity to raise our profile, build our networks while establishing strong relationships with stakeholders across various sectors.

The team have also had some of their work recognised at award level. CIPS and the Public Finance awards shortlisted NI Water for three awards in the categories - Best Initiative to Deliver Social Value through Procurement, Outstanding People Development Programme and Sustainability and Social Value. Read more about customer engagement on page 24.

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 24.

Directors' report

Local Councils

We have offered all of the 11 NI councils the opportunity to receive a presentation on the current status of our PC21 capital investment programme, water and wastewater infrastructure and capacity constraints challenges. Nine of the Councils accepted the invitation dates and meetings were subsequently scheduled. In 2023/24, six of the nine meetings have been held. In addition, we have been proactively engaging with all of the Local Development Planning Teams, providing them with capacity constraint information and investment proposals in the context of their Local Development Plans which includes their 'hub' towns and cities that are central to their growth plans. NI Water has participated in six Independent Examinations held by the Planning Appeals Commission on Local Development Plans during the current PC21 period. Antrim and Newtownabbey Borough Council, Belfast City Council, Derry City and Strabane District Council, Fermanagh and Omagh District Council, Lisburn and Castlereagh City Council, Mid and East Antrim Borough Council. NI Water continues to liaise with these six Councils in the development of their Planning Policy Statements, and the other five Councils through the development stages of their Draft Plan Strategies which will go forward for Independent Examination in future.

Our engagement over 2023/24 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. NI Water also stressed that we continue to work with Developers through the predevelopment process to find bespoke drainage solution to facilitate development where possible.

Business organisations

We continued to engage with business organisations and industry groups on service delivery improvements such as the new Developer Services portal and navigated the tariff increase through direct engagement with industry bodies. Particular emphasis has been placed on engaging with Developers and builders in advance of submission of planning applications to identify where we can overcome potential capacity issues. We also liaised with key stakeholders to

outline progress, updates and implications for PC21 as well as our ambitious climate targets, highlighting some key advances in our hydrogen initiative and the great strides we have taken to reach our one million tree planting commitment.

Political parties

We held updated briefings advising Councils on our Capital Delivery Programme and how that impacts on their respective areas. Dr Sara Venning and Ronan Larkin presented to the newly formed Infrastructure Committee in late February and outlined the full adverse impact any future funding cuts would have on economic growth and the environment in Northern Ireland. We also attended a number of party political conferences to engage directly with elected representatives.

We met with a selection of 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. We also opened six of our water treatment facilities in February to a selection of key stakeholders including elected representatives to reinforce messaging that our water is world class and we have robust treatment processes in place to deal with any potential blue/green algae issues.

(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 62.

Directors' report

(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 center 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.

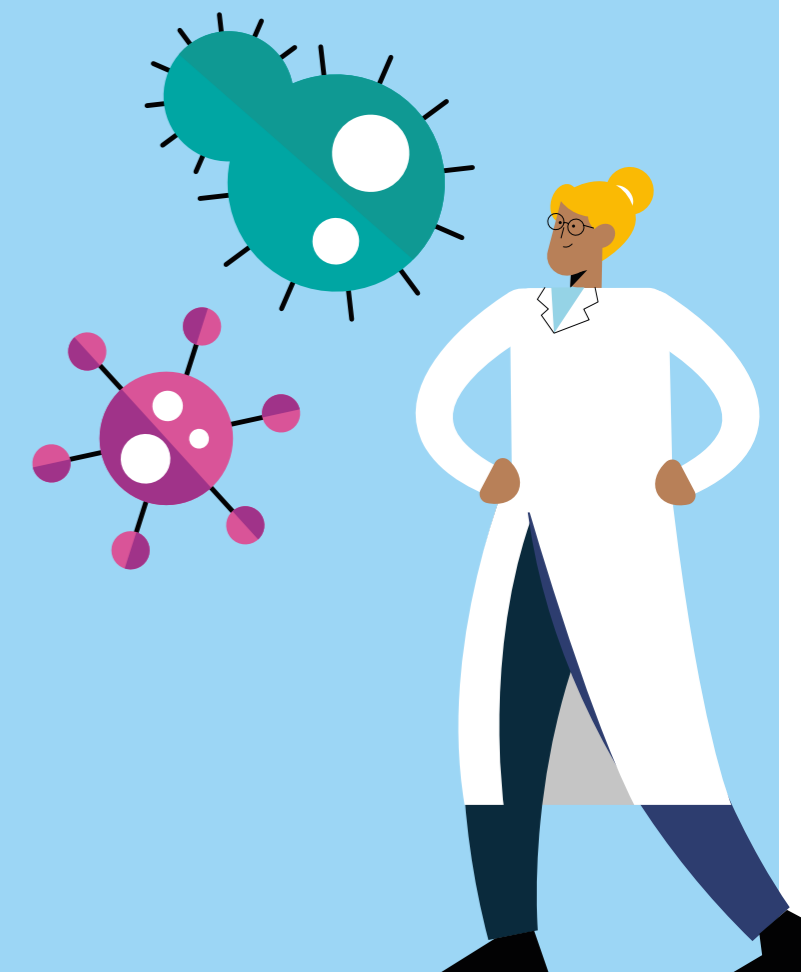
Auditor

The contract for external audit services with KPMG expires in November 2024. A tender exercise for external audit services is underway and a decision in respect of appointment or reappointment of auditors will be made in the coming months.

By order of the Board



Mark Ellesmere
Company Secretary
8 July 2024



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 three 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 their significant responsibilities and the input they make 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 is subject to public sector pay policy because of its current governance arrangements.

Annual bonus

There was no bonus scheme in 2023/24 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 148.

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.

Directors' remuneration report

Fees paid to members of the Executive Committee

Current	Year to 31 March 2024					Year to 31 March 2023				
	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Pension benefits £000 ²	Total £000	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Pension benefits £000	Total £000
Dr Sara Venning	185 - 190	-	-	64	250 - 255	180 - 185	-	-	92	270 - 275
Ronan Larkin	140 - 145	-	-	34	175 - 180	135 - 140	-	-	110	245 - 250
Paul Harper	135 - 140	-	-	49	180 - 185	130 - 135	-	-	47	175 - 180
Des Nevin, MBE	70 - 75	-	-	-	70 - 75	130 - 135	-	-	99	225 - 230
Stephanie McCullough	70 - 75	-	-	-	70 - 75	-	-	-	-	-
Current member of the Executive Committee (not Executive Director):										
Mark Ellesmere	135 - 140	-	-	44	180 - 185	130 - 135	-	-	90	220 - 225
Alistair Jinks	135 - 140	-	-	32	165 - 170	130 - 135	-	-	103	230 - 235
Rose Kelly	130 - 135	-	-	48	180 - 185	115 - 120	-	-	43	160 - 165
Tzvetelina Bogoina	65 - 70	-	-	24	90 - 95	-	-	-	-	-
Dr Gary Curran	65 - 70	-	-	-	65 - 70	-	-	-	-	-

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 £185k to £190k on a full year equivalent basis (2022/23: £180k to £185k). This was 4.93 times (2022/23: 4.77 times) the

median remuneration of the workforce, which was £38,008 (2022/23: £37,772). The marginal change in the median pay multiple (ratio) between 2022/23 and 2023/24 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 2024		Year to 31 March 2023	
	Year to 31 March 2024	Year to 31 March 2023	Year to 31 March 2024	Year to 31 March 2023
Highest paid Director (£000)	185 - 190	180 - 185	185 - 190	180 - 185
25 th Percentile (£)	31,939	31,786	31,939	31,786
Pay multiple ratio for 25th percentile	5.87	5.67	5.87	5.67
Median total remuneration (£)	38,008	37,772	38,008	37,772
Pay multiple ratio for median remuneration	4.93	4.77	4.93	4.77
75 th Percentile (£)	44,850	45,028	44,850	45,028
Pay multiple ratio for 75th percentile	4.18	4.00	4.18	4.00
Range of remuneration (£000)	17 - 187	17 - 180	17 - 187	17 - 180

²The 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.

Directors' remuneration report

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 33% 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 2024	Year to 31 March 2023
National median gender pay gap (%)	7.7	8.3
Our median pay gap (%)	(9.2)	(9.4)
Our mean pay gap (%)	(7.3)	(5.4)

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, OBE	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.

Directors' remuneration report

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 2024 £000	Related lump sum at 31 March 2024 £000	Real increase in pension at NRA £000	Real increase in lump sum at age 60 £000
Dr Sara Venning	45 - 50	90 - 95	5.0 - 7.5	17.5 - 20.0
Ronan Larkin	45 - 50	-	5.0 - 7.5	-
Paul Harper	15 - 20	50 - 55	2.5 - 5.0	10.0 - 12.5
Des Nevin, MBE	70 - 75	215 - 220	2.5 - 5.0	10.0 - 12.5
Stephanie McCullagh	20 - 25	65 - 70	0 - 2.5	0 - 2.5
Current member of the Executive Committee (not Executive Director):				
Mark Ellesmere	50 - 55	65 - 70	5.0 - 7.5	12.5 - 15.0
Alistair Jinks	45 - 50	-	5.0 - 7.5	-
Rose Kelly	10 - 15	40 - 45	2.5 - 5.0	10.0 - 12.5
Tzvetelina Bogoina	0 - 5	0 - 5	0 - 2.5	2.5 - 5.0
Dr Gary Curran	45 - 50	135 - 140	0 - 2.5	2.5 - 5.0

Pension (CETV) benefits for members of the Executive Committee

Current Executive Directors:	CETV at 31 March 2024 ³ £000	CETV at 31 March 2023 ⁴ £000	Increase/(decrease) in transfer value less Director's contribution (net of inflation ⁵) £000	Employer contribution (to nearest £100)
Dr Sara Venning	491	471	47	54,700
Ronan Larkin	759	699	62	42,200
Paul Harper	309	247	53	39,500
Des Nevin, MBE	1,421	1,426	-	20,400
Stephanie McCullagh	245	270	-	20,500
Current member of the Executive Committee (not Executive Director):				
Mark Ellesmere	595	572	44	40,100
Alistair Jinks	760	727	32	39,500
Rose Kelly	213	167	44	38,700
Tzvetelina Bogoina	8	-	8	19,600
Dr Gary Curran	848	884	-	19,600

³Based on accrued benefits at 31 March 2024 and financial conditions as at 31 March 2024.

⁴Based on accrued benefits at 31 March 2023 and financial conditions as at 31 March 2023.

⁵CPI inflation of 3.10% (CPI figure for the year to September 2022).

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 equality, diversity, and inclusion at the heart of how we do business.

Our equality, 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 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 over 2023/24 are outlined below.

Employer of the Year

NI Water added to its list of prestigious business awards, winning the coveted Employer of the Year 2023 award at the Belfast Telegraph Awards. The award reflected the work done to embed equality, diversity and inclusion in our corporate values and behaviours.



In 2023/24, NI Water was re-accredited against its silver diversity charter mark by an independent panel of expert judges, retaining the standard for a further year.



NI Water is committed to ensuring that every customer, regardless of their individual needs, feel at ease throughout any interactions with NI Water staff. During 2023/24, NI Water became a JAM card accredited organisation. The JAM card allows anyone with a hidden disability or communication barriers to discreetly ask for 'Just A Minute' of patience when they need it. Around 1,300 of NI Water employees completed JAM card training, which helps equip them to provide the highest standard of customer care to any customer who requires understanding and additional support.



What have we done to improve diversity and inclusion?

Helping to 'Level Up' Northern Ireland

NI Water was 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. 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 for relevant roles to offer a skills based alternative to assess basic numeracy and literacy, ensuring access to employment regardless of social background.



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.

Female representation has increased at every level of the organisation:

- female hires increased from 30% in 2015/16 to 42% in 2023/24;
- 31% of NI Water's 2024 entry level intake is female compared to an average of 18% female representation in the water industry;
- Two new female Directors were appointed in 2023/24, increasing female representation at Director level to 50%;



NI Water CEO Dr Sara Venning named Business Leader of the Year 2023 at the Belfast Business Awards.

- NI Water's female CEO, Dr Sara Venning was named Business Leader of the Year 2023 at the Belfast Business Awards; and
- Jo Aston was appointed as the new Chair of NI Water's Board, further increasing female representation at the very highest levels.

Raising awareness

During 2023/24, 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 the continuation of our popular 'Return of the Retiree' featuring retired NI Water staff to help prepare others for retirement.

Four NI Water teams will compete in the Antrim Coast Half Marathon in 2024/25 to raise funds to help disadvantaged young people within our communities to receive important skills training. Last year, this initiative exceeded its intended funding target by 50%.



One of NI Water's teams who will compete in the Antrim Coast Half Marathon.

What have we done to improve diversity and inclusion?

In 2023/24, we continued our involvement in the Sisters IN female mentoring programme. Three female senior leaders mentored schoolgirls interested in pursuing careers in STEM or in leadership. The programme culminated in a work shadowing day at NI Water where the students and their mentors visited NI Water's scientific laboratories, took a guided tour of a water treatment plant and had lunch with our CEO.



Developing inclusive leaders

Over 2023/24, Inclusive Leadership training was delivered to around 200 middle managers, HR, the senior leadership team, Executive Committee and Board. Over 80 other people managers will receive this training in 2024/25, completing Inclusive Leadership training for all people managers at NI Water.

Supporting early careers

Our award-winning apprentice academy continues to go from strength to strength, growing from five apprentices in 2019/20 to over 100 apprentices, higher level apprentices and graduates in 2023/24. We plan to increase the total intake to over 130 in 2024/25. In 2023/24, the academy continued to diversify into new business areas including Intelligent Operations, Science and Geographic Information Systems adding to our range of programmes across numerous disciplines. Our academy was named Northern Ireland's Best Apprenticeship Scheme 2023 at the Irish News Awards 2023. Our academy approach is helping achieve a more balanced age and gender profile.



Bringing our values to life

During 2023/24, we recruited and trained 30 Values Influencers to be the grass roots engine for change in living our corporate values. This group of change agents has delivered Values for All workshops to over

400 employees, aiming to reach most of our workforce over 2024/25.

Focus on Values sessions have been incorporated into NI Water's employee induction programme, entry level onboarding bootcamp and new manager essentials programmes. Values based selection techniques are being used from entry level to Director positions, hiring for the behaviours we want to see in building a truly values-based organisation.

Involving people in the decisions that affect them

Monitoring the health of our corporate culture involves regular analysis and interpretation of evidence and information gathered from a range of sources. In 2023/24, we conducted a cultural analysis of NI Water involving interviews and focus groups with a diverse range of over 70 employees. The findings were used to inform the company wide employee survey (NI Water Unplugged), which was issued to all employees in 2023/24. Over 1,000 employees took part. The survey results reported higher than average engagement levels across all business areas, a supportive and inclusive culture, a strong emphasis on safety and an agile and empowered organisation. The survey also identified areas for development, which will form the basis for action planning in 2024/25 and beyond.

The journey continues

We've come a long way but there is more to do. In 2024/25, we will roll out Inclusive Leadership training to the remainder of our middle managers and deliver our 'Values for All' workshops to all employees. Our managers and leaders will receive training on how to interpret employee survey results and conduct meaningful action planning within their teams. We will continue with the delivery of our LEAD management development program for people managers, our awareness campaigns on gender, age and social mobility, and advance our social mobility strategy to help level up Northern Ireland.

Jo Aston
Chair of the Board
8 July 2024

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 UK-adopted 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 125 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 2024 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 2024; 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
8 July 2024