

Section 172 Statement - Year ended 31 December 2024

Under Section 172 (1) of the Companies Act 2006 ('s172'), the Board of Directors are required to have regard to the relevant matters set out in S172 (1) (a) to (f). The Board of Directors of Cygnet 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 Company 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 December 2024.

To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the group board has considered the matters is set out in the s172 statement below.

Principal Activities

Cygnet is a leading provider of complex mental health care and social care services in the UK. Established in 1988, our 37-year history has seen us build a reputation for delivering pioneering services and outstanding outcomes for children, young people, adults and older people. Cygnet is supported by its long term strategic partner, and ultimate parent, Universal Health Services Inc. ("UHS"). UHS is one of the largest and most respected providers of hospital and healthcare services in the USA.

We provide services in England, Scotland and Wales and our expert and highly dedicated team of over 12,000 employees support more than 8,300 individuals each year across 148 services to consistently make a positive difference to their lives. Our 2024 staff survey saw 90% of employees saying care of our service users is our top priority.

Overview of our Services

- 1. Learning Disabilities-** expertise in supporting individuals with a learning disability to develop independent skills and to live an active and happy life. We work with them to ensure they have more choice and control in their lives.
- 2. Autism Spectrum Disorder-** delivering the best outcomes for individuals with autism and learning disabilities, who may present with behaviours that challenge.
- 3. Eating Disorder Services-** highly specialised eating disorder services for adults aged over 18, including those with extremely low BMIs.

4. Mental Health Services:

PICU & Acute: We offer a national network of urgent admission beds, to meet the acute needs of adults requiring rapid access to mental health services, including those who may need an intensive care environment.

Secure: Our nationwide network of low and secure mental health services includes a range of highly specialist services for Deaf service users and individuals with a personality disorder or autism spectrum disorder.

Personality Disorder ("PD"): Specialist personality disorder services provide medium secure and low secure, emergency, Tier 4 inpatient, highly specialised personality disorder and dual diagnosis PD and eating disorder services.

The main aim within our mental health rehabilitation and recovery services is to make a positive difference to the lives of our service users by building essential community links and strategies that support re-integration into the wider community through working in partnership with each individual.

Business Review

Cygnet continued to invest its cash flow to fund capital expenditure to maintain its existing sites, to invest in the operational infrastructure, its IT and systems infrastructure, and to develop further capacity. During the last year there was a £4.1m increase in capital expenditure spend to £64.8m.

Cygnet operates in a highly competitive market. Most competition is based on regional catchment areas and the funding body's procurement initiatives, with the NHS including Integrated Care Boards ("ICBs") and Local Authorities usually being the dominant providers. Our business continues to be supported by strong relationships with customers.

Our Corporate strategic priorities

Our Strategic priorities are:

- **Service users first:** Putting individuals at the heart of all we do in the delivery of safe, high quality care;
- **Support and help more people:** Providing the right care, at the right time in settings that best meet individual needs;
- **Deliver service excellence:** To be seen as a provider of choice for the delivery of high quality, evidence-based, specialist care;
- **Value and develop our staff:** To recruit and retain talented people who exemplify our values and feel proud to work in a culture that promotes excellence, delivers person-centred care and provides opportunities for everyone to be their best; and
- **Innovation for the future:** Showcase innovation and vision, harness technology, deliver our sustainability targets, be a force for good in the communities we serve.

Corporate Governance and Clinical Delivery

Cygnet's Board and Committee structure meet quarterly and comprise of senior executives of UHS, Cygnet statutory directors, Cygnet advisory Board members and members of the executive management team.

Cygnet is committed to providing high quality care through robust governance that follows the Wates governance framework, which is transparent, accountable and inclusive. Clinical excellence and governance are the foundation of our business meaning we can provide high quality, safe, sustainable services and ensure learning opportunities to constantly improve and excel.

Our central service functions provide support to our corporate, operational and clinical colleagues and organisation to external mechanisms to gain assurance and identify where further support is required. This includes monthly Executive Management Board (White Space) meetings, quarterly Executive Management Board (Performance) meetings, and quarterly Executive Management Board (Governance) meetings, and quarterly Executive Management Board (Thematic) meetings.

Cygnet has an Advisory Board, with members having senior experience and expertise to support the Board's Committees. Advisory Board Members are independent and hold non-executive positions, and this is chaired by Cygnet's Senior Independent non-statutory Director, Professor Lord Patel OBE.

It is attended by Mark Stephens CBE (Chair of Legal and Litigation Committee), Dame Clare Gerada MBE (Chair of Clinical Governance and Improvement Committee), Sian Jarvis CB (Chair of Communications and Culture Committee) and Ian Brokenshire (Chair of Audit and Risk Committee). The Non-Executive Director role provides the organisation with unbiased perspective and judgment to the board of directors. The Directors and the Advisory Board have a mix of skills and experience, including financial, legal and healthcare. Feedback from each of those committees is fed up through to the Main Board by the Senior Independent (non-statutory) Director.

In 2024, a Legal and Litigation Committee was established to help support the management of legal matters and risks within the Group and to report them up to the Main Board.

The Main Board is chaired by Mr Alan B Miller, Executive Chairman of UHS and attended by UHS colleagues, Cygnet's Group Chief Executive Officer, Chief Financial Officer and Human Resources Director. Marc Miller, President and Chief Executive Officer of UHS chairs the Remuneration, Nomination and Leadership Committee.

Stakeholder Relationship and Engagement

We meet regularly with our external regulators and stakeholders to improve, progress and innovate. We believe this drive for service excellence sets us apart as sector-leaders, attaining high standards that are reflected in our regulatory ratings, accreditations and outcomes for those who use our services.

From an engagement perspective, Cygnet invites patients, service user's, relatives and/or carers to attend in person quarterly Executive Management Board (Governance) meetings to present their feedback to members. This is an opportunity for individuals to share their experiences first hand and to discuss positives and negatives directly with Directors. This is reported to the Advisory Board for assurance.

Cygnet promotes strong relationships with its network of suppliers which are actively managed by our procurement team. This ensures group-wide policies and consistent quality is provided and the robust supplier on boarding process helps manage any third party risk.

Our commitment to Service Users

Cygnet remains committed to ensuring that our Service Users receive the highest standards of care across each of our sites. Service User experience is at the heart of this, and everything we do at Cygnet, and we continue to do our utmost to involve our Service Users in shaping their care to ensure we are responsive to their needs. Cygnet's services provide individuals and their families with compassionate, quality care based on proven therapies and treatments that result in successful, long-term recovery and qualities of life that are recognised among the country's best.

Our commitment to community and the environment

Cygnet genuinely values good relationships with people in the local communities where we have services.

Our facilities have an established history as care providers and as supporters of initiatives important to the local community. As an employer of choice, provider of high-quality health and social care services, and value-generating business partner, we are proud to contribute meaningfully to the communities we are privileged to serve.

Cygnet employs over 12,000 people UK-wide and we bring additional economic and social benefits to the local economies in which our services are based. Where possible we use local produce, resources and suppliers at our facilities to support the local economy and community infrastructure. We support our staff in their local community endeavours including building relationships with local MPs, councillors, businesses, schools, charities, community groups and other residential care services. We actively encourage our staff to play a proactive role in the communities where they work and are proud supporters and sponsors of numerous community initiatives, clubs and groups.

Cygnet is committed to having a positive impact on the environment. We take our responsibility to contribute to a greener society very seriously. Our Sustainability Strategy is a key priority in Cygnet's Strategic Plan 2022-2027. It sets out our aims to achieve:

- Net zero carbon emissions from our direct (own sources) and indirect emissions (other sources) by 2035; and
- Net zero carbon emissions in our supply chain by 2040.

Across the organisation we are pushing forward with a number of initiatives to help achieve our aim of net zero carbon by 2040. From the installation of solar panels, to the reduction of CO2 emissions across our vehicle fleet and waste management solutions at our services, we are making great strides in our environmental commitments.

At the close of 2024 Cygnet completed 39 solar installations. The solar energy generated accounts for approximately one-fifth of the electricity at each of those sites. So far Cygnet generated 2.45GWh of our own electricity since the first install in 2022.

In addition to our own solar installation programme, Cygnet continues to procure a 100% REGO certified renewable electricity tariff. This means there are no associated carbon emissions from electricity. However location-based grid average emissions have been used to report the emissions figure. All new builds or fit-outs are completed to high environmental standards including solar energy generation, LED lighting, high-efficiency boilers, full insulation and double glazing. All light fittings in existing sites are replaced with suitable LED units when they reach end of life and high efficiency condensing boilers are installed when heating boilers need to be replaced. Voltage optimisation is being trialled to establish the opportunities to further reduce consumption.

Waste recycling and landfill reduction across the organisation increased from 16% in 2019, the first year we collected recycling data, to 41% in 2024. During 2024 Cygnet sent less than 1% of our waste to landfill.

This was achieved due to our 'Right size, right shape' project, in partnership with our waste management provider, which monitors the recycling habits across sites and supports greater awareness and action. In 2024, Cygnet facilities also successfully recycled more than 12,785 litres of cooking oil into biodiesel and we continue with the removal of black plastic from our food supplies.

The Co-Sustain initiative empowers service users and staff to take sustainability into their own hands. Through Co-Sustain, we will be working closely with service users, residents and staff to raise awareness of environmental issues, take action and explore creative ways of reducing our carbon footprint across our services.

The ESG Steering Group is attended by a cross functional team of senior leaders, convened bi-monthly, this meeting feeds into the: Executive Management Board and the Board Committees. The ESG

Steering Group encourages key stakeholders to: propose and seek approval of strategic change; update progress of ESG initiatives; and flag any emergent ESG risks and opportunities.

Our commitment to our people

Cygnnet has an experienced Human Resources (“HR”) department to support our people, including operational HR Business Partners, Employee benefits specialists, a Learning and Development team covering our mandatory and developmental training programmes, and a central On-boarding and Resourcing team who specialise in award winning branding and campaigns, international recruitment, and innovative recruitment strategies.

In 2023 the People and Culture Committee was created to advise and assure the Executive Management Board on all matters relating to staff and workforce planning; and plans to enhance the environment that supports and values staff in order to engage the talent and nurture the leadership capability of individuals and teams working together to drive the desired culture throughout Cygnnet to deliver safer better health and social care.

Cygnnet is committed to hearing our staff voice and ensuring everyone is treated equally, fairly and with respect. The following actions have been taken to ensure Cygnnet have acted fairly between members of the company:

- Provide targeted and relevant staff communications through accessible and interactive platforms;
- Continue to promote the Freedom to Speak Up service as a confidential support service for staff, we have held 2 national events to recognise our 190 FTSU Ambassadors, attended by the NHSE’s National Guardian’s Office as well as hosting virtual events and training days.
- Our Staff Representative Groups was relaunched with a positive, solution focused approach. Currently we have 125 representatives as well as 144 Mental Health First Aiders.
- Cygnnet Awards including our annual Cygnnet Staff Achievement Awards held annually and also, our peer-to-peer recognition and reward scheme, Characters of Care; which won national recognition at the Reward Gateway Engagement Excellence Awards 2022.
- Reflecting the diversity of our workforce and those we look after in our leadership and opportunities for progression;
- Implement the Framework for Open Cultures;
- Implement our Equality, Diversity and Inclusion (EDI) strategy with clear objectives to ensure everyone enjoys equal opportunities according to their needs and individual aims; and
- Working with the EDI, Multicultural Network, LGBTQIA+ Network, Women’s Network, Disability Network and our latest network launched in 2025 Men’s Health Network to promote awareness and inclusion so that staff feel more confident in sharing their experiences and sign post for information and support.

Cygnnet continues to review our benefits packages and have introduced a number of new features recently and bolstered others. Cygnnet benchmarks its approach to pay and reward annually, both across the sector and geographically. We also continue to report on gender pay gap, comparing men and women’s average pay across the organisation, provide Work Race Equality statistics and Work Disability Equality Statistics.

In order to obtain staff feedback an annual staff survey is carried out. 2024 saw a response rate of 77%. A process of reviewing feedback and creating individual, as well as corporate, action plans was undertaken.

We would like to take this opportunity to thank all of our staff for their dedication to the business and all the people in our care.

People with disabilities

It is the Group's policy to give fair consideration to the employment needs of people with disabilities and to comply with current legislation with regard to their employment. Wherever practical, we continue to employ and promote the careers of existing employees who become disabled and to consider employment for people with disabilities, subsequent training, career development and promotion on the basis of their aptitudes and abilities. Our Disability Network focuses on providing positive access and understanding for our colleagues.

Key Performance Indicators ('KPIs')

Cygnet uses a range of financial and non-financial indicators to measure and monitor its progress.

Financial

These include revenue and statutory profit before tax and profit before tax (excluding separately reported items). Operating margins are also considered on a site by site basis using KPI's, such as changes in occupancy rates.

Staffing KPI's including staff turnover rates, ward and off ward hour's, staffing against matric and agency usage are reviewed regularly with sites.

Non-financial

We use a variety of Quality KPI's to ascertain our performance and compliance with standards. A monthly Quality Dashboard by region is produced which summarises performance by unit, this includes occupancy rates, published Regulatory Ratings as well as the Internal Quality Assurance Manager Rating of the service. The Dashboard includes Audit Submissions as well as identifying underperforming audit compliance ratings, Resuscitation Simulations, surveys and results of Medication Audits.

Future prospects

The Group plans to continue investing in its services and progressing on its priorities outlined above. In the near term, like many other providers, Cygnet is navigating in an environment with increasing cost pressures. Key issues anticipated for the future include:

- Rising employment costs - the uplift to National Living Wage (NLW) directly impacts the wage bills given Cygnet's high number of support staff, maintaining the differential for all clinical staff members increases this cost further. Employers National Insurance increases are material to the business;
- NHS England and ICB Restructuring leading to potential disruption and pressure on price; and
- National workforce dynamics and changes to immigration rules.

The Group monitors these and other risks and puts in place measures to mitigate focused on long term growth and the achievement of our strategic objectives.

Key risks and uncertainties

The Group will face many risks and uncertainties from external factors. The following are the most significant risks and uncertainties facing the Group:

Loss of funding

Cygnnet relies on publicly funded entities in the UK for substantially all of its revenues and the loss or reduction of such funding, or changes in procurement methods, could negatively impact the Company's occupancy rates which could have corresponding material adverse effects.

As a provider with a national footprint across England, Wales and Scotland, and subsequently contracting with most of the ICBs, NHS Provider Collaboratives and NHS England, NHS Trusts, Health Boards, and Local Authorities. Cygnnet has multiple revenue streams, each commissioning entity is responsible for its own budget and commissioning strategy, this affords Cygnnet protection if revenues from a particular commissioning entity reduces. The recent NHS England changes and ICB cost saving pressures are likely to increase this risk going forward.

Competition

Cygnnet monitors competition closely to ensure that it remains competitive in the market place. Cygnnet manages the risk associated with demand fluctuations by offering diversified services and monitoring demand, converting unused capacity to alternative services when appropriate and in collaboration with our commissioner's requirements. Cygnnet monitors prices charged both internally and externally to ensure that its services are appropriately priced to compete and importantly provide value.

Reputational risk

Reputational risk is the risk arising from adverse publicity, including regulatory standings (see below). Cygnnet believes this is only likely to occur in relation to poor customer and/or service user care and has multi-layered systems to help prevent the risk occurring and manage any challenges arising.

Regulatory risk

Regulatory risk is the risk arising from adverse regulatory inspections, or employees failing to adhere to Cygnnet's policies and procedures. All themes and trends arising from regulator inspection reports are disseminated and action planning for improvements is shared across the Group for learning purposes and to confirm Board Assurance. Health and Safety regulations are reviewed and internal policies, procedures and training updated in line with those regulations.

The Group engages in clinical audit, internal audit of systems, controls and continuous monitoring of performance of employees and customer and service user satisfaction.

Cygnnet has an external whistleblowing phone line to ensure that any concerns felt by staff can be assured of a full hearing and action as a consequence.

Inflationary risk

Cygnnet is monitoring cost increases closely and is currently seeing high cost inflation in the majority of products and services purchased. In order to manage this risk Cygnnet is working with suppliers to fix prices where possible in order to give certainty over future costs.

Data risk

The security and availability of operational data is essential and system security hardware and software are used to achieve this.

Cygnet takes its data protection responsibilities very seriously and is committed to operating within the necessary regulatory boundaries of the data protection legislation. Cygnet is aware of the requirements and is keeping its data protection and governance practices up to date accordingly.

Cygnet continued to invest its cash flow in operational infrastructure, IT and systems infrastructure.

Climate risk

Climate-related risks have been identified as an emerging risk. This includes physical risks which are either event-driven such as heatwaves and droughts or chronic longer term shifts in climate patterns such as rising sea levels. As well as with transactional risks while we transition towards less polluting, greener solutions, including the effect of legal and regulatory requirements and policy changes.

Cygnet has a Net Zero plan which is reported at the Executive Level. A Sustainable Care Strategy is in development to establish what opportunities will be identified and utilised to further sustainability within the organisation, such as recycling initiatives and waste reduction. This framework supports the Net Zero goal by examining how not only we can reduce our direct carbon emissions, but also our indirect ones, whilst maintaining the Cygnet Values.