Annual Report and Accounts
2024 – 2025

HC 1088

High Speed Two (HS2) Limited
Annual Report and Accounts 2024 – 2025

Company number 06791686

Presented to Parliament pursuant to the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies Order 2012).

Ordered by the House of Commons to be printed on 17 July 2025.

HC 1088

This publication is available at www.gov.uk/official-documents

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ISBN: 978-1-5286-5836-2

(E) E03388807 07/25

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty’s Stationery Office.

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Introduction

Deputy chair's review

> **"We will drive the changes required to deliver HS2 as a modern railway for growth."**

Modern transport links such as HS2 are fundamental for national prosperity, bringing people and places closer together. As other great British railways have done in the past, HS2 will create new jobs, new homes and new opportunities, with economic benefits felt for generations.

The high-speed line will provide more reliable, frequent and faster rail travel between London and Birmingham, the UK's two biggest cities. It will help to meet increased passenger demand for rail travel – now set to eclipse the pre-Covid peak – by creating capacity for better intercity, regional and local services.

Four new HS2 stations in Birmingham, Solihull and London will kickstart regeneration and they are already attracting major investment: the stations in the West Midlands and Old Oak Common in west London are set to inject £20 billion into the economy in the next decade.

The case for HS2 remains strong. The railway is integral to the government's mission for growth and will play a key role in enhancing our national rail network. However, we need a new approach to stop further cost increases and delays.

The board and I recognise the seriousness of the position the programme is in and the importance of our role in supporting and challenging HS2 Ltd to re-establish control and rebuild confidence.

That vital work to reset the programme is underway now. Led by CEO Mark Wild, a rail infrastructure project delivery expert, the reset will provide a new achievable cost and schedule and give taxpayers and stakeholders confidence that HS2 Ltd can deliver an operational railway for the lowest possible cost.

A great deal is at stake and Mark needs time to make sure the reset establishes a pathway for successful delivery, increasing productivity while offering better value for taxpayers.
Plans are in progress to reshape HS2 Ltd into a more efficient, less bureaucratic, performance-focused organisation.

Deputy chair's review continued

The reset will also improve the way the organisation works with partners in government to achieve shared goals.

This Annual Report records not just the achievements of the last year, but also the challenges ahead. This is a pivotal moment for HS2. The board backs Mark's approach and are confident we will agree a new baseline for cost and schedule with the government in 2026. HS2 Ltd has recognised the need for change. The board, under new chair Mike Brown CBE who starts in July, are committed to working with Mark to put HS2 on track.

Mike Brown is a distinguished and competent leader, whose leadership experience and credibility in delivering and operating major infrastructure is considerable. Between 2015 and 2020 he was Commissioner for Transport for London, and most recently chair of the Delivery Authority for the restoration and renewal of the Houses of Parliament. His skill set and industry knowledge will be invaluable as we reset the programme, boost productivity and prepare to install HS2's rail systems.

The railway represents a major investment of taxpayers' money. Last year, the programme cost £7.5 billion, excluding costs relating to the cancellation of Phase Two and scope changes to Euston station. The budget for 2025/26 is £7.1 billion. There are huge demands on the public purse and everyone at HS2 Ltd is responsible for making sure every penny is spent wisely.

We are in a period of significant, managed change – both for the railway and HS2 Ltd – and we must be alert to the risks this presents for safety. A huge workforce of 33,000 is building HS2 across a 140-mile route stretching from central London to Staffordshire, where the railway will connect to the West Coast Main Line. People are working in potentially hazardous settings each day. The safety of all our workers and everyone affected by construction is paramount.

I would like to take this opportunity to thank Sir Jon Thompson, who stepped down this year after almost four years' on the board, including time as chair and executive chair. On behalf of the board, I would also like to thank the executive team and everyone working across HS2, as well as our shareholder and stakeholders for their continued and active support.

A shared sense of purpose must drive our work. HS2 is an unprecedented state-funded infrastructure project offering rich rewards for passengers and economic growth. These benefits will only be realised if we act responsibly, work together and do what we say we'll do. By staying safe, improving productivity and maintaining a strategic perspective, we will drive the changes required to deliver HS2 as a modern railway for growth.

Elaine Holt
Deputy chair
High Speed Two (HS2) Ltd

CEO's introduction

"We're taking decisive action to realise HS2's potential."

We have made significant construction progress on HS2 this year but we have also had to face some hard facts. The scheme's rising costs and schedule delays are unsustainable: they have put the railway at risk and jeopardised the transformative benefits HS2 will provide for growth and passengers.

The new London – Birmingham line remains a vital strategic asset for the country. The railway will boost much-needed capacity, improve services and create opportunities to spread prosperity. However, the project is at a tipping point and we need to reset the programme to provide an achievable cost and schedule.

Safety

We need to complete the reset in a safe and efficient way. There are 33,000 people building HS2, often in high-risk construction settings. Last year, we clocked up 71 million working hours across the project, an 8% increase on the previous year. Sadly, two supply chain employees died while travelling to their place of work; and although our overall safety record is good, we must always strive to make it better. As we reset this complex programme, we must remain safe at heart in everything we do.

We're taking decisive action to realise HS2's potential. Together with important improvements to our ways of working, the reset will increase productivity in HS2's supply chain and help us deliver the railway for the lowest reasonable cost. Safety is our core value and it will remain paramount during this process and beyond.

Getting the reset right

We understand the scale of the challenge and the necessity to get the reset right. I completed a comprehensive reset of the Crossrail programme when I was appointed CEO. The new Elizabeth line is now the busiest railway in the UK. I am equally confident that we can put HS2 on track with the reset.

CEO's introduction continued

Since joining HS2 Ltd in December 2024, I have completed my initial assessment of the project and reported the findings to the Secretary of State for Transport, Heidi Alexander, in the spring. My assessment examined the programme's schedule and cost as well as the scope we will require to start services between our new stations in Birmingham and Old Oak Common, west London. The railway will be delivered in stages as we connect HS2 services to the West Coast Main Line at Handsacre, Staffordshire, and extend the line into central London at Euston.

It is important that we take responsibility for HS2's cost and schedule. I outlined systemic problems with the programme when I appeared before the Public Accounts Committee in December following the National Audit Office's (NAO) report on the cancellation of the northern leg. We started construction too early, in September 2020, with immature designs and a low level of consents. The multibillion-pound deals we signed with HS2's contractors left HS2 Ltd – and the taxpayer – carrying too much financial risk and we didn't manage the risk well.

These enduring problems have hampered attempts to control cost and improve low productivity. They mean the baseline for cost and schedule, set in 2019, is no longer viable. As part of the reset, we need to put the building blocks for the railway back in the right order so the work is properly sequenced. We need to make sure the civil engineers complete their work on tunnels, viaducts, cuttings and earthworks before the rail systems engineers take to the line to install the track, power, signalling and communications systems for HS2's trains.

There are other reasons for the failure to stay in budget, for example, the UK's authorising environment, which has required us to obtain thousands of consents, and higher costs during a period of soaring inflation. But we are taking ownership of the things we can control and making sure we don't repeat the mistakes of the past.

We have a clear plan for the work ahead. We are refining our view on the minimum viable railway, the cost and schedule, and agreeing a new commercial deal with HS2's contractors. The new arrangements must provide value for both taxpayers and the supply chain. This work is complex and it is vital that we take the time to get it right. We expect to complete the reset over the summer as we move towards setting a new assured baseline in 2026.

The 'bridge' year

We cannot wait for the new assured baseline to improve our performance and we're taking steps to boost productivity now, during 2025/26, in the reset 'bridge' year. As we resequence the programme, we're focusing on essential work that safely accelerates construction, supports the reset and cuts costs. Any work outside key areas is being paused or stopped. We are also improving our controls environment to strengthen decision-making and reporting lines for better financial control, risk management and performance monitoring.

My assessment for the government also highlighted the need for organisational change at HS2 Ltd. We are rebalancing resources to support frontline delivery teams, cutting red tape and simplifying decision-making. We also need to make behavioural and cultural changes to equip the organisation to operate like an expert railway builder: leaner and better focused on costs, performance and outcomes. HS2 Ltd is a state-owned company, delivering the railway for the government, and an open and trusted working relationship with the Department for Transport will serve us all well for the challenge ahead.

Construction progress

HS2 remains the single biggest infrastructure scheme in Britain and we have continued to record notable construction achievements. We've completed more than 80% of tunnelling. In total, tunnels will stretch over 32 miles of the route and include five twin-bore tunnels. We've successfully excavated three of these major structures, carrying

CEO's introduction continued

out the final breakthrough on the 8.4-mile Northolt tunnel in June. The government has confirmed HS2 will be built to Euston and we are preparing to build the 4.5-mile tunnel that will take HS2 from Old Oak Common to the heart of the capital. Other major developments include starting to install the first platforms for high-speed trains at Old Oak Common station.

Stability and improved performance

The far-reaching changes we are making now – to the programme, our commercial contracts and our organisation – will bring certainty, improve performance and demonstrate to government, stakeholders and taxpayers that HS2 Ltd has the capability and capacity to safely deliver HS2.

On a personal note, I would like to put on record my thanks to Sir Jon Thompson, who stood down as chair in March. Sir Jon joined HS2 Ltd as a non-executive director in 2021, took on the role of chair in 2023 and led the organisation as executive chair for a year.

I would also like to pay tribute to the skilled teams who are working onsite, and in our offices, to deliver in-year and reset HS2. The commitment, hard work and professionalism of those 33,000 people are critical to unlocking the prize of economic growth and better journeys.

Mark Wild
Chief executive officer
High Speed Two (HS2) Ltd

Strategic Report

Business model

Remit and scope

HS2 Ltd is classified as a central government organisation by the Office for National Statistics and the HM Treasury classifications team. It has been administratively classified by the Cabinet Office as an executive non-departmental public body (NDPB). HS2 Ltd has been incorporated under the Companies Act 2006 as a company limited by guarantee with the Secretary of State for Transport as the sole shareholder.

HS2 Ltd has been established by the Department for Transport (DfT) to develop, build and bring into service HS2, a high-speed railway linking London and the West Midlands, allowing services to connect to the existing rail network to serve destinations further north.

HS2 Ltd is responsible for designing and constructing HS2's infrastructure, with a connection to the West Coast Main Line at Handsacre in Staffordshire.

The authority to build HS2 has been granted and construction is well underway. Main works construction officially started in 2020 and there are about 350 active sites across the route.

Due to the cancellation of Phase Two, HS2 Ltd is responsible for bringing this work to a stop in a safe and efficient way while ensuring value for money. It is waiting for instructions from government on future plans for land previously acquired on the former Phase Two route.

In March 2024, the Secretary of State for Transport announced the government's intention that the hybrid bill for the western leg of Phase 2b, linking Crewe to Manchester, be adapted to seek approval for part of the Northern Powerhouse Rail (NPR) route into Manchester. Government decisions to adapt the hybrid bill are still to be taken. Subject to those decisions, the DfT has instructed HS2 Ltd to act as the scheme promoter for the adapted hybrid bill for scope north of the parish of Millington and Rostherne for NPR.

The DfT is considering new delivery models for Euston and the option for a new delivery company to lead the scheme as part of a new approach to building HS2's Euston station and the redevelopment of the wider area. Financing mechanisms and the scope of the HS2 station are also under consideration. HS2 Ltd continues to carry out enabling works at Euston and supports the DfT in assessing options for the HS2 station and remains responsible for delivery of the section of HS2 route between Old Oak Common station and the approaches to the HS2 Euston station.

Relationship with the DfT

The relationship between HS2 Ltd and the Secretary of State for Transport (SoST, as represented by the DfT) is managed through the Framework Document and the Development Agreement. The Framework Document and the Development Agreement are key governance documents and should be considered together to understand the controls environment and the operational relationship between HS2 Ltd and its shareholder and sponsor.

The Framework Document

The Framework Document sets out the requirements and expectations on HS2 Ltd as an executive non-departmental public body and covers issues such as the appointment of the board, risk management protocols, expectations for financial management and controls on expenditure. The Framework Document sets out the requirement for HS2 Ltd to consider relevant government functional standards as appropriate.

The Framework Document was updated and published in August 2022 and can be found at: www.gov.uk/government/publications/hs2-ltd-framework-document-august-2022

Business model continued

The Development Agreement

The Development Agreement is the principal mechanism for managing the relationship between the SoST as funder and sponsor of the programme and HS2 Ltd as the special purpose vehicle formed by the SoST to deliver the programme.

Under the terms of the Development Agreement, the SoST's role is to:

- set the scope of the programme;
- provide the necessary funding to HS2 Ltd;
- be accountable for the business case and delivery of the benefits;
- be responsible for gaining the necessary acts of Parliament;
- own the relationships with ministers and government bodies; and
- decide how the railway will be operated.

Under the terms of the Development Agreement, HS2 Ltd's key responsibilities include:

- delivery of the railway;
- execution and completion of the works;
- acquisition, management and disposal of all interests in, or rights over, land;
- performance of specified functions;
- managing the operation of infrastructure;
- delivering core programme benefits that are allocated to HS2 Ltd in the benefits baseline for the relevant phase;
- ensuring station design takes account of the potential for future development and regeneration of adjacent local communities; and
- seeking to identify and secure continuous improvement opportunities.

In April 2024, the DfT formally notified HS2 Ltd that it was in performance default under the Development Agreement, as HS2 Ltd's forecast for the cost of completing HS2 exceeded the funding envelope for Phase One of HS2.

The DfT issued a bridging protocol to the Development Agreement, which took effect from 1 April 2025. The bridging protocol established control measures to ensure the programme is managed properly during the period when HS2 Ltd and the DfT work together to reset the programme. The protocol is temporary and will end when the SoST confirms HS2 Ltd is no longer in performance default.

The bridging protocol includes revised sponsor's requirements that formalise previous decisions by government to cancel HS2 Phase Two and amend delivery arrangements for the HS2 Euston station, as well as confirming the geographic scope of the railway between London and the West Midlands.

Company strategy

HS2 is a unique major government infrastructure programme. It provides a once-in-a-generation investment in the UK's transport infrastructure, building a new high-speed railway linking London and the West Midlands, connecting to the existing network to allow HS2 services to call at destinations further north. HS2 will significantly improve connectivity between London and the West Midlands, creating new jobs and homes around HS2 stations.

HS2 Ltd's purpose is to build the railway safely and on time, and ensure value for money for the taxpayer. The SoST has written to the chair of HS2 Ltd, making it clear that after safety, HS2 Ltd's primary objective is to deliver the remaining work for the lowest reasonable cost and bring the railway into service as an integrated part of the network, providing reliable and efficient journeys for passengers.

Business model continued

The SoST has commissioned Mark Wild, the CEO of HS2 Ltd, to assess the cost and schedule of the programme and the capability and culture of the organisation. This assessment will provide an action plan to reset the programme and deliver the remaining work as cost-effectively as possible, including advising on a realistic budget and schedule.

Corporate and business plans

The Framework Document requires HS2 Ltd to produce an annual Corporate Plan demonstrating how the railway is being delivered, including the key performance indicators (KPIs) and milestones against which performance is assessed annually. Due to the general election in July 2024, the process for agreeing the 2024/25 KPIs and Corporate Plan was disrupted, and the work paused. Ministers agreed to release HS2 Ltd from its requirement to produce a Corporate Plan for 2024 – 2027 and government-endorsed KPIs in 2024/25.

Business model and organisational development

HS2 Ltd's head office is in Birmingham and about two-thirds of the staff are based there. Most London-based staff are located at Euston.

Business model continued

Leadership Structure as at 31 March 2025

Chief Executive Officer — **Chief of Staff**

Chief People Officer	External Affairs Director	Chief Financial Officer	Chief Railway Officer	Civils Delivery Director	Stations Delivery Director	Systems Delivery Director	Rail Development Managing Director
People and Org. Development Director	Head of Strategy, Planning and Insights	Sponsorship and Shareholder Relations Director	Chief Engineer	Project Client - BBV	Old Oak Common Project Client	Track Programme Client	Head of Engineering and Development - Phase Two
Head of People Development and EDI	Head of Media Relations	General Counsel	Natural and Built Environment Director	Project Client - Align	Curzon Street Project Client	Power Programme Client	Head of Environment - Phase Two
Head of ER, IR and Employee Policy	Head of Public Affairs	Chief Information Officer	Integration Director	Project Client - SCS	Interchange Project Client	Light Systems Programme Client	Head of Commercial – Phase Two
Head of Reward and Payroll	Head of Digital Media and Content	Deputy CFO	Health, Safety, and Security Director	Project Client - EKFB	Euston Area Director	Rolling Stock and Washwood Heath Project Client	Head of Delivery - Phase 2a
Stakeholder, Skills and Inclusion Director	Head of Marketing Communications	Programme Controls Director	Operations and Maintenance Director	Delivery Services Director - Civils	Euston Partnership Managing Director	On Network Works Director	Head of Project Controls - Phase Two
Head of People Strategy and Insights		Procurement and Supply Chain Director	Programme Performance Director	Commercial Delivery Director - Civils	Commercial Delivery Director - Stations	Commercial Delivery Director - Systems	Head of Stakeholder, Skills and Inclusion - Phase Two
		Land and Property Director	Head of Technical Support Services	Project Controls Director - Civils	Project Controls Director - Systems and Stations	Delivery Services Director - Systems	Head of Network Rail Integration
		Head of CFO Office			Delivery Services Director - Stations	Alliance Independent Chair	Hybrid Bill Director

Financial Review
Company financial performance for the year ended 31 March 2025

HS2 Ltd is entirely funded by the DfT. The combined capital and resource expenditure in 2024 – 2025 was £6,938.2 million (2023 – 2024: £8,560.7 million). Capital expenditure primarily comprises the cost in the year of the London – West Midlands route.

The financial statements for the year ended 31 March 2025 show the following results.

- Capital expenditure: 6,870.2 million (2023 – 2024: £7,411.6 million).
- Resource expenditure: £68.08 million (2023 – 2024: £1,149.0 million).
- Net assets: £33,640.1 million (2023 – 2024: £26,599.5 million).

The decrease in capital expenditure reflects the programme of work delivered on main works civils following Notice to Proceed for the London – West Midlands route. The resource expenditure in year decreased compared with the previous year due to the cancellation in October 2023 of the route to Manchester, formerly known as Phase Two. The cancellation resulted in Phase Two expenditure being reported as resource (non-cash impairment) in 2023/24. The increase in net assets is driven by ongoing capital expenditure, as the railway infrastructure asset is measured at historic cost during construction.

A detailed account of HS2 Ltd's finances is provided in the financial statements (pages 85 to 116). The land and property acquired for the construction and operation of the railway is purchased by HS2 Ltd as agent for the SoST. It is recognised as assets in the DfT's financial statements and is not included in HS2 Ltd's financial statements.

Going concern

HS2 Ltd continues to deliver the scheme in line with the scope changes announced by the then government in October 2023 and the further announcement by the new government in October 2024 to commit funding to begin tunnelling to Euston. The revised scope is being incorporated into the Development Agreement, which details HS2 Ltd's role in developing, building and operating HS2. An updated Development Agreement will be agreed as part of the reset process and is expected to be published after Spring 2026.

In December 2024, the SoST presented a report to Parliament stating that HS2 is a "vital part of the government's mission to rebuild Britain". The development and delivery of the revised scope remains part of the government's wider rail agenda and is in line with the aims of the DfT as our sponsor.

HS2 is funded entirely by capital contribution from the DfT as provided by Section 6 of the Railways Act 2005, the High Speed Rail (Preparation) Act 2013 and section 63 of the High Speed Rail (London to West Midlands) Act 2017 and High Speed Rail (West Midlands to Crewe) Act 2021, and the funding provisions in the Development Agreement, Framework Document and annual delegation letters from DfT to HS2 Ltd.

HS2 Ltd has received confirmation of funding for the next five years as part of the government-wide Spending Review 2025 setting out funding to 2029/30. Additionally, no material uncertainties were identified in the going concern assessment. Therefore, it is considered appropriate to adopt a going concern basis to prepare these financial statements.

Highlights of the year

April 2024

The first sections of Curzon 3 viaduct, which will bring trains into Birmingham's Curzon Street station, are complete.

May 2024

Over half of HS2's bored tunnels are built between Birmingham and London – with 29 miles of total tunnelling complete.

June 2024

The finishing touches are made to the arch of the 1.5-mile Chipping Warden 'green' tunnel in Northamptonshire.

July 2024

A UK-first cantilever process was used to build the first span of the River Tame West viaducts in Warwickshire.

August 2024

The 3,700-tonne deck of Wendover Dean viaduct in Buckinghamshire is moved into position.

September 2024

The 2.1-mile Colne Valley viaduct becomes the UK's longest rail bridge after its final deck segment is installed.

Highlights of the year continued

October 2024

Work begins on installing 2,000 vertical concrete columns for the foundations of Birmingham's Curzon Street station.

November 2024

Over half the concrete needed for HS2's structures is poured – with one million cubic metres used.

December 2024

Mark Wild starts work as the new chief executive of HS2 Ltd.

January 2025

At the Kenilworth bypass in Warwickshire, 120 gigantic beams are installed at the 14,500-tonne box structure.

February 2025

Foundations for the Old Oak Common underground station box are completed, using 76,000 cubic metres of concrete.

March 2025

After its five-mile drive, tunnel boring machine Sushila is removed from Green Park Way vent shaft, west London.

Performance Review
Performance in 2024 – 2025

We set key performance indicators (KPIs) each year to monitor our performance against stretching key objectives. However, the process for agreeing the 2024/25 KPIs and Corporate Plan was disrupted, and the work paused, due to the general election in July 2024.

As a result, ministers agreed to release HS2 Ltd from its formal requirement to produce government-endorsed KPIs in 2024/25 and the Corporate Plan for 2024 – 2027.

Despite this, our purpose remains clear – to build the railway safely and on time, and ensure value for money for the taxpayer. The Secretary of State for Transport has been clear that after safety, our primary objective is to deliver HS2 for the lowest reasonable cost.

Health, safety and wellbeing

At the end of 2024/25, 33,000 people were part of the HS2 workforce, delivering more than 71 million hours of work in the year.

Nothing is more important than the health, safety and wellbeing of our workforce, and safety is our core value. It means caring for our workforce, future passengers and everyone affected by HS2. We continue to have large numbers of people onsite in high-risk construction environments. The risks inherent in major infrastructure programmes are heightened during the peak construction phase. Sadly, there were two non work-related fatalities last year involving supply chain colleagues travelling to work.

Despite the level of risk across the programme, we have seen a reduction in the number of injuries compared with the previous year, and we exceeded our target for health and safety performance. We achieved a final index of 2.54 against our Health and Safety Performance Index (HSPI) target of 2.20.

Construction performance

We achieved significant progress in civil engineering construction in 2024/25. The Colne Valley viaduct on the outskirts of London became the UK's longest rail bridge when we completed its deck in September 2024.

In the West Midlands, we completed the first of 13 viaducts that will make up the Delta Junction near Birmingham.

In west London, we successfully excavated the giant underground box at Old Oak Common as part of the new HS2 station. The vast structure includes a 1.1-mile concrete diaphragm wall and required digging out 1.3 million tonnes of London Clay.

As Britain's biggest infrastructure scheme, the scale of construction remains enormous. To date, we have completed nearly 40 miles of tunnelling, excavated 90 million cubic metres of earthworks, and completed and installed more than 1,200 viaduct segments along the route of HS2.

Performance Review continued
Performance in 2024 – 2025

Cost and productivity performance

While we have completed major construction works and achieved programme milestones, productivity is a key challenge for the programme.

We need to significantly boost productivity as delivery has not matched optimistic early expectations and the schedule has fallen out of sequence.

In April 2024, the DfT formally notified HS2 Ltd that the company is in performance default under the Development Agreement because the forecast for the cost of completing HS2 exceeds the funding envelope for the London – West Midlands scheme.

We are required to tightly control in-year financial budgets and are expected to not exceed the capital expenditure budget. Unfortunately, we ultimately overspent our in-year budget of £6.9 billion by £30 million, or 0.5%, which we only forecast in the final weeks of the year. The annual budget for 2024/25 was subject to uncertainties and volatility in our forecasts for main works civils contracts (MWCCs), which account for about 80% of the spend in the year.

The executive team recognises that an overspend against our target budget is unacceptable and we are strengthening the contract administration processes with our MWCC joint ventures and improving our financial controls month to month.

The budget position highlights the importance of intervening to reset the programme, drive productivity in the 2025/26 bridge year and better monitor performance by improving the controls environment.

Until we complete the reset and agree a new baseline for the budget and schedule, there will remain uncertainty on a realistic delivery into service date for the railway.

Environmental Sustainability Progress Report

HS2 Ltd's performance contributes to the DfT's Greening Government Commitments (GGCs) and we report against the requirements for our corporate activities in this section. The nature of HS2 means the targets of the GGCs do not apply directly to HS2 Ltd.

In addition to reporting on our corporate activities, we publish an Environmental Sustainability Progress Report (ESPR) each year to provide a full account of data for project delivery through our supply chain.

Our performance against the GGCs in 2024/25 is shown below. We also include other reporting requirements including Taskforce on Climate Related Financial Disclosures (TCFD) reporting from the HM Treasury Sustainability Reporting Guidance: 2024/25.

HS2 Ltd collates relevant quantities of data centrally, and consumption/generation data from HS2 premises. The data is submitted to DfT's diligent reporting portal, from which the emissions data is taken to use in our Annual Report and Accounts.

Environmental Sustainability Progress Report continued

GGC goal: Mitigating climate change – working to net zero by 2050

Emissions (CO_2e in tonnes)	**2024/25**	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Scope 1: Direct emissions	**153**	272	297	234	255	279	371
Gas	**153**	272	297	234	255	279	371
Fugitive emissions from air conditioning	**-**	-	-	-	-	-	-
Fleet	**0**	0	0	0	0	0	0
Scope 2: Indirect emissions (electricity consumption): Market-based	**498**	359	391	393	337	468	751
Electricity	**498**	359	391	393	337	468	751
Scope 2: Indirect emissions (electricity consumption): Location-based	**266**	205	216	231	234	345	557
Electricity	**266**	205	216	231	234	345	557
Scope 3: Indirect emissions	**311**	340	335	199	68	372	529
Domestic air travel	**1.4**	0.7	-	-	-	-	-
Rail / underground / tram	**139**	129.1	-	-	-	-	-
Bus / coach	**0.1**	0.1	-	-	-	-	-
Hire car use / taxi	**54**	77.7	-	-	-	-	-
Private vehicle – owned by staff	**68**	95.7	-	-	-	-	-
International rail travel / Eurostar	**-**	n/a	-	-	-	-	-
International air travel	**22**	16.1	-	-	-	-	-
Water supply	**1.1**	1.24	1.2	0.8	0.9	2.8	5.9
Mixed municipal waste – recycling – closed loop	**0.4**	0.59	-	-	-	-	-
Mixed municipal waste – energy recovery – combustion	**0.1**	0.5	-	-	-	-	-
Electricity	**24**	17.77	-	-	-	-	-
Total emissions (market-based method)	**962**	970	1023	826	661	1120	1652
Total emissions (location-based method)	**730**	817	848	664	558	996	1458

Environmental Sustainability Progress Report continued

Related consumption	2024/25	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Scope 1: Direct emissions							
Gas (kWh)	**838,241**	1,334,909	1,329,118	1,279,229	1,388,157	1,518,623	2,019,489
Scope 2: Indirect emissions							
Electricity (kWh)	**1,307,553**	992,127	1,109,370	1,119,679	1,032,207	1,278,207	2,014,070
Scope 3: Indirect emissions							
Domestic air travel (air miles)	**5,436**	2634	-	-	-	-	-
Rail / underground / tram (passenger miles)	**2,941,116**	2,263,395	-	-	-	-	-
Bus / coach (passenger miles)	**647**	704	-	-	-	-	-
Hire car use / taxi (vehicle miles)	**233,649**	342,810	-	-	-	-	-
Private vehicle – owned by staff use (vehicle miles)	**254,238**	356,766	401,186	169,645	33,689	30,476	40,184
International rail travel / Eurostar (passenger miles)	**0**	0	-	-	-	-	-
International air travel – short haul, economy (air miles)	**0**	75,274	-	-	-	-	-
International air travel – long haul, economy (air miles)	**0**	9,580	-	-	-	-	-
International air travel – short haul, premium economy (air miles)	**0**	0	-	-	-	-	-
International air travel – long haul, premium economy (air miles)	**116,648**	84,854	-	-	-	-	-
International air travel – short haul, business (air miles)	**0**	0	-	-	-	-	-
International air travel – long haul, business (air miles)	**0**	0	-	-	-	-	-
International air travel – short haul, first (air miles)	**0**	0	-	-	-	-	-
International air travel – long haul, first (air miles)	**0**	0	-	-	-	-	-

Environmental Sustainability Progress Report continued

Financial information	2024/25	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Gross expenditure on the purchase of energy	**£260,412**	£269,000	£393,000	£213,000	£156,000	£241,000	£198,000
Expenditure on accredited offset purchases	**£0**	£0	£0	£0	£0	£0	£0
Total expenditure on official business travel	**£1,737,764**	£1,873,000	-	-	-	-	-
Expenditure on reported areas of energy	**£260,412**	£269,000	-	-	-	-	-

We collect data on our corporate emissions and are working to reduce them. In 2024/25, we reduced our office footprint in both Birmingham and London through local consolidation. This left us with unused office furniture which has been reused across government departments. In 2024/25, we worked with our facilities management supply partner to identify ways to reduce emissions. It included upgrading lighting at Two Snowhill in Birmingham to more efficient LED, and work has started. Our environmental sustainability vision is to provide zero carbon rail travel for a cleaner, greener future. We report on our project carbon emissions and activities in the ESPR.

GGC goal: Minimising waste and promoting resource efficiency

Waste	2024/25	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Total waste generated (tonnes)	**85.88**	53.8	78	58	28	116	186
Waste recycled (tonnes)	**50.55**	28	50	30	14	57	119
Waste composted/food waste (tonnes)	**0.45**	0	0	0	0	0	0
Waste incinerated with energy recovery (tonnes)	**35.33**	23	28	28	14	59	66
Waste incinerated without energy recovery (tonnes)	**0**	0	0	0	0	0	0
Waste to landfill (tonnes)	**0**	0	0	0	0	0	1
ICT waste recycled, reused and recovered (externally) (tonnes)	**7.35**	2.8	-	-	-	-	-

Environmental Sustainability Progress Report continued

Financial information	**2024/25**	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Expenditure on waste disposal	**£73,547**	£97,779	-	-	-	-	-

Paper consumption (reams)	**2024/25**	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
A5	**0**	0	0	0	5	25	0
A4	**1050**	924	799	155	356	810	4755
A3	**0**	0	0	0	23	125	445

Our corporate waste data is shown above. In 2024/25, we did not send any waste to landfill. We continue to work towards the government commitment to remove all consumer single-use plastics with nearly all items removed from the estate. Where possible, all items are redistributed or reused including stationery and furniture. We meet the 2025 waste segregation requirements for food waste, dry mixed recyclables, general waste and glass waste in our offices.

GGC goal: Reducing our water use

Water	**2024/25**	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Estates water (cubic metres, m^3)	**10161**	6996	8074	5330	3075	8252	17033

We collect data on our water consumption and are working to reduce it. We report on water use in the ESPR.

Environmental Sustainability Progress Report continued

GGC goal: Procuring sustainable products and services

HS2 Ltd's strategic goals include creating an environmentally sustainable solution. This is embedded in environmental and social value policies in our procurement procedures. For example, during a procurement the procedures require: application of relevant Government Buying Standards; working with environmental subject matter experts to define and incorporate relevant sustainability requirements into specifications; use of Sustainability and Environmental Minimum Requirements Works Information where appropriate; consideration of whole life value; subsequent evaluation of tender submissions against agreed sustainability, environmental and social value criteria; and managing the contracts to ensure environmental, economic and social sustainability obligations are delivered.

GGC goal: Nature recovery and action planning

Our corporate estate is small and leased, so we have limited scope for nature recovery and biodiversity action planning. However, HS2 can have a significant effect on nature recovery and our ESPR sets out our biodiversity accounting data and activities on HS2's green corridor initiative.

GGC goal: Adapting to climate change

As a corporate entity, adapting to climate change is not a significant risk for HS2 Ltd. However, adapting to climate change is key to the design, construction and operation of the railway and we are undertaking extensive work in this area. We set out our approach in the fourth round of the climate adaptation reporting, which can be found at: www.gov.uk/government/publications/hs2-climate-change-adaptation-and-resilience-report

GGC goal: Reducing environmental impacts from Information and Communication Technology (ICT) and digital data reduction

Our information and technology strategy has sustainability as a core principle: "Sustainability is a key factor in all government projects to help meet our targets for net zero. We will prioritise technology choices, suppliers and solutions that help reduce carbon emissions, aiming to minimise our environmental impact while embracing innovative and efficient technologies."

We continue to reduce our environmental impact through several information and technology initiatives including the following.

- Office space rationalisation: As our organisation contracts, we'll reduce office space and associated hardware.
- No device refresh programme: We will use ICT hardware to end-of-life dates, swapping for existing spare hardware salvaged from office space rationalisation.
- Print removal: We've moved to a managed print solution but will continue to push towards a no-print culture, further reducing our environmental footprint.
- Data reduction programme: We're instilling a culture of data excellence, which covers storing data. We are removing a legacy file share solution and rationalising data.
- Application rationalisation: We're exploring opportunities to reduce our application portfolio. We will consolidate on fewer applications and reduce our environmental footprint with economies of scale.

Environmental Sustainability Progress Report continued

Sustainable construction

Sustainable construction is embedded in our way of working. We have rigorous requirements on our supply chain to build an environmentally sustainable railway. This is covered in more detail in our ESPR.

Environmental incidents

There were four corporate environmental incidents reported in 2024/25. They related to fly-tipping and pollution incidents on managed properties.

Task Force on Climate-related Financial Disclosures (TCFD) report

Climate change presents unprecedented challenges and the actions we take now will fundamentally affect our lives and the lives of future generations. We are committed to minimising HS2's carbon footprint, building a railway that is climate resilient and providing zero carbon journeys from day one of operation.

We have reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the public sector. These disclosures help organisations understand the financial impacts of climate-related risks and opportunities.

We believe climate to be a key risk to the business and the future operation of the new railway, and have complied with the TCFD recommended disclosures on:

- governance – recommended disclosures (a) and (b);
- risk management – recommended disclosures (a) to (c); and
- metrics and targets – recommended disclosures (a) to (c).

In the following table we have detailed progress relating to the risk management recommendations, as risk management is an ongoing process. We will continue to undertake further assessments to identify relevant climate-related risks including determining materiality and links with HS2's strategic risks to progress our disclosure under the risk management recommended disclosure (c).

We have detailed our progress on the metrics and targets recommendations with a focus on our targets for carbon reduction in the following table. We recognise the need to ensure HS2 is resilient to climate change. However, there is not a performance measure we can use in this critical area due to the nature of the topic. We continue to engage with industry bodies and working groups to address this gap and will highlight progress in future reporting periods.

We plan to provide recommended disclosures for strategy in future reporting periods in line with the central government implementation timetable.

Environmental Sustainability Progress Report continued

Governance	HS2 response	Cross-reference to other information sources
a) Describe the board's oversight of climate-related risks and opportunities.	The board sub-group, Environmental Sustainability Committee (ESC), has met quarterly to provide oversight on environmental sustainability, which periodically includes climate-related risks and opportunities. The Audit and Risk Assurance Committee (ARAC) supports the board by reviewing assurances throughout the company for risk management, assurance and internal controls. The committee meets every two months or as matters arise.	Annual Report and Accounts (2024/25) pages 42 to 62 ESPR (2024/25) page 8 HS2 Net Zero Carbon Plan (2022) page 13 HS2 Adaptation Reporting Power Fourth Reporting Round (ARP4) page 3 ESPR (2024/2025) pages 43 to 45
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Our carbon and climate change team ensures carbon reduction and climate change risk, adaptation and resilience is embedded across the project. The team develops guidance, policy, requirements and standards for addressing carbon and climate change risk in construction, design and operation, and raises awareness of climate change across the organisation. Risks identified in the climate change risk assessments are integrated in our management processes. Key developments and items for decision are presented to the ESC. Carbon and climate risks are managed through our risk management and opportunity realisation processes together with governance processes described above. The board provides oversight for making sure we achieve our carbon reduction targets. Our Carbon Steering Group (CSG) provides operational leadership and guidance to manage and improve the delivery of our net zero target.	HS2 Adaptation Reporting Power Third Reporting Round (ARP3) page 8 ESPR (2024/25) page 8 HS2 Net Zero Carbon Plan (2022) page 13

Environmental Sustainability Progress Report continued

Risk Management	HS2 response	Cross-reference to other information sources
a) Describe the organisation's processes for identifying and assessing climate-related risks.	We have implemented an enterprise risk framework in line with the ISO 31000:2018 standard. Risks are identified in relation to HS2 Ltd objectives for both programme delivery and railway operations. Environment and operational performance are two of the eight categories against which risks are assessed. Our risk framework allows us to consider climate from both near- and long-term perspectives. Our physical risk identification and assessment practices for climate adaptation are outlined in our adaptation reporting power (ARP) reports. While there are no existing and external regulatory requirements that we can apply to our risk assessments, we consider external requirements to be best practice. For carbon, we recognise the legislative commitment to reach net zero by 2050 (Climate Change Act 2008) and the associated carbon budgets. Meanwhile, our climate assessments consider the UK Government Climate Change Risk Assessments 2022 to ensure that relevant risk and opportunities for rail infrastructure and businesses are captured. Climate risk has been assessed throughout our planning and design stages. The HS2 Environmental Statements assessed climate and carbon-related risks spanning HS2 design, construction and operation. The assessments considered embedded mitigations in HS2 infrastructure and assets, and determined any potential significant effects. Our bespoke Climate Change Design Impact Assessment (CCDIA) assesses the physical risks for each asset and the associated design life in insolation. The methodology uses the latest quantitative UK climate projection (UKCP) data analysis, together with qualitative assessments of expert consultation, to determine the size and scope of climate-related physical risk. We require each contract to review CCDIA guidance and perform site-specific climate risk assessments, which are assured by our climate team in the submission of Climate Change Adaptation and Resilience Reports (CCARR). The CCDIA process ensures climate-related risks are identified, assessed and reviewed throughout programme design.	HS2 Adaptation Reporting Power Fourth Reporting Round (ARP4) HS2 Adaptation Reporting Power Third Reporting Round (ARP3)

Environmental Sustainability Progress Report continued

Risk Management	HS2 response	Cross-reference to other information sources
	Additionally, our Climate Change Resilience and Interdependencies Assessment (CCRIA) allows us to identify indirect physical risks on interdependent infrastructure and services. To date, our physical climate risk assessments have focused on informing design for the long-term operation of rail services. We are developing a comprehensive TCFD-aligned climate risk register, which will align our physical risk assessment to TCFD guidance of acute and chronic risks outlined in Table A1.1 of the HM Treasury guidance. This will be disclosed in future reporting rounds. We have developed an initial register of transition climate risks and opportunities across the project and operational railway to 2050. The identification of transition risks and opportunities were qualitatively assessed in line with the Enterprise Risk Framework, which applies likelihood and impact scoring and with examples in Table A1.1 and A1.2 of Annex A in the HM Treasury TCFD Guidance. Further work to develop a mature understanding of transition and physical risks aligned to the TCFD-framework will be disclosed in future reporting rounds.	
b) Describe the organisation's processes for managing climate-related risks.	Our risk management procedure provides a consistent approach for managing all risks, including those related to climate. High severity risks are reviewed monthly, with entire risk registers reviewed quarterly. A risk register structure allows risks to be escalated to a more senior owner if necessary to better manage it. This applies to our management of climate and carbon. Physical climate risks identified through our bespoke climate risk assessments are assessed using expert judgment and review, then captured on Xactium, our centralised risk management system. The process ensures risks are controlled and risk management is transferred to contractors. The management of transition risks, once assessment has been matured, will be consistent with our central risk management process outlined above.	HS2 Adaptation Reporting Power Fourth Reporting Round (ARP4) HS2 Adaptation Reporting Power Third Reporting Round (ARP3)

Environmental Sustainability Progress Report continued

Risk Management	HS2 response	Cross-reference to other information sources
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Managing uncertainty and risk is critical to our activities. We are committed to implementing an enterprise-wide approach to risk management, adopting best practice in identifying, assessing and managing uncertainty and risk. Our Enterprise Risk Management (ERM) framework, described in our Governance Statement provides integrated, consistent processes and systems for the systematic and proactive management of risk across the programme, including climate-related risks. Risk is reported monthly to a series of tiered governance forums, with key risks escalated through the structure as appropriate. This allows both oversight on the management of risk and ensures risk information is available to inform decision-making. The company's risk management documents and procedures provide clarity on risk identification, assessment and management. Risks are identified that could affect achieving HS2's objectives including understanding the source of risks, events and impacts, and identifying critical risks. The assessment of risks is based on our risk appetite, and consideration of environmental impacts (including climate consideration) is embedded in the assessment of all enterprise risks. For HS2, risk treatment is the process of developing strategic options and determining actions to realise opportunities and reduce threats to the objectives. Risk monitoring and review are a crucial part of this process.	Annual Report and Accounts (2024/25) pages 42 to 62

Environmental Sustainability Progress Report continued

Metrics and targets	HS2 response	Cross-reference to other information sources
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Our Environmental Policy provides a framework for environmental protection and management for HS2 and its operations. To guide and manage our potential environmental impacts, the policy sets out five objectives we will seek to achieve, including one focused on climate change. We will seek to minimise HS2's carbon footprint, build a network that is climate resilient for the long term, and deliver zero carbon journeys from day one of operation. We are seeking to halve HS2's whole-life carbon emissions. We will actively pursue the best affordable and cost-saving measures to meet our commitment to minimise HS2's carbon footprint while seeking to halve whole-life carbon emissions. We report our progress in meeting this target with current and historical emission data from across the project provided in our Environmental Sustainability Progress Report. We have achieved a 33.8% forecast reduction to date. HS2 has undergone significant scope changes following decisions made by the previous government, most notably the cancellation of Phase Two. This change and the reset of the programme mean we need to reassess our corporate carbon reduction strategy. We are reviewing and resetting our corporate carbon reduction plans and associated metrics. We recognise the need to ensure HS2 is resilient to climate change. However, there is not a performance measure we can use in this critical area due to the nature of the topic. During the design stage, we monitor the number of Climate Change Adaptation and Resilience Reports (CCARR) assured by the climate change team. HS2 designers and contractors are required to update CCARRs as the design stage develops or asset designs change. Due to the staging of contracts, no CCARRs have been submitted in the 2024/25 reporting year. We will continue to monitor this. We are industry sponsor for a cross-sector project led by the Rail Safety and Standards Board (RSSB) that aims to develop an appropriate metric for climate adaptation that can be used across the sector.	Environmental Sustainability Progress Report HS2 Net Zero Carbon Plan (2022) page 10

Environmental Sustainability Progress Report continued

Metrics and targets	HS2 response	Cross-reference to other information sources
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gases (GHG) emissions, and the related risks.	Scope 1, 2 and 3 GHG emissions, calculated in line with GHG Protocol, are provided in both the ESPR 2023/24 (supply chain) and Annual Report and Accounts 2024/25 (corporate).	Annual Report and Accounts (2024/25) pages 19 to 20
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We are seeking to halve whole-life carbon emissions, with this target linked to design and construction contractors meeting a 50% reduction against their baselines. To date, we've achieved a 33.8% reduction in carbon compared with baseline data. We are working with our contractors to further progress to the 50% reduction target. In line with HM Treasury approval, we will aim to ensure that 100% of rail operations are powered by zero carbon electricity from the start of operations. This target is set for the operational phase of the project and will be measured from the start of services. We report environmental progress each year in our ESPR. These reports will continue to show progress against our targets and commitments.	HS2 Net Zero Carbon Plan (2022) page 4

Non-financial information

Health, safety, wellbeing and security

We publish an annual review detailing progress against our health, safety and wellbeing commitments including case studies and performance information.

It is published to provide an update on progress in achieving our Health and Safety Strategy, which continues to put health and safety at the heart of our organisation.

As well as plans and progress, the documents reflect on innovations and lessons learned, in which the scale and breadth of our delivery activity has grown significantly.

We have seen the number of hours worked increase from 66 million in 2023/24 to 71 million in 2024/25. HS2 supports 33,000 jobs and we continue to have large numbers of people onsite in high-risk construction environments. The risks inherent in major infrastructure programmes are heightened during the peak construction phase. This year, it was with deep sadness that we recorded two non-work related fatalities involving supply chain colleagues travelling to work.

Working at height and lifting operations remain key risks, with emerging risks relating to mechanical, electrical and plumbing (MEP) fit out works.

Despite the level of risk, we've exceeded our target for health and safety performance. We achieved a final index of 2.54 against our Health and Safety Performance Index (HSPI) target of 2.20. We have seen a reduction in the number of injuries from the previous year, in line with the number of hours worked, from 497 to 470. Our Lost Time Injury Frequency Rate (LTIFR) allows us to benchmark our performance with others. Our LTIFR is 0.16, which has worsened on the previous year's rate of 0.14 at the end of March 2024. The number of LTI incidents increased from 89 in 2023/24 to 113 in 2024/25.

Health and safety statistics	2024/25	2023/24
Total RIDDOR* injuries	42	32
Total lost time injuries	113	89
Total injuries	470	497
Total near misses	573	631
Total observations	63,079	60,333
Total hours worked	70,955,840	65,642,349

Note: Some figures have been revised where we have been given additional information that has adjusted the category, where a late report has occurred or an investigation has concluded. Also, observation data has been revised to include only health and safety observations.
* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Physical security and protester activity

Illegal protests have reduced significantly since the High Court granted our application for a route-wide injunction in 2022. During 2024/25, there were few incidents, and as a result we applied to the High Court to have the injunction discharged. However, security measures continue to be used to deter illegal protesters and other criminal activity. We will seek to apply for a further injunction if we need to.

Theft, criminal damage, fly-tipping and other crimes continue but volumes are relatively low and map national trends. We continue to work with British Transport Police, Network Rail and the National Infrastructure Crime Reduction Group to mitigate the risks.

When we start installing rail systems, we will use design and site security to reduce the risks of theft, particularly of cable and metal. We will learn lessons from other projects and infrastructure providers.

Non-financial information continued

Progress on our Health and Safety Strategy

Our Health and Safety Strategy sets out our priorities for keeping everyone safe and well, and raising standards. Our approach is underpinned by our Safe at Heart philosophy, which is built on three pillars: I care; you count; we matter.

The strategy comprises seven risk focus areas and a suite of Safe at Heart commitments. Together, they set out where we can make the biggest improvements in performance.

Occupational health and wellbeing

Occupational health reporting: Through focused education campaigns, we have significantly improved our occupational health reporting metrics, which were much lower than safety reporting. We've gained valuable insights into the control and management of occupational health risks across our programme.

Fatigue study: We have successfully concluded a two-year fatigue study, collecting data from over 600 workers across 5,000 separate work days. The analysis of this data is now complete and we are implementing key findings to enhance worker wellbeing and performance.

Health principles development: We have developed two new health-related principles, focused on extreme heat management and hand-arm vibration control. The principles are being embedded across the programme to improve safety and wellbeing.

Workforce safety

Stored energy: Through our Stored Energy Working Group, we have focused on raising awareness of stored energy, which has been recognised by wider industry as a fatal risk area. We've produced an educational video and used lessons learned at HS2 to create guidance on cleaning out concrete lines for continuous flight auger piling. This guidance has been endorsed by the Federation of Piling Specialists and spread across the wider industry.

Supervisor development: In another industry first, all HS2's contractors collaborated to create a common set of supervisor development principles, which are being embedded across the programme to ensure consistently high standards of supervision.

Raising lifting standards: Building on the success of an earlier cross-programme event about lifting incidents, our Lifting Working Group spearheaded initiatives including Hands Off, Step Away, Safe Space, which brought HS2's lifting community and wider industry together to establish common industry standards and protocols.

Informed learning

The Core sharing platform: Focus this year has been on The Core as our sharing platform, capturing learning from bi-weekly construction calls as well as sharing lessons from incidents and best practice across the programme.

Non-financial information continued

Safe supply chain management

Helping potential suppliers meet our health and safety standards: As part of our drive to improve 'hot start briefings' and engage potential suppliers with our approach to health and safety, we developed an information pack introducing suppliers to the Health and Safety Strategy, setting out our expectations.

Supplier attitudes: We conducted a survey across 100 suppliers to assess their health and safety capabilities and experiences of delivering to HS2's high safety standards, as well as their understanding of our Health and Safety Strategy and our Safe at Heart philosophy.

Health and safety by design

Improving temporary works safety: As part of its Construction Design and Management (CDM) Principal Designer Improvement Plan, we have initiated a new RAG-related system of assessment for continuously measuring, tracking and reporting on contractors' temporary works performance across nine areas. The Routes to Green system has been welcomed, embraced and implemented across the programme, which is (as of March 2025) responsible for more than 25,000 temporary works across 350 sites.

Contractors have valued the insights into their practices and benchmarks against their peers and industry standards, as well as the transparency of the system. It has driven a 12% increase in the number of areas achieving a 'green' rating and a 100% decrease in 'red' ratings.

Safe transferral of risks: As the programme transitions from civils and stations construction to systems design and implementation, a formal process, methodology and common systems have been put in place for recalling residual CDM and Common Safety Methods (CSM) risks by asset to ensure safe transferral to railway systems contractors.

Sharing design-related learning and best practice: We are capturing design-related learning from incidents across the programme through our design forums and governance structure. We aim to share all design-related learning on our health and safety website, The Core, over the coming year.

Public and community

Improving our response to traffic complaints: Our public response team ran a workshop to identify how we can improve communication on the impact of traffic and transport to local communities. As a result, we are exploring the use of text alerts to our stakeholders to ensure communities are updated on road-related risks quickly and efficiently, providing real time updates. We aim to roll out the initiative in the coming year.

Improving road safety: Sadly, two members of the public were fatally injured in road traffic accidents and two supply chain employees died while travelling to their place of work. The fatalities have reinforced the importance of striving constantly to improve our safety record. As we reset this complex programme, we must remain safe at heart in everything we do and continue to learn lessons.

In the wake of the fatalities, we have launched initiatives to improve people's safety. We issued a Driving Safely, Safety Reflection pack to everyone working on HS2. Other measures included analysis with our contractors to understand the causes of the incidents, safer driving campaigns and improving our incident management framework and reporting procedures.

Non-financial information continued

Safe operations

Assuring safe operation and maintenance: Extensive work has been done to provide assurance to the Office for Rail and Road (ORR) that robust plans, procedures and processes are in place to ensure future maintenance and operation of the railway can be carried out safely.

Improving safety on bridges: The 150 overbridges that span HS2 pose safety risks to vehicle drivers and passengers, pedestrians and the railway below. We have improved the barriers to make them safer for everyone and prevent people falling or climbing on to the tracks. HS2 is the first programme to meet the new European Standard on Road Safety.

Sustaining our Safe at Heart commitments: Assurance and governance processes have been put in place to allow the operations and maintenance team to challenge infrastructure design which compromises our Safe at Heart commitment to protect the safety of our future operations and maintenance workforce.

Fraud, corruption and whistleblowing

We recognise fraud is a serious risk in construction projects and as the UK's biggest infrastructure programme this risk requires significant focus to protect public money. Our counter-fraud and business ethics function's objective is to prevent and investigate fraud, bribery and corruption and we act quickly if we detect suspicious activity.

During 2024/25, we invested increased resources to improve the outcomes and strengthen our management of fraud and error, bribery and corruption risk. We have a number of initiatives focused on improved prevention and detection, accelerating investigations and strengthening our fraud risk management assessment, together with meeting the requirements of the Government Functional Standard 013.

Our counter-fraud and business ethics function is a complementary team to our developing Actual Cost Assurance (ACA) Strategy, helping to ensure we spend the right money on the right people and things at the right time. ACA provides a framework for improving the way programme costs are assured, both within HS2 Ltd and our Tier 1 contractors, challenging the cost impacts of future management decisions, and providing the accounting officer with crucial evidence that costs are being controlled.

Prevention and detection

- We continue to promote our Speak Out whistleblowing policy to encourage employees, contractors and the public to report any suspicion or allegations of fraud and malpractice.
- We have improved access to supply chain data to increase transparency and deter fraud.
- We use proactive investigations to demonstrate our ability to combat and prevent fraud.
- We are using new technologies to improve efficiencies and detect fraud, error, trends and anomalies.
- We are refining our fraud indicators and algorithms, including the use of AI, to make further improvements.

For 2024/25, prevented, detected and recovered fraud and error figures were as follows[1].
The recovery of detected fraud and error will lag, with all reasonable steps being taken to recover identified amounts.

Prevented	Detected	Recovered
£4,540,335.86	£ 5,181,566.32	£2,417,291.90

The identified fraud and error forms part of the risk-based approach to minimise future losses, but it is not a representative basis to estimate total losses. As set out in the strategic risks and mitigations (pages 57 to 59), the areas of major spend at risk of significant fraud and error are during procurement and subsequent expenditure at the different levels of the supply chain. The company continues to

[1]Prevented fraud and error are ineligible claims for payment that are avoided.
Detected fraud and error is identified after payment has been made.
Recovered fraud and error is recouped after payment.

Non-financial information continued

develop its methodology, supported by additional supply chain data analytics, to provide an evidence-based estimate of the likely total level of fraud and error.

Investigations

- We have increased our capacity to investigate suspected fraud, bribery, corruption and other ethical issues identified through whistleblowing procedures and intelligence gathering.
- We are using more efficient fraud detection to target the right areas and cases.
- We are reviewing our investigatory processes and procedures to save time and drive faster outcomes.

In 2024/25, we received 160 whistleblowing concerns through our Speak Out function. This was a decrease of 13 on 2023/24. We closed 127 investigations during the year. Of these, 31 were substantiated and, where appropriate, the investigations have resulted in action being taken and a review of processes and procedures to mitigate ongoing risks. Whistleblowing concerns received during the period related to a wide range of matters, primarily related to fraud, bribery and corruption, conflicts of interest, and employee relations.

Fraud risk management

- We are reviewing our fraud risk assessments and controls to ensure we identify new risks and introduce measures to combat them.
- The counter-fraud and business ethics function is overseen by the chief financial officer and a senior officer, and is governed by the Audit and Risk Assurance Committee (ARAC).
- We continue to work with the Public Sector Fraud Authority, the DfT, other government bodies and the supply chain to identify opportunities to improve the detection, prevention and investigation of fraud and error, bribery and corruption.
- We are introducing initial fraud impact assessments in areas of major spend to enable evaluation of fraud risks at the earliest stage.
- We are revising our governance and reporting procedures to ensure our resources are used to target the right priorities and that we deliver value and positive outcomes.

By working proactively with stakeholders and improving detection, investigation and risk management, we will ensure our counter-fraud capability delivers accelerated outcomes aligned to our ACA strategy.

During 2025/26 HS2 Ltd has overseen Balfour Beatty VINCI's (BBV's) investigation following whistleblower reports concerning the employment status of workers supplied by the Danny Sullivan Group. As a result of the investigation, BBV has terminated its labour supply contract with the Danny Sullivan Group. HS2 Ltd is continuing to carry out further investigations into labour supply arrangements across the wider supply chain.

ARAC will continue to oversee the Counter-Fraud Transformation Plan as we complete an organisational restructuring to strengthen a new counter-fraud and investigations function. A new head of counter-fraud and investigations has been appointed. They have significant experience from leading economic, serious and organised crime at the Department for Works and Pensions.

Community engagement

Planning and building the railway is disrupting the lives of local people. We will always try to do the right thing and reduce disruption as much as we can. Our approach is set out in our community engagement strategy, Respecting People, Respecting Places. The strategy describes how we will inform, involve and respond to communities

Non-financial information continued

as we build the railway, and includes the commitments we will use as the basis to measure our performance.

Independent Construction Commissioner and Residents' Commissioner

The Construction Commissioner mediates and monitors how we manage and respond to construction complaints. The commissioner's reports and our responses can be found at: www.gov.uk/government/collections/hs2-independent-construction-commissioner

The Residents' Commissioner makes sure we fulfil the commitments we've made in the HS2 Community Engagement Strategy. The commissioner's reports and our responses can be found at: www.gov.uk/government/collections/hs2-ltd-residents-commissioner

In 2025/26, the work of the two HS2 commissioners will be combined into a single role.

Disclosure of confidentiality agreements

HS2 Ltd has committed to disclosing in the Annual Report how many confidentiality agreements it has entered into in the relevant period (1 April 2024 to 31 March 2025). HS2 Ltd enters into confidentiality agreements with a wide array of organisations and persons, often to allow the organisations and persons to provide it with information without the risk that such information will end up in the public domain. During the relevant period, HS2 Ltd recorded that seven confidentiality agreements were entered into by HS2 Ltd.

Information requests

HS2 Ltd's performance in meeting its obligations under the Freedom of Information (FOI) Act 2000 and Environmental Information Regulations (EIR) 2004 during 2024 – 2025 is set out here.

	FOI	EIR	FOI and EIR	Total
Requests received	78	260	0	338
Requests responded to on time	71	238	0	309
Requests responded to outside of statutory timeframes	7	22	0	29
Requests received in 2024/25 that remained open at the end of the reporting period	0	0	0	0

Section 172 (1) statement

This statement sets out that the directors of the company 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, as required under the Companies Act 2006.

In exercising their duties to promote the success of the company, the directors have considered:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

Further detail on how the directors have met these requirements are evidenced in the Environmental Sustainability Report, Community Engagement Report and key performance indicators sections of the Strategic Report, as well as in the Directors' Report and Governance Statement in the Corporate Governance Report.

Approved by the board on 25 June 2025
and signed on 07 July 2025 on its behalf by:

Mark Wild
Chief executive officer
High Speed Two (HS2) Ltd

Corporate Governance Report

Directors' Report

The directors present their report together with the financial statements of the company for the year ended 31 March 2025. The company is registered in England and Wales and has registration number 06791686.

Directors who have held office on the board between 1 April 2024 and 31 March 2025 are as follows.

- Joanna Davinson, non-executive director.
- Alan Foster, chief financial officer, executive director[1].
- David Goldstone, non-executive director (appointed 1 June 2024)[2].
- Elaine Holt (deputy chair), non-executive director.
- Stephen Hughes, non-executive director.
- Ian King, non-executive director[3].
- Dr Nelson Ogunshakin, non-executive director.
- Keith Smithson, non-executive director.
- Sir Jon Thompson (chair), non-executive director[4].
- Mark Wild, chief executive officer, executive director (appointed 2 December 2024).
- Emma Head, chief railway officer, executive director (appointed 1 July 2024).

Dame Judith Hackitt resigned as a non-executive director on 31 January 2024. She agreed to serve as independent chair of the Health, Safety and Security Committee from 1 February 2024 for an initial 18-month period to ensure the committee remains effective and meets best practice.

Roger Mountford resigned as a non-executive director on 18 May 2023. He agreed to serve as adviser to the board from 1 June 2023 for a period of two years, and is a member of the Commercial and Investment Committee.

1 Alan Foster was appointed interim chief executive officer and accounting officer on 9 September 2024, and chief financial officer and interim deputy chief executive officer on 2 December 2024.

2 David Goldstone is an HM Treasury nominee to the board.

3 Ian King is a SoST representative to the board.

4 Sir Jon Thompson resigned as interim executive chair on 8 September 2024 and accounting officer on 9 September 2024. He returned to his substantive role as non-executive director to 31 March 2025, when he resigned his position.

Conflicts of interest: The board

Board members update HS2 Ltd on conflicts of interest when they are appointed, and as and when they arise. All business interests are disclosed and recorded in the Register of Board Members' Business Interests, which is maintained and published periodically on the gov.uk website.

Should a conflict be identified, members are excluded from the affected part of the meeting and prevented from receiving any relevant materials where appropriate.

Duty to promote the success of the company

Through their roles, the directors act in line with their duty to promote the success of the company. The best interests of the company are paramount when decisions are taken by the board, and the directors also recognise their individual and collective responsibility to foster the company's business relationships with suppliers and other stakeholders through their decision-making. Further information is provided on the role of the board and board decision-making within the Governance Statement section and is also set out in the Framework Document which can be found at: www.gov.uk/government/publications/hs2-ltd-framework-document-august-2022

Principal activities

The principal activities of HS2 Ltd are set out in the Strategic Report under the business model section on page 9.

Dividends

As a company limited by guarantee it is not permissible to pay a dividend.

Directors' Report continued

Directors' third-party indemnity provisions

The government's standard indemnity for board members applies, as set out in Managing Public Money, Annex 5.4. This states: "The government has indicated that an individual board member who has acted honestly and in good faith will not have to meet out of his or her personal resources any personal civil liability, including costs, which is incurred in the execution or the purported execution of his or her board functions, save where the board member has acted recklessly."

Company policy on payment of creditors

HS2 Ltd complies with the Procurement Act 2023 requiring authorities to pay undisputed invoices within 30 days of receipt. Monitoring of payments made during the year ended 31 March 2025 shows that 93% of approved invoices were paid within 30 days of invoice received date (2023/24: 89%). No claims were made against HS2 Ltd in 2024/25 (2023/24: zero) for the late payment of invoices under the Late Payment of Commercial Debts (Interest) Act 1998.

Charitable and political contributions

During the year, HS2 Ltd made no charitable or political contributions. We have two charity partners that the company works with, and staff may use their volunteering days to support these charities. HS2 Ltd provides no financial contributions to either partner.

Likely future developments

Likely future developments are included in the business model section on page 9.

Disclosure of information to auditors

As far as the directors and the accounting officer are aware, there is no relevant audit information of which the auditors are unaware. The directors and accounting officer have taken all necessary steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by the board on 25 June 2025
and signed on 07 July 2025 on its behalf by:

Mark Wild

Mark Wild
Chief executive officer
High Speed Two (HS2) Ltd

Statement of Directors' and Accounting Officer's Responsibilities

Summary

The directors and accounting officer are responsible for ensuring the Annual Report and financial statements are prepared in accordance with applicable law and regulations and that proper accounting records are maintained that disclose, with reasonable accuracy at any time, the financial position of HS2 Ltd and which enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors and accounting officer 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.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of HS2 Ltd and of its income and expenditure, statement of financial position and cash flows for the financial year. In preparing accounts, the directors and accounting officer are required to comply with International Financial Reporting Standards (IFRS) and additional disclosure requirements contained in the Government Financial Reporting Manual (FReM), where these are compatible with the requirements of the Companies Act, and in particular to:

- observe the accounts direction issued by the SoST, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a consistent and reasonable basis;
- confirm that applicable accounting standards as set out in the Government FReM have been followed and disclose and explain any material departures in the financial statements;
- ensure that the Annual Report and Accounts are fair, balanced and understandable; and
- prepare the financial statements on a going concern basis.

The DfT's principal accounting officer, acting on behalf of HM Treasury, has designated the chief executive officer of HS2 Ltd as its accounting officer.[1]

This includes the responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding HS2 Ltd's assets, as set out in Managing Public Money published by the HM Treasury.

Fair, balanced and understandable requirement

The accounting officer confirms that the Annual Report and Accounts are fair, balanced and understandable, and takes personal responsibility for the Annual Report and Accounts and the judgments required for determining that they are fair, balanced and understandable.

[1] Sir Jon Thompson resigned as interim executive chair on 8 September 2024 and accounting officer on 9 September 2024. Alan Foster took on the role of accounting officer on 9 September 2024 until 2 December 2024 as interim chief executive officer, and as chief financial officer and interim deputy chief executive officer while a permanent appointment was being made. Mark Wild, chief executive officer, was appointed executive director and accounting officer on 2 December 2024.

Governance Statement

Accounting officer's introduction

Role of the accounting officer

The accounting officer's (AO) role is set out in the Framework Document. The AO signs the financial statements, supported by the board and Audit and Risk Assurance Committee, and ensures that proper records are kept and that the accounts are properly prepared and presented in accordance with directions issued by the SoST. The AO also signs the Strategic Report, the Directors' Report and the Remuneration and Staff Report on behalf of the board following board approval. The AO ensures that HS2 Ltd has effective complaints procedures. These are available at: www.hs2.org.uk/contact-us/how-to-complain/

The HS2 Ltd board

The board typically meets monthly, or otherwise as required. The role of the board is as follows.

- Ensure that HS2 Ltd delivers its obligations under the Development Agreement.
- Ensure effective governance of the company so that the company makes decisions at the right time and properly manages risks.
- Shape, challenge and direct the agenda for the company to ensure delivery of the strategic aims and objectives of HS2 Ltd.
- Monitor performance and risk, making choices or recommendations to ministers on the company's priorities and risk appetite to meet its strategic objectives.
- Oversee relations with stakeholders and commercial partners.
- Ensure HS2 Ltd delivers the core benefits of the programme and makes best efforts to deliver the wider benefits.
- Ensure that HS2 Ltd carries out the HS2 programme economically and efficiently, offering best value for money for taxpayer funds, and delivers to the defined schedule.

The non-executive directors of the board are appointed by the SoST as sponsor and sole member of HS2 Ltd. The HS2 Ltd chair and the non-executive directors are independent directors. The chief executive officer, chief railway officer and chief financial officer are executive directors.

Governance arrangements were reviewed by both the executive and the board – and adjustments have been implemented – in the reporting year.

Board commitment and attendance

Biographies of board members are published on the gov.uk website. The appointment and resignation or retirement dates of board members are set out below and details of their contractual commitments and remuneration are disclosed in the Remuneration and Staff Report on pages 63 to 73.

Governance Statement continued

Attendance at the board and committees

If a non-executive director's number of eligible meetings is showing lower than the total number of meetings convened during the period, this indicates membership changes during that time. It reflects the maximum number of meetings they could have attended.

Board Member	HS2 Ltd Board	Audit and Risk Assurance Committee	People Committee	Commercial and Investment Committee[6]	Health, Safety and Environment Committee[7]	Environmental Sustainability Committee	Finance and Performance Committee
	Number of meetings attended/Number of eligible meetings						
Joanna Davinson Non-executive director	9/10		9/9	6/7			4/5
Tom Harris Non-executive director[1]	2/3					1/1	1/2
Alan Foster Executive director	10/10	7/7	6/9	7/7	0/1	0/1	4/4
David Goldstone Non-executive director[2]	7/8	3/3					4/4
Elaine Holt Deputy chair and non-executive director	10/10		9/9		3/4		5/5
Stephen Hughes Non-executive director	9/10	7/7		7/7			5/5
Ian King Non-executive director	7/10		9/9			4/4	4/5
Dr Nelson Ogunshakin Non-executive director	8/10			5/7			3/5
Keith Smithson Non-executive director	9/10	7/7				4/4	5/5
Sir Jon Thompson Chair and non-executive director[3]	10/10		4/9				4/5
Mark Wild Executive director[4]	3/3				1/1	0/1	
Emma Head Executive director[5]	6/7				3/3	3/3	

[1]Tom Harris resigned as non-executive director on 30 June 2024.

[2]David Goldstone was appointed as non-executive director on 1 June 2024.

[3]Sir Jon Thompson resigned as executive chair on 8 September 2024 and resumed his role as non-executive chair on 9 September 2024. Sir Jon resigned as non-executive chair effective 31 March 2025.

[4]Mark Wild was appointed chief executive on 2 December 2024.

[5]Emma Head was appointed chief railway officer on 1 July 2024.

[6]Roger Mountford was appointed strategic advisor to the board on 1 June 2023 for a period of two years, and is a member of the Commercial and Investment Committee.

[7]Dame Judith Hackitt was appointed strategic advisor to the board and independent chair of the Health, Safety and Security Committee from 1 February 2024.

Notes: During 2024/25, the board was comprised of eight non-executive directors: Sir Jon Thompson (chair), Elaine Holt (deputy chair), Joanna Davinson, David Goldstone, Stephen Hughes, Ian King, Dr Nelson Ogunshakin and Keith Smithson.

Governance Statement continued

Changes to board membership

In the reporting year, the following changes were made to board membership.

David Goldstone, non-executive director, was appointed on 1 June 2024.

Tom Harris, non-executive director, resigned on 30 June 2024.

Sir Jon Thompson, non-executive director, resigned on 31 March 2025.

Mark Wild, chief executive officer, executive director, was appointed on 2 December 2024.

Emma Head, chief railway officer, executive director, was appointed on 1 July 2024.

Personal data related incidents

There have been no personal data related incidents requiring notification to the Information Commissioner's Office (ICO) in 2024/25.

Corporate governance principles

As a non-departmental public body, HS2 Ltd seeks to comply with the principles of HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice 2017.

Compliance with the UK Corporate Governance Code 2024

HS2 Ltd believe that adopting the principles of the UK Corporate Governance Code 2024 is a way of recognising and embedding best practice in corporate governance. In the event the company does not comply with the code, it should explain any non-compliance in this document.

The board considers that, for the financial year ending 31 March 2025, HS2 Ltd was compliant with the code, except for the following three provisions of composition, succession and evaluation provision, which do not apply to the organisation.

17: The provision states the board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession.

18: The provision states all directors should be subject to re-election and the board should set out the specific reasons why each director should be elected, outlining why their contribution is, and continued to be, important for the company's long-term success.

23: The provision states the role of a nomination committee concerning matters such as appointments, diversity and inclusion, gender balance and board evaluation.

In explanation, directors consider matters such as appointments, diversity and inclusion, gender balance and board evaluation to be within the remit of the People Committee and board. The creation of a nomination committee would duplicate the role.

All non-executive director appointments, extension or terminations are confirmed by the SoST as our company's sole shareholder. HS2 Ltd provides evidence to support why each non-executive director's contribution is important for the company's long-term success.

Although not compliant with these three provisions under principles J, K, and L of the code, HS2 Ltd adheres to the spirit of these principles. For the specific circumstances above, the approach serves as a justified alternative to full compliance with the provisions.

The board seeks to uphold the seven key principles of public life: selflessness; integrity, objectivity; accountability; openness; honesty; and leadership to deliver the long-term success of the company.

The composition of the board on 31 March 2025 is three executive directors and eight independent non-executive directors who have a range of appropriate skills and experience, with the SoST responsible for the appointment of the chair and non-executive board members.

As identified in the Framework Document, the SoST has delegated authority to the board to appoint

Governance Statement continued

up to three executive directors, in addition to the chief executive, to sit on the board. There are two executive directors on the board as well as the chief executive.

The remit of the board and the roles and responsibilities of its members have been clearly defined, including the role and responsibilities of the accounting officer.

An induction process is in place for new board members, in line with Cabinet Office and UK Corporate Governance Code guidance. It includes introductory meetings with the chair and directors, followed by briefings with the chief executive and other members of the executive and senior leadership team and key stakeholders from the DfT. Visits to key areas along the route are also arranged to provide visibility of work in progress and liaison with key stakeholders.

The chair continues to review board membership, composition and effectiveness to ensure it has the appropriate level of skills and experience for the programme, including actively seeking to improve diversity at board level.

Board decision-making

Effective, structured decision-making is crucial as the company builds the railway. In 2024/25, the board covered several regular agenda items including the following.

- Updates from the CEO.
- Updates from the chair.
- Updates from DfT senior responsible owner.
- Updates from each meeting of the board committees.
- Updates from health and safety, finance, human resources, land and property, programme review (including quarterly and annual business reviews), and environmental sustainability.
- Investment and change approvals.
- Approval of the Annual Report and Accounts.

Other key areas of consideration for the board during the financial year included the following.

- Review of the 2024/25 corporate key performance indicators.
- Review of strategic risks.
- Review of commitments and contingency provisions.
- Chief executive officer recruitment, remuneration and incentives.
- Executive incentive scheme.
- Health and Safety Strategy and progress.
- Programme reset: Revised baselines for Phase One and Phase 2a.
- Reputation planning and strategic communications approach.
- Systems and stations overview.
- Fiscal settlement and specific quarter forecast.
- Green asset management and maintenance.
- Phase Two closure implications.
- Phase One cost associated activities.
- MWCC commercial reset.
- Recommendation to award the Phase One railway systems contracts.
- James Stewart review.

Copies of the minutes of board meetings for 2024/25 are available at gov.uk

In addition to the board meetings, the board also attends informal briefings, giving members an opportunity to closely examine aspects of the programme before decisions are required.

Management information and quality of data

We have refreshed our strategic reporting, ensuring high quality management information continues to be supplied to the executive and board.

Governance Statement continued

At an operational level, our Power BI system remains the source of management information to support delivery and functional teams, integrating comprehensive data from both the supply chain and HS2 teams.

HS2 Ltd's management information and reporting arrangements are reviewed and improved to make the most effective use of our data and technology to better support delivery of the programme.

Board effectiveness

In light of significant changes to the organisation during this financial year, the board intends to schedule the external review planned for 2025 to be strategically timed to coincide with business reset activity and the onboarding of the incoming chair. This approach aims to deliver enhanced value for money while ensuring that the findings align with the external recommendations for improvement. We anticipate the outcomes of this external review will be published in the 2025/26 Annual Report and Accounts, providing stakeholders with insights into the organisation's progress and alignment with best practices. This strategy reflects our commitment to continuous improvement and accountability in response to the evolving landscape of our operations.

Board sub-committees

There are six sub-committees of the board with advisory or decision-making delegations, as set out in their terms of reference.

Audit and Risk Assurance Committee

Schedule

The Audit and Risk Assurance Committee (ARAC) held its initial meeting of the financial year on 9 April 2024. It met seven times during the year.

Composition and membership

The committee comprises three non-executive directors: Keith Smithson (chair from 10 October 2024), Stephen Hughes (chair before 10 October 2024) and David Goldstone. Other attendees, who present information and decisions for the committee to consider, varies depending on the agenda and business requirements. Attendance is also extended to the chief executive officer, chief financial officer and to the head of internal audit.

The National Audit Office is HS2 Ltd's external auditor and acts as both an attendee and observer of the committee. The Government Internal Audit Agency (GIAA) is HS2 Ltd's internal audit provider and has two people assigned to the committee who act as both attendee and observer.

Committee responsibilities

The board has delegated authority to ARAC for matters relating to risk, assurance and governance.

The committee reviews and challenges the executive on the strength of the control environment. The committee's remit is to advise the board and accounting officer in the following areas.

- The company's processes for risk, control and governance.
- The accounting policies and the Annual Report and Accounts of the organisation. This includes considering and challenging significant accounting judgments, levels of error identified, and management's letter of representation to the external auditors.
- The planned activity and results of both internal and external audit.
- Adequacy of management response to issues identified by audit activity, including the external auditors' management letter.
- Assurances relating to the corporate governance requirements for the organisation.
- Proposals for internal or external audit or risk management services, or for the purchase of non-audit services from contractors who provide audit services.
- Anti-fraud policies, whistleblowing processes and arrangements for special investigations.
- Review and challenge of the Management Assurance Statement (MAS) to DfT.

Governance Statement continued

In-year activity

The committee received finance and audit information reports at each meeting and provided oversight and direction on the standing items it is responsible for.

During 2024/25 the committee strongly challenged the executive to improve key areas of the control environment. The committee considered the following significant matters in the period:

- The impact on the financial statements of scope changes for Euston and Phase Two cancellation.
- The effectiveness of the counter-fraud and business ethics function's strategy and plans and the implementation of lessons learned from whistleblowing reviews.
- The development of the Actual Cost Assurance (ACA) Strategy and improvement plans for cost verification controls.
- The progress on implementation of HS2's cyber security maturity roadmap.
- The effectiveness of HS2's risk management function and risk transformation programme.
- The development and composition of the HS2 Ltd Integrated Assurance and Approval Plan (IAAP) for 2025 – 2028.
- The process and judgements applied in the assessment by management of the effectiveness of controls within the 2024/25 MAS to DfT.

Future committee activity

During the 2025/26 bridge year, the committee will continue to consider the standing items within its remit and provide challenge and oversight of the strengthening of the control environment through regular reviews of the implementation of the management's Controls Improvement Programme.

People Committee
(Known as Remuneration Committee to April 2024)

Schedule

The People Committee held its inaugural meeting of the financial year on 23 April 2024 as an extraordinary session. The committee convened nine times during the year.

Composition and membership

The committee comprises three non-executive directors: Elaine Holt (chair), Ian King and Joanna Davinson.

Committee responsibilities

The board has delegated authority to the People Committee.

The committee's remit is to provide advice on the organisation's people plans and strategies, and provide support and recommend issues to be escalated to the board. The committee's responsibilities include the following.

- Provide input to develop and approve HS2 Ltd's workforce, transformation and readiness strategies.
- Ensure robust plans are in place to develop and deliver an equality, diversity and inclusion (EDI) strategy.
- Receive required assurances that the action plans needed to deliver the strategies are implemented successfully.
- Consider the performance of People, Organisation and Communities, transformation and readiness activities. This includes leadership and management, culture, skills and capability development, performance management and reward.
- Approve the content and publication of associated workforce returns and national reports including gender pay gap reporting and the EDI Annual Report.

Governance Statement continued

- Be updated on workforce transformation and readiness programmes.
- Be notified of significant organisation changes, excluding those covered by the remit of the executive and senior managers.
- Note and/or approve new or significantly updated people policies and procedures.
- Consider the results of the annual staff survey, monitoring culture and culture change.

In-year activity

The committee received management information about our workforce at each session and provided oversight of its development.

With the agreement of the DfT and HM Treasury, the committee introduced a senior paybill cap to set a maximum total budget for senior staff salaries. The new approach will improve operational efficiency, provide better cost control and simplify governance to support delivery.

The committee oversaw the introduction of an annual incentive plan (AIP) for key members of the executive. The AIP payments are linked to achieving HS2's safety, cost and schedule targets, and individual KPIs. The committee supported the executive team's decision that there should be no award payments for the year.

The committee developed and approved several reward principles that will allow the organisation to attract and retain key talent while offering value for money to the taxpayer. Base pay salary ranges have been refreshed to make sure the reward strategy is both competitive and prudent.

The committee oversaw the Organisation and People Programme to deliver a significant organisational reshaping. It included a reduction of 236 roles and removing about 600 forecast roles.

Future committee activity

The committee is expected to provide oversight and strategic direction on the impact of the reset on the operating model and our workforce. In 2025/26, it is expected the board will consider rescheduling the committee to meet monthly, with a review of the committee's terms of reference, membership, remit and delegated authority during Q1.

Commercial and Investment Committee

Schedule

The Commercial and Investment Committee held its initial meeting of the financial year on 10 April 2024 and was convened nine times during the year.

Composition and membership

The committee comprises three non-executive directors: Stephen Hughes (chair), Dr Nelson Ogunshakin and Joanna Davinson. Roger Mountford was appointed as adviser to the board on 1 June 2023 for two years. Other non-executive directors with specific expertise are also invited to attend subject to agenda topics.

Presenting information and decisions for the committee to consider varied depending on the agenda and business requirement, and included executive directors, CEO, interim deputy CEO, interim CFO and delivery directors.

Committee responsibilities

The board has delegated authority to the Commercial and Investment Committee.

The committee supports the board in its responsibilities to manage the company's expenditure on capital works, services, land and property and monitoring the commercial environment and performance.

It serves an advisory function to enhance the board's scrutiny of major procurement, investment and change decisions. It reviews procurement and investment proposals – including major programme change proposals – in more detail, and at an earlier stage than the board, to assess the readiness of decisions for consideration by the board and ensure the board is presented with clear and well evidenced proposals.

The committee reports to the board on all matters it considers and identifies key issues for consideration

Governance Statement continued

by the board when proposals for investment, procurement or change are presented for the board's approval. The committee has scrutinised the following topics before submission to the board. The committee has also received delegations from the board to approve decisions for a more agile approach.

The formal remit of the committee is to advise the board and accounting officer on the following.

- Monitoring the executive's work on major contractual activities undertaken within HS2 Ltd to procure works, goods and services (including contracts entered into on a single-source basis), acquisition of land and property, other major investments, and reporting to the board on the effectiveness of the policies and procedures adopted. This includes reviewing the approach or strategy for major contractual activities (before the activities start) and making recommendations to the board on appropriateness of the approach proposed.
- Reviewing proposals from the executive on contracts for acquisitions of works, goods, services or other activities and approving or rejecting the proposals (to the extent they fall within the delegations granted to the committee by the board, as described in HS2 Ltd's Governance Policy).
- Reviewing proposals from the executive, and making recommendations to the board, on all contracts for acquisition of works, goods, services and other activities, with a value at or above the sums reserved to the board under HS2 Ltd's Governance Policy, including ensuring proposals are consistent with the agreed approach.
- Reviewing proposals from the executive on specific proposals to acquire, or dispose of, residential, commercial and other types of land or property, whether to be acquired, or disposed of, by HS2 Ltd or by the Secretary of State on the advice of the company, with a value at or above the relevant sums reserved to the board under HS2 Ltd's Governance Policy; and reviewing proposals from the executive, and making recommendations to the board, on all specific proposals for any major investment that is outside of the HS2 Ltd corporate strategy, with a value at or above the relevant sums reserved to the HS2 Ltd board under HS2 Ltd's Governance Policy.
- Reviewing proposals from the executive for 'change' decisions, as delegated by board in connection with main work civils where such decisions are >£50m, up to the limit of delegations given to HS2 Ltd by the DfT.

In-year activity

The committee has received supply chain management reports at each meeting, provided oversight and considered the following significant matters.

- Recommendation to award the Phase One railway systems contracts.
- The committee convened two special meetings to consider and advise on the rail systems contracts awarded by HS2 Ltd.
- Railway systems: train dispatch system – invitation to tender issue and approval of funding.
- Supply chain management information.
- Washwood Heath depot.
- Draft revised committee terms of reference.
- Procurement Act 2023 and key effects on HS2 Ltd.
- Green asset maintenance and management Invitation to Tender (ITT) approval.
- Rolling stock changes.
- Euston.
- MWCC reset.

Future committee activity

In 2025/26, the committee will continue to provide oversight and guidance to the executive management team and report and advise the board on matters within its remit and delegated authority from board.

Governance Statement continued

Health, Safety and Security Committee

Schedule

The Health, Safety and Security Committee held its initial meeting of the financial year on 9 May 2024 and convened four times during the year.

Composition and membership

During this period, the members included Dame Judith Hackitt[1] (chair) and non executive director Elaine Holt, along with the attendance of the chief executive.

Committee responsibilities

The Health, Safety and Security (HSS) Committee plays a crucial role providing independent assurance to the board on our arrangements for managing health, safety and security (HSS). The committee evaluates the adequacy and effectiveness of the company's corporate HSS policies and strategies. It ensures that principles, policies and practices are in place to meet statutory and regulatory requirements for health, safety and security in the company's operations and our supply chain partners.

The committee is also responsible for assuring the board that the executive team is managing HSS risks effectively. To fulfil its duties, the committee convenes bi-monthly and as issues requiring immediate attention occur. Each meeting features standing updates from senior leadership groups representing various sectors including delivery, civil engineering, station operations, technical services, Phase Two developments, land and property management, and initiatives relating to employee health and wellbeing. The committee frequently asks external guests to share insights, lessons learned and provide a diverse perspective on HSS matters, enriching the discussions and decision-making processes.

[1]Dame Judith Hackitt was appointed as independent chair of the Health, Safety and Security Committee for 18 months from 1 January 2024.

In-year activity

The committee has addressed significant issues including the following.

- A review of the Enterprise Health, Safety and Security Performance Report, assessing key performance indicators and overall effectiveness in managing HSS.
- Analysis of the Safety, Health, Wellbeing, Environment Leadership Team Working Group Progress Report, focusing on strategies to improve workplace health and employee safety.
- A detailed discussion on the Phase 2a Safe Shut Down Plan, assessing protocols and safety measures taken during the decommissioning phase.
- A review of the frontline Civils Supervisor Development Programmes and associated principles to ensure consistent standards in supervisor competency and development across HS2.
- Coaching skills and safety leadership among supervisors and maintaining standards in a changing and mobile workforce.
- A strategic review of the HSS Operational Plan for 2025/26, aligning resources and objectives with HSS goals.
- An update on rail safety systems, emphasising technological advancements and compliance with safety regulations.
- Continuous monitoring and review of the HS2 Health and Safety Performance Index (HSPI) to track progress and identify areas for improvement.
- Ongoing reviews of health and safety risks to adapt strategies in response to emerging challenges.
- An assessment of the Incident Management Framework to ensure effective response and resolution of health and safety incidents.

Governance Statement continued

In addition to these routine reviews, the committee has proactively commissioned detailed assessments and good practice sessions during the year. Some of the topics covered included:

- identifying hazards in civils delivery, specifically focusing on improved management and oversight of temporary works and on occupational health and wellbeing to promote a safe work environment; and
- establishing robust protocols for road traffic accident management, aiming to reduce incidents and improve emergency response strategies.

These initiatives reflect the committee's commitment to enhancing the organisation's health, safety and security framework, ensuring a safe and compliant working environment for all employees and partners.

Future committee activity

The 2025/26 bridge year will be an important transition year for the programme as we work towards the reset. Safety and productivity are priorities for the next 12 months as we establish a new baseline for cost and schedule. We will need to manage any new and emerging risks in addition to the challenges of the next systems-based phase of the project and the continued risks associated with ongoing heavy construction activity across multiple sites. We will aim to improve our health and safety performance and build a strong and safe foundation for the reset programme.

Environmental Sustainability Committee

Schedule

The Environmental Sustainability Committee held its initial meeting of the financial year on 10 May 2024 and convened four times during the year.

Composition and membership

During the most recent reporting period, the committee was chaired by non-executive director Ian King, with fellow non-executive director Keith Smithson participating as a member.

Committee responsibilities

The Environmental Sustainability Committee (ESC) plays a crucial role in the governance, oversight, and strategic direction of HS2, with a strong emphasis on ensuring the project's commitment to environmental sustainability is implemented.

The committee convenes quarterly, with special meetings called as necessary to address urgent matters. In addition to their expertise, the committee's membership includes executive directors from key areas such as the Railway Directorate, Civils, Development, and External Affairs. The ESC invites representatives from the DfT and reserves the right to invite external organisations such as the Environment Agency, Natural England, and the Committee on Climate Change. This allows the committee to benefit from expert insights and perspectives from outside the organisation, which can enrich decision-making.

The ESC is charged with governing and scrutinising the project's delivery of environmental sustainability. This includes a review of performance metrics, particularly those related to the supply chain, to ensure compliance with sustainability objectives. The committee also provides strategic guidance on how the project can realise broader environmental benefits, as detailed in the HS2 Benefits Register. Additionally, the ESC identifies and addresses strategic issues that could affect the successful achievement of environmental sustainability goals, and is responsible for overseeing the preparation and publication of the annual Environmental Sustainability Progress Report.

In-year activity

The committee has considered the following significant matters in addition to its standing items.

- A comprehensive review of HS2's contribution to biodiversity.
- An in-depth review of progress on planning consents and the strategy for bringing into use consents.

Governance Statement continued

- An analysis of government policy changes, their implications, and the evolving public perception about HS2 environmental initiatives.
- A progress report on public perception, gathered through stakeholder engagement and community feedback.
- An update on the management of the plant material supply contract, focusing on strategies for managing the anticipated surplus of plant materials for the planting season.

In addition to these items, the committee has undertaken in-depth reviews in several key areas, including the following.

- Monitoring carbon emissions, analysing data to ensure targets are met and identifying areas for improvement.
- A review of decarbonisation efforts, evaluating strategies implemented to reduce carbon footprints across all phases of the project.
- Monitoring carbon targets, ensuring alignment with regulatory requirements and industry best practices to achieve HS2's sustainability goals.

These initiatives demonstrate the ESC's commitment to promoting environmental stewardship and ensuring HS2 meets its sustainability objectives in a measurable and transparent manner.

Future committee activity

The committee will continue to undertake a comprehensive review of HS2's environmental commitments across civils and rail systems, with progress reporting. The committee will also focus on the following.

- Continued review of progress on planning consents and strategy for bringing into use consents.
- Ongoing analysis of government policy changes, their implications, and public perception of HS2's environmental initiatives.
- Review of biodiversity and decarbonisation efforts, assessing effectiveness of current strategies.
- Overview of the green corridor development, green asset handover and future asset management.

Finance and Performance Committee

Schedule

The Finance and Performance Committee held its initial meeting of the financial year on 23 April 2024 and convened five times.

Composition and membership

The committee comprised eight non-executive directors: Sir Jon Thomson (chair), Joanna Davinson, Stephen Hughes, Ian King, Dr Nelson Ogunshakin, David Goldstone, Elaine Holt, and Keith Smithson.

Attendance is also extended to the chief executive officer, chief financial officer and chief railway officer, and to other executives where appropriate for specific agenda items.

Committee responsibilities

The board has delegated authority to the Finance and Performance Committee.

Its remit is to scrutinise, for the board, the delivery of the HS2 core programme to scope, to budget and to schedule. Its specific responsibilities are as follows.

- Provide expert input to the board on the performance, finances and delivery of the programme.
- Provide oversight and scrutiny of non-financial and delivery targets for the programme.
- Scrutinise in-year financial or performance impact on estimated cost or schedule to complete.
- Scrutinise indirect costs to review how the executive management team is ensuring a "right-size" organisation.

Governance Statement continued

In-year activity

The committee received finance and performance management information at each meeting and provided oversight of its development. It considered the following significant matters.

- Schedule optimisation.
- Programme performance reviews and identifying areas for further attention and monitoring.
- Estimate at completion (EAC).
- Scope and funding.
- Rolling stock and rail systems.

The committee also received the following detailed assessments.

- Assessment on railway systems delivery integration across multiple contracts, including an assessment on integration milestones.
- Assessment of schedule optimisation, managing to earliest delivery dates while building the railway safely and ensuring value for money for the taxpayer.
- Detailed assessments on consents risk and KPI proposals, Old Oak Common station and rolling stock.

Future committee activity

With the programme reset underway, the work of the committee is evolving and its scope and remit is being reviewed to ensure it is fit for purpose and aligns with any changes in governance.

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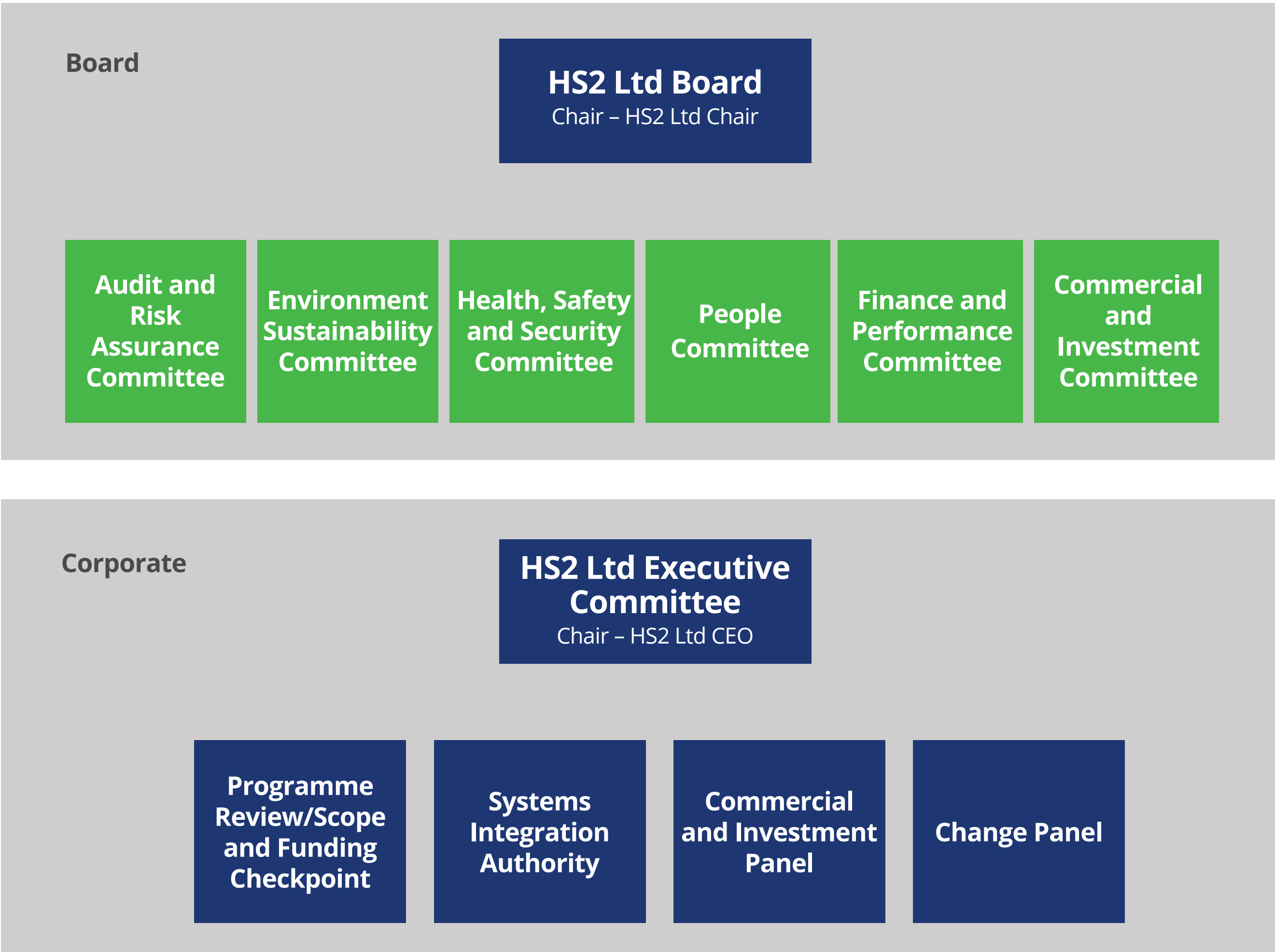
Governance structure

The diagram below shows the HS2 Ltd governance structure at board and corporate level as of 31 March 2025.



Governance Statement continued

Executive team

The executive team oversees the day-to-day management and operations of HS2 Ltd and in 2024/25 comprised the personnel listed in the table below. Unless otherwise stated, the relevant executive member served throughout the year. Executive structure as at 31 March 2025.

Executive in post (alphabetical order)	Position	Started	Ceased Role
Alan Foster	Chief financial officer		
Alan Morris	Civils delivery director	06 Jan 2025	
Emma Head	Chief railway officer		
Huw Edwards	Stations delivery director		
Iain Smith	Systems delivery director		
James Gray	External affairs director		
Mark Wild	Chief executive	02 Dec 2025	
Timothy Smart	Rail development managing director		
No longer in post (leave date order)			
Chris Rayner	Systems delivery director		31 Dec 2024
Jackie Roe	Civils delivery director		31 Jan 2025
Shira Johnson	Chief people officer		31 Mar 2025

Risk Management

We operate an enterprise risk management (ERM) framework that is aligned with HM Treasury Guidance, the Cabinet Office Framework for the Management of Risk in Government, ISO 31000:2018 Risk Management, and the COSO Enterprise Risk Management Framework (2017). Our approach reflects international best practice and supports the continual advancement of our risk management capability across HS2 Ltd.

The Risk Management Strategy, associated procedures and plans provide a professional and structured approach, outlining principles, accountabilities, responsibilities and methodologies for risk management across the organisation. Our strategy is firmly rooted in our risk appetite statement and evolves to reflect the strategic aims of HS2 Ltd.

Purpose

Risk management underpins the operation of HS2 Ltd and the delivery of the programme. It informs strategic decision-making, enables agility in our responses and provides assurance that risks are managed within defined appetites. We maintain a strong focus on the continual improvement of risk practices to support resilience, compliance and performance.

Applicability, implementation and resources

We acknowledge that our risk profile continues to evolve due to the programme lifecycle, transition into operations and dynamic external factors such as political, economic and environmental developments. We have strengthened our risk management capability by embedding a professional development roadmap for risk

Governance Statement continued

maturity, including adoption of recognised risk maturity models, capability-building programmes and regular risk leadership reviews. Our operating model ensures that risk exposure is proactively managed in line with strategic objectives.

Our collaboration with partners, stakeholders and the supply chain is embedded in our strategic risk processes, ensuring comprehensive identification, assessment and management of risks.

Corporate Governance Report

Our ERM framework integrates and monitors strategic, delivery and operational risks, aligning with the broader corporate control environment through our Risk – Control – Assure (RCA) approach. The RCA framework has matured significantly, linking risks directly to control frameworks and assurance activities. The RCA model reflects continual improvement with control effectiveness reviews, assurance mapping and data-driven risk insights enabling HS2 Ltd to anticipate, respond to, and manage risk exposures across all business areas.

HS2's strategic-level risks

Strategic risks are mapped across eight key categories:

- programme delivery
- integration
- supply chain
- government
- health and safety
- stakeholders and environment
- external events, and
- people.

The board and the executive continue to prioritise strategic risk management as a critical component of our governance. Each strategic risk has an appointed executive risk owner with defined mitigation strategies, performance indicators and assigned action owners.

Our strategic risk management process, embedded in the quarterly review cycle, is dynamic and forward-looking. It tests control effectiveness against defined appetites and identifies opportunities for strengthening management responses. Regular risk forums, leadership panels and board engagement ensure risks remain actively managed.

A strategic risk refresh was conducted and reviewed with the board in March 2025 to ensure alignment with the evolving operational environment.

There are nine strategic risks, with their cumulative impact assessed across cost, schedule, benefits realisation, stakeholder engagement and reputation. Strategic risk management is central to safeguarding the successful delivery of HS2 Ltd's objectives.

Continual improvement focus

Our commitment to continual improvement is evidenced by:

- adopting a formal Risk Maturity Roadmap aligned with COSO and ISO 31000;
- quarterly strategic risk horizon scanning and scenario analysis;
- regular capability assessments and risk culture surveys;
- expanding enterprise-wide risk training and professional development; and
- strengthening risk-informed decision-making across all levels of HS2 Ltd.

Professional risk management, rooted in recognised standards and tailored to HS2's unique challenges, remains a priority at the highest levels of leadership.

Governance Statement continued

Strategic risks and mitigations

Category	Key risks and uncertainties	Mitigations
Programme delivery	Cost control: HS2 Ltd is unable to control costs effectively due to factors including the complexity and scale of the programme, the limited risk re-allocation in the commercial frameworks, poor productivity and contractors' performance and challenges obtaining necessary consents.	• Full reset of the programme to establish new cost and schedule ranges, strengthening cost control and increasing productivity. • Implement a new Performance Measurement Plan process to improve management of contractors' in-year performance. • Complete the reset plan for baseline strategy to support a lifecycle funding agreement. • Implement robust cost validation and assurance processes across all construction contracts.
Integration	System integration: The organisation may be unable to achieve the timely integration of operations, maintenance, infrastructure, systems and rolling stock required to bring the railway into service.	• Complete ongoing operating model changes that drive integrated decision-making between technical, delivery and support functions. • Create a plan for delivery of functional requirements that is aligned with the minimum viable railway for each configuration state. Gain endorsement for plan at necessary governance level. • Implement the necessary plans to mitigate integration risks through appropriate staging of testing including the use of test areas and the temporary control facility.
Integration	Network integration: HS2 has an increased interface with the national rail network. This introduces additional integration challenges, dependencies and stakeholders, with the interface at Old Oak Common presenting particular complexities, for example, interface with the Great Western Main Line and the Elizabeth line.	• HS2 engagement with DfT plans on railway integration of national network. • HS2 membership of rail integration board (infrastructure management director). • Actively drive integration and cross-programme trade-off decisions through the programme integration unit, as part of the prime system integrator.

Governance Statement continued

Category	Key risks and uncertainties	Mitigations
Stakeholder	Government and stakeholder support: HS2 Ltd and the supply chain are unable to protect and build HS2's reputation with key audiences and promote the programme, encourage understanding and build the support, co-operation and advocacy to enable the delivery of HS2.	• Engagement programme with ministers and senior officials through chair, NEDs, CEO, DfT and HS2 Ltd sponsorship team. • Proactive ongoing engagement with supply chain to monitor, identify and plan response to areas of possible cost increases. • HS2 Ltd continues to provide high-quality scope advice to DfT that is clearly remitted to inform unambiguous and timely scope decisions by ministers.
People	Capability, knowledge and skills: There is a risk that we may not have the right organisational capability, knowledge and skills at the right time to be able to achieve multiple transitions in organisational capability and meet our milestones to deliver the end-state operational railway.	• A comprehensive review of HS2 Ltd's organisational culture and capability during the reset to rebalance resources across the organisation and strengthen frontline capability and capacity. • Readiness portfolio management to provide a process, framework and governance for the planning and delivery of organisational change. • Enterprise capability model and roadmap, with ongoing review to ensure present and future fit aligned with HS2's requirements.
Supply chain	Supply chain factors: Supply chain factors such as materials cost inflation, limited capacity and skills shortfalls could affect delivery to schedule and cost.	• Mitigate impact on main works civils contracts (MWCC) via the MWCC Collaboration Hub while designing new supply chain arrangements for systems and stations. • Comprehensive control environment with regular risk-based compliance reviews across procurements and contract management to measure compliance. • Supplier strategy for HS2's key suppliers to understand specific resource constraints or shortages in materials that affect each of the suppliers and their contracts.

Governance Statement continued

Category	Key risks and uncertainties	Mitigations
Supply chain	Fraud: As a high-profile infrastructure programme, it is likely that HS2 will be the target of fraud, bribery and corruption. A range of controls and mitigation are employed, but there is a residual risk that could result in additional costs being incurred and/or compromises to safety and reputational damage.	• Implement the Counter Fraud Transformation Plan and ACA Strategy during the bridge year, strengthening fraud and cost assurance capabilities. • Drive the Procure to Pay Control Frameworks while expanding data analytics to include both pre- and post-contract award data in the supply chain. • Robust controls in place for contract management and financial reconciliation and verification. • Well-publicised whistleblowing process, allowing staff and members of the supply chain to highlight concerns.
Supply chain	Procurement challenge: Legal challenge to procurement award decision or modification of an existing contract could add cost and delays to the critical path.	• Procure to Pay Control Framework with regular risk-based compliance reviews across procurements and contract management to measure compliance. • Applying lessons learned to set up systems supply chain for success. • Supplier strategy for HS2's key suppliers to understand specific resource constraints or shortages in materials that affect each of the suppliers and their contracts.

Governance Statement continued

Internal control and governance

In October 2024, the SoST announced plans to improve the governance and delivery of HS2. The SoST instructed a Major Transport Projects Governance and Assurance Review, led by senior infrastructure delivery adviser James Stewart. The independent review drew primarily on the experiences of HS2. It was part of the DfT's on-going work to learn lessons from HS2 and its other major projects such as Crossrail.

The review made a number of recommendations that HS2 Ltd and the DfT will implement during the 2025/26 bridge year as we reset HS2 and improve our controls environment.

In addition, the government has reinstated ministerial oversight of the project through Ministerial Taskforce Meetings to ensure greater accountability and scrutiny.

Our internal controls are designed to:

- assure delivery of our strategic goals and objectives in a compliant, effective and efficient manner; and
- safeguard the funds and assets of the organisation in line with HM Treasury's managing public money principles.

Our controls are designed to be risk-based, reviewed and proportionate to our risk appetite and risk tolerance. We have recognised there are areas where our performance has not matched our expectations, and new measures are necessary to improve our controls environment as an organisational priority. The executive has identified controls improvement as one of three strategic priorities for 2025/26 and we have integrated recommendations from the NAO's report on the cancellation of the Northern leg into these plans.

The ARAC reviews and challenges the executive on the strength of the control environment. During 2024/25, the committee challenged management to improve the effectiveness of key programme controls. A controls improvement programme has been developed by the executive. It includes actions from the Stewart Review and also focuses on key priorities including enhancing core programme controls, fraud detection and prevention, strengthening assurance, and undertaking a fresh approach to risk management. Throughout the 2025/26 bridge year, the strategic objective to strengthen HS2 Ltd's control environment will be reported and tracked by the Executive Committee and will continue to be overseen through ARAC and the board.

The integrated management system (IMS) defines our key control frameworks and sets out how we operate to achieve our objectives. Our policies, strategies, plans, processes, procedures, forms, work instructions and guidance documents are maintained in line with our quality and document control procedures.

The IMS helps to make sure that our activities are carried out in a consistent and efficient manner, complying with the DfT's requirements under the Development Agreement, other requirements arising from the Parliamentary process, and legal and regulatory requirements. An IMS improvement programme has been developed to ensure our control documents and frameworks remain fit for purpose.

The company maintains risk registers at corporate, programme, individual project and directorate levels. Our risk, control and assurance functions work together to support the company and the programme, providing monthly reporting and insights to help drive improved performance.

There are established processes for cost control and cost verification for the construction contracts. It includes validation and certification of monthly costs by our commercial team and technical experts. This is followed by a secondary, more detailed, independent assurance process to provide a retrospective review of costs and commercial challenge to suppliers. Any costs identified from

Governance Statement continued

this process as disallowable under the contract are credited by the supplier and removed from the asset under the construction balance. During 2024/25 we developed the Actual Cost Assurance (ACA) strategy to strengthen these cost control and verification processes and the ARAC will oversee the executive's implementation of this strategy in the bridge year.

The company's governance regime includes the HS2 Ltd board, board sub-committees, the Executive Committee, executive sub-panels and individual delegations, which are executed on a 'two–key' basis for a financial commitment. It ensures the right decision is made at the right time, with the best available information. Individual delegations are clear and have been structured to match role accountabilities.

Three lines of defence

We operate the three lines of defence approach as recommended by HM Treasury's guidance on assurance frameworks. The key elements and their application are outlined in the following table.

HS2 Ltd's three lines of defence model

Level	Operational assurance	Business assurance	Strategic assurance
Outcomes of assurance activity.	Oversight of right first time delivery, routine controls and process effectiveness.	Oversight of operational assurance and line management activities.	Independent assessment of the operating environment including governance, risk management, assurance and internal controls.
Who commissions the assurance activity?	Delivery functions line management.	Central functions and/ or specialist assurance functions.	Board or Audit and Risk Assurance Committee.
Who delivers the assurance activity?	Delivery teams and line management as part of business-as-usual controls and management monitoring.	Assurance practitioners, peer reviewers and/or external experts independent of the line management delivering the activity being assured.	Internal audit and external independent assurance providers.
Where are the outcomes of the assurance activity reported?	Management and leadership team meetings.	Management and governance panels.	Board and/or sub-committees including Audit and Risk Assurance Committee.
Examples of assurance activities.	Management assessments, surveillance and monitoring, compliance statements, management information and performance data, process evaluations.	Compliance audits, operational assurance effectiveness reviews, contract management reviews, IMS assurance reviews, management information and performance data, policy and standard reviews.	Internal audits, head of internal audit annual opinion, independent assurance panels, ISO certification.

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Integrated Assurance and Approvals Plan

Each year, the ARAC approve an Integrated Assurance and Approvals Plan (IAAP), which directs assurance activity of HS2 Ltd's internal control environment and key programme milestones. The IAAP defines the approved plan for the next 12 months, and an outline for the following six months, with the plan subject to review after the first six months.

Management assurance

HS2 Ltd completes an annual management assurance review to check the effectiveness of our systems of internal control. It identifies areas where controls may not be operating effectively and develops actions for improvement. Evidence is gathered from internal stakeholders across the organisation, subjected to a challenge panel of subject matter experts and executive members, and subsequently reviewed, challenged and endorsed by ARAC before receiving final endorsement from the accounting officer. This results in the production of a management assurance statement (MAS), which is signed by the accounting officer and sent to the DfT.

In 2024/25, our MAS return communicated that the executive was not satisfied with the effectiveness of the overall control environment. Of the 38 areas applicable to HS2 Ltd we assessed 19 as substantial, 12 as moderate, 3 as limited and 4 as unsatisfactory. Action plans are being developed for areas with ratings of moderate and below, with enhanced remediation plans for any areas rated limited or unsatisfactory.

Actions from the IAAP and the 2024/25 MAS have been mapped to show how they align to improve our controls environment during the bridge year.

Analytical modelling

Economic and commercial modelling remains essential to our work. It ensures the costs, benefits and revenues included in the HS2 business case are based on best evidence, including estimates of future transport demand. A register of business-critical models is maintained. Assurance of these models is undertaken in line with the DfT's Strength in Numbers analytical assurance framework and HM Treasury's The Aqua Book: Guidance on producing quality analysis for government. A report is submitted to ARAC each year.

Head of internal audit opinion

In their annual audit opinion for 2024/25, the head of internal audit provided a limited opinion on the governance, internal control and risk management arrangements. Their opinion recognised work carried out in-year by management to improve known and previously identified areas of weakness including cost risk management, efficiencies and undertakings and assurance.

However, further progress is needed, at greater speed, to enhance risk management, programme controls and an effective first and second line of defence across the business. Their opinion supports the bridge year priorities and the ARAC priorities to improve the controls environment. With effective tracking of management action to mitigate risks and a focus on improving internal control, the trajectory is positive.

External certifications

HS2 Ltd is certified to ISO 9001 (Quality Management), ISO 14001(Environmental Management) and ISO 45001 (Occupational Health and Safety Management) standards. The company is also certified to PAS 2080 (Carbon Management in Infrastructure), accredited by the Chartered Institute of Purchasing and Supply (CIPS) and the Association for Project Management (APM), and has achieved Clear Assured Platinum Standard accreditation for equality, diversity and inclusion.

We work with professional bodies, such as the APM and the Institution of Civil Engineers, as well as several capital project delivery organisations such as Network Rail and National Highways. This allows us to learn lessons from other major projects, collaborate and share good practice.

Remuneration and Staff Report

Summary

The Remuneration and Staff Report for HS2 Ltd includes the remuneration of members of the board. Changes in the composition of the board and a summary of its members' attendance at scheduled meetings in 2024/25 are shown in the Governance Statement on pages 43 and 44.

Remuneration policy

As an NDPB, we are required to apply the government's approach to public sector pay policy to ensure that pay awards are fair to public sector workers and the taxpayer. However, in recognition of the scale and complexity of the programme, HM Treasury has given us some flexibility to assist in the recruitment of a workforce with the skills and experience needed to manage the HS2 programme, while specifying clear limits and controls and added disclosures. In line with the government's policy on transparency, details are published of staff with salaries of more than £150,000 per year on the GOV.UK website at: www.gov.uk/government/publications/senior-officials-high-earners-salaries

Additionally, HS2 Ltd provides quarterly senior staff roles, as well as names and salaries for senior civil servants (or equivalent grades), in the published report at: www.data.gov.uk/dataset/5161398b-c0f9-45b9-8451-893face3a9ab/organogram-high-speed-2

Total remuneration: Directors (subject to audit)

Non-executive board members are contracted to work an average of two days per calendar month as a minimum. They are engaged on service contracts and are paid a fixed fee per day worked, or pro rata. The fee is set by the DfT. The travel expenses of board members are reimbursed in line with the rates allowed under our business expenses policy. All non-executive board members have fixed-term appointments.

There are three executive directors on the board. All three directors are salaried and have a performance related pay (PRP) element of their total remuneration which was agreed by SoST and CST.

The executive director receives any bonus entitlement, which is subject to performance bonus criteria being met, in the following financial year. Any payments are approved by the HS2 Ltd People Committee and are closely linked to the cost and schedule of the programme. The PRP scheme is built on the principles of market best practice.

The People Committee, which comprises three non-executive directors, has the role of approving for the executive directors:

- their performance objectives for the upcoming financial year;
- how each director has performed against such objectives – and the bonus they are entitled to; and
- any salary adjustment for each director.

Executive directors are permanent employees of HS2 Ltd. Their contracts of employment have no fixed end date, but certain termination provisions may be exercised, in certain circumstances on specified notice, by the director or HS2 Ltd respectively.

Non-executive directors are engaged under service contracts for a defined period of no longer than four years, on initial appointment. Certain significant events entitle the SoST to terminate the relevant service contract immediately, for example, the director becoming bankrupt. Otherwise, the SoST is required to give three months' notice of termination of such service contracts. Contract end dates for non-executive directors on the board as of 31 March 2025 are as set out in the table.

The executive directors are senior managers. It is HS2 Ltd's policy for six-month notice provisions to apply in such circumstances. If any redundancies must be made, HS2 Ltd may pay statutory redundancy terms only. Where appropriate, HS2 Ltd is also entitled to pay salary in lieu of the notice period.

Remuneration and Staff Report continued

Non-executive directors during 2024 – 2025

Board member	Name	Title	Appointment date	Re-appointment date/due date	Appointment end date
Non-executive chair	Sir Jon Thompson	Chair	1 Feb 2023[1]	31 Mar 2024 Superseded by 12-month fixed term appointment for executive chair role starting 13 Sep 2023. Returned to non-executive chair role on 9 Sep 2024 prior to leaving 31 Mar 2025.	31 Mar 2025
Executive chair		Executive chair	13 Sep 2023		8 Sep 2025
Non-executive director	Ian King	N/A	1 Jul 2020	1 Jul 2023 Re-appointment 1 Jul 2023 – 30 Jun 2027	30 Jun 2027
Non-executive director	Tom Harris	N/A	1 Jul 2020	30 Jun 2021 Re-appointment 1 Jul 2021 – 30 Jun 2024	30 Jun 2024
Non-executive director	Elaine Holt	N/A	1 Jul 2020	30 Jun 2023 Re-appointment 1 Jul 2023 – 30 Jun 2027	30 Jun 2027
Non-executive director	Stephen Hughes	N/A	1 Apr 2019	31 Mar 2023 Re-appointment 1 Apr 2023 – 31 Mar 2026	31 Mar 2026
Non-executive director	Joanna Davinson	N/A	1 Jun 2023	31 May 2026	31 May 2026
Non-executive director	Keith Smithson	N/A	1 Jun 2023	31 May 2026	31 May 2026
Non-executive director	Dr Nelson Ogunshakin	N/A	1 Oct 2023	30 Sep 2026	30 Sep 2026
Non-executive director	David Goldstone	N/A	1 Jun 2024	31 May 2027	31 May 2027

1. Sir Jon Thompson was appointed non-executive director from 1 April 2021.

Remuneration and Staff Report continued

Board members pay during 2024 – 2025 (subject to audit)

	Fees and salary (£)		Bonus Payment (£)		Taxable Benefit (£)		Pension Benefit (£)		Total (£)		Board Role
Full name	**2024/25**	2023/24	**2024/25**	2023/24	**2024/25**	2023/24	**2024/25**	2023/24	**2024/25**	2023/24	
Mark Wild	**193,077**	-	**-**	-	**17**	-	**19,308**	-	**212,402**	-	Chief executive – joined 2 Dec 2024
Alan Foster	**137,718**	306,176	**37,125**[1]	-	**1,048**	983	**13,772**	25,790	**189,663**	332,949	Chief financial officer – 1 May 2023 to 8 Sep 2024 with additional duties 1 Jan 2024 to 30 Jun 2024
Alan Foster	**87,724**	-	**-**	-	**17**	-	**8,772**	-	**96,514**	-	Interim CEO – 9 Sep 2024 to 1 Dec 2024
Alan Foster	**111,157**	-	**-**	-	**23**	-	**11,116**	-	**122,296**	-	Chief financial officer and interim deputy CEO – 2 Dec 2024 to present
Emma Head	**202,501**	-	**-**	-	**51**	-	**24,300**	-	**226,852**	-	Chief railway officer appointed 1 Jul 2024
Ian King	**33,250**	32,838	**-**	-	**-**	63	**-**	-	**33,250**	32,901	Non-executive director
Elaine Holt	**79,325**	68,163	**-**	-	**3,883**	1,667	**-**	-	**83,208**	69,830	Non-executive director
Stephen Hughes	**22,800**	22,800	**-**	-	**582**	789	**-**	-	**23,382**	23,589	Non-executive director
Joanna Davinson	**24,700**	21,488	**-**	-	**-**	113	**-**	-	**24,700**	21,601	Non-executive director
Keith Smithson	**37,050**	31,291	**-**	-	**1,682**	653	**-**	-	**38,732**	31,944	Non-executive director
Dr Nelson Ogunshakin	**23,750**	11,400	**-**	-	**-**	-	**-**	-	**23,750**	11,400	Non-executive director
David Goldstone	**38,000**	-	**-**	-	**70**	-	-	-	**38,070**	-	Non-executive director – joined 1 Jun 2024

1. The bonus paid to Alan Foster in 2024/25 was awarded for performance against objectives in 2023/24.

Remuneration and Staff Report continued

Directors who left the board during 2024 – 2025 (subject to audit)

	Fees and salary (£)		Bonus Payment (£)		Taxable Benefit (£)		Pension Benefit (£)		Total (£)		Board Role
Full name	**2024/25**	2023/24	**2024/25**	2023/24	**2024/25**	2023/24	**2024/25**	2023/24	**2024/25**	2023/24	
Tom Harris	**6,650**	25,650	**-**	-	**211**	3,365	**-**	-	**6,861**	29,015	Non-executive director – left 30 Jun 2024
Sir Jon Thompson	**231,026**	401,226	**-**	-	**34**	964	**23,103**	30,012	**254,163**	432,202	Interim executive chair – 13 Sep 2023 to 8 Sep 2024
Sir Jon Thompson	**157,231**	-	**-**	-	**3,612**	5,157	**-**	-	**160,842**	5,157	Non-executive director – chair 9 Sep 2024 to 31 Mar 2025. Left 31 Mar 2025

Notes

1. For all non-executive directors, full-year equivalent is £22,800. Amounts shown include additional days worked.
2. Mark Wild joined as chief executive on 2 December 2024. Full-year equivalent salary of £600,000.
3. Additionally, Mark Wild receives a payment in lieu of pension. This is shown under pension benefit. Full-year equivalent of £60,000. Mark Wild is also eligible to receive a performance-related payment for performance in the financial year. If criteria is met, this will be paid in the following year.
4. Alan Foster joined the board on 1 May 2023 as an executive director on HS2 Ltd's payroll as chief financial officer. His full-year equivalent for 2024/25 equated to £299,750. Before this in FY 2023/24, his full-year equivalent was £275,000. Alan Foster took on additional duties between 1 January 2024 to 30 June 2024, receiving a full year equivalent allowance of £27,500 for these additional duties, which is included in fees and salary.
5. Alan Foster took on additional duties as accounting officer between 9 September 2024 to 30 November 2024, receiving a full-year equivalent allowance of £74,937 for these additional duties, which is included in fees and salary.
6. Alan Foster was appointed chief financial officer and interim deputy CEO on 2 December 2024 until present, receiving a full-year equivalent allowance of £44,962 between 1 December 2024 and 28 February 2025.
7. Emma Head was appointed chief railway officer on 1 July 2024. Full-year equivalent salary of £270,000.
8. David Goldstone joined the board as non-executive director on 1 June 2024.
9. Tom Harris, non-executive director, left the board on 30 June 2024.
10. Sir Jon Thompson was appointed interim executive chair from 13 September 2023 to 8 September 2024, receiving a full-year equivalent as executive chair of £530,000. Sir Jon Thompson returned to the non-executive chair role on 9 September 2024, receiving a full-year equivalent as non-executive chair of £280,000.
11. Sir Jon Thompson, non-executive chair, left the board on 31 March 2025.
12. During 2024/25 Dame Judith Hackitt received total payments of £22,800 for her role as independent chair of the Health, Safety and Security Committee.
13. During 2024/25 Roger Mountford received total payments of £26,600 for his role as a member of the Commercial and Investment Committee.

Pension entitlements

Employees of HS2 Ltd are eligible to participate in a defined contribution pension scheme, in which the company matches the employee contributions rate on a 2:1 basis to a maximum of 6%, which means the maximum employer contribution is 12%. The HS2 Ltd pension scheme is managed on the company's behalf by Legal & General Ltd. For the year ended 31 March 2025, employers' contributions were £15.7 million (2023/24: £15.3 million).

Staff on secondment from DfT and other government entities are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSoP) – known as 'alpha'. The scheme is an unfunded defined benefit scheme and liability rests with their employer, and not HS2 Ltd. Staff on secondment from other commercial entities are covered by the provisions of that entity's scheme, where applicable, and liability rests with the seconding company and not HS2 Ltd.

Payments under compensation schemes – exit packages

HS2 Ltd has delegated authority from the DfT, set out in its Framework Document, for termination/ exit payments up to but not exceeding £95,000 without approval from SoST and Chief Secretary to the Treasury where required. The cost of exit payments includes payments in lieu of notice paid for contractual notice periods.

Remuneration and Staff Report continued

Statutory redundancy payments 2024 – 2025

No external approval is required for redundancies made on statutory terms. The payments for statutory redundancy payments are included toward the payments under compensation scheme table below. Total amount and number of statutory redundancy payments are disclosed below:

Redundancy type	Number of redundancies	Redundancy Total
Compulsory	27	£102,949.31
Voluntary	31	£160,752.95
Total	58	£263,702.26

Enhanced redundancy payments

No enhanced redundancy payments were made during 2024/25.

Relocation payments

HS2 Ltd did not make any relocation payments to employees during 2024/25.

Payments under compensation schemes – exit packages – and statutory redundancy payments (subject to audit)

	Number of compulsory redundancies[1]		Number of other departures agreed[2]	
	2024/25	2023/24	**2024/25**	2023/24
<£10,000	**2**	-	**20[4]**	12
£10,000 - £25,000	**16**	4	**18[5]**	4
£25,000 - £50,000	**2**	-	**8[6]**	1
£50,000 - £100,000	**7**	2	**13[7]**	6[3]
£100,000 - £150,000	**-**	-	**-**	-
£150,000 - £200,000	**-**	-	**-**	-
£200,000 - £250,000	**-**	-	**-**	-
£250,000 - £300,000	**-**	-	**-**	1
Total number of exit packages	**27**	6	**59**	24
Total cost	**£845,886.74**	£180,973.20	**£1,630,631.12**	£869,683.73

[1]Costs include redundancy payments made on statutory terms and payments in lieu of notice (PILON) paid for contractual notice periods.

[2]Costs include permitted exit payments and PILON paid for contractual notice periods.

[3]Figure includes one redundancy made under statutory redundancy payment.

[4]Figure includes two statutory redundancy payments.

[5]Figure includes ten statutory redundancy payments.

[6]Figure includes eight statutory redundancy payments.

[7]Figure includes eleven statutory redundancy payments.

Remuneration and Staff Report continued

Fair pay disclosures (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation to the median, 25th and 75th percentile remuneration of the company's workforce.

The total annualised remuneration of the highest paid director of HS2 Ltd on 31 March 2025 was £661,088, which was 9.1 times the median salary of the workforce. The median is determined as the mid-point of all salaries comprising employees, secondees and temporary staff. HS2 Ltd continued to have normal activity of attrition / attraction / promotions during the financial period, all of which are reflected in the median pay change.

The chief executive joined the company during the financial year. The amount shown for the highest paid director and ratios reflect the full-year equivalent at 31 March 2025.

Total remuneration includes annualised salary, performance-related pay and taxable allowances. It does not include employer pension contributions or the cash equivalent transfer value of pensions.

No employees, secondees or temporary staff have received remuneration in excess of the highest paid director in the year (2023/24: none). Actual staff remuneration on an annualised basis for full-time work on 31 March 2025, including the highest paid director, ranges from £26,500 to £661,088 per year (2023/24: £24,500 to £530,933, including the highest paid director).

Year	Highest paid director	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024/25	**£661,088**	**12.6**	9.1	**7.0**
2023/24	£530,993	10.2	7.4	5.6
2022/23	£676,763[2]	13.0	9.5	7.2
2021/22	£618,144[1]	11.9	8.8	6.8
2020/21	£510,832[3] (£621,064)		7.4 (9.0)	

[1]Highest paid director did not receive a bonus for 2023/24.

[2]Highest paid director received a bonus for 2022/23.

[3]Highest paid director took a voluntary pay reduction in 2020/21. Pay and ratios without this reduction is displayed in brackets.

Year	Pay category	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024/25	**Total pay including benefits**	**£52,657**	**£73,008**	**£94,629**
	Salary component	**£52,153**	**£71,160**	**£91,111**
2023/24	Total pay including benefits	£52,210	£71,737	£94,501
	Salary component	£51,460	£69,902	£89,034
2022/23	Total pay including benefits	£52,175	£71,232	£94,504
	Salary component	£50,367	£67,687	£85,000

Remuneration and Staff Report continued

Year	Pay category	Highest paid director % change	Mean % change[3]
2024/25	**Salary and allowances**	**24.5%**	**0.5%**
	Performance pay and bonuses	**0%**	**n/a**
2023/24	Salary and allowances	(-21.7%)	(-0.3%)
	Performance pay and bonuses	(-100%)[1]	n/a
2022/23	Salary and allowances	3.1%	1.4%
	Performance pay and bonuses	100%[2]	n/a
2021/22	Salary and allowances	21.9%	(-0.6%)
	Performance pay and bonuses	n/a	n/a

[1]Highest paid director did not receive a bonus for 2023/24.

[2]Highest paid director received a bonus for 2022/23.

[3]Average percentage change from the previous year in respect of employees of the entity taken as a whole.

Staff numbers and costs

Audited staff numbers and costs are in Note 4 of the Financial Statements on page 100. Permanent staff turnover for the period 1 April 2024 to 31 March 2025 was 15%.

Staff composition 2024 – 2025

The overall proportion of female staff on 31 March 2025 was 36% compared with 37% reported on 31 March 2024. The figures below for staff composition include non-executive directors and contingent resource toward the figures shown. Additionally, we collect and monitor HS2 Ltd employee diversity and representation. This is reported externally through our annual EDI report and in our corporate key performance indicators.

Staff composition 2024 – 2025

Level	Male	Female	Total
Director	9	3	**12**
Senior manager	249	76	**325**
Employee	1,063	672	**1,735**
Total	**1,321**	**751**	**2,072**

Staff composition 2023 – 2024

Level	Male	Female	Total
Director	8	3	**11**
Senior manager	252	74	**326**
Employee	1,042	691	**1,733**
Total	**1,302**	**768**	**2,070**

Notes

Directors are board members, including executive directors and non-executive directors.

Senior managers are any staff member not on the board who is Civil Service grade equivalent: SCS1 to SCS4.

Employees are any staff member below SCS1.

Remuneration and Staff Report continued

Sickness absence data

Recorded staff absence due to sickness equated to an average of 4.6 days per employee during the year (2023/24: 4.5 days) for direct employees of HS2 Ltd.

Staff policies for people with disabilities

We have established and embedded a Disability Policy and an Accessibility Policy, which is supported by an employee staff network. The 2gether Network offers knowledge-sharing events, raising awareness and creating a safe space for colleagues with disabilities and neurodiverse conditions. Our Clear Talents tool enables staff to request specific adjustments, including ergonomical or workspace display screen equipment, to support their work. A total of 24% of HS2 Ltd employees have workplace adjustments at a moderate or substantive level.

In 2024/25, we maintained our Disability Confident Leader status for exemplar disability-related policies and practices. It supports diverse recruitment to improve the representation of people with disabilities in HS2's workforce. We monitor representation of disabled staff, and those who require adjustments monthly, and report on this externally through our annual equality, diversity and inclusion (EDI) report. We also monitor the representation of disabled staff in the supply chain every six months, and report on this through the EDI report. The report includes case studies and shares good practice.

Other employee matters

We are committed to developing and maintaining a culture of equality, diversity and inclusion, providing equal opportunities and building a culture where everyone feels valued, respected and can perform to their best. Our work is recognised through our Clear Assured Platinum accreditation.

We aim to attract and retain diverse talent. We monitor representation of protected characteristic groups monthly, and report on progress in our EDI report, identifying areas of strength and where we need to improve, and addressing areas of focus. We also monitor representation in the supply chain every six months, report on it, and highlight case studies and best practice in the EDI report. Eight staff networks play a key role in supporting protected characteristic groups. Each network has a senior leadership or executive sponsor to promote its work and encourage involvement and engagement.

All senior leaders have mandatory EDI and health and safety goals to mark the importance of diversity in driving performance.

Our reverse mentoring programme matches members of the senior leadership team with a junior reverse mentor in the business. Reverse mentors gain an insight into different areas of the project, an opportunity to build their network and the chance to develop their professional and personal skills to help career progression and personal development.

Our Equality, Diversity and Inclusion Strategy, developed in 2024/25, focuses on creating a more inclusive culture, improving diversity and representation, being recognised as an inclusive employer of choice, and continuing to be a catalyst for change across our industry. Our priorities include the following.

- We will strive to increase the number of senior positions held by under-represented groups and use our data to target training and support, so recruitment, talent management and performance management is evidence-based.
- We will be recognised as an inclusive employer of choice, striving for ongoing and continuous improvement, and raise the profile of our EDI achievements in HS2's supply chain and share examples of good work.
- We will foster an accessible and inclusive culture where everyone feels welcome, respected and valued to bring their authentic self to work through increased senior leadership team involvement and engagement to support inclusion.

Remuneration and Staff Report continued

Employee consultation

We work constructively with our employee workplace representatives via regular meetings of the Workplace Forum (WPF) and its recognised trade union, the Transport, Salaried Staffs' Association (TSSA). WPF is the primary mechanism for collective consultation, ensuring the interests of the business and employees are best served through a shared understanding of the objectives, strategy and performance of the business, of its operating environment and other matters of mutual interest.

The WPF is comprised of a minimum of one elected/appointed employee representative for each business directorate located in Birmingham and London alongside union workplace representatives nominated by TSSA.

The objectives of the WPF are to:

- develop and maintain a progressive, constructive approach to employee relations;
- ensure collective engagement via regular dialogue with staff representatives;
- provide for the timely exchange of information;
- facilitate regular, planned, meaningful and timely two-way communication; and
- foster and sustain an inclusive approach to managing change.

Consultation over health, safety and wellbeing is managed through the company Health, Safety and Wellbeing Committee (HSWC). It comprises employee workplace health and safety representatives and senior management.

Trade union relationships

In 2016, HS2 Ltd and the Trades Union Congress (TUC) signed an Initial Framework Agreement (IFA). The IFA describes the parties' shared purpose and their values for effective joint working, and recognises the positive role trade unions can play in supporting the delivery of HS2.

The following principles reflect a commitment by the parties to shared values and a common purpose.

- Potential of partnership at work.
- Commitment to equality, diversity and inclusion.
- Commitment to exemplary health, safety and wellbeing.
- Commitment to legacy, maximising economic and social regeneration.
- Commitment to environmental and social responsibility.

Transport Salaried Staffs' Association (TSSA)

HS2 Ltd has a single union recognition agreement with the Transport Salaried Staffs' Association (TSSA). The National Collective Engagement Framework (CEF) 2019 sets out joint commitments on the following.

- Health, safety and wellbeing (through the Health, Safety and Wellbeing Committee).
- Respect at work.
- Exemplary equality, diversity and inclusion policies.
- Fair and decent terms and conditions.
- Opportunities to develop skills, experience and qualifications to enhance employability.
- Consultation and negotiation at an early stage when there are proposals for change.

Remuneration and Staff Report continued

HS2 Ltd and TSSA are jointly committed to foster and maintain harmonious employee and industrial relations. Joint working to date has included the development of the Managing Organisational Change Process, an agreed framework for managing change lawfully and effectively within the organisation.

Managing our people

As we reset the programme, we must ensure we've got the right people with the right skills in the right place. Over the past year, we've appointed a new CEO and have seen changes to our organisational structure to drive performance and delivery, and provide the right leadership team for the reset.

A key part of the reset is making sure we've got the right culture and ways of working to strengthen our performance and boost productivity.

In February this year, we conducted our yearly staff engagement survey which showed an engagement score of 64%, an increase on 60% last year.

As we set a new cost and schedule baseline, we need our people to be flexible and agile, changing the way we work across our organisation and supporting reset activities by temporarily taking on different responsibilities.

Off-payroll appointees, consultancy and temporary staff

As part of the review of the tax arrangements of public sector appointees, published by the Chief Secretary to the Treasury on 23 May 2012, bodies have been asked to report on their off-payroll engagements and related tax arrangements for the periods and scope outlined by HM Treasury.

Expenditure categorised in the finance system as consultancy and contingent labour with recruitment agencies for the year ended 31 March 2025 was £14.0 million (2023/24: £20.0 million) and £16.1 million (2023/24: £22.4 million) respectively. The average headcount for both consultancy and contingent labour has decreased year-on-year.

The report does not include independent panel members. This data is shown in the following tables.

Off-payroll engagements as of 31 March 2025, costing more than £245 per day	
Less than 1 year at the reporting date	176
Between 1 and 2 years at the reporting date	38
Between 2 and 3 years at the reporting date	32
Between 3 and 4 years at the reporting date	18
More than 4 years at the reporting date	13
Total engagements at the reporting date	**277**

Off-payroll engagements during the period 1 April 2024 to 31 March 2025, costing more than £245 per day	
Not subject to off-payroll legislation	1
Subject to off-payroll legislation and determined in scope of IR35	378
Subject to off-payroll legislation and determined as out of scope of IR35	14
Engagements reassessed for compliance or assurance purposes during the year	16
Engagements which saw a change in IR35 status following reassessment	2
Total engagements during the reporting period	**393**

Remuneration and Staff Report continued

Off-payroll engagements of board members and/or senior officials with significant financial responsibility (SFR) between 1 April 2024 and 31 March 2025

The off-payroll engagements of senior officials with significant financial responsibility during the financial year included:

- deputy chief financial officer, who covered duties of the chief financial officer, held SFR from 12 August 2024 to 21 February 2025;
- procurement and supply chain director held SFR from 19 September 2024 to 20 March 2025; and
- delivery director - civils held SFR from 1 March 2024 to 28 February 2025.

All appointments had approval granted by HS2 Ltd's accounting officer.

Total number of individuals that have been deemed board members, and/or senior officials with significant financial responsibility, during the financial year	**3**

NB. This figure includes both on-payroll and off-payroll engagements.

Approved by the board on 25 June 2025 and signed on 07 July 2025 on its behalf by:

Mark Wild
Chief executive officer
High Speed Two (HS2) Ltd

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Opinion on financial statements

I have audited the financial statements of High Speed Two (HS2) Limited for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000.

The financial statements comprise High Speed Two (HS2) Limited's:

- statement of Financial Position as at 31 March 2025;
- statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of High Speed Two (HS2) Limited's affairs as at 31 March 2025 and of the net expenditure after taxation for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024. I am independent of High Speed Two (HS2) Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities

Authorising legislation	Companies Act 2006, High Speed Rail (London - West Midlands) Act 2017, High Speed Rail (London - West Midlands) (Nomination) Order 2017, High Speed Rail (West Midlands - Crewe) Act 2021
HM Treasury and related authorities	The Framework Document and Remuneration Framework between the Department for Transport (DfT) and High Speed Two (HS2) Limited

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Conclusions relating to going concern

In auditing the financial statements, I have concluded that High Speed Two (HS2) Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The continued commitment by government to the High Speed Two programme as set out in its updates to Parliament,
- The October 2024 budget announcement setting out government funding for High Speed Two tunnels from west London to Euston in central London.
- Future cash requirements including budget allocations set by DfT.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on High Speed Two (HS2) Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of my audit approach

Key audit matters

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

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

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls–an area where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 46 and 47.

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In this year's report the following changes to the risks identified have been made compared to my prior year report:

- I have not identified key audit matters this year relating to the Network North announcement from October 2023 including cancellation of Phase 2. The following were assessed as key audit matters in the previous year due to the accounting implications of the announcement on the 2023-24 accounts:
  - Impairment of assets under construction
  - Euston accounting treatment
  - Completeness of provisions and contingent liabilities.

Main Works Civils Contract (MWCC) expenditure

Description of risk

High Speed Two (HS2) Limited incurred £6,851m of expenditure, as part of its main works civil contracts (MWCC), on capital additions to the Assets under Construction balance in 2024-25 (2023-24: £7,384m), of which, £626.7m relates to accrued capital expenditure.

Expenditure is recognised based on invoices and application for payments submitted by contractors, usually on a monthly basis. Given the overall values involved, that individual invoices are high value, and that, as part of resetting the programme, High Speed Two (HS2) Limited is currently undertaking a renegotiation of its main works civil contracts (MWCC) to improve cost control, my risk assessment identified a significant risk that:

- expenditure may be recognised for work that has not been completed by the contractor;
- accrued expenditure, based on estimated cost of work done at 31st March 2025, may be recognised at incorrect amounts, and
- application for payments may include costs that are not allowable under the contract.

Management have controls in place to identify error or overcharging on these contracts. These include initial checks prior to payment followed by post-payment checks through cost verification audits. Where disallowed costs are identified, management make an adjustment to expenditure and seek to recover these costs from its contractors.

How the scope of my audit responded to the risk

In responding to this risk, I have:

- Evaluated the design and implementation of controls around capital expenditure, focusing on pre-payment controls;
- Considered the results of post-payment cost verification exercises performed on High Speed Two (HS2) Limited's main works civils contracts (MWCC) as evidence of the effectiveness of management's controls;
- Tested a sample of capital expenditure additions, and traced to supporting evidence including application for payments, invoices and key internal approvals. I have also verified that the work related to the 2024-25 financial year;
- Traced a sample of capital accruals to third party evidence to support the cost of work done. I have also reviewed post-year end application for payments and invoices to verify the accruals were raised at appropriate amounts;
- Reviewed the results of cost verification audits undertaken throughout the year to ensure that disallowable costs are correctly adjusted for in the financial statements and that I have sufficient appropriate assurance there is not material irregularity in the capital expenditure incurred by High Speed Two (HS2) Limited; and

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- I made inquires of High Speed Two (HS2) Limited management on detecting and responding to instances of fraud identified, including how they are assuring themselves that this does not lead to material irregularity.

Key observations

My sample testing of capital expenditure and capital accruals did not identify any material misstatement or irregularity.

Staff related expenditure

Description of risk

During 2024-25, High Speed Two (HS2) Limited incurred £2.5m of expenditure on Exit Packages (2023-24: £1.1m). Of this total amount, 89% (£2.2m) relates to Payments in Lieu of Notice (PILON).

The increased levels of spend this year reflects a number of High Speed Two (HS2) Limited staff leaving as part of its organisational changes, following the cancellation of Phase Two.

I had previously qualified High Speed Two (HS2) Limited's accounts in 2016-17 for enhanced redundancy payments that had not been approved by the Department for Transport (DfT) nor HM Treasury.

My risk assessment therefore identified a risk that:

- High Speed Two (HS2) Limited's payments to leavers may have exceeded authorised limits of payments or were incorrectly calculated;
- payments in Lieu of Notice (PILON) were non-contractual and were therefore special severance payments requiring Treasury approval; and
- payments made by High Speed Two (HS2) Limited were not in line with its framework of authorities, including Managing Public Money.

How the scope of my audit responded to the risk

In responding to this risk, I have:

- performed testing on a sample of exit packages, including Payments in Lieu of Notice (PILON), to assess the accuracy of amounts paid by verifying salary details and recalculating redundancy entitlements; and
- considered the regularity of payments made, tracing these back to contracts to ensure eligibility and ensuring appropriate approvals were received where applicable.

Key observations

My testing of staff-related expenditure did not identify any material misstatement or irregularity. Expenditure incurred was in line with the Remuneration Framework between the Department for Transport (DfT) and High Speed Two (HS2) Limited.

I observed that the majority of staff who left High Speed Two (HS2) Limited due to organisational changes were not required to work their notice period, including those with six-month notice period. Such an approach creates a risk that High Speed Two (HS2) Limited does not show full regard to protecting the value of public funds.

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Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for High Speed Two (HS2) Limited's financial statements as a whole as follows.

	Overall account materiality	Additional materiality
Materiality	£255 million	£51 million
Basis for determining materiality	Approx. 0.75% of assets under construction of £34,083 million (2023-24 materiality: £63 million, approx. 0.75% of gross expenditure (including capital) of £8,560 million).	Approx. 0.75% of gross expenditure (including capital) of £6,805 million.
Rationale for the benchmark applied	For 2024-25, I have revised my approach to setting materiality and chosen assets under construction as the basis for my calculation of overall account materiality. I consider that the assets under construction balance is of primary interest to the users of the accounts because the construction of this asset is the overall objective of High Speed Two Limited. In addition, the total value of assets under construction is the best reflection of the overall costs and use of taxpayer's funds on the High Speed Two project to date, which is the primary focus of users of the accounts. This overall materiality applies to our work on the assets under construction and related balances, and capital commitments only.	For 2024-25, I have revised my approach to setting materiality with an overall account materiality and an additional materiality. This approach is different to the single materiality base of expenditure used in the prior year, but more appropriately reflects the objective of High Speed Two (HS2) Limited and the interests of the user of the accounts. I have determined that for balances in the financial statements, excluding assets under construction and capital commitments, misstatements of a lesser amount than overall materiality could influence the decisions of users of the financial statements given their comparatively lower values. Gross expenditure is the total capital plus revenue spend in year. This additional materiality has also been applied in the context of my regularity opinion.

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Performance materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2024-25 audit (2023-24: 65%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other materiality considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity, and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error reporting threshold

I agreed with the Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300k, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements

Total unadjusted audit differences reported to the Audit and Risk Assurance Committee have decreased net expenditure and increased net assets by £2.5m.

Audit scope

The scope of my audit was determined by obtaining an understanding of High Speed Two (HS2) Limited and its environment, including the entity wide controls, and assessing the risks of material misstatement.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

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Opinion on other matters

In my opinion the part of the Directors' Remuneration and Staff Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the High Speed Two (HS2) Limited corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which I report by exception

In the light of the knowledge and understanding of High Speed Two (HS2) Limited and its environment obtained in the course of the audit, I have not identified material misstatements:

- in the Strategic Report or the Directors' Report, or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to High Speed Two (HS2) Limited's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 13;
- directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 13;
- directors' statement on fair, balanced and understandable set out on page 41;
- board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 55 to 62; and
- the section describing the work of the audit committee set out on pages 46 to 47.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within High Speed Two (HS2) Limited from whom the auditor determines it necessary to obtain audit evidence.
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006 Companies Act 2006 and HM Treasury's Financial Reporting Manual;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Remuneration and Staff Report, in accordance with the Companies Act 2006 and HM Treasury's Financial Reporting Manual; and
- assessing High Speed Two (HS2) Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of High Speed Two (HS2) Limited's accounting policies, key performance indicators and performance incentives;
- inquired of management, High Speed Two (HS2) Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to High Speed Two (HS2) Limited's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including High Speed Two (HS2) Limited's controls relating to High Speed Two (HS2) Limited's compliance with the Companies Act 2006, Managing Public Money and Government Resources and Accounts Act 2000;
- inquired of management, High Speed Two (HS2) Limited's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud; and
- discussed with the engagement team including internal IT auditors regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within High Speed Two (HS2) Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

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I obtained an understanding of High Speed Two (HS2) Limited's framework of authority and other legal and regulatory frameworks in which High Speed Two (HS2) Limited operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of High Speed Two (HS2) Limited. The key laws and regulations I considered in this context included the Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money, employment law and tax legislation.

I considered losses and special payments and remuneration rewards to ensure appropriate approval for these transactions was obtained in line with High Speed Two (HS2) Limited's Framework Agreement with the Department for Transport, and the Remuneration Framework.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

This description forms part of my report.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Gareth Davies
8 July 2025

Comptroller and Auditor General
(Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Statement of comprehensive net expenditure

	Note	**Year ended 31 Mar 2025 £'000**	Year ended 31 Mar 2024 £'000
Income			
Other Income		**(16,450)**	(30,220)
Total income for the year		**(16,450)**	(30,220)
Expenditure			
Staff costs	4	**14,081**	15,978
Other expenditure	5	**55,815**	84,032
Impairment	5	**0**	1,026,583
Non-cash items	5	**16,829**	49,226
Total expenditure for the year		**86,725**	1,175,819
Net expenditure before taxation		**70,275**	1,145,599
Taxation	6	**-**	-
Net expenditure after taxation		**70,275**	1,145,599
Other comprehensive expenditure			
Items which will not be reclassified to net operating costs:			
No other transactions to be recorded		**-**	-
Total comprehensive net expenditure for the year		**70,275**	1,145,599

The accounting policies and notes on pages 91 to 116 form part of these financial statements.

The majority of the company's expenditure is capitalised, following the principles in Note 2.10. Notes 3 and 5 provide a breakdown of expenditure which includes both capitalised and non-capitalised items.

The other income relates to cost reimbursements from various third parties for works that are being undertaken along the route of the railway.

Statement of financial position

	Note	**Year ended 31 Mar 2025 £'000**	Year ended 31 Mar 2024 £'000
Non-current assets			
Intangible assets	7	**10,493**	14,059
Property, plant and equipment	8	**34,112,674**	27,274,400
Total non-current assets		**34,123,167**	27,288,459
Current assets			
Trade and other receivables	9	**242,561**	289,985
Cash and cash equivalents	10	**148,974**	54,755
Total current assets		**391,535**	344,740
Total assets		**34,514,702**	27,633,199
Current liabilities			
Trade and other payables	11	**(772,952)**	(928,794)
Provisions	12	**(80,165)**	(59,322)
Borrowings	13	**(2,787)**	(3,317)
Financial liabilities	14	**(2,493)**	(923)
Total current liabilities		**(858,397)**	(992,356)
Non-current liabilities			
Borrowings	13	**(9,124)**	(14,874)
Financial liabilities	14	**(494)**	(248)
Provisions	12	**(6,578)**	(26,234)
Total non-current liabilities		**(16,196)**	(41,356)
Total liabilities		**(874,593)**	(1,033,712)
Total net assets		**33,640,109**	26,599,487

Statement of financial position
continued

	Note	**Year ended 31 Mar 2025 £'000**	Year ended 31 Mar 2024 £'000
Taxpayers' equity			
General reserve		**33,640,109**	26,599,487
		33,640,109	26,599,487

The HS2 Ltd (company registration number 06791686) accounts are exempt from the requirements of Part 16 of the Companies Act under section 482 of that Act (non-profit-making companies subject to public sector audit). They are subject to audit by the Comptroller and Auditor General under section 25(6) of the Government Resources and Accounts Act 2000.

The accounting policies and notes on pages 91 to 116 form part of these financial statements. The financial statements on pages 85 to 90 were approved by the board on 25 June 2025 and signed on 07 July 2025 on its behalf by:

Mark Wild
Chief executive officer
High Speed Two (HS2) Ltd

Statement of cash flows

	Note	**Year ended 31 Mar 2025 £'000**	Year ended 31 Mar 2024 £'000
Cash flows from operating activities			
Net operating cost per Expenditure Statement		**(70,275)**	(1,145,599)
(Increase) / decrease in trade and other receivables	9	**11,082**	4,337
Increase / (decrease) in trade and other payables	11	**(1,324)**	(3,422)
Phase One impairment	5	**-**	176,667
Phase 2a impairment	5	**-**	713,011
Phase 2b West impairment	5	**-**	136,905
Adjustment for remaining non-cash items	5&12	**20,017**	48,259
Adjustment for euro bank balance revaluation	5	**(3,334)**	6
Adjustment for leased asset disposal	5	**223**	-
Net cash outflow from operating activities		**(43,611)**	(69,836)
Cash flows from investing activities			
(Increase) / decrease in trade and other receivables	9	**36,342**	(3,895)
Increase / (decrease) in trade and other payables	11	**(154,518)**	111,286
Increase / (decrease) in borrowings	13	**(6,280)**	(3,328)
Purchase of property, plant and equipment	8	**(6,851,574)**	(7,383,887)
Purchase of intangible assets	7	**(24)**	(979)
Disposal of property, plant and equipment	8	**2,987**	-
Net cash outflow from investing activities		**(6,973,067)**	(7,280,803)

Statement of cash flows continued

	Note	**Year ended 31 Mar 2025 £'000**	Year ended 31 Mar 2024 £'000
Cash flows from financing activities			
Capital contributions from DfT		**7,110,897**	7,276,793
Net cash outflow from financing activities		**7,110,897**	7,276,793
Net increase / (decrease) in cash and cash equivalents		**94,219**	(73,846)
Cash and cash equivalents at the beginning of the year	10	**54,755**	128,601
Cash and cash equivalents at the end of the year	10	**148,974**	54,755

Movements on trade and other receivables and trade and other payables are shown above under operating and investing activities based on the percentage allocation of resource and capital expenditure.

The accounting policies and notes on pages 91 to 116 form part of these financial statements.

Statement of changes in taxpayers' equity

	General Reserve £'000	Total Reserves £'000
Balance at 1 April 2023	20,468,293	20,468,293
Changes in taxpayers' equity 2024/25		
Net operating cost for the year	(1,145,599)	(1,145,599)
Capital contribution from DfT	7,276,793	7,276,793
Balance at 31 March 2024	26,599,487	26,599,487
Changes in taxpayers' equity for 2024/25		
Net operating cost for the year	(70,275)	(70,275)
Capital contribution from DfT	7,110,897	7,110,897
Balance at 31 March 2025	33,640,109	33,640,109

The general reserve serves as the chief operating fund used to account for all financial resources.

The accounting policies and notes on pages 91 to 116 form part of these financial statements.

Notes to the financial statements

1. General information

HS2 Ltd (the company) is a private company limited by guarantee without share capital (company registration number 06791686), domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006.

The Secretary of State for Transport is the company's sole member and undertakes to contribute £1 towards the company's debts in the event that it is wound up.

The registered office and principal place of business of the company is Two Snowhill, Snow Hill Queensway, Birmingham B4 6GA, and the company's principal activities are to develop proposals, design, build and operate a high-speed railway between London and West Midlands. The period covered by these accounts is 12 months to 31 March 2025 and form part of the DfT group consolidated accounts.

2.Statement of accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the UK adopted International Accounting Standards (IAS) and IFRIC interpretations and with the requirements of the Companies Act 2006 applicable to companies reporting under IASs. As a non-departmental public body (NDPB), the company also adopts the interpretations of IFRS and additional disclosure requirements contained in the Government Financial Reporting Manual (FReM) for 2024/25, where these are compatible with the requirements of the Companies Act.

Where this framework permits a choice of policy, the accounting policy judged to be most appropriate to the particular circumstances of the company for the purpose of giving a true and fair view has been selected. The particular policies adopted by the company are described below and have been applied consistently in dealing with matters considered material to the accounts.

2.2. Accounting convention

These financial statements have been prepared on a going concern basis as outlined in Note 2.5 and under the historical cost convention unless stated otherwise.

2.3. New or amended accounting standards and interpretations adopted

The company has reviewed any new accounting standards, amendments and interpretations of standards that are effective during the period ending 31 March 2025 and does not consider a material impact on the company's financial statements.

2.4. New or amended accounting standards and interpretations not yet adopted

The company has considered the following for the impact on the financial statements and does not consider there to be a material impact.

- IFRS 18 Presentation and Disclosure in Financial Statements will replace IAS 1 Presentation of Financial Statements, coming into effect for annual reporting periods starting on or after 1 January 2027.
- Following a review by HM Treasury in December 2023 concerning the valuation of non-investment assets, the following changes will be implemented in the 2025/26 FreM as mandatory:
  - References to assets held for their 'service potential', as well as the terms 'specialised/ non-specialised', will be removed from the FReM. Instead, non-investment assets will be described as assets held for their 'operational capacity'. This adjustment does not affect the valuation basis for non-investment assets, which remains existing use value (EUV).
  - An adaptation to IAS 16 will eliminate the requirement to revalue an asset when its fair value materially differs from its carrying value. Instead, assets will now be valued using one of the following processes.
  - A quinquennial revaluation supplemented by annual indexation.

Notes to the financial statements
continued

- A rolling programme of valuations over a five-year cycle, with annual indexation applied to assets during the four intervening years.
- For non-property assets only, appropriate indices.
- In rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year three.

2.5. Going concern

HS2 Ltd continues to deliver the scheme in line with the scope changes announced by the then government in October 2023 and the further announcement by the new government in October 2024 to commit funding to begin tunnelling to Euston. The revised scope is being incorporated into the Development Agreement, which details HS2 Ltd's role in developing, building and operating HS2.

In December 2024, the Secretary of State for Transport presented a report to Parliament stating that HS2 is a "vital part of the government's mission to rebuild Britain". The development and delivery of the revised scope remains part of the government's wider high-speed rail agenda and is in line with the aims of the DfT as our sponsor.

HS2 is funded entirely by capital contribution from the DfT as provided by Section 6 of the Railways Act 2005, the High Speed Rail (Preparation) Act 2013 and section 63 of the High Speed Rail (London to West Midlands) Act 2017 and High Speed Rail (West Midlands to Crewe) Act 2021, and the funding provisions in the Development Agreement, Framework Document and annual delegation letters from DfT to HS2 Ltd.

HS2 Ltd has received confirmation of funding for the next five years as part of the government-wide Spending Review 2025 setting out funding to 2029/30. Additionally, no material uncertainties were identified in the going concern assessment. Therefore, it is considered appropriate to adopt a going concern basis to prepare these financial statements.

2.6. Critical accounting judgements and estimates

The company applies the following significant estimation techniques.

- The company performs an annual impairment review to determine if there are any internal or external indicators of impairment that will have an adverse impact on the construction of the railway asset. As part of the review, any significant government announcements have been considered for the financial year ended 31 March 2025.
- The recognition and valuation of accrued liabilities for work done by its professional service contractors is based on the company's best estimates of the work done at the balance sheet date. The value of work done is certified, invoiced and paid only when all issues regarding the valuation of work done have been resolved to the company's satisfaction. Accruals are based on the company's view of application for payment and other information provided by the contractors leading up to certification. When accruing, the company takes a view on cost of work done, applications for payment, and any disputed costs in measuring the value of works performed at the year-end date. Further cost verification is undertaken after the point of payment through a more detailed independent assurance process, which provides a retrospective review of costs and commercial challenge to suppliers. Any costs identified as disallowable under the contract are then credited by the supplier and removed from the asset under construction balance. Refer to Note 2.17 Cost of Work Done (COWD) for further information. If any formal disputes are recognised, as defined per the contracts, these will be accounted for in line with IAS 37 Provisions.
- Estimates of the contribution of each business unit are used to allocate costs inclusive of administration and some overhead costs as directly attributable to the phases of the HS2 programme. Allocation drivers include headcount

Notes to the financial statements
continued

and expenditure. Refer to Note 2.10 as to whether costs are expensed or capitalised.

- Undertakings and assurances classified as either a contingent liability or a provision is based on applying IAS 37. Each undertaking and assurance is considered on a case-by-case basis and involves some degree of judgement and estimation of the potential liability and appropriate classification.

2.7. Financing

The company is funded by capital contribution from the DfT as its sole controlling party. Funds are credited to reserves in accordance with the FReM and IFRS framework.

2.8. Leases (the company as a lessee)

Low value and short-term leases

IFRS 16 includes recognition exemptions for lessees – leases of 'low value' assets and 'short-term' leases (i.e. leases with a lease term of 12 months or less). Low value is not defined under the standard so is assessed on a lease-by-lease basis. The costs for these types of operating leases are charged as an expense as incurred.

Leased assets (classified as right-of-use assets) and lease liabilities (classified as borrowings)

Recognition – identification of leases

IFRS 16 defines a lease as a contract that 'conveys the right to control the use of an identified asset for a period of time in exchange for consideration'. This definition applies both to lessees and lessors.

For peppercorn leases, where the consideration paid is nil or nominal, the lessee shall still account for the right-of-use asset and the lease liability in accordance with IFRS 16.

Recognition – lease term

For building leases, the lease end date is used when recognising the lease term. This is because, in management's view at the reporting date, any break clauses are unlikely to be exercised.

Recognition – lease payments

IFRS 16 requires the right-of-use asset, and the lease liability, to be initially measured at the present value of unavoidable future lease payments.

Rent payments for building leases fall within the scope of IFRS 16 and are classified as fixed payments. Consistent with DfT, for the company building leases, service charges and rates payable do not fall within the scope of IFRS 16 and so are expensed as incurred.

Recognition – discount rate

The company has used the central internal rate of borrowing issued by HM Treasury of 1.99% as the discount rate for leases adopted on 1 April 2019, as the implicit discount rate could not be determined. Any new leases use the rate that is applicable at the time of signing the lease. The discount rate adjustment is classified as finance costs in the financial statements.

Peppercorn leases – recognition and subsequent measurement

The company applies the principles of IFRS 16 when recognising and measuring peppercorn leases where right-of-use is identified.

When a right-of-use asset is recognised, it is initially measured at its current value in existing use or fair value, depending on whether the right-of-use asset will be held for its service potential. The company values peppercorn leases initially at fair value.

Lease modifications

For any lease modifications that are not accounted for a separate lease, the company shall account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and shall be written off to the SoCNE with a loss (or gain) being recognised.

Notes to the financial statements
continued

2.9. Intangible assets

Recognition

Expenditure on intangible assets, which are non-monetary assets without physical substance and identifiable, are capitalised where the cost is £1,000 or more and this is applied on a grouped basis using the threshold of £1,000 where the elements in substance form a single asset.

Measurement

Intangible assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. All intangible assets are valued on the basis of amortised historic cost as an approximation of fair value.

Impairment

Intangible assets are monitored throughout the year as to whether there is any indication that an asset may be impaired. At the end of each reporting period, tests for impairment are carried out on all assets.

Amortisation

The company reviews and updates the remaining useful economic life (UEL) of all its intangible assets each year. This is the period for which the asset provides economic benefits that will flow to the company from its use. The typical UEL for intangible assets is in the range of three to five years or for the length of the licence.

Disposals

When scrapping or disposing of an intangible asset, the carrying amount is written off to the Statement of Comprehensive Net Expenditure (SoCNE) and a loss (or gain) is recognised and reported net of any disposal proceeds.

2.10. Property, plant and equipment

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

A capitalisation threshold of £1,000 is applied to all asset classes other than the railway infrastructure asset, which has no minimum limit. Expenditure below this value is charged as an expense in the SoCNE.

Property, plant and equipment usually comprises single assets. However, capitalisation is applied on a grouped basis using a threshold of £1,000 where the elements in substance form a single asset. Further, where an item includes material components with significantly different UELs those components are capitalised separately and depreciated over their specific UELs.

Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as incurred.

The railway infrastructure asset is capitalised on an accruals basis, provided that it is probable that the economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The trigger point at which these criteria are satisfied is considered separately for each phase of the railway, and is taken to be met at the point when key enabling legislation is substantively enacted. This is defined as the passing of second reading of the hybrid bill for a phase of the HS2 project as the second reading establishes the principles and need for the scheme.

Note that land and property acquisitions and compensation schemes are required to bring the railway asset into operational condition. This is an expense that the Secretary of State incurs directly

Notes to the financial statements continued

and recognises and is therefore not listed in these accounts. Refer to Note 2.11.

Due to the nature of operations at HS2, some administration and overhead costs are capitalised as they are directly attributable to business activity. An allocation model is used to apportion costs as capital and revenue based on the nature of the costs, headcount and expenditure.

Measurement

Property, plant and equipment, including railway assets under construction, are valued in accordance with IAS 16 Property, Plant and Equipment and initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located where an obligation to dismantle or remove the asset arises from its acquisition or usage.

Assets are thereafter carried in the balance sheet using the following measurement bases.

- All property, plant and equipment, other than railway infrastructure assets and right-of-use assets, are considered to be relatively short-life or low-value assets and are valued on the basis of depreciated historic cost as an approximation of fair value.
- Railway infrastructure assets, when complete and available for their intended purpose, will be valued in accordance with IFRS and any compatible interpretations in the FReM. During the construction period, such assets are valued at cost because they are not fully complete and ready for use. The hybrid bill second readings are the recognition point when costs are classified as railway infrastructure assets and so are capitalised from this point onwards. For Phase One, this is April 2024 and following the Network North announcement regarding the cancellation of Phase Two on 4 October 2023, Phase Two no longer meets the criteria of being capitalised.

For the subsequent measurement of right-of-use assets, refer to Note 2.8.

Impairment

Property, plant and equipment are monitored throughout the year as to whether there is any indication that an asset may be impaired. At the end of each reporting period, tests for impairment are carried out for all assets.

In assessing the value of the railway assets under construction, the company recognises that design work on major projects is by nature iterative, including from a fair value perspective, review for impairment indicators is restricted to significant changes in the planned location, nature or capability of major asset components.

Where impairment indications exist the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised in the SoCNE.

Where an impairment loss is subsequently reversed, the reversal is credited in the SoCNE, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided on all non-current assets, apart from assets under construction, from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its UEL. Assets that are under construction, including the railway assets under construction, are not depreciated until such time as they are available for their intended use.

Notes to the financial statements continued

The company reviews and updates the remaining UEL of all its assets each year. This is the period for which the asset provides economic benefits that will flow to the company from its use. The typical UEL for the different assets is detailed below:

Asset type	Typical UEL
IT equipment	3 years
Plant and equipment	3 years
Leasehold improvements	Up to the expected date of exit (either lease break or end date)

Disposals

When scrapping or disposing of an asset classified as property, plant and equipment, the carrying amount is written off to the SoCNE and a loss (or gain) is recognised and reported net of any disposal proceeds.

2.11. Land and Property

Properties acquired to bring the railway asset into operational condition are purchased on behalf of the Secretary of State and are recognised as assets in the DfT's financial statements. Consequently, the company does not accrue or make provision for the acquisition of property. Activities undertaken on behalf of the Secretary of State include Compulsory Purchase Orders (CPOs), Non-Compulsory Purchase Orders (Non CPOs), Compensation Schemes and Safeguarding Schemes. Cash is held by HS2 Ltd on behalf of the DfT to fulfil both CPO and non-CPO payments. These purchases belong to and are accounted for by the DfT so the cash held is offset by short-term creditors included in trade payables.

The company manages the portfolio of rental properties acquired as an agent for the DfT for the HS2 programme. The company recovers any related costs from and remits net rental income to the DfT. The company is acting as an agent as it does not have exposure to the significant risks and rewards associated with the rendering of its services and as such does not recognise reimbursement of its costs as revenue.

2.12. Cash and cash equivalents

Cash and cash equivalents comprise bank balances held with the government banking service and commercial bank accounts. The carrying amount of these assets approximates to their fair value.

2.13. Taxation

There is no current tax liability, but any liability in future years would be calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date.

2.14. Provisions

The company makes provision for liabilities and charges in accordance with IAS 37 where a legal or constructive liability (i.e. a present obligation arising from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the rates set by HM Treasury. When the discount is unwound, the adjustment is recognised as an interest expense.

2.15. Contingent liabilities

In accordance with IAS 37, the Company discloses, as a contingent liability, those possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within its control; and those present obligations arising from past events not recognised because it is either not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured with sufficient reliability. Where the time value of money is material, contingent liabilities disclosed under IAS 37, are stated at discounted amounts.

2.16. Derivatives held at fair value through profit and loss

The company's financial instruments held at fair value though profit and loss (FVTPL) in accordance with IFRS 9 comprise foreign currency forward purchase contracts. These contracts have been transacted with the Bank of England (BoE) to

Notes to the financial statements
continued

manage foreign exchange risk along the supply chain and are held with HS2 Ltd in order to mitigate risk.

These contracts are initially recognised at fair value. The transaction amount is deemed to be the best evidence of fair value at initial recognition. Any transaction costs are expensed as incurred. They are re-stated to fair value at the end of each reporting period. The change in fair value is recognised in SoCNE as an unrealised loss (or gain). The net derivative outstanding at the reporting date is disclosed as either a financial asset or financial liability in the Statement of Financial Position.

2.17. Cost of Work Done (COWD)

The additions to property, plant and equipment are valued using an estimate of the cost of work done in the year to 31 March 2025. To the extent that the COWD is greater than the invoiced amount, a property, plant and equipment addition and a corresponding accrual in Note 11 are recognised on the basis of expected amounts required to settle contractual obligations. COWD assessments are based on information readily available to project managers on the status of works, but some estimation uncertainty is involved in the year-end assessment. See Note 2.6 for further information.

2.18. VAT

Under the HMRC Manual (VAT Government and Public Bodies, Contracted Out Services Heading 82), HS2 Ltd can recover VAT on non-business goods and services necessary for the purpose of the development and delivery of the railway. HS2 Ltd can also recover VAT on rolling stock as a business activity for VAT purposes. HMRC have ruled that VAT costs incurred on Phase Two activities required as a result of the cancellation (exit costs) and any work requested by DfT on Northern Powerhouse Rail are not reclaimable under the Contracted Out Services Heading 82.

3. Statement of expenditure by operating segment

The executive team and board receive a monthly programme report, which sets out expenditure against the allocated budgets for the financial year. The report covers the results of both the company and the HS2 programme and reflects the way in which the programme is managed.

The figures below relate to the company only and show a summary of capital and resource expenditure for the year, including expenditure on tangible and intangible assets.

For the year ended 31 March 2024, in accordance with the principles outlined in Note 2.10, Phase Two costs were classified as capital expenditure when a specific stage of Parliamentary approval had been reached (as for Phase 2a and Phase 2b West), and otherwise as revenue (as for Phase 2b East). The government's announcement in relation to Network North on 4 October 2023 regarding the cancellation of Phase Two and design change to Euston station resulted in an impairment of £1,026.5 million to be reported for the year ended 31 March 2024 within resource expenditure across:

- Phase One (Euston £152.9 million and grant expenditure £23.7 million)
- Phase 2a (£713.0 million), and
- Phase 2b West (£136.9 million).

Notes to the financial statements continued

3. Statement of expenditure by operating segment continued

Year ended 31 Mar 2025	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Phase One	**6,851,406**	**-**	**6,851,406**
Phase Two close out	**-**	**27,871**	**27,871**
Phase Two hybrid Bill	**-**	**14,655**	**14,655**
Phase Two NPR	**-**	**(2,188)**	**(2,188)**
Cost reimbursements	**9,304**	**7,146**	**16,450**
Grant expenditure	**9,340**	**77**	**9,417**
Other capital	**167**	**-**	**167**
Exchange (gain) / loss	**25**	**-**	**25**
Unrealised exchange (gain) / loss	**-**	**3,334**	**3,334**
Fair value (gain) / loss	**-**	**1,816**	**1,816**
Disposal of fixed assets (gain) / loss	**-**	**(223)**	**(223)**
Depreciation and amortisation	**-**	**13,904**	**13,904**
Finance costs	**-**	**339**	**339**
Administration	**-**	**1,350**	**1,350**
Total net expenditure	**6,870,242**	**68,081**	**6,938,323**

As analysed to:	£'000	£'000	£'000
Programme costs	**6,870,242**	**66,731**	**6,936,973**
Administration costs	**-**	**1,350**	**1,350**
Total net expenditure	**6,870,242**	**68,081**	**6,938,323**

Notes to the financial statements continued

3. Statement of expenditure by operating segment continued

Year ended 31 Mar 2024	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Phase One	7,229,568	176,667	7,406,235
Phase 2a	107,797	777,414	885,211
Phase 2b West	46,810	163,533	210,343
Phase 2b East	-	3,951	3,951
Cost reimbursements	22,066	8,154	30,220
Grant expenditure	4,704	5	4,709
Other capital	644	-	644
Exchange (gain) / loss	47	2	49
Unrealised exchange (gain) / loss	-	(6)	(6)
Fair Value (gain) / loss	-	2,716	2,716
Depreciation and amortisation	-	14,471	14,471
Finance costs	-	422	422
Administration	-	1,720	1,720
Total net expenditure	7,411,636	1,149,049	8,560,685

As analysed to:	£'000	£'000	£'000
Programme costs	7,411,636	1,147,329	8,558,965
Administration costs	-	1,720	1,720
Total net expenditure	7,411,636	1,149,049	8,560,685

Notes to the financial statements
continued

4. Staff numbers and costs

	Direct employees 2025	Other personnel 2025	Year ended 31 Mar 2025 Total	Year ended 31 Mar 2024 Total
Full time equivalent persons employed – average for the year	**1,937**	**106**	**2,043**	**2,086**

Staff costs comprise:	£'000	£'000	£'000	£'000
Wages and salaries	**136,776**	**18,058**	**154,834**	160,420
Social security costs	**15,727**	**-**	**15,727**	15,525
Other pension costs	**15,679**	**-**	**15,679**	15,339
Chairman and non-executives fees	**403**	**-**	**403**	440
Total staff costs	**168,585**	**18,058**	**186,643**	191,724

Non-cash items include:	£'000	£'000
Capitalised expenses (staff costs)	(172,562)	(175,746)
Total non-cash costs	(172,562)	(175,746)
Total staff costs in statement of net expenditure	14,081	15,978

Fees and salaries paid to the directors are set out in the Remuneration Report on pages 63 to 73.

The Remuneration Report also details pension entitlements which covers both direct employees and other personnel.

Staff seconded from other bodies, together with contract and agency personnel, are shown under 'Other personnel'.

Notes to the financial statements
continued

5. Other expenditure

	Year ended 31 Mar 2025 Capital £'000	Year ended 31 Mar 2025 Resource £'000	Year ended 31 Mar 2024 Capital £'000	Year ended 31 Mar 2024 Resource £'000
Non-staff expenditure includes:				
Professional services	**438,623**	**30,830**	603,915	38,182
Engineering services	**6,176,754**	**136**	6,525,304	651
Environmental services	**4,137**	**4**	4,155	1,099
Design - utilities	**3,379**	**36**	33,954	3,581
Licences and surveys	**113**	**184**	325	144
Communication and information technology	**21,967**	**1,613**	25,875	5,442
Accommodation costs	**11,719**	**479**	10,438	1,470
Property advice and valuation	**16,451**	**2,426**	15,571	3,690
Legal costs	**4,962**	**65**	(147)	(231)
Travel and subsistence	**2,067**	**152**	2,418	189
Grant expenditure	**9,340**	**77**	4,704	5
Auditors' remuneration and expenses	**-**	**290**	-	275
Recruitment fees	**1,001**	**88**	962	397
HMRC costs	**(4)**	**171**	5,047	1,251
Finance costs	**-**	**339**	-	422
Other costs	**3,789**	**281**	3,645	695
	6,694,298	**37,171**	7,236,166	57,262

Notes to the financial statements
continued

5. Other expenditure continued

	Year ended 31 Mar 2025 Capital £'000	Year ended 31 Mar 2025 Resource £'000	Year ended 31 Mar 2024 Capital £'000	Year ended 31 Mar 2024 Resource £'000
Non-cash items include				
Depreciation of tangible assets	**-**	**10,314**	-	10,036
Increase / (decrease) in provisions	**3,189**	**(2,002)**	(968)	32,043
Exchange (gain) / loss	**25**	**-**	47	2
Unrealised exchange (gain) / loss	**-**	**3,334**	-	(6)
Fair value (gain) / loss	**-**	**1,816**	-	2,716
Amortisation of intangible assets	**-**	**3,590**	-	4,435
Impairment	**-**	**-**	-	1,026,583
Disposal of fixed assets (gain) / loss	**-**	**(223)**	-	-
Total non-cash costs	**3,214**	**16,829**	(921)	1,075,809
Total other expenditure	**6,697,512**	**54,000**	7,235,245	1,133,071

The expenditure in Engineering services primarily relates to construction works and Professional services primarily relates to design works.

Included in the above is expenditure related to external audit services of £0.29 million (2023/24: £0.28 million); internal audit services of £1.2 million (2023/24: £1.2 million) and taxation compliance services of £0.01 million (2023/24: £0.05 million). Other capital expenditure of £0.2 million (2023/24: £0.6m) is not included in the above as these amounts are reported in Note 7 and 8.

Notes to the financial statements
continued

6. Taxation

Current taxation	Year ended 31 Mar 2025 £'000	Year ended 31 Mar 2024 £'000
UK corporation tax	**-**	-
Total UK corporation tax	**-**	-
Factors affecting the tax charge for the period		
The effective rate of tax for the period is equal to the standard rate of corporation tax in the UK of 25%		
The differences are explained below:		
Net expenditure before taxation	**(70,275)**	(1,145,599)
Tax at the standard rate of corporation tax in the UK 25% (2024: 25%)	**(17,569)**	(286,400)
Income and expenditure not subject to corporation tax	**17,569**	286,400
Unrecognised tax losses		
Total taxation charge	**-**	-

HS2 Ltd is not within the charge to corporation tax on its core activity of developing and building the railway, while ancillary activities such as loan relationships remain within the charge to corporation tax.

The corporation tax rate is 25% (2023/2024: 25%).

No asset has been recognised for the tax losses accruing in the year on the grounds that taxable profits do not exist. If any profits were to arise in the future, the tax losses worth £0.6 million (2023/24: £0.6 million) may be used against them. The tax loss has been carried forward from the corporation tax return for 2024 and these losses do not expire whilst HS2 Ltd has a potential source of taxable income.

Notes to the financial statements
continued

7. Intangible assets

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2024	**164**	**33,198**	**33,362**
Additions	**-**	**24**	**24**
Disposals	**-**	**-**	**-**
Reclassification	**-**	**-**	**-**
At 31 March 2025	**164**	**33,222**	**33,386**
Amortisation			
At 1 April 2024	**164**	**19,139**	**19,303**
Charged in year	**-**	**3,590**	**3,590**
Disposals	**-**	**-**	**-**
Reclassification	**-**	**-**	**-**
At 31 March 2025	**164**	**22,729**	**22,893**
Net book value at 31 March 2025	**-**	**10,493**	**10,493**
Net book value at 31 March 2024	**-**	**14,059**	**14,059**

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2023	164	32,219	32,383
Additions	-	979	979
Disposals	-	-	-
Reclassification	-	-	-
At 31 March 2024	164	33,198	33,362
Amortisation			
At 1 April 2023	164	14,704	14,868
Charged in year	-	4,435	4,435
Disposals	-	-	-
Reclassification	-	-	-
At 31 March 2024	164	19,139	19,303
Net book value at 31 March 2024	-	14,059	14,059
Net book value at 31 March 2023	-	17,515	17,515

All assets are owned and there are no intangible assets under a lease.

Notes to the financial statements
continued

8. Property, plant and equipment (PPE)

	Assets under construction railway £'000	Right-of-use £'000	Leasehold improvements, plant and equipment £'000	IT equipment £'000	Total £'000
Cost or valuation					
At 1 April 2024	27,231,817	60,995	22,027	19,754	27,334,593
Additions	6,851,430	-	-	144	6,851,574
Disposals	-	(6,630)	-	-	(6,630)
Reclassification	-	-	-	-	-
Impairment	-	-	-	-	-
At 31 March 2025	**34,083,247**	**54,365**	**22,027**	**19,898**	**34,179,537**
Depreciation					
At 1 April 2024	-	31,468	12,957	15,768	60,193
Charged in year	-	6,339	1,807	2,167	10,313
Disposals	-	(3,643)	-	-	(3,643)
Reclassification	-	-	-	-	-
At 31 March 2025	**-**	**34,164**	**14,764**	**17,935**	**66,863**
Net book value at 31 March 2025	**34,083,247**	**20,201**	**7,263**	**1,963**	**34,112,674**
Net book value at 31 March 2024	27,231,817	29,527	9,070	3,986	27,274,400

Notes to the financial statements
continued

8. Property, plant and equipment (PPE) continued

	Assets under construction railway £'000	Right-of-use £'000	Leasehold improvements, plant and equipment £'000	IT equipment £'000	Total £'000
Cost or valuation					
At 1 April 2023	20,874,179	60,995	22,027	20,088	20,977,289
Additions	7,384,221	-	-	645	7,384,866
Disposals	-	-	-	-	-
Reclassification	-	-	-	(979)	(979)
Impairment	(1,026,583)	-	-	-	(1,026,583)
At 31 March 2024	**27,231,817**	**60,995**	**22,027**	**19,754**	**27,334,593**
Depreciation					
At 1 April 2023	-	25,024	11,138	13,995	50,157
Charged in year	-	6,444	1,819	1,773	10,036
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
At 31 March 2024	**-**	**31,468**	**12,957**	**15,768**	**60,193**
Net book value at 31 March 2024	**27,231,817**	**29,527**	**9,070**	**3,986**	**27,274,400**
Net book value at 31 March 2023	20,874,179	35,971	10,889	6,093	20,927,132

All assets are owned aside from the right-of-use assets that have been acquired as leased assets that fall within scope of IFRS 16. The IT equipment headings include assets under construction amounting to £0.3 million, which are not available for use at the year end, and therefore have not yet been depreciated (2023/24: £2.4 million).

Given the interdependency of the assets comprising the railway, the company has concluded that the railway is considered as a single class of asset. The railway is under construction, is valued at historic cost and is analysed within capital expenditure in Note 3 and Note 5.

Notes to the financial statements
continued

9. Trade and other receivables

Amounts falling due within one year	Year ended 31 Mar 2025 £'000	Year ended 31 Mar 2024 £'000
VAT receivable	**211,271**	231,762
Other receivables	**7,128**	23,912
Prepayments	**24,162**	34,311
	242,561	289,985

The VAT receivable amount for the year ending 31 March 2025 relates to February and March 2025 VAT returns, similar to previous year where the VAT receivable amount related to February and March 2024.

10. Cash and cash equivalents

	Year ended 31 Mar 2025 £'000	Year ended 31 Mar 2024 £'000
Balance at 1 April	**54,755**	128,601
Net change in cash and cash equivalent balances	**94,219**	(73,846)
Balance at 31 March	**148,974**	54,755

Analysis of cash equivalents	Year ended 31 Mar 2025 £'000	Year ended 31 Mar 2024 £'000
Cash held with the Government Banking Service	**146,922**	50,691
Cash held in commercial bank account	**2,052**	4,064
	148,974	54,755

Included in Cash held with Government Banking Service is land and property funding totalling £72.6 million (2023/24: £21.0 million) transferred to the company by the DfT for compulsory purchase orders (CPOs) and for non-compulsory purchase orders (non-CPOs). These purchases belong to and are accounted for by the DfT for the reasons outlined in Note 2.11, so the cash held is offset by short-term creditors included in Trade payables, Note 11. Also, included in Cash held with the Government Banking Service is foreign currency (euro) translated to sterling to the amount of £20.8 million (2023/24: £11.4 million).

Notes to the financial statements continued

11. Trade and other payables

Amounts falling due within one year	Year ended 31 Mar 2025 £'000	Year ended 31 Mar 2024 £'000
Trade payables	**102,437**	50,943
Accruals	**670,515**	877,851
	772,952	928,794

The trade payables value includes short-term creditors relating to CPO and non-CPO as referenced in Note 2.11 of £72.5 million (2023/24: £21.0 million).

The accruals' value includes professional and engineering services related to the constructions works on Phase One. See Note 2.17 for further information. This has reduced in line with the decrease in construction works compared with the previous year.

Notes to the financial statements
continued

12. Provisions

	Petition undertakings and assurances £'000	Phase Two remediation works £'000	Other £'000	Total £'000
Balance at 31 March 2024	**51,943**	**33,483**	130	85,556
Provided in the year	**6,950**	**11,591**	363	18,904
Provisions utilised in the year	**(4,490)**	**(2,037)**	(130)	(6,657)
Provisions not required written back	**(220)**	**(10,840)**		(11,060)
Provisions reclassified to accruals	**-**	**-**	-	-
Balance at 31 Mar 2025	**54,183**	**32,197**	363	86,743

At 31 March 2025	Petition undertakings and assurances £'000	Phase Two remediation works £'000	Other £'000	Total £'000
Analysis of expected timing of flows				
Not later than one year	**54,183**	**25,619**	363	80,165
Later than one year and not later than five years	**-**	**6,578**	-	6,578
Later than five years	**-**	**-**	-	-
	54,183	**32,197**	363	86,743

At 31 March 2024	Petition undertakings and assurances £'000	Phase Two remediation works £'000	Other £'000	Total £'000
Analysis of expected timing of flows				
Not later than one year	**51,943**	**7,249**	130	59,322
Later than one year and not later than five years	**-**	**26,234**	-	26,234
Later than five years	**-**	**-**	-	-
	51,943	**33,483**	130	85,556

Notes to the financial statements continued

12. Provisions continued

Petition undertakings and assurances

As part of the legislative process for the High Speed Rail (London – West Midlands) Act 2017, individuals and organisations were able to raise their objections to the HS2 scheme as petitions.

As a result, a number of assurances were given to petitioners which will inform the planning, design and future construction of Phase One. In certain cases, the company is required as nominated undertaker to meet these assurances. A form of compensation must be provided to those directly affected by the construction and operation of the railway which does not form part of the design and plans for the railway. As set out in our company strategy, the company aspires to respect people and places and will continually seek to reduce the impact of the railway. Some of the commitments the company has entered into are recognised as provisions as defined by IAS 37, since at year-end there is a present obligation, with a probable outflow of resources which can be reliably estimated. Those where a present obligation is not recognised are reported as Contingent liabilities in Note 16.

Phase Two remediation works

The Network North announcement detailed the cancellation of Phase Two and further instruction was received from DfT to stop construction in a safe and orderly manner. This has resulted in remediation works being required to comply with legal, health and safety and environmental regulations for which a provision has been reported. This provision value of £32.2 million for the year ended 31 March 2025 (2023/24: £33.4 million) is based on an externally assured performance measurement baseline.

Other

As at 31 March 2025, a provision was made for an employment tribunal judgment delivered in May 2025. This resulted in a post year-end payment of £0.3 million in May 2025.

Notes to the financial statements
continued

13. Borrowings

	31 Mar 2025 £'000	31 Mar 2024 £'000
Amounts falling due within one year:		
Borrowings	**2,787**	3,317
	2,787	3,317
Amounts falling due after one year:		
Borrowings	**9,124**	14,874
	9,124	14,874
Total borrowings	**11,911**	18,191
Analysis of expected timing of flows:		
Not later than one year	**2,787**	3,317
Later than one year and not later than five years	**9,124**	13,619
Later than five years	**-**	1,255
	11,911	18,191

The borrowings shown above are lease liabilities created under IFRS 16. The company occupies business premises in Birmingham and London and these arrangements are treated as lease obligations as shown above, valued in accordance with IFRS 16.

In some cases, the underlying lease with the third party is in the name of the Secretary of State for Transport rather than the company, but the substance of the transactions means the company ultimately bears the risks and rewards of these agreements.

The total cash outflow in respect of the leases for the financial year was £3.4 million (2023/24: £3.8 million).

The company has no other borrowings and is solely funded by capital contribution from the DfT, hence using the HM Treasury discount rate is most appropriate when measuring lease liabilities.

Notes to the financial statements
continued

14. Financial liabilities

	31 Mar 2025 £'000	31 Mar 2024 £'000
Amounts falling due within one year:		
Derivative Forward Purchase Programme Financial Liability	**2,493**	923
	2,493	923
Amounts falling due after one year:		
Derivative Forward Purchase Programme Financial Liability	**494**	248
	494	248
Total Financial Liabilities	**2,987**	1,171
Analysis of expected timing of flows:		
Not later than one year	**2,493**	923
Later than one year and not later than five years	**494**	248
Later than five years	**-**	-
	2,987	1,171

The derivative relates to the net exposure on foreign currency forward purchase contracts denominated in euros (gross amount invested of €99.41 million for 2024/25 and €41.36 million for 2023/24), converted to sterling at the reporting date and measured at fair value using the published HMRC exchange rate as at 31 March 2025. This is a Level 2 fair value measurement which are inputs other than quoted prices within an active market, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

A sensitivity analysis has been performed based on the exposure to foreign exchange rate for the derivative instrument. A 1% increase applied to the HMRC exchange rate at 31 March 2025 represents a financial impact to the SoCNE of £0.8 million (2023/24: £0.4 million) and SoFP of £(0.8) million (2023/24: £(0.4) million). A 1% decrease to this rate would have an equal and opposite effect.

The company is considered to have no material credit, liquidity, interest rate and market risk, or any collateral arrangements in place either.

Notes to the financial statements continued

15. Financial commitments

	31 Mar 2025 £'000	31 Mar 2024 £'000
Financial commitments (excluding capital commitments)	**8,880**	10,225
Property, plant and equipment	**1,686,877**	2,943,513
Intangible assets	**-**	-
Contracted capital commitments	**1,686,877**	2,943,513

Payments related to the financial commitments are £8.9 million (2023/24: £10.2 million) within one year and £nil (2023/24: £nil) between one to five years. Material items in regards to Property, plant and equipment have not been disclosed due to being commercially sensitive.

The termination clauses of a contract were reassessed for the year ended 31 March 2025 which resulted in a reduced commitment value for property, plant and equipment commitments.

Notes to the financial statements
continued

16. Contingent liabilities

Contingent liabilities do not represent a current liability for the company at 31 March 2025, but some may result in an obligation to transfer cash in the future, depending on one or more relevant events occurring. They are not recognised in the Statement of Financial Position, but are monitored to ensure that, where a possible obligation or a transfer of economic benefits has become probable, a provision will be made. As such, these are contingent liabilities within the definition of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

Contingent liabilities arise from the following sources.

- As part of the legislative process for the high-speed rail programme, individuals and organisations were able to raise their objections to the HS2 scheme as petitions. As a result, a number of assurances were given to petitioners and they will inform the planning, design and future construction of HS2. In certain cases, the company is required to meet these assurances. The company has identified an undertaking and assurance that led to a contingent liability totalling £10.3 million (2023/24: £30.2 million).
- As part of its normal course of business, the company has given indemnities to individuals and companies who could be affected by the construction of HS2. In all cases, no claims have arisen. It is not possible to reliably quantify the liabilities that may arise in the future:
  - A Framework Asset Protection Agreement with Network Rail dated 13 January 2015. The agreement includes an uncapped indemnity in relation to all losses suffered by Network Rail because of the company's works.
  - A number of Protective Provisions Agreements with either special status or utility companies that include indemnities in relation to the company's work as nominated undertaker for constructing HS2. These agreements go no further than the provisions made in the high-speed rail programme that provide for protection, repair, compensation and indemnification for valid third party claims.
- Agreements providing access to land and property owned by private individuals and businesses prior to the construction phase. Such agreements provide an indemnity to the property owners for loss or damage caused by the company in the course of its work.
- Potential legal claims, tax issues or disputed supplier costs where the likelihood of the company making payments in the future is less than probable as at 31 March 2025. Where applicable, the values have not been disclosed as they have a potentially prejudicial impact on the outcome of any proceedings or claims.
- The company has supplier incentive costs that are payable dependent on specific performance criteria being met. The amounts relating to the period after 31 March 2025 or where the assessment of payment is less than probable have not been provided for. The values for these incentives have not been disclosed due to being commercially sensitive in nature.
- A possible obligation to pay an additional insurance premium at the end of the insurance policy term in 2027.

As set out in Note 2.11, the company does not have any contingent liability in respect of the potential cost of property that may be acquired in the name of the SoST along the HS2 route. Any such contingent liability will be reported in the DfT's financial statements.

17. Related-party transactions

HS2 Ltd is an executive non-departmental public body sponsored by the DfT Core Department. The DfT is regarded as a controlling related party. The company's primary source of funding is through the DfT, based on approved expenditure that is voted on by Parliament. The total amount

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of funding received from the DfT for the year ended 31 March 2025 amounted to £7,121 million (2023/24: £7,277 million).

During the year, the company had a number of transactions with the DfT Core Department with the amount paid and payable at year-end totalling £3.4 million (2023/24: £27.1 million) and receivable at year-end totalling £3.04 million (2023/24: £7.5 million).

The company had a number of IFRS16 transactions with the DfT Core Department for leasehold assets between both parties. These included £4.3 million for Depreciation and Finance cost charges (2023/24: £4.3 million) and £0.8 million reduction in the outstanding lease liability at the year-end.

All of the transactions with the DfT Core Department are carried out on an arm's-length basis. In total, there were transactions with other central government bodies totalling £154.7 million (2023/24: £222.6 million) with all transactions also carried out on an arm's-length basis. Most of these transactions have been with Network Rail Infrastructure Limited.

Other than their remuneration and business-related expenses (refer to Remuneration and Staff Report on pages 63 to 73), none of the board members or executive staff have undertaken any material transactions with the company or its related parties during the year, except as disclosed below, and none has a financial interest in the activities of the company such as to influence their work with the company.

Ian King joined the company in July 2020 as a non-executive director of the company. Mr King also holds the position of lead non-executive director for the DfT. It is acknowledged that Mr King has a conflict of interest with respect to transactions involving the DfT and his engagement was agreed on the basis that a suite of controls is in place to address the conflicts of interest.

Dr Nelson Ogunshakin joined the company in October 2023 as a non-executive director. Dr Ogunshakin held the position of board member for Transport for London (TfL) until September 2024. The amounts paid and payable at year-end to TfL was £1.0 million (2023/24: £14.9 million).

Emma Head, the chief railway officer and board member for the company, has held the position of non-executive director for the Rail Safety and Standards Board Limited (RSSB) since April 2021. RSSB is an industry body that requires non-executive appointments to be made from industry representatives. The company pays a mandated annual membership fee to RSSB and has also engaged it for professional services work to provide independent expertise and validation on key rail safety challenges. The amounts paid and payable at year-end to RSSB was £0.6 million (2023/24: £0.7 million).

Jackie Roe was engaged as the interim civils delivery director with a place on the Executive Committee between 25 March 2024 and 31 January 2025. The engagement was in the form of a contract between Jacobs and HS2 Ltd. Accordingly, Ms Roe remained an employee of Jacobs during the period of the contract. It was acknowledged that Ms Roe had a conflict of interest with respect to contracts and procurements involving Jacobs and her engagement was agreed on the basis that a suite of controls was in place to address the conflicts of interest. Other transactions paid and payable at year-end to Jacobs were £0.04 million (2023/24: £0.3 million).

David Goldstone joined the company in June 2024 as a non-executive director. Mr Goldstone was a board member for the Major Projects Association (MPA) between November 2021 and November 2024. The company is a member of the Major Projects Association and pays an annual membership fee and for occasional training. The amounts paid and payable at year-end to MPA was £0.01 million (2023/24: £0.05 million).

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18. Losses and special payments

Managing public money requires the company to provide a statement showing losses and special payments by value and by type where they exceed £300,000 in total and those that, individually, exceed £300,000.

Losses statement	31 Mar 2025 £'000	31 Mar 2024 £'000
Total number of cases	**4**	4
Total amount (£000)	**4**	2,171,532

Special payments	31 Mar 2025 £'000	31 Mar 2024 £'000
Total number of cases	**1**	1
Total amount (£000)	**8**	61

19. Events after the reporting period

These financial statements are laid before the Houses of Parliament. The International Accounting Standards (IAS10) require the company to disclose the date on which the accounts are authorised for issue. This is the date on which the Comptroller and Auditor General signs the audit certificate (pages 74 to 83).

After reporting date of 31 March 2025, HS2 Ltd announced a proposed organisational restructure and have commenced a consultation process with the Workplace Forum and TSSA trade union. The financial impact will be determined once the consultation period has concluded. As this event occurred after the reporting date and does not relate to conditions existing at that time, it is considered a non-adjusting event and has been disclosed accordingly.

Aside from the above, there have not been any significant post-reporting period events, whether adjusting or non-adjusting, at the date of signing these financial statements.

20. Ultimate controlling party

The ultimate controlling party is considered to be the SoST.

HS2

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BC0069

ISBN: 978-1-5286-5836-2