

Section 172 Statement - Year ended 31 December 2025

Under Section 172 (1) of the Companies Act 2006 ('s172'), the Board of Directors are required to have regard to the relevant matters set out in S172 (1) (a) to (f). The Board of Directors of Cygnet consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2025.

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

Principal Activities

Cygnet is a leading provider of complex mental health care and social care services in the UK. Established in 1988, our 38-year history has seen us build a reputation for delivering pioneering services and outstanding outcomes for children, young people, adults and older people. Cygnet is supported by its long term strategic partner, and ultimate parent, Universal Health Services Inc. ("UHS"). UHS is one of the largest and most respected providers of hospital and healthcare services in the USA.

We provide services in England, Scotland and Wales and our expert and highly dedicated team of over 13,000 employees support almost 8,650 individuals each year across 162 services to consistently make a positive difference to their lives.

Overview of our Services

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

4. Mental Health Services:

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

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

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

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

Business Review

Cygnet continued to invest its cash flow to fund capital expenditure to maintain its existing sites, to invest in the operational infrastructure, its IT and systems infrastructure, and to develop further capacity.

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

Our Corporate strategic priorities

Cygnet's strategic priorities, which are approved by the Board and reviewed regularly, are as follows:

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

Corporate Governance and Clinical Delivery

The Board committees report into the Main Board on a quarterly basis, which is chaired by the UHS Chairman. It is attended by UHS Directors, Cygnet's Statutory Directors and the Senior Independent Director.

Our purpose is to make a positive difference to the lives of the individuals we care for, their loved ones and all those who work with us. Our vision is to provide high quality, sustainable specialist services that ensure service users and residents feel safe and supported, staff are proud of, commissioners and service users select, and stakeholders trust.

Cygnet is committed to providing high quality care through robust governance that follows the Wates governance framework, which is transparent, accountable and inclusive.

Our central service functions provide support to our corporate, operational and clinical colleagues and to external mechanisms to gain assurance and identify where further support is required. This includes monthly Executive Management Board (White Space) meetings, quarterly Executive Management Board (Performance) meetings, quarterly Executive Management Board (Governance) meetings, and quarterly Executive Management Board (Thematic) meetings, chaired by the Chief Executive Officer. Outputs from these forums, including performance against strategic priorities and key risks, are reported to and reviewed by the Board to enable effective oversight.

The Advisory Board provides challenge and assurance to ensure quality services are provided, which are focused on safety, sustainability and continuous improvement. Advisory Board members are independent and hold non-executive positions. Members review Cygnet's corporate governance practices regularly and propose recommendations. This is chaired by Cygnet's Senior Independent Director, Professor Lord Kamlesh Patel of Bradford OBE, and attended by Mark Stephens CBE (Chair of Legal and Litigation Committee) Baroness Clare Gerada DBE (Chair of Clinical Governance and Improvement Committee) Ian Brokenshire (Chair of Audit and Risk Committee) and Sian Jarvis, CB (Chair of Communication and Culture Committee).

Non-Executive Directors

In line with the annual process, the Non-Executive Directors undertook a formal evaluation in 2025 of Cygnet's performance and that of its committees and individual directors. The Chair of the Advisory Board's overarching assurance statement highlighted that 'the annual Non-Executive Director appraisal process provided assurance that the Board is well-led and has an appropriate balance of skills, experience and independence, and Non-Executive Directors provide effective challenge, scrutiny and oversight across quality, safety, finance, risk, culture and legal governance. Overall, the appraisal outcomes confirm that the Board provides effective leadership, robust assurance and appropriate oversight, and that it is sighted on current and emerging risks within a complex and changing regulatory and operating environment.' Across all Board Committees, the majority of Non-Executive Directors were 'very satisfied' surrounding receipt of adequate information on the proceedings of each committee meeting, including the circulation of minutes of each committee and reports.

Stakeholder Relationship and Engagement

Cygnet invites patients, service users, relatives and / or carers to attend in-person the quarterly Executive Management Board (Governance) meetings to present their feedback to members. This is an opportunity for individuals to share their experiences first hand and to discuss positives and negatives directly with Executive Directors to help understand their journeys and to learn about how to improve the services provided.

Cygnet continued its work to implement the Equity, Diversity and Inclusion (EDI) Strategy with clear objectives to ensure everyone enjoys equal opportunities according to their needs and individual aims. Working with the EDI, Multicultural Network, LGBTQ+ Network, Women's Network, Disability Network and the Men's Health Network to promote awareness and inclusion so that staff feel more confident in sharing their experiences and signpost for information and support. An events and awareness calendar schedule was in place and many of the festivals and celebrations were shared with staff via the intranet website. Regular updates are taken through the quarterly Communication and Culture Committees for assurance.

In May 2025, Cygnet's Nursing conference was held, and internal presentations included the key theme of 'Nurse Wellbeing', which was addressed by Cygnet's National Nurse Lead for Child and Adolescent Mental Health Service and the Colleague Engagement and Wellbeing Lead. Wellbeing activities and resources were shared with delegates.

Our commitment to community and the environment

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

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

Cygnet employs over 13,000 people UK-wide and we bring additional economic and social benefits to the local economies in which our services are based. Where possible we use local produce, resources and suppliers at our facilities, to support the local economy and community infrastructure. We support our staff in their local community endeavours including building relationships with local MPs, councillors, businesses, schools, charities, community groups and other residential care services. We actively encourage our staff to play a proactive role in the communities where they work and are proud supporters and sponsors of numerous community initiatives, clubs and groups.

Cygnet's commitment to environmental sustainability remains central to our Strategic Plan 2022–2027, with targets of net zero from direct and indirect emissions by 2035 and full supply chain net zero by 2040. In 2025 we made tangible progress across energy, fleet, waste and compliance.

Our voltage optimisation pilot at Cygnet Hospital Maidstone delivered expected savings, and we are now extending the pilot to further sites. Solar installations continued with 53 sites complete, and LED lighting upgrades are rolling out estate-wide as fittings reach end of life.

Fleet decarbonisation is accelerating. At the end of 2025 78% of our vehicles had internal combustion engines and we are forecasting this to reduce to 64% by end of 2026, as plug-in hybrids grow from 15% to 29% of the total.

On waste, our recycling rate reached 43% in 2025 — up from 27% in 2021 — while landfill waste held at just 1% for the second year running.

Regulatory compliance remains on track. Our ESOS Phase 3 report was submitted ahead of the December deadline, emissions disclosed in Cygnet Health UK's Directors' Report as part of SECR requirements will underpin our formal Net Zero Pathway.

Looking ahead, our new Supplier ESG assessment tool is being rolled out through our procurement function, extending our environmental ambitions into the supply chain.

Our commitment to our people

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

- Provide targeted and relevant staff communications through accessible and interactive platforms;
- Continue to promote the Freedom to Speak Up Guardians service as a confidential support service for staff. In 2025 the Freedom to Speak Up Guardians received 133 contacts by telephone, email and our red button. Our staff survey was completed by 79% of our workforce and showed that 96% of our workforce are aware of Freedom to Speak Up at Cygnet;
- Currently we have 143 Mental Health First Aiders;
- Cygnet have a peer-to-peer recognition and reward scheme, Characters of Care. In 2025 we had a total of 1,175 nominations, of which 428 were approved and won £30 vouchers through Reward Gateway;

- In 2025, 250 colleagues have started our World Class Manager Programme with 153 having completed the programme, and 250 employees completed our Team Leading and Management Apprenticeships. We commenced our 2nd and 3rd cohorts of our Aspiring Managers programme. In 2025 87% of our promotions in service manager and operations roles have been internal moves and promotions;
- Implement the Framework for Open Cultures, specifically we have Staff Representative Groups who feedback through regional and national forums, the latter is attended by Group and Divisional CEO's. We have a Talk to Tony platform to allow staff to directly ask questions to our CEO. We have been training and trialling the implementation of Just Culture in 4 Operational Directors divisions. Our staff survey showed an 82% positive score for questions within the culture category and 84% positive score for Psychological Safety.

People with disabilities

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

Diversity and Inclusion

Cygnet continued its work to implement the Equity, Diversity and Inclusion strategy with clear objectives to ensure everyone enjoys equal opportunities according to their needs and individual aims. Cygnet has an 'equality and diversity policy' in place, which applies to all staff.

Human rights

Cygnet is committed to respecting human rights across its operations and supply chain, in line with internationally recognised standards. We maintain policies and procedures designed to prevent human rights abuses, including due diligence processes and monitoring mechanisms, and we take appropriate action where risks or breaches are identified.

Anti-corruption and anti-bribery

Cygnet is committed to conducting its business with integrity and in compliance with all applicable anti-corruption and anti-bribery laws and regulations, including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act (FCPA). The Group has implemented policies, procedures and internal controls designed to prevent, detect and respond to instances of bribery and corruption.

Key Performance Indicators ('KPIs')

Financial

These include revenue and statutory profit before tax and profit after tax (excluding separately reported items). Operating margins are also considered on a site by site basis.

Non-financial

We use a variety of quality KPI's to ascertain our performance and compliance with standards. A monthly quality dashboard by region is produced which summarises performance by unit, this includes occupancy rates, published regulatory ratings as well as the internal quality assurance manager rating of the service. The dashboard includes audit submissions as well as identifying underperforming audit compliance ratings, resuscitation simulations, surveys and results of medication audits.

Staffing KPI's including staff turnover rates 19.9% (2024: 21.1%), ward and off ward hours, staffing against matrix and agency usage 6.5% (2024: 7.5%) are reviewed regularly with sites, as well as occupancy levels as outlined above.

Future prospects

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

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

Cygnet monitors these and other risks and puts in place measures to mitigate their impact where possible. Cygnet remains focused on long term growth and the achievement of our strategic objectives.

Principal risks and uncertainties

Cyber Security and Data risk

The security and availability of operational data is essential. We face a rapidly evolving threat from increasingly sophisticated, AI-accelerated social engineering and ransomware attacks. To mitigate this we have created the Business Continuity and Emergency Planning Committee along with a Digital Services Disaster Recovery plan.

Loss of funding

Cygnet relies on publicly funded entities in the UK for substantially all of its revenues and the loss or reduction of such funding, or changes in procurement methods, could negatively impact Cygnet's occupancy rates which could have corresponding material adverse effects. Changes to the NHS structure, along with a shift from hospital to community placements adds to this risk. To mitigate, we regularly review the services offered to ensure they meet the demand of our customers.

Reputational and regulatory risk

Reputational risk is the risk arising from adverse publicity, including regulatory standings. Regulatory risk is the risk arising from adverse regulatory inspections, or employees failing to adhere to Cygnet's policies and procedures. To mitigate these risks, we ensure good quality care procedures, systems and internal audits across Cygnet.

Inflationary risk

Cygnet is monitoring cost increases closely and is currently seeing high cost inflation in the majority of products and services purchased. In the current geopolitical environment, energy price rises have a direct and indirect effect on Cygnet's cost base.

Climate risk

Climate-related risks have been identified as an emerging risk. This includes physical risks which are either event-driven such as heatwaves and droughts or chronic longer term shifts in climate patterns

such as rising sea levels. As well as with transactional risks while we transition towards less polluting, greener solutions, including the effect of legal and regulatory requirements and policy changes.

Growth and Retools

The timely completion of projects retooling existing sites and integrating new sites represents a risk including embedding Cygnet's policies and practices with new staff and patient groups. To mitigate this Cygnet monitors the progress of all new projects closely and perform manager shadowing at newly opened sites.