United Utilities Group PLC

Integrated Annual Report and Financial Statements for the year ended 31 March 2024

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Our reporting methodology

Open, honest and transparent reporting is at the core of our responsible business approach, and we strive to continuously improve our reporting to meet investor and other stakeholder needs.

As a provider of essential water and wastewater services, we run our business in the interests of the public and wider society. Sustainability is a significant driver of what we do. This is intrinsically linked to our purpose – delivering great water for a stronger, greener and healthier North West – and our reporting approach reflects this integral relationship.

Stakeholder interest and expectations for sustainability-related information continue to grow, with the reporting frameworks and standards developing rapidly in response. We have further improved the connectivity and integration of sustainability-related disclosures across our business model in this year's integrated annual report.

We have conducted a refreshed materiality assessment this year, and provide information on how we approach, govern, assess and monitor the top material themes under the four-pillar headings that link the disclosure requirements of the International Sustainability Standards Board (ISSB), the Task Force on Climate-related Financial Disclosures (TCFD), and the Task Force on Nature-related Financial Disclosures (TNFD).

Our reporting methodology means that readers can find all of our sustainability-related disclosures in this integrated annual report and do not need to read a separate report. However, for readers that are solely interested in the sustainability-related aspects of our business model and performance, we do also make this information available as a separate sustainability report at the link on the following page. This is a presentational alternative rather than additive disclosures, as we believe that fully integrated reporting provides the most accurate representation of the integrated thinking approach we take to running our business.

Our operational performance and key performance indicators are structured across the environmental, social and governance (ESG) headings, in alignment with the 'stronger', 'greener' and 'healthier' ambitions of our purpose. These include a comprehensive spread of metrics in relation to each stakeholder group for which we create value.

To ensure it is as easy as possible for readers with targeted areas of interest to find what they are looking for, we use colour coding and iconography to enable quick and easy identification of climate, nature and other issues throughout the business model and performance review. Pages 02 and 03 show where information can be found throughout our integrated report, including TCFD, TNFD and other sustainability-related disclosures.

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x.com/unitedutilities
youtube.com/user/unitedutilities
linkedin.com/company/united-utilities/posts

Visit our corporate website at **unitedutilities.com/corporate**

See our report online

Use the link below or scan the QR code to view our online report and download the full integrated annual report and financial statements.

Visit our online report at **unitedutilities.annualreport2024.com**

Our purpose

To provide great water for a stronger, greener and healthier North West.

Our purpose highlights how environmental, social and governance considerations are integral to everything we do.

Greener

We protect and enhance urban and rural environments, and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive, making the North West a better place to live now and for the future.

Healthier

We provide great quality drinking water and safely remove and recycle used water for more than seven million customers, while taking care of the beautiful landscapes in the North West every day.

Stronger

We deliver an essential service, help customers in vulnerable situations, invest in local communities, and support jobs and the economy, giving the North West resilience in a changing world.

Our strategy

We have identified six strategic priorities to enable delivery of our purpose.

Our strategic priorities are aligned to the greener, healthier and stronger elements of our purpose. These permeate everything we do, and this can be seen throughout this report. The stages in our water cycle, our principal risks, board and committee activities, and the measures in our remuneration policy, are all aligned to one or more of these themes.

Read more on pages 22 to 23, 31, 106 to 107 and 143

- Improve our rivers
- Create a greener future
- Deliver great service for all our customers
- Provide a safe and great place to work
- Spend customers' money wisely
- Contribute to our communities

Our key performance indicators (KPIs)

Our operational KPIs are also closely aligned with the key elements of our purpose and our strategic priorities.

100%
delivery of this year's Better Rivers milestones

>100,000
customers lifted out of water poverty so far in AMP7

£3.99m
direct investment made this year into North West communities

4-star or 3-star
('industry leading' or 'good') ratings from the EA every year since its EPA began

4th
ranked of 11 water and sewerage companies (WaSCs) in C-MeX measure of customer satisfaction

98%
delivery against our capital programme delivery incentive measure of efficiency

Good progress
against our ambitious carbon pledges

81%
colleague engagement, in line with UK high performance norm

Upper quartile
across a suite of trusted investor indices

Our sustainability report

Sustainability-related disclosures are integrated throughout this report, but readers that are solely interested in these can access our separate sustainability report at the link below or by scanning the QR code.

Our sustainability report is available at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

Our annual performance report

We report our performance in a regulatory format that helps customers and other stakeholders understand it and compare it with other companies in the sector.

Our annual performance report will be available from 15 July at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

Stock code: UU.

How our strategic report is structured

These pages help to set out the component sections of our strategic report and where readers can find relevant information.

Business overview – pages 04 to 17

In the business overview, we set out our operational and financial highlights for the year ended 31 March 2024 and our Chair and Chief Executive Officer (CEO) summarise their thoughts on the year and outlook for the future. In our investment proposition we highlight our track record of good and improving performance, strong balance sheet, and opportunities in the medium and long term.

Chair's review — See pages 04 to 05
How we create value* — See pages 06 to 09
Highlights for 2023/24 — See pages 10 to 11
CEO's review — See pages 12 to 15
Investment proposition — See pages 16 to 17

* In the section on how we create value, we provide examples of how our activities create sustainable long-term value for a broad range of stakeholders, as set out below, and wider value including contributing to the UN Sustainable Development Goals (SDGs).

Customers | Environment | Communities | Colleagues | Suppliers | Investors

Our business model – pages 18 to 67

Our business model reflects the circular economy in which we operate and how we deliver our purpose.

Our operating environment and dependencies

In this section we set out the key impacts of our external environment, and the impacts and dependencies we have on each of the six capitals (our key resources). Our materiality assessment brings together each of these aspects to rank material themes by reference to their impact on our ability to create value for stakeholders as well as their potential impact on our business.

Key resources — See pages 20 to 23
External environment — See pages 24 to 27
Materiality assessment — See pages 28 to 30

Our operating environment and dependencies

Our approach to creating sustainable long-term value

Providing great water for a Greener / Healthier / Stronger North West

Our approach to creating sustainable long-term value

Across the remainder of our business model, we disclose information on our overarching approach and how we are addressing the most material themes, using the four pillars of disclosure requested by the International Sustainability Standards Board (ISSB). As shown on the page opposite, this incorporates our disclosures under the TCFD and TNFD frameworks.

Strategy — See pages 31 to 43
Governance — See pages 44 to 50
Risk management — See pages 51 to 62
Metrics and targets — See pages 63 to 67

Our performance – pages 68 to 97

We report our operational performance across the three key elements of our purpose, which are closely aligned with the sustainability principles of environmental, social and governance (ESG).

Greener – performance for the environment, including our energy and carbon report and a case study on how we are improving rivers.

Healthier – performance for customers, colleagues and other social matters, including a case study on our unique five counties approach.

Stronger – performance for communities, suppliers, efficiency and other governance matters, including a case study on our compliance committee.

We then provide a summary of our **financial performance** and our AMP7 financial framework.

Greener — See pages 68 to 77
Healthier — See pages 78 to 83
Stronger — See pages 84 to 89
Financial — See pages 90 to 97

Non-financial and sustainability information statement

The table below constitutes the company's non-financial information statement, produced to comply with section 414CA of the Companies Act 2006.

It sets out where we have made our climate-related financial disclosures required by s414CB(A1) and non-financial areas of disclosure required by s414CB(1) including information on our business model, policies, principal risks and the non-financial key performance indicators (KPIs).

This table also demonstrates where we have made the recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD) frameworks.

Key: Environmental matters | Colleagues | Respect for human rights | Social matters | Anti-corruption and anti-bribery | ● Full disclosure | ◐ Foundation disclosure

Reporting requirement	Environmental matters	Colleagues	Respect for human rights	Social matters	Anti-corruption and anti-bribery	TCFD	TNFD
Business model including our key resources and the external environment (pages 18 to 27).	✓	✓	✓				
KPIs relating to our environmental impact (pages 68 to 72).	✓	✓	✓	✓		●	●
KPIs relating to customers, colleagues and other social metrics (pages 78 to 82), Gender pay report (page 81).		✓	✓	✓			
KPIs relating to communities, suppliers and other governance metrics (pages 84 to 88).			✓	✓	✓		
Strategy							
Strategic priorities and business horizons (pages 28 to 33).	✓	✓	✓	✓	✓	●	●
Risks and opportunities over the short, medium and long term: Climate (page 34), Nature (pages 40 to 41).	✓					●	◐
Impact on business strategy and financial planning: Climate (page 35), Nature (pages 40 to 41).	✓					●	◐
Resilience to risks in different scenarios: Climate (page 36), Nature (pages 40 to 41).	✓					●	◐
Priority locations of assets and activities (pages 40 to 41).		✓	✓	✓			●
Governance							
Our culture and core values (pages 44 to 45).		✓	✓	✓	✓		
Corporate governance: Structure and responsibilities (pages 44 to 45 and 106 to 108), Competitive base salary and benefits (page 145), Board diversity (page 115).	✓					●	●
Board oversight of risks and opportunities: Climate (pages 48 to 49), Nature (page 49).	✓					●	●
Management's role in managing risks and opportunities: Climate (page 49), Nature (page 49).	✓	✓	✓	✓	✓	●	●
Other material themes: Equity, diversity and inclusion (pages 42 to 43, 50, 60 and 67), Stakeholder engagement (pages 46 to 47), and S172(1) Statement (pages 47 to 48).		✓					
Risk management							
Our approach to management and our principal risks (pages 51 to 56).	✓	✓				●	●
Processes for identifying and assessing risks: Climate (page 58), Nature (page 59).	✓					●	●
Processes for managing risks: Climate (page 58), Nature (page 59).	✓	✓				●	●
Integration of risk management: Climate (page 58), Nature (page 59).		✓	✓	✓	✓	●	●
Metrics and targets							
Stakeholder metrics and targets (pages 72, 82 and 88).	✓		✓	✓			
Metrics used to assess risks and opportunities: Climate (page 65), Nature (page 66).	✓		✓			●	◐
Targets used to manage risks and opportunities: Climate (page 65), Nature (page 66), Other themes (page 67).		✓	✓	✓	✓	●	◐

Policies, guidance and standards that govern our approach (*Where marked see our website, otherwise only published internally)	Environmental matters	Colleagues	Respect for human rights	Social matters	Anti-corruption and anti-bribery	TCFD	TNFD
Environmental policy*, Water Resources Management Plan*, Waste and resource use policy, Climate change mitigation policy.	✓						
Health, safety and wellbeing policy*, Equity, diversity and inclusion agenda* and report*, Flexible working policy, Agency worker policy, Mental wellbeing policy, Board diversity policy (page 115).		✓					
Human rights policy* and engagement activities (page 49).		✓	✓				●
Colleague data protection policy, Anti-Slavery and human trafficking statement.*			✓				
YourVoice, Charitable matched funding guidance, Volunteering policy.				✓			
United Supply Chain* (page 87), Commercial procurement procedures, Responsible sourcing principles.*				✓	✓		
Anti-bribery and corruption policy, Fraud investigation and reporting processes, Internal control manual (financial), Whistleblowing policy (page 110).					✓		

Chair's review

Sir David Higgins

Committed to delivering our purpose – now and for the long term

While the water industry continues to be the subject of public and media attention, United Utilities remains focused on delivering its purpose of providing great water for a stronger, greener and healthier North West.

49.78p

per share total dividend in respect of the 2023/24 year

+9.4%[1]

CPIH inflation-linked increase in the dividend

19 July

annual general meeting (AGM) to be held at our head office in Warrington

[1] The dividend increase is based on the CPIH element included within allowed regulatory revenue for the 2023/24 financial year (i.e. the movement in CPIH between November 2021 and November 2022).

Providing great water for a stronger, greener and healthier North West

We have delivered another strong year, meeting or beating around 80 per cent of our performance commitments. We have made strides in improving drinking water quality and our efforts to drive leakage down continue to reap results, improving performance for customers across the region.

Our approach to supporting customers with affordability and vulnerability challenges is sector-leading, and our future plans would see us increasing this further than ever, providing significant support for some of the most deprived areas in the country.

We continue to play an integral role in protecting and enhancing the natural environment across the North West of England, looking after vast areas of land, including land in national parks and Sites of Special Scientific Interest (SSSIs), a long coastline, and a network of rivers and other bodies of water.

We continue to progress well with our commitments to improve river water quality, plant trees to create woodland, and improve the condition of our SSSI land. We have already surpassed our 2030 target for restoration of high-quality peatland – important for both raw water quality and climate change mitigation – and we don't intend to stop there.

We are already needing to adapt to a changing climate with increasingly volatile weather conditions. This year we have experienced a significant number of extreme weather events, including a large number of named storms and extraordinarily high rainfall.

This has had an impact on performance, but it has also demonstrated the excellent operational resilience that we have across the business, and the dedicated hard work of our teams that managed to maintain an overall strong level of service for customers during the year.

In addition to this operational resilience, I am pleased at the level of financial resilience United Utilities continues to maintain through its robust and prudent approach to financial risk management, responsible level of dividends, and relatively low gearing supporting strong investment grade credit ratings and allowing us to absorb shocks and continue to operate across the economic cycle. We once again received the highest status in Ofwat's latest Monitoring Financial Resilience assessment.

We have a dedicated focus on supporting and improving equity, diversity and inclusion right across the business, with bold targets for ethnic and gender diversity at board level and downwards, and our graduate and apprenticeship programmes are helping to support skill creation in the region and create future leaders.

Dividend and AGM

We recognise the importance of dividend payments as a key element of shareholder returns, supporting the essential role that equity investors have in financing investment programmes and supporting the efficient and effective delivery of services to customers.

The board has proposed a final dividend of 33.19 pence per share, to be paid on 1 August 2024, taking the total dividend for the 2023/24 financial year to 49.78 pence per share. This is an increase of 9.4 per cent,(1) in line with our AMP7 policy of targeting an annual growth rate of CPIH inflation through to 2025.

Our group dividend is supported by strong performance opposite the regulatory contract by United Utilities Water Limited, and further underpinned by a robust financial position – as demonstrated by a responsible level of gearing, strong investment-grade credit ratings and pension surplus – which provides stability across the peaks and troughs of both the economic and regulatory cycle.

I look forward to meeting shareholders at the annual general meeting (AGM), which is being held on 19 July 2024. Given the very limited virtual attendance on those occasions it was provided, we will again utilise the traditional approach welcoming shareholders to the meeting at the group's head office in Warrington.

Board succession

As reported last year, Michael Lewis joined the board on 1 May 2023. As part of our board succession plans, and our continual approach to recruit board members to replace those approaching the end of their nine-year tenure, it was announced on 16 April 2024 that Clare Hayward would join the board with immediate effect. At the same time, we announced that Paulette Rowe would not be seeking reappointment at this year's AGM following her relocation to the United States to take up an executive role. Paulette will be much missed and we wish her well in her new role.

Business plan and outlook

During her first year as Chief Executive Officer, Louise has led delivery of a significant milestone with submission of an impressively bold and ambitious business plan, and I am confident that her drive and vision will position us extremely well to successfully deliver this plan for customers and for all our stakeholders.

Our plans would see us delivering a step change in performance for customers and the environment, and supporting the North West economy with significant investment and job creation.

Alongside this, she has been building capability and focusing the organisation into regional teams to deliver for each of our diverse counties and the stakeholders we have in each. This is helping to ensure we are prepared and set up to successfully deliver our AMP8 plans once they are finalised.

At the same time, she has mobilised our teams to begin work on accelerated investment during AMP7, so that we can drive important environmental improvements as quickly as possible, with innovative solutions that can be rolled out at speed.

The industry continues to receive considerable public scrutiny, particularly around its role in protecting rivers and the use of storm overflows. Our plan includes £3.1 billion to deliver the largest spill reduction programme in the United Kingdom and the early investment we are making, supported by our ongoing AMP7 Better Rivers programme, is already driving substantial reductions. We are committed to delivering this important change, and we are already making great strides in doing so.

Our submission included not only our plans for the 2025–30 period (AMP8) but also our long-term delivery strategy. Our adaptive planning, creating our five-year plans in line with this long-term delivery strategy, supports our long-term planning approach and strong focus on resilience and sustainability.

Thank you

On behalf of the board, I sincerely thank everyone across the company for the level of commitment and hard work they have shown this year, and their passion for great customer service. With such a talented and driven group of people behind us, and the continued support of our stakeholders, we are confident that we can deliver on our ambitious plans for the 2025–30 period and beyond.

Sir David Higgins
Chair

15 May 2024

The **strategic report** on pages 01 to 97 was approved at a meeting of the board on 15 May 2024 and signed on its behalf by Sir David Higgins, Chair.

Read more about our proposed AMP8 business plan, which was submitted on 2 October 2023, on page 24 and at **pr24.unitedutilities.com**

How we create value

We create sustainable long-term value for a range of stakeholders

Customers

In the short/medium term:

- We focus on providing continuous, resilient and reliable water and wastewater services for customers, ensuring clean water is available at their taps when they need it, and wastewater is taken away when it goes down their drains.
- When customers need to contact us, we are helpful, friendly and supportive, talking and listening to them so that we can understand and meet their expectations.
- We maintain bills that are good value for money, as well as providing help and support for those who are struggling to pay.

In the long term:

- Our water and wastewater services make a major contribution to the long-term health and wellbeing of customers in the North West, providing clean, safe drinking water and hygienic sanitation.
- Through long-term financing and the regulatory framework, we are delivering multi-million pound infrastructure projects to improve services and resilience for the long term. We ensure the cost of this is shared fairly and affordably between those that benefit now and in the future, helping to keep bills affordable.
- Providing additional help to vulnerable customers helps us to build long-term trust.

Environment

In the short/medium term:

- We meet increasingly stringent environmental consent levels and are investing to reduce the use of storm overflows, helping to improve the quality of rivers and bathing waters, which in turn helps to support tourism in the region.
- Our investment in renewable energy generation is reducing our carbon footprint and contribution to climate change.
- Investment in infrastructure, such as our West-East Link Main and West Cumbria pipeline, allows us to transfer water around the region more efficiently to avoid depletion of individual water sources.

In the long term:

- Promoting campaigns to educate the public and younger generations on water usage helps protect this valuable resource and reduce usage now and for years to come.
- We innovate and invest in new technologies and nature-based solutions to solve environmental challenges for future generations.
- We manage our land in a way that safeguards habitats and protects the wildlife that makes its home in rivers and other water bodies.
- We plan far ahead to ensure our activities and investment enhance the long-term resilience of the rural and urban environments across the North West.

Communities

In the short/medium term:

- We look after beautiful rural landscapes and pockets of urban green space, and open much of our land to the public, supporting regional tourism and offering communities health and wellbeing benefits through access to relaxation and recreation in nature.
- Working in partnership with others means we can accomplish more in tackling mutual issues, such as partnering to engage people with nature and river improvements.
- Our operations and projects are often near homes and businesses, and we engage with these communities to build understanding and trust.

In the long term:

- Our graduate and apprentice programmes ensure we have a diverse and skilled talent pipeline providing skills development and opportunities across the region.
- Managing land responsibly means we leave the North West region in a better condition for future generations.
- We work with teachers and children to raise awareness about water and the natural environment, giving the next generation an understanding of the true value water brings and how we can all play our part in protecting the services that nature provides.

Colleagues

In the short/medium term:

- We have a strong focus on health, safety and wellbeing and our number one priority is that all colleagues go home safe and well at the end of the day.
- We invest in training and development to enable our colleagues to grow their skills and to keep them motivated.
- Listening to our colleagues helps to create an engaged workforce, increasing job satisfaction, and through colleague communications and conferences we update our people on business developments so they feel part of a team.

In the long term:

- Investing in the development of current, and future, colleagues means we will have a workforce with the right skills for the future.
- Health, safety and wellbeing extends to mental as well as physical health. We promote awareness of stress and other mental health issues, promoting an all-round healthy lifestyle in the long term which, in turn, reduces the burden on healthcare services in the region.
- We provide pension offerings that support colleagues in later life.
- Promoting equity, diversity and inclusion helps ensure we have a workforce that truly represents the region.

Suppliers

In the short/medium term:

- We spend significant amounts of money with our suppliers each year to help deliver maintenance and enhancement projects across our asset base. This investment helps support thousands of jobs in our region.
- Paying suppliers on time gives them confidence in us and allows companies to maintain cash flow and become more resilient.
- While our operations and suppliers are mainly UK and European, so lower risk, we work closely with them to address human rights, and in particular modern slavery.

In the long term:

- Supporting jobs through our supply chain in the short term catalyses the development of skills and jobs in the North West, providing a stimulus to benefit the regional economy in the long term. Our AMP8 business plan supports 30,000 jobs, directly and through our supply chain, including 7,000 new skilled jobs created.
- Working together to develop technologies means we can identify solutions that will make our services better in the future.
- We act with integrity, giving suppliers confidence in the way we do business, which translates to transparency and fairness for everyone that works with us.

Investors

In the short/medium term:

- We are committed to high ethical standards of business conduct, strong corporate governance and doing the right thing so investors can have confidence in the way we do business.
- The returns generated through dividend income support investors, who are lending us their money in exchange for a share in the company's risk and return.
- We maintain a high level of quality and transparency in what we report.
- Our focus on innovation drives continuous improvements, enabling us to be at the frontier of our industry.

In the long term:

- The majority of shares in our company are typically held for the long term, and we provide an appropriate return to investors through a combination of dividend income and long-term growth.
- We plan far into the future and invest in our infrastructure to ensure sustainability and operational resilience.
- We manage risk prudently so investors can have confidence in our stability and resilience in the round.
- We link investor returns to our environmental and social projects through our sustainable finance framework.

The value that we create goes wider than our direct stakeholders

Bringing people together

We have undertaken a number of initiatives that bring people together across a variety of organisations and different industries. Our summits on affordability, vulnerability, and diversity and inclusion help us to share ideas and best practice, driving improvements that go wider than our region and customers. The Hardship Hub enables debt advisers to help more people and find cross-industry help more quickly, all in one accessible place.

Reducing emissions helps to mitigate climate change

Climate change is a real and present risk, and we are committed to contributing to, and preparing for, a global transition towards a low-emission economy.

We are playing our part to help mitigate climate change, and we set out on pages 37 to 39 our transition plan to reach net zero by 2050, underpinned by our six carbon pledges and ambitious science-based targets.

Contributing to public finances

We are committed to paying our fair share of tax and have held the Fair Tax Mark for five consecutive years.

We paid total taxes of £240 million this year, including business rates, employment taxes, and environmental taxes.

These help to fund essential public services across the country.

Charitable activities

We provide colleagues with up to three days' paid volunteering leave per year, match individual colleague fundraising efforts to any UK-registered charity up to £200 per person per year, and cover the admin fees of payroll giving, or 'Give As You Earn'.

We achieved bronze in the Payroll Giving Quality Mark this year, after colleagues donated more than £80,000 to their favourite charities.

Working with SMEs and start ups

We are undertaking our fifth Innovation Lab process this year, following previous successes with a range of partners.

Our Innovation Lab process creates a unique opportunity for small and medium-sized enterprises (SMEs) and start ups, who we would otherwise not have worked with, to develop and test their products and ideas in a live customer environment.

Dividend income for a diverse investor base

Our shareholders include charities, customers, pension funds that provide income to millions of people every year, and colleagues holding shares under our employee share scheme.

This means that the predictable and progressive inflation-linked dividends that we pay are relied on by millions of people, both directly and indirectly, in the North West and the wider world.

How we create value

Our activities contribute to the UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) comprise 17 global goals to be achieved by the year 2030, and were adopted by a summit of the United Nations (UN) in 2015. They are designed to be the blueprint to achieve a better and more sustainable future for all.

Our approach to responsible business aligns quite naturally with the goals and we have identified nine that are most material to our business and where we contribute the most. We contribute to the delivery of a wider selection of the SDGs through our investment projects and these are described in our sustainable finance framework.

SDG 1 No poverty

The North West contains more areas of extreme deprivation than any other region in England. We have a sector-leading package of affordability support, and have helped over 375,000 households since 2020. We are also strong supporters of the Consumer Council for Water's drive to implement a national social tariff.

Relevant material themes:
- Affordability and vulnerability
- North West regional economy
- Customer service and operational performance

SDG 6 Clean water and sanitation

Part of our purpose is to provide great water. This is the reason we exist, ensuring customers in the North West have safe, resilient and affordable water and wastewater services. This includes avoiding wasting water, and we promote water efficiency through campaigns, advice, education and free water-saving gadgets for customers. We protect and enhance water-related ecosystems across our region through initiatives such as our Catchment Systems Thinking approach.

Relevant material themes:
- Customer service and operational performance
- Drinking water quality
- River water quality and storm overflows

SDG 8 Decent work and economic growth

We are a significant contributor to the North West economy. Our AMP8 business plan would support the employment of 30,000 people, including creating 7,000 new skilled jobs. We provide training and development opportunities in safe, secure working environments, graduate and apprentice opportunities, programmes for young people experiencing difficulties securing employment, offer equal opportunities to all, and value diversity among our colleagues.

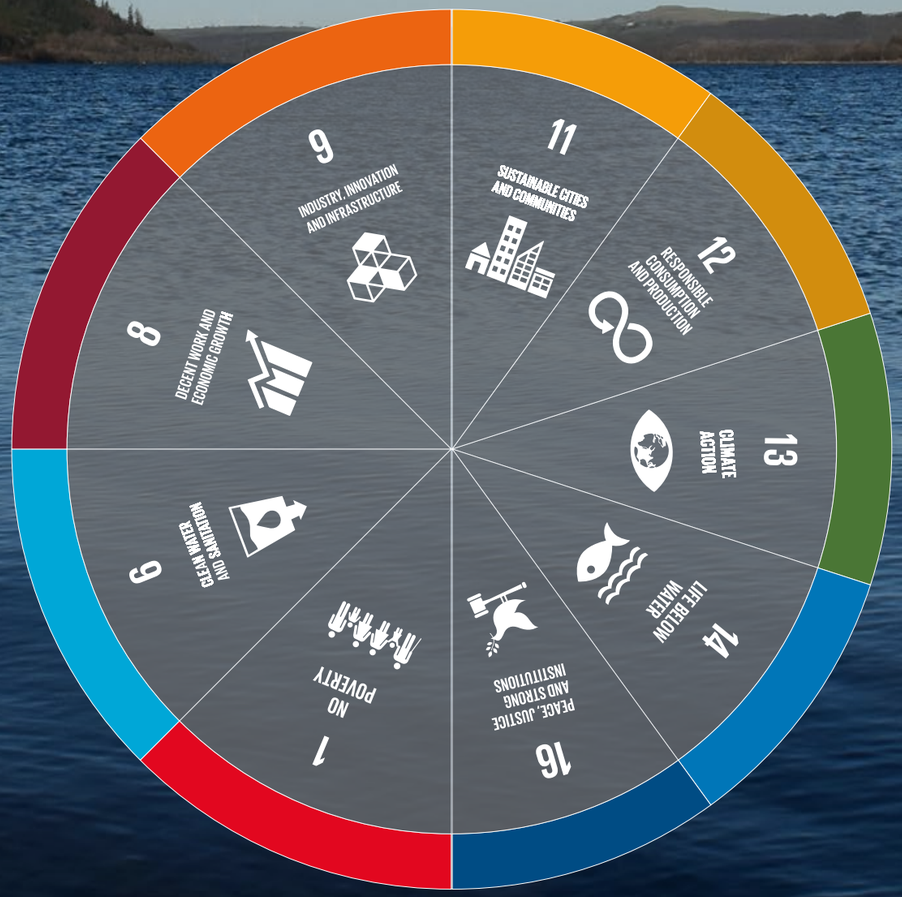
Relevant material themes:
- Affordability and vulnerability
- Health, safety and wellbeing
- Diverse and skilled workforce

SDG 9 Industry, innovation and infrastructure

We invest heavily in infrastructure to improve the performance and resilience of our assets and operations. The AMP8 plan we have submitted would represent the biggest investment in our region's infrastructure in more than 100 years. We embrace innovation, especially in an increasingly digital world, to ensure the region where we operate has reliable, sustainable and resilient infrastructure, now and into the future.

Relevant material themes:
- Resilience
- Innovation
- North West regional economy

Read our sustainable finance framework on our website at **unitedutilities.com/corporate/investors/credit-investors/sustainable-finance**



SDG 11 Sustainable cities and communities

We use our understanding of customer needs and priorities to deliver services that meet their expectations and engage with communities to enhance participation in what we do. As set out on pages 32 and 33, we plan at least 25 years into the future to prepare for increases in the population and new housing that will need connections for water and wastewater services. We are exploring ways to do this using natural solutions to manage water and wastewater, such as sustainable drainage systems (SuDS).

Relevant material themes:
- Customer service and operational performance
- Resilience
- Supporting communities

SDG 12 Responsible consumption and production

We are committed to sustainably managing natural resources, including reducing leakage and encouraging and supporting customers to reduce water consumption. We generate renewable energy and high-quality fertiliser from bioresources, and 98 per cent of our waste goes to beneficial use.

Relevant material themes:
- Resilience
- Climate change mitigation
- Responsible supply chain
- Water resources and leakage

SDG 13 Climate action

Responding to the climate emergency is imperative for us all and building a greener North West is central to our purpose and one of our strategic priorities. Delivering against our carbon pledges and science-based targets, while ensuring that our activities and the North West region are resilient to the impacts that a changing climate might bring, is key to our long-term planning.

Relevant material themes:
- Climate change mitigation
- Climate change adaptation
- Resilience
- Responsible supply chain

SDG 14 Life below water

We are sector leaders in minimising pollution. We have 29 bathing waters in the North West, and have made good progress in improving river water quality, which has a knock-on impact on our oceans. This includes reducing storm overflow activations and addressing nutrient imbalance.

Relevant material themes:
- River water quality and storm overflows
- Natural capital and biodiversity
- Environmental impacts

SDG 16 Peace, justice and strong institutions

We run our business in a responsible manner, and doing the right thing is one of our core values. We maintain high standards in corporate governance and ethical standards of business conduct – those systems and processes through which our organisation is managed, controlled and held accountable. We are committed to open, honest and transparent corporate reporting.

Relevant material themes:
- Trust, transparency and legitimacy
- Political and regulatory environment
- Corporate governance and business conduct

SUSTAINABLE DEVELOPMENT GOALS

Highlights for 2023/24

Delivering our purpose is about more than just providing customers with water and removing wastewater.

We monitor our operational performance by looking at how we are creating a stronger, greener and healthier North West. We have achieved another year of strong performance across many of our commitments for customers and contended with some extreme weather events. We have also improved our performance across a range of ESG indices, and we maintain strong financial resilience.

For a greener North West

Read more on pages 68 to 77

4-star or 3-star
('industry leading' or 'good') ratings in the EA's Environmental Performance Assessment every year since its inception, being 4-star in five of the last eight years and on track to be 4-star again for 2023.

Effective leakage reduction programme
fixing six leaks every 30 minutes, and meeting our leakage target for the 18th consecutive year.

Industry leading
A- CDP Climate change disclosure score (indicating environmental leadership), and scored a B (indicating good environmental management) in our first ever water security disclosure.

On track to reduce spills by a third[1] by 2025
under normal weather conditions, making significant strides in priority locations using agile solutions, and targeting a 60 per cent reduction[1] by 2030 in our business plan.

[1] From a 2020 baseline.

1,211 hectares of peatland restoration
so far in AMP7, already surpassing the 2030 target of 1,000 hectares committed to in our pledge, and helping to create and protect carbon 'sinks' to mitigate climate change.

Pioneering carbon capture facility
being hosted at our head office, funded by the UK Government, presenting an opportunity to decarbonise our office heating requirements, while helping to reduce greenhouse gas emissions.

For a healthier North West

Read more on pages 78 to 83

Met or beat 80% of performance commitments
reflecting strong performance and earning our highest ever £34 million net reward on outcome delivery incentives (ODIs).

Drinking Water Initiative of the Year
in the 2023 Water Industry Awards for our Water Quality First programme.

#1 water and sewerage company
and top five out of 31 utility companies in the independent benchmarking survey from the Institute of Customer Service.

Sector-leading affordability support
helping around 375,000 customers so far during the 2020–25 period (AMP7).

81% colleague engagement
in line with the UK high performance norm.

Water Industry Employer of the Year 2023
awarded by Energy & Utility Skills at the Institute of Water President's Dinner and Awards 2023.

For a stronger North West

Read more on pages 84 to 89

30,000 jobs supported
directly and across our supply chain through our AMP8 business plan submission, including 7,000 new skilled jobs created.

Upper quartile across a range of ESG indices
including World Class in the Dow Jones Sustainability Index.

Fair Tax Mark accreditation
retained for the fifth consecutive year.

98% capital delivery programme incentive
reflecting strong efficiency across our investment programme, and further improved from 92.9 per cent last year.

Five counties approach
used to develop our AMP8 business plan, recognising the diverse challenges and needs of each of the great counties that make up the North West of England.

£11.8m invested directly in North West communities
so far in AMP7, as well as additional community funding through our UU Trust Fund.

Financial highlights

Read more on pages 90 to 97

8.5% return on regulated equity (RoRE)
on a real, RPI/CPIH blended basis, reflecting the strong performance we have delivered for customers and the environment, and our strong financing performance.

£518m underlying operating profit
(reported: £480 million)
up from £441 million last year, largely reflecting the impact of inflation on revenue and core costs.

33.3p underlying earnings per share
(reported: 18.6 pence)
up from 1.3 pence loss per share last year, largely reflecting a lower underlying net finance expense.

59% gearing
remaining comfortably within our 55–65 per cent target range, supporting strong investment grade credit ratings.

Low level of bad debt
at 1.6 per cent of household revenue, with strong cash collection supported by proactive engagement and tailored assistance

High Ofwat financial resilience assessment
in its latest Monitoring Financial Resilience report.

Chief Executive Officer's review

Louise Beardmore

Delivering for customers now, and building our plan for a stronger, greener and healthier North West

It has been an extremely busy year, in which we have submitted a high-quality and ambitious business plan for the 2025–30 period (AMP8) while continuing to deliver for customers and the environment in the face of challenging weather conditions.

The water industry continues to find itself in the spotlight and we recognise that there is significant work to do in restoring public confidence and trust, and improving services for the benefit of customers, communities and the environment. We have put forward an ambitious plan to enrich services across the five diverse counties that make up the North West. This would see us invest significantly over the 2020–25 period to deliver the step change we all want to see.

Our AMP8 plan targets the largest reduction in spills from storm overflows of any company, and we aren't waiting. We have got to work already, bringing forward around £400 million of AMP8 investment to reduce spills at more than 150 overflows and accelerate other environmental programmes. We have started work on some rapid solutions to achieve spill reductions faster. These initiatives have been extremely successful, and we are now rolling them out to a further 29 locations. At the same time, we are accelerating a groundbreaking Integrated Water Management Plan. This initiative sees us working closely with the Greater Manchester Combined Authority and the Environment Agency (EA) to establish a new partnership and new way of working to ensure the best management of water resources across Greater Manchester.

We have delivered strong performance across a number of our commitments for customers in areas such as customer service, affordability support, leakage and water quality. At the same time, we rank highly in a range of ESG indices – rated World Class in the Dow Jones Sustainability Index, maintaining our Fair Tax Mark accreditation and CDP Climate disclosures score at A- (environmental leadership), and we were categorised as having the highest financial resilience status in Ofwat's latest Monitoring Financial Resilience assessment.

Any service is underpinned by the people who deliver it and I am pleased that we have achieved UK high performance levels of employee engagement and were awarded the Water Industry Skills Employer of the Year 2023 award in recognition of our commitment and dedication to training and development.

Delivering great service for all our customers

We continue to focus on delivering great service. In the summer we completed a rigorous eight-year programme of inspecting and cleaning every storage reservoir as part of our Water Quality First programme, with our efforts to improve water quality being recognised by the Drinking Water Inspectorate (DWI) and leading to the award for the Drinking Water Initiative of the Year in the 2023 Water Industry Awards. We have met our regulatory leakage target for the 18th consecutive year, now fixing on average six leaks every 30 minutes. Building on the strong overall level of service we have delivered this year, we are reorganising our water and wastewater services to align with our county-based approach to drive further improvements for customers.

In the latest Customer Service Index (an independent survey from the Institute of Customer Service that benchmarks over 280 organisations across many sectors), we were ranked as the top water and sewerage company and retained our top five position amongst the 31 utility companies.

Supporting customers with affordability and vulnerability continues to be an area of important focus, particularly against a backdrop of rising household costs. We have helped around 375,000 customers with affordability support so far this AMP, and our proposals for AMP8 include our biggest ever support package, which would see us provide over £500 million of support, helping one in six customers.

We also support over 400,000 vulnerable customers on the Priority Services Register, and will publish our new vulnerability strategy this year.

Weather during the year has brought challenges, with dry weather in the early summer triggering actions under our drought plan, and then shifting suddenly to a prolonged period of heavy rainfall over autumn and winter, followed by a sharp freeze-thaw event in January. Annual rainfall in 2023 was exceptionally high across the North West – it was the wettest for the last 69 years, with parts of our region experiencing rainfall up to a third higher than the long-run average – and this had an adverse impact on service for customers, with increased instances of flooding and spills from storm overflows.

In June, we experienced a fractured outlet pipe at our Fleetwood Wastewater Treatment Works that required a complex engineering solution. We worked quickly and safely to construct a two-kilometre five-lane bypass around the damaged pipe in two weeks to minimise the environmental impact and allow us to then safely replace the damaged pipe. Despite our significant efforts and commitment to recover services to the area, pending a permanent solution, the loss of amenity caused disruption to the community and its visitors. We worked hard to keep residents up to date through a variety of communication channels – from social media to drop-in centres – and we have made contributions to local communities after the event, as well as replacing the pipe and returning the site to full service. The bypass and repair resulted in £38 million of additional operating and infrastructure renewals expenditure in the period, which has been excluded from underlying results as shown on pages 96 to 97.

Improving rivers across the North West

We continue to drive forward with improvements to protect and enhance the North West's waterways and natural habitats. We met our target of monitoring 100 per cent of our overflows before the end of 2023, and we have made some great inroads, thanks to the dedicated effort that our team has delivered, including our interventions at Cargo, one of our highest spilling sites, where we have reduced spills from 343 in 2022 to just nine between September 2023 and the year-end. Read more on page 73.

With significantly higher rainfall in 2023 than the previous year, and with more monitoring providing increased visibility of overflow activations, despite the underlying improvements we have delivered spills increased to 97,537, which was 41 per cent higher than the much drier 2022. Our investment in wastewater treatment and networks, alongside improvements in data and operational processes, has reduced average spills per monitored overflow to 45, down by 24 per cent compared to our baseline year of 2020, which was also a comparably wet year. We remain on track to meet our target of a one-third reduction by 2025.

There is still a lot to do, and our business plan includes £3.1 billion of proposed investment dedicated to tackling storm overflows in AMP8 – the UK's biggest spill reduction plan, targeting a 60 per cent reduction across the decade to 2030. As part of Defra's Accelerated Infrastructure Delivery project, Ofwat gave approval for us to progress with more than 150 priority projects during 2023–25. This early investment, alongside our Better Rivers programme, is helping us to deliver the step change that we and our stakeholders want to see – replumbing the wastewater network to suit the modern world we live in.

We are focused on agile solutions that enable us to make meaningful progress quickly, while our longer-term plans look at 'blue-green' nature-based solutions as well as the traditional 'grey' options like storm tanks. We have appointed a dedicated Better Rivers director and established a new storm overflow integrated delivery team to accelerate our improvement plan and reduce spills from storm overflows as quickly as possible.

Creating a greener future

We take our environmental commitments very seriously and are proud to have a sector-leading track record on minimising pollution for over a decade.

We have achieved the upper ratings (3-star 'good' and 4-star 'industry leading') in the EA's Environmental Performance Assessment in every year since it began in 2011. This includes the top 4-star rating secured in five of the last eight years, representing a strong performance against increasingly challenging criteria. We were rated 3-star in the latest assessment for 2022, but were pleased that our performance across a number of measures improved. Our rating for 2023 will be confirmed in July, and we are on track to return to 4-star.

We also continue to deliver our Water Industry National Environment Programme (WINEP), having met all our commitments for environmental improvements in 2023. We are an early adopter of the Task Force on Nature-related Financial Disclosures (TNFD) recommendations, and published our Corporate Natural Capital Account during the year setting out the value our land provides to the North West.

Climate change is already affecting our business, with increasingly volatile weather. We are dedicated to both adaptation and mitigation activities, increasing our resilience to a changing climate and playing our part in the UK's plans for net zero by 2050. For the third year running, we have performed strongly in the Financial Times Climate Leaders' Report on 500 European companies; with United Utilities leading the utility sector. We will submit our fourth climate change risk assessment (Adaptation Report) in the next 12 months. We continue to work with customers to help drive a reduction in water consumption, including testing a new rising block tariff as well as a non-household demand reduction programme that includes direct messages to those businesses with a continuous flow, business visits and self-help training guides for leak identification and resolution.

We continue to make good progress against our carbon pledges and science-based targets to reduce greenhouse gas emissions. Over the next five years we will continue to focus on opportunities for biodiversity net gain, peatland restoration and tree planting, and best use of our land including for renewable energy generation.

We are also progressing plans for a pioneering carbon-capture facility that will be hosted at our head office in Warrington – an innovative project funded by the UK's Department for Energy Security and Net Zero. The vision for the site is that nothing will go to waste and the heat and power generated by the process will be redirected to heat our on-site buildings as part of our long-term sustainability goals.

Chief Executive Officer's review

AMP7 regulatory performance

We have delivered improved performance for customers and the environment, meeting or beating 80 per cent of our performance commitments, resulting in a significant uplift in outcome delivery incentives (ODIs), with our highest ever net ODI reward of £34 million. This includes strong performance on water quality improvements through a programme of cleaning and re-lining the Vyrnwy Aqueduct, improving hydraulic flood risk resilience, enhanced water service resilience, reducing sewer blockages, reducing voids, and reducing lead risk. Exceptionally high rainfall has adversely impacted performance on our flooding and pollution performance commitments.

While this net reward reflects strong delivery for customers, it is lower than previously anticipated as the extreme weather (with 14 named storms since the beginning of 2023) has had a £30 million adverse impact on what we otherwise expected. We have earned a cumulative net ODI reward of £104 million so far in AMP7, already significantly higher than our AMP6 reward of £44 million, and we are guiding to a net reward in FY25 at least in line with FY24.

Return on regulated equity (RoRE) for 2023/24 was 8.5 per cent on a real, RPI/CPIH blended basis, outperforming the base return of 4.0 per cent (including our 11 basis point fast track reward). More details on our RoRE performance can be found on page 93.

Financial highlights

The group reported an underlying profit after tax of £227 million for the year, moving from underlying loss per share of (1.3) pence last year to underlying earnings per share of 33.3 pence. The principal drivers of this movement were an increased revenue allowance and a lower underlying finance expense, partially offset by inflationary pressures on our core costs, with the largest increases seen on power and labour costs.

Reported profit after tax was £127 million, with reported basic earnings per share of 18.6 pence. The difference mainly reflects £38 million exceptional costs in relation to the outlet pipe at Fleetwood, fair value gains, and the deferred tax adjustment.

Cost-of-living pressures continue to place a strain on customers' ability to pay their bills. However, we have 80 per cent of household customers on direct debit and payment plans and, through proactive engagement and tailored assistance, we continue to achieve strong cash collection. This has contributed to a low bad debt charge of 1.6 per cent.

Our balance sheet remains one of the strongest in the sector. During the year, we completed a pension scheme buy-in transaction, covering two-thirds of scheme liabilities and representing a significant milestone in our de-risking journey. We have liquidity out to March 2026, and this, alongside our low level of gearing at 59 per cent and solid credit ratings, provides us with financial flexibility as we approach AMP8.

Submitted a high-quality and ambitious business plan

In October 2023, we submitted our AMP8 business plan to Ofwat. It is a plan that delivers benefits for customers, communities and the environment, and was shaped by county-based engagement with customers and other stakeholders. This proposed plan demonstrates extensive ambition and would see us deliver the largest investment in water and wastewater infrastructure in more than a century, investing in assets and delivering improved services for customers and the environment. If approved, it will deliver a step change in tackling those issues that matter the most – from reliable water supplies to cleaner rivers and bathing waters – helping to make the North West greener, healthier and stronger. We are proposing to:

- Safeguard supplies for three million people – as we improve water quality and the security of future water supplies, increasing resilience and halving the chance of a hosepipe ban in the future;
- Protect and enhance more than 500 kilometres of rivers and bathing waters – delivering the largest spill reduction programme in the UK, reducing storm overflow spills by 60 per cent from the 2020 baseline;
- Reduce leakage – building a more resilient water network, fixing leaks and replacing old pipes, targeting a reduction in leakage of 25 per cent over the decade to 2030; and
- Respond to the challenges of climate change – strengthening our network to reduce flooding of homes and businesses, improving services for customers, protecting the environment and reducing greenhouse gas emissions.

The plan would support 30,000 jobs, of which 7,000 would be new jobs within the company and wider supply chain, bringing investment in skills and opportunities to the heart of our local communities and giving a boost to the regional economy, contributing £35 billion of economic value to the North West, and our proposed investment would lead to 50 per cent growth in nominal RCV across the five-year period. Importantly, we have taken robust action to make bills as affordable as possible despite delivering record levels of investment. Our plan would see average bill increases of £22 per year, and we are proposing to provide more support for hard-pressed households than ever before, with £525 million of support so we can help more than one in six customers. Our engagement has been robust – we have spoken with 95,000 customers, securing strong advocacy with 74 per cent support for the plan. We have also conducted 79 research projects driving innovation and opportunity.

More details on our business plan can be found at pr24.unitedutilities.com

Following submission of our business plan, Ofwat is now reviewing our proposals. It is expected to publish a draft determination on 12 June 2024 and, having taken account of representations, a final determination in December 2024. Our strong balance sheet and liquidity puts us in a great position to deliver our plan, and at the same time as building the plan we have been building capability. In addition to our existing strong team, we have recruited some fantastic new talent. Our in-house rainwater management and modelling team, new regulatory and compliance function, and county-level stakeholder managers are mobilising ahead of the start of AMP8. Our accelerated investment has enabled us to press ahead with our storm overflow reduction programme.

Spending customers' money wisely

Our capital programme performance is measured through our capital delivery programme incentive (CDPi) KPI, which places strong emphasis on efficiency as well as reducing the carbon impact of our enhancement projects. We have improved our performance, delivering a strong score of 98 per cent this year, demonstrating that we are spending money wisely. This has been achieved in part through the application of value engineering techniques, innovation and supply chain opportunities.

We have revolutionised our supply chain approach leading into AMP8, and have expanded our number of delivery partners tenfold to underpin deliverability of our significant capital programme and ensure we are able to secure the best value for money for customers. We have awarded two strategic optimisation partnerships with mobilisation underway, and we are in the process of appointing capital delivery partners for AMP8. Other workstreams have been mobilised ready to start on our AMP8 plans, including the development of standard products and designs to secure maximum efficiency of designs and optimise our capital programme.

Contributing to our communities

We are proud to be the longest serving FTSE100 company in the region, and we continue to play a key role in the North West economy. Our AMP8 plan would see this increase further, with our investment plans supporting 30,000 jobs within the company and our supply chain.

We invest in local communities with financial investment in environmental and community partnerships, delivery of education in schools, and time volunteered by colleagues across the business. We have directly invested £11.8 million in communities so far in AMP7, as well as additional contributions to our UU Trust Fund to help those struggling to pay.

The Lake District is a special place in our region, with Windermere at the heart of the National Park. Over the summer, we opened an information centre on Windermere High Street, increasing engagement and visibility of the important work we are delivering in this community.

Each of our five counties has very different challenges and needs, and our AMP8 business plan reflects these differences. Customer and stakeholder engagement in each of our diverse counties has helped us to build and adapt five targeted county-based plans that deliver what matters to each of them. This five counties engagement has not just actively informed the development, engagement and support for our plan, it is also at the heart of how we intend to deliver the step change that we all want to see. We are organising ourselves into 'county delivery squads' so we are ready to deliver our county plans at pace and with purpose, and we have already moved to this new team structure. Read more about our five counties approach on pages 26 to 27 and 83.

Providing a safe and great place to work

Our colleagues are key to delivering great service for customers and, following submission of our business plan this year, we hosted an event in Blackpool open to everyone across the organisation to hear about our plans and ask questions. We also launched a new 'Call it Out' initiative this year to encourage colleagues to raise ideas for improving efficiency and performance, and this is already delivering improvements. Our engagement was very positively received, and helpful in bringing all our people along on the transformation journey as we enter AMP8.

The most important thing is that every colleague goes home safe and well, and we continue to have a strong focus on health, safety and wellbeing. We have introduced additional benefits for all colleagues this year, including a virtual GP service and menopause support app, and we continue to focus on mental as well as physical health.

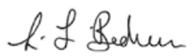
We are focused on training and development opportunities, and were awarded Water Industry Skills Employer of the Year 2023, with the judge recognising United Utilities as a company that visibly attracts, develops and retains talent, and as an employer of choice. We continue to recruit and train new talent through our graduate and apprentice programmes. We welcomed more than 80 new graduates and apprentices in our September 2023 intake and we have launched our largest ever apprenticeship recruitment process with more than 90 new opportunities available in 2024.

We have been recognised for our focus on wellbeing and awarded the National Workplace Wellbeing Charter, demonstrating our commitment to proactively championing a healthy workplace. We continue to perform well in ShareAction's Workforce Disclosure Initiative, with our score of 89 per cent exceeding the UK and utilities averages, and our continued dedication to equity, diversity and inclusion was reflected in us being ranked highest in the Inclusive Top 50 UK Employers List 2022/23.

Service is underpinned by the people who deliver it, and it's encouraging to see that we have achieved 81 per cent employee engagement in our annual survey, which is in line with the UK high performance norm.

Grateful for the support and ready for the future

I want to extend a wholehearted thank you to the fantastic team we have at United Utilities. The dedication and efforts of colleagues across the business has helped us deliver another strong performance for customers this year, demonstrating the resilience and strength that we have as a business, and I'm immensely proud of the exciting business plan we have developed for AMP8. I'd also like to thank the customers, communities and other stakeholders across each of the five beautiful counties of the North West for their continued support.



Louise Beardmore
Chief Executive Officer

15 May 2024

Integrated Report and TCFD disclosure

This annual report is an Integrated Report and has been prepared and presented in accordance with the International <IR> Framework published by the International Integrated Reporting Council in January 2021. The board, which is responsible for the integrity of this report, has considered the preparation and presentation of this report and concluded that it has been prepared and presented in accordance with the Framework.

This report contains all climate-related financial disclosures required to be consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and in line with the Listing Rules requirements (Listing Rule 9.8.6R(8)) and the 2022 amendments in S414CB (A1) of the Companies Act. In making our disclosures we have considered 'Guidance for All Sectors' in the TCFD implementation guidance. Further supplementary detail, such as our 2021 adaptation progress report, WRMP and supporting technical documents, are available on our website.

Materiality

Our integrated annual report and financial statements aim to meet the information needs of our investors to help them make informed decisions regarding their participation, for example, whether to buy, hold or sell our shares or bonds, whether to engage with management on issues, and how to vote their shares. We have included information that we believe is material to these decisions, which is presented in a way that we believe is fair, balanced and understandable. Our assessment of materiality can be found on pages 28 to 30.

United Utilities' investment case

Our purpose is to provide great water for a stronger, greener and healthier North West. This drives us to deliver our services in an environmentally sustainable, economically beneficial, and socially responsible manner. Our strong track record and sustainability credentials, alongside predictable earnings, long-term RCV growth, and progressive and predictable dividends linked to inflation, make for a compelling investment proposition.

Strong track record

We have a consistent history of outperformance and our long-term adaptive planning and measured approach to risk ensures we maintain strong operational, corporate and financial resilience.

Regulatory overview

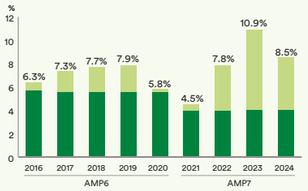
The vast majority of our activities sit within our regulated business, which provides essential water and wastewater services to more than seven million people. We are one of only three listed water companies in England and Wales and the second largest company in the industry.

The regulatory model for UK water sets revenue over five-year periods, giving a high degree of clarity and certainty over future income. The regulatory framework offers incentives for companies that outperform through delivery of customer and environmental outcomes, achieve strong cost control and efficient financing.

We have consistently been one of the strongest performers in the industry. Our business plan for AMP7 was awarded fast-track status, recognising the high quality and ambition it demonstrated, and this granted us an additional 11 basis point base return in each year of the period (2020–25).

As one of the strongest performers, we have consistently earned outperformance incentives

RoRE (split base/outperformance)



Key: Base return Outperformance

AMP7 financial framework guidance:

6–8% real RoRE

with £104 million net reward on outcome delivery incentives (ODIs) in the first four years

Underpinned by:

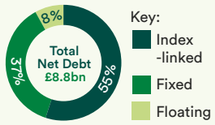
Strong balance sheet and measured approach to risk, giving us leading levels of financial resilience and flexibility

Significant performance improvements delivering strong performance for customers and the environment

Progressive approach to sustainability with strong credentials and clear alignment to ESG

Strong balance sheet

Net debt profile suited to regulatory environment

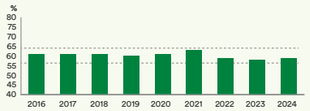


Long-term RCV growth

AMP7 financial framework guidance:

4–5% CAGR

Net debt/RCV gearing one of the lowest in the sector



Target gearing: 55–65%

Leading investment grade credit ratings

- Moodys A3
- Fitch A-
- S&P BBB+

Helping to enable efficient financing costs.

Low dependency pension schemes fully funded with nil deficit repair payments needed.

Categorised as having the highest status in Ofwat's latest Monitoring Financial Resilience assessment

Ambitious plan for 2025–30 (AMP8)

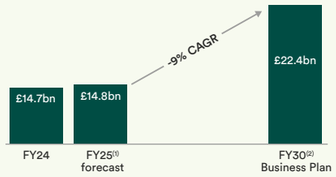
In October 2023, we submitted our business plan to Ofwat setting out our proposed investment and performance targets for AMP8.

Biggest investment in our region's water and wastewater infrastructure in over 100 years

We have submitted an ambitious business plan, with a significant step up in enhancement expenditure proposed, helping us to build a stronger, greener and healthier North West. Some of the highlights in our plan are set out below.

The increase in investment is driven primarily by new environmental legislative requirements – our proposed AMP8 environmental programme is seven times greater than our AMP7 plan. The level of investment proposed in our plan would result in record levels of regulatory capital value (RCV) growth.

AMP8 RCV (nominal) based on our business plan submission



Nominal RCV CAGR: ~9%

	CAGR	AMP
Real	6.5%	37%
Nominal	8.7%	52%

(1) FY25 closing RCV reflects midnight adjustments capitalised £0.6 billion of carried forward value with £0.4 billion to be added to AMP8 revenues.

(2) Based on our AMP8 business plan submitted in October 2023. This is subject to change.

High levels of customer support

We developed our plan using a unique approach, with individual plans for each of the five diverse counties across our region, showing how we plan to address their individual needs, challenges and opportunities. This has helped us secure strong support and advocacy for the plan.

74% customer acceptability

Timeline

Confident and mobilised to deliver

The financial strength in our balance sheet gives us flexibility to enable this growth investment, and we are mobilised and confident in our ability to successfully deliver the plan. Around £400 million of totex has been accelerated into AMP7, which we have already started delivering.

Longer-term opportunities

Our business is very long term by nature, and our AMP8 plan was set in the context of a long-term delivery strategy.

We plan for the very long term

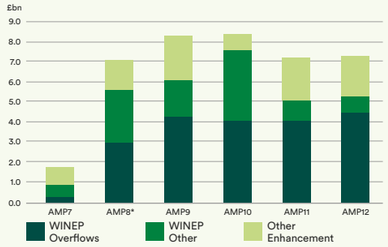
Our AMP8 business plan was built in the context of a long-term delivery strategy out to 2050, and our Water Resources Management Plan covers a 25-year period and considers consumption and climate forecasts out to 2080.

We embrace adaptive planning

We have proposed phasing opportunities to prioritise low/no regrets actions, helping to ensure that we are prepared to respond to risks and opportunities that may arise far into the future.

Step-up in investment is expected to continue, creating long-term growth opportunities

Future cost expectations set out in our long-term delivery strategy see total expenditure needs out to 2050 remaining significantly greater than AMP7.



*AMP8 includes transition investment and and accelerated infrastructure delivery project.

Read more in the long-term delivery strategy that was submitted alongside our AMP8 business plan at **pr24.unitedutilities.com/pdfs/UUW12_Long_Term_Delivery_Strategy.pdf**

Progressive approach to sustainability

Providing great water for a stronger, greener and healthier North West.

Our six strategic priorities are fully aligned with our purpose and ESG. The metrics and targets we use to monitor operational performance, including our KPIs, are also aligned to these key priorities.

75 per cent of the annual bonus for all colleagues, and 50 per cent of the Long Term Plan for executives and senior leaders, is directly linked to delivery for customers and environmental targets.

	Strategic priorities	Track record of strong ESG credentials	AMP8 business plan highlights	Long-term ambitions	
Greener	Improve our rivers Create a greener future	• On track to reduce spills from storm overflows by a third by 2025 from 2020 baseline • Rated 'industry leading' (4-star) or 'good' (3-star) in the EA's annual Environmental Performance Assessment in every year since it began • 100 per cent renewable electricity	• Proposing to invest £3.1 billion to reduce spills from over 400 overflows, driving 60 per cent reduction in decade to 2030 • Targeting 25 per cent reduction in pollution incidents • £200 million net zero investment programme to enable more than two million tonnes GHG emissions benefit by 2055	• Reduce to no more than ten spills per overflow on average by 2050 • Net zero across all three emissions scopes by 2050 and activities to avoid or reduce GHG emissions or remove and store GHG from the atmosphere	Greener
Healthier	Deliver great service for all our customers Provide a safe and great place to work	• Ranked number one WaSC and top five utility in the independent Customer Service Index from the Institute of Customer Service • Water Industry Skills Employer of the year 2023 • Significantly improved water quality, recognised by the DWI	• Doubling affordability support to £525 million, helping one in six customers in the North West • Replacing lead pipes in 30,000 homes • Targeting a 32 per cent reduction in internal sewer flooding	• Eliminate lead pipes by 2070 • Bold ambitions for long-term equity, diversity and inclusion, including 50 per cent female executives by 2050	Healthier
Stronger	Spend customers' money wisely Contribute to our communities	• Upper quartile across a range of ESG indices • Strong levels of efficiency across our capital programme • £11.8 million community investment so far in the four years since 2020	• Supporting 30,000 jobs, directly and in our supply chain, including 7,000 new skilled jobs created • Driving 14 per cent efficiency through innovation, solution optimisation, robust cost challenge and efficient use of markets • Improved resilience, halving the likelihood of a hosepipe ban	• Halve leakage by 2050 • 75 per cent meter penetration by 2045, helping to reduce water consumption to 110 litres per person per day by 2050	Stronger

Our business model

How we deliver our purpose and generate value

Our operating environment and dependencies

Pages 20 to 30

Key resources

We depend on each of the six capitals to deliver our purpose, including sustainable natural resources across the water cycle, our extensive network of assets and people. We also work hard to positively impact these capitals.

1.8bn

litres of water supplied every day, abstracted from reservoirs and other water resources before treatment

669

treatment works to clean both raw and used water and more than 122.000 kilometres of water and wastewater pipes

External environment

We are influenced by, and must adapt to, a number of external factors, including the regulatory environment we operate in, and our reliance and impact on the natural environment.

40%

higher urban rainfall in the North West than average across England and Wales

5-year

regulatory cycles (AMPs), with long-term adaptive plans

Materiality assessment

Our operating environment and dependencies, including stakeholder views and priorities, help us to identify and prioritise material themes. Our disclosures across the four pillars that follow have been aligned to the top material themes to ensure we are providing information on what matters most to our stakeholders.

Our approach to creating sustainable long-term value

Pages 31 to 67

Strategy
Our six strategic priorities help us deliver our purpose and drive sustainable long-term improvements for customers, the environment and society, at an efficient cost. We use scenario analysis and adaptive planning across short, medium and long-term horizons to ensure flexibility and resilience.

Governance
We are committed to responsible business, factoring ESG matters and stakeholder priorities into decision-making at all levels of the business. Remuneration for our executive and senior leaders is linked to performance against customer, environmental and financial targets.

Risk management
We have a robust framework for identifying, assessing and managing risks and opportunities, with regular monitoring as well as longer-term plans to enhance our resilience to climate change. Our Dynamic Network Management and culture of innovation help us to maximise opportunities to work better, safer, and more efficiently.

Metrics and targets
We monitor and measure our performance against a range of operational metrics, aligned to the stronger, greener and healthier elements of our purpose, which help us to assess value creation for a range of stakeholders. Financial performance metrics cover the income statement, balance sheet, and investor returns.

- Value creation for multiple stakeholders
- Long-term planning horizons
- Responsible, diverse and inclusive culture
- Holistic remuneration approach
- Robust risk management framework
- Culture of innovation
- KPIs linked to ESG and delivery of our purpose
- Short, medium and long-term targets

What we do

Key differentiator: Dynamic Network Management

Providing great water

- Sustainably sourcing water
- Supplying treated water 24/7
- Cleaning and returning wastewater
- Renewable energy from bioresources

Read more about how we manage the water cycle on pages 22 to 23

for a

Greener
Healthier
Stronger

North West

Read more about the five counties in our region on pages 26 to 27

Delivering on our purpose

Pages 68 to 89

Protecting and enhancing the natural environment in our region

We have delivered a number of environmental improvements over AMP6 and AMP7, including significant peatland restoration activities, tree planting, and improvements for rivers and bathing waters. The business plan we have submitted for AMP8 includes the largest environmental improvement plan we have ever delivered.

Net zero
transition by 2050

60%
spill reduction targeted in the decade to 2030

Supporting society across the North West with great quality services

We are focused on continually improving our water and wastewater services and supporting customers with affordability and vulnerability. Colleague health, safety and wellbeing is a top priority and we are committed to improving equity, diversity and inclusion.

26%
targeted reduction in water quality contacts

1 in 6
customers to get financial support in our AMP8 plan

Responsible business and governance supporting jobs and communities

Our activities support thousands of jobs, directly and through our supply chain, helping to grow the North West economy. We spend customers' money wisely and deliver against our commitments, investing in communities for the long term.

7,000
new skilled jobs created by our AMP8 plan

74%
support for our submitted business plan

Creating value for a range of stakeholders

Pages 06 to 09

Customers

- Continually improving service at an efficient cost
- Supporting vulnerable people through assistance schemes

Affordability
£280m[1]
support for customers over 2020–25
[1] 50 per cent company funded.

Customer satisfaction
#1
water and sewerage company in Customer Service Index

Environment

- Reducing our impact
- Protecting and enhancing reservoirs, catchments, rivers and bathing waters

River health
24%
reduction in spills per monitored overflow since 2020

Carbon emissions
3.4%
reduction in scope 1 and 2 emissions since 2020

Communities

- Building partnerships
- Working with schools and young people to develop skills
- Opening our land to the public

Community investment
£11.8m
invested in the community so far during AMP7

Total taxes
£240m
paid in 2023/24, contributing towards public finances

Pages 06 to 09

Colleagues

- Looking after health, safety and wellbeing
- Attracting, developing and retaining a diverse team

Pension schemes
£nil
deficit, fully funded on a low dependency basis

Training and development
Won
Water Industry Skills Employer of the Year 2023

Suppliers

- Investing in local infrastructure and generating jobs and skills
- Acting fairly and adhering to the Prompt Payment Code

Supply chain payments
>99%
of invoices paid within 60 days or less

Jobs supported
30,000
across the value chain through our AMP8 business plan

Investors

- Investing in our assets for growth and resilience
- Managing risk prudently and providing an appropriate return

Dividend
49.78p
per share for 2023/24, increased in line with CPIH inflation

Return on regulated equity (RoRE)
8.5%
outperforming the base return of 4 per cent

Key resources

The six capitals

Delivering our purpose requires us to sustainably source, use and replenish resources from each of the six capitals.

Our business is dependent upon the availability and quality of these capitals – financial, manufactured, intellectual, social, human and natural.

As our business draws on these resources, we focus on minimising any negative impacts that may result. We also look to invest in the future, to positive effect, recognising that we must be careful about how we harness and protect them over the long term to ensure sustainable value creation and resilience.

Traditional financial accounting doesn't always show the full picture – we rely on things that are not on our balance sheet, like the colleagues that work for us and the natural environment, and we have an impact on things that have no associated income statement or cash flow value. Evaluating and monitoring the impacts and dependencies we have on the six capitals, alongside financial information, helps to give a fuller and more balanced picture of how we are performing, the value we are creating, and the sustainability of our activities.

We are integrating six capitals thinking into all our business processes and planning, to enhance our understanding of the wider consequences of different strategic options. Our performance monitoring and disclosures align with this 'wider value' way of thinking. As well as monitoring financial performance, our operational performance metrics – aligned to the stronger, greener and healthier aspects of our purpose – help us to assess and monitor the positive and negative impacts we have across the capitals and the value created for a range of stakeholders.

We followed a multi-capital value approach in the formation of our AMP8 business plan, using a suite of screening tools to inform our preferred solutions including assessment against the six capitals framework for value.

Financial capital

Our activities, including significant long-term infrastructure projects, require access to a pool of funds. In order to protect affordability and spread the cost fairly between generations of customers, we need to use debt and equity financing as well as direct procurement for customers (DPC) and funds received as revenue.

How we manage this key resource

We maintain a robust capital structure, with a responsible mix of equity and debt. We monitor our performance against key credit ratios to help us maintain strong and stable investment-grade credit ratings, giving us efficient access to debt markets across the economic cycle.

We provide regular updates to investors and establish a two-way dialogue about matters of interest to them. We maintain relationships with a range of banks and access to a broad and diverse range of markets. Our medium-term note programme enables efficient debt issuance under pre-agreed contractual terms, our sustainable finance framework allows us to raise debt based on our strong ESG credentials, and the board delegates authority to the CFO so we can respond quickly to attractive financing opportunities. This helps us consistently raise efficient financing.

We aim to avoid a concentration of refinancing in any one year, our debt portfolio has a very long average life, and we monitor liquidity forecasts to maintain resources to cover the next 15–24 months of projected cash flow needs. We have clear and transparent hedging policies covering credit, liquidity, interest rate, inflation and currency risk, and these are aligned with the regulatory model.

Key dependencies:

- Financing our activities and smoothing out cash flows; and
- Paying our expenditure costs.

Improving our impact:

- Being efficient in our operations;
- Working with long-term investors and maintaining good governance for fair and sustainable returns; and
- Being a responsible business that acts fairly on tax.

Relevant material themes:

- Financial risk management
- Corporate governance and business conduct

Manufactured capital

We have a large number of physical assets that are essential in enabling us to provide our services to customers and protect public health, including buildings, fleet, equipment and infrastructure.

How we manage this key resource

The significant investment we have made in our assets since privatisation has provided substantial benefits to customers, including reduced supply interruptions, reduced sewer flooding incidents, and improved water quality. We expect to continue with a substantial investment programme for the foreseeable future as current environmental legislation is expected to drive significant investment needs, as shown in our AMP8 business plan. Long-term planning helps us understand where and when we need to invest, and we continually monitor the condition, performance and health of our assets.

We manage our assets in a holistic way that seeks to minimise whole-life costs, and we embrace new technology and innovation. This helps us deliver efficient expenditure without compromising on quality of service or long-term resilience, saving future operating costs and reducing future customer bills.

Our assets and infrastructure projects can affect people who live nearby. We consult with these communities in the planning stage and work hard to minimise any negative impact, such as odours from our wastewater treatment works.

Key dependencies:

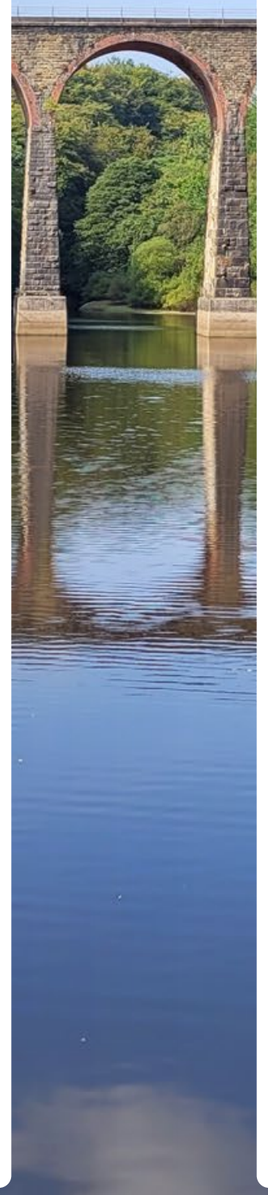
- Delivering safe and reliable services; and
- Keeping our assets secure.

Improving our impact:

- Maintaining, protecting and improving assets and infrastructure;
- Developing new assets and infrastructure where required;
- Managing the effectiveness of our capital delivery programmes; and
- Following best practice approaches to be efficient and effective, such as ISO 55001 – Asset Management.

Relevant material themes:

- Resilience
- Customer service and operational performance



Intellectual capital

The knowledge and systems we have across our business, including our understanding of the region and the people who live here, are critical to effectively running our treatment works and maintaining our assets to ensure a long-term resilient service.

How we manage this key resource

We use a variety of methods to drive innovation. We scout ideas from other industries and from across the world, and we invite companies to bring new solutions to us through our Innovation Lab programme. Our core values encourage colleagues to voice new ideas and we encourage innovation across the business, including our CEO Challenge programme where graduates develop novel ways to tackle challenges that we face. These initiatives can lead to the development of products and software that give us a competitive advantage.

Dynamic Network Management (DNM) is one example of how our culture of innovation has helped us to improve our services. We developed the technology to improve management of our sewer network and it helped us significantly reduce sewer flooding incidents. We then developed and applied DNM further to maximise the benefits it offers across the entire water cycle, which is in line with our Catchment Systems Thinking approach. This is discussed within how we manage natural capital on pages 22 to 23.

Key dependencies:

- Providing the know-how to run our business effectively and efficiently;
- Delivering continuous improvement and innovation to be more efficient and effective, and giving us a competitive advantage; and
- Protecting us from cyber attacks.

Improving our impact:

- Investing in research, development and innovation;
- Monitoring and managing our processes, systems and digital capability; and
- Collaborating with the supply chain and other partners.

Relevant material themes:

- Cyber security
- Diverse and skilled workforce
- Innovation

Social capital

It is important that we maintain positive and constructive relationships with a wide variety of stakeholders across our region.

How we manage this key resource

We actively engage with all our stakeholders, as set out on pages 46 to 48. These include community bodies, regulators, environmental interest groups, and political and governmental bodies. We seek to work alongside them to understand short and long-term priorities, exchanging information, building partnerships and working together wherever we can. Our supplier relationship management process ensures regular discussions to help identify issues and opportunities for a smooth and productive relationship, and we engage suppliers on sustainable and ethical issues through our United Supply Chain approach.

Engagement helps us assess the issues that are most important to stakeholders, which feed into our materiality assessment. This helps to shape our plans and the disclosures throughout this report, as set out on pages 28 to 30. We conducted extensive customer and community research, which fed into the development of our AMP8 plan.

Key dependencies:

- Maintaining and growing trust with all of our stakeholders to encourage them to act in a way that helps deliver improvements;
- Shaping how we best deliver value for customers and other stakeholders by understanding their needs and priorities; and
- Collaborating on shared challenges such as leakage, flooding and water efficiency.

Improving our impact:

- Managing service quality and resilience now and for the future;
- Supporting customers with affordability challenges and those in vulnerable circumstances;
- Creating spaces for access and recreation; and
- Communicating and collaborating with all stakeholders.

Relevant material themes:

- Trust, transparency and legitimacy
- Supporting communities
- Responsible supply chain

Human capital

Colleagues are essential in delivering our purpose and a skilled, engaged and motivated team is fundamental to great service and colleague retention, which helps ensure efficient training and better performance.

How we manage this key resource

We support thousands of jobs in the North West, including graduate and apprenticeship programmes. We are an accredited Living Wage Foundation employer, providing competitive salaries and benefits, healthcare schemes, an attractive pension offering, share incentive plan, and colleagues at all levels have the same bonus measures as executive directors, so everyone benefits from the success of the company. We measure engagement through an annual survey, and regularly outperform UK norms.

We provide comprehensive training and development opportunities, offer hybrid working where practical, and are committed to protecting the health, safety and wellbeing of our colleagues and those in our supply chain. We promote equity, diversity and inclusion, recruiting from across the communities we serve and supporting our colleagues with equal opportunities. Networks, representing groups of colleagues that may face specific challenges, are overseen by an executive sponsor and support colleagues through their career progression.

Key dependencies:

- Delivering services for customers through the skills, knowledge and experience of our workforce;
- Delivering our services in an efficient and productive way; and
- Providing diversity of thought and a range of perspectives.

Improving our impact:

- Prioritising health, safety and wellbeing;
- Developing, training and recruiting the workforce, including graduate and apprentice programmes; and
- Managing equity, diversity and inclusion with fair opportunities and remuneration.

Relevant material themes:

- Health, safety and wellbeing
- Diverse and skilled workforce
- Colleague engagement

Key resources

Natural capital

We rely on natural resources at every stage of the water cycle, as shown in the infographic to the right.

How we manage this key resource

Much of the water we abstract originates on land before running off into water. A lot of this land is managed by tenant farmers or in partnership, and we ensure it is well managed to improve water quality and help protect habitats. We manage 'sludge' waste from our treatment activities in a sustainable way, with the vast majority going to beneficial use such as recycling or fertiliser for land. We plan and invest for the long term to ensure we have resilient water resources, and we also manage extreme wet and dry periods in the near term. In dry weather, our integrated supply zone allows us to move water efficiently around the region, we can bring additional supplies into service to meet demand, and we encourage customers to use water more efficiently with advice, free water-saving devices, and metering initiatives. To reduce the use of storm overflows, we must find alternative ways to cope with extreme rainfall, while avoiding flooding. Enlarging sewers or building storage tanks is carbon intensive and subject to space constraints, so we are innovating with sustainable drainage and other nature-based solutions where practical.

Key dependencies:

- Storing raw water and receiving wastewater and biosolids safely back into the environment;
- Attenuating water and flows in support of flood management;
- Location for assets and offices; and
- Treatment and construction resources, such as chemicals, cement, metals and energy.

Improving our impact:

- Managing abstractions, pollution incidents, catchment programmes, overflows and final effluent quality;
- Looking after land, including habitat health and biodiversity; and
- Reducing GHG emissions, and air pollutants.

Relevant material themes:

- Climate change adaptation
- River water quality and storm overflows
- Water resources and leakage

Read more at unitedutilities.com/corporate/responsibility/stakeholders/catchment-systems-thinking/natural-capital

Water resources – sustainably sourcing water

Providing great water:
We collect raw water from a variety of sources across the North West, including lakes, rivers and boreholes, but predominantly from open reservoirs. The biggest are Thirlmere and Haweswater in the Lake District National Park. We have more reservoirs than any other UK water company. They provide great tasting water, but have high maintenance needs and the raw water requires more treatment than some other water sources. They are quick to fill when it rains, but are more vulnerable to periods of dry weather than ground water sources.

For a stronger, greener and healthier North West:
We own and manage 56,000 hectares of land, much of which is catchment land (the areas immediately surrounding our reservoirs). We are optimising the use of this land to protect water quality, create natural carbon sinks by restoring peatland and planting woodland, and explore potential clean energy development. We manage our land and water resources in a sustainable way, protecting and enhancing local habitats, and open our land to the public to enjoy nature and its health and wellbeing benefits.

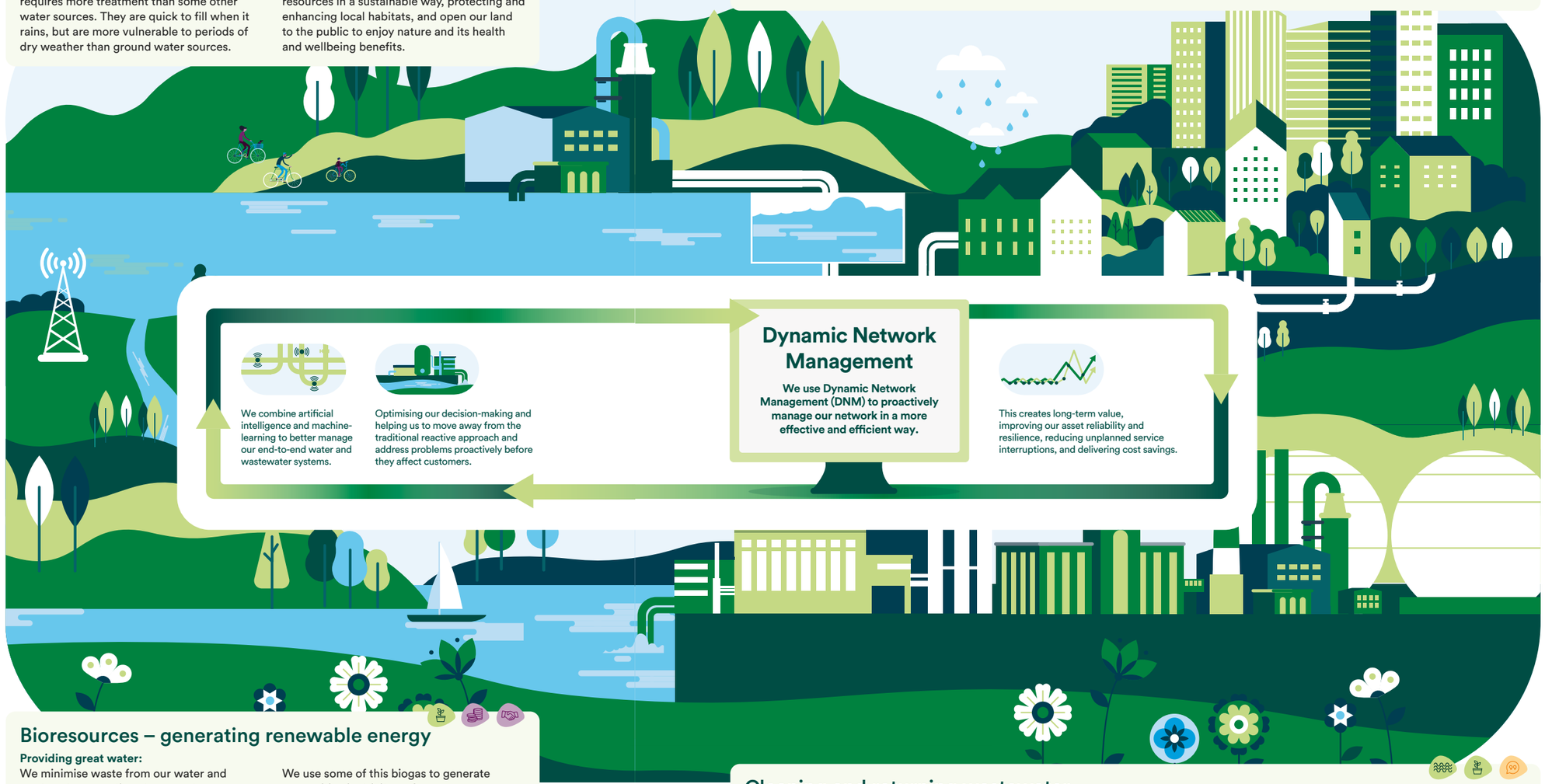
Our strategic priorities

- Improve our rivers
- Create a greener future
- Deliver great service for all our customers
- Provide a safe and great place to work
- Spend customers' money wisely
- Contribute to our communities

Supplying treated water 24/7

Providing great water:
We treat raw water in one of our 86 water treatment works and then stored in covered reservoirs. An average of 1.8 billion litres of safe, clean drinking water is delivered every day to more than 7 million people and businesses, using more than 43,000 kilometres of water pipes.

For a stronger, greener and healthier North West:
Our integrated supply network enables us to move water around the region as needed. Along with production planning and optimisation of storage levels ahead of anticipated demand increases, and a fleet of alternative supply vehicles, this helps us to deliver a more resilient water supply. We use sensors and artificial intelligence, and have dedicated teams to detect and fix leaks across our pipes as well as helping customers identify leaks on their property, which can save them money on their bills as well as reducing water losses. Our Haweswater Aqueduct uses gravity to transfer water from Cumbria to Manchester, helping to reduce our carbon footprint from energy-intensive pumping.



Bioresources – generating renewable energy

Providing great water:
We minimise waste from our water and wastewater operations to promote a circular economy. Sludge by-product from wastewater treatment is transported to our bioresources treatment facilities, which process more than 200,000 dry tonnes of sewage sludge a year.

For a stronger, greener and healthier North West:
Our sludge treatment processes use digestion technologies to safely and compliantly treat the sewage sludge. The digestion treatment process produces biogas and biosolids.

We use some of this biogas to generate renewable electricity and power our operations and some is fed into the grid. Self-generation reduces our carbon footprint and saves costs. We purchase electricity to cover the remaining electricity needs and 100 per cent of this is certified renewable.

We give biosolids to local farmers to use as a high-quality and effective fertiliser and soil conditioner. We are closely following developments in the interpretation of Farming Rules for Water, and the restrictions this could have on our provision of biosolids to farmers.

Cleaning and returning wastewater

Providing great water:
We have 79,000 kilometres of pipes that transport wastewater from sewers to one of our 583 wastewater treatment works. Wastewater is separated, treated and, once it is clean enough to meet stringent environmental consents, we return it to the natural environment through rivers and streams so that the water cycle can begin again. Of our sewers, 54 per cent are combined, taking a mix of wastewater and rainwater. In unusually high rainfall, when sewer capacity is overloaded, storm overflows are activated, using a separate pipe to allow this heavily diluted mix to flow directly into rivers or the sea to help prevent flooding of streets, homes and businesses. Read more on page 28.

For a stronger, greener and healthier North West:
We have a long coastline and 29 designated bathing waters in our region. With more combined sewers, our network comes under more strain than many others when we have to deal with higher than typical levels of urban water runoff from rainfall. Achieving future targets to reduce the use of storm overflows will, therefore, require particularly high levels of investment in the North West. We have already delivered a significant reduction in the number of spills since 2020, we have ambitious plans for AMP8, and we are accelerating the work to go further faster. We are also exploring new and innovative ways of working such as nature-based solutions and partnerships with groups such as The Rivers Trust.

External environment

Regulatory environment

The vast majority of our activities sit within United Utilities Water Limited (UUW), the second largest of 11 regulated water and wastewater businesses in England and Wales.

UUW is subject to regulation of price, performance and compliance by various bodies, as shown in the diagram below. These bodies exist to help protect the interests of customers and the environment and assess whether companies are meeting their obligations. One of the ways they do this is to undertake comparative assessments of companies' performance.

We must balance incentives and requirements that can sometimes act in tension, such as the desire for rapid environmental improvements and the upward pressure this can place on customers' bills. We maintain constructive dialogue to agree commitments for continuous improvement.

The Water Industry National Environment Programme (WINEP) sets out the actions needed to meet environmental obligations. The Drinking Water Inspectorate (DWI) can put in place programmes of work to improve drinking water quality. Companies must also prepare and maintain long-term plans for managing water resources (WRMP) and drainage and wastewater (DWMP). These feed into business plan submissions from companies for five-year asset management periods (AMPs), which are submitted to Ofwat as part of the price review (PR) process.

Ofwat then sets each company's final determination (FD) detailing revenue, required service levels, and the incentive package for the AMP, which companies can either accept or appeal to the Competition and Markets Authority. Performance against the FD is reported in an annual performance report (APR).

2023/24 was the fourth year of the 2020–25 period (AMP7), and in October 2023 we submitted our 'PR24' business plan for the 2025–30 period (AMP8).

RAPID is a partnership made up of Ofwat, the Environment Agency and DWI.

AMP8 business plan

We have submitted an exciting and ambitious plan for the 2025–30 period, reflecting the biggest investment in our region's water and wastewater infrastructure in over 100 years.

The plan we have submitted delivers what matters for customers, communities and the environment – safeguarding and securing supplies, protecting and enhancing our rivers, improving drinking water quality, and reducing flooding. It has been set in the context of our long-term delivery strategy, and addresses new environmental legislation, stakeholder priorities, and continuous improvements for customers.

Transforming services for customers and proposing an environmental programme seven times the size of AMP7, our plan provides significant growth opportunities for the North West – supporting 30,000 jobs and helping to ignite the regional economy – and for the business, with 37 per cent real growth in our Regulatory Capital Value (RCV) across AMP8.

We have stretched ourselves to innovate and optimise our plan, enabling significant efficiency to be realised, and we are enhancing our affordability support for customers, proposing a material increase with a £525 million affordability support package that would help one in six customers in the region.

We have five diverse counties in the North West with different challenges and needs, as set out on pages 26 to 27, and we have built targeted county-based plans that deliver what matters to each of them, based on extensive engagement. This has helped us secure strong support, with research showing that 74 per cent of customers support our proposals.

We have a strong balance sheet and financial flexibility, giving us confidence that we can deliver this level of investment, and we are not waiting – we have already started, with accelerated investment enabling us to make an early start on tackling storm overflows and other environmental improvements.

Read more at **pr24.unitedutilities.com**

Natural environment

The natural environment is constantly changing. We have already experienced prolonged dry periods, more extreme rainfall events, and freezing temperatures followed by rapid thawing. This increases the level of risk for water availability, flooding and network damage.

The North West population is also increasing, with an anticipated one million increase by 2050, and much of the landscape in our region is legally protected for its environmental or cultural significance. We must plan well into the future and continually adapt to strengthen our long-term operational resilience, and we have a role to play in restoring healthy and resilient ecosystems.

We need to work collaboratively to deliver nature-based solutions, which offer many benefits including carbon sequestration, cleaner water, and improved biodiversity.

Read about our **long-term planning** on pages 32 and 33

Economic environment

Our costs are impacted by market rate movements such as interest rates and inflation. Inflation has risen sharply in recent years, and the government raised interest rates in response.

The impacts on our business are complex, with cost increases partly offset by increased allowances under the regulatory mechanism. Of our debt, £4.7 billion is in index-linked form, therefore impacted by inflation, but our regulatory capital value (RCV) also rises with inflation and our £4 billion of fixed-rate debt increases in benefit as interest rates rise. Unlike many, our low dependency pension schemes are protected from market rate movements.

The economic environment also impacts customers, with the most deprived communities typically hit the hardest. We have more in the North West than any other region, making the industry-leading affordability support we provide even more critical.

Political environment

Political decisions have the potential to impact on our operations, including any changes to legislative obligations under environmental and competition law. We engage with regional and national politicians and other policymakers to understand developments and key policy issues, improving policy development where possible, and stay flexible to adapt as needed. For instance, with publication of the Environment Act 2021 the government set out an ambitious plan for reducing spills from storm overflows, as well as obligations to reduce phosphorus and address nutrient imbalance. We are already investing significant amounts in AMP7 to improve the quality of rivers and seas in the North West, and our AMP8 plan includes our biggest ever environmental investment programme, addressing these new legislative requirements. We also have a part to play in the plans of devolved regions and mayors for growth and green energy development in the North West, such as plans to host a pioneering carbon-capture facility on our head office site in Warrington.

Stakeholders

There are many people and groups who take an interest in the water industry, its role in society, and the North West region. The nature of our work and the huge areas of land we manage means we interact with a wide variety of stakeholders, from communities and environmental interest bodies, to suppliers and regulators.

It is important that we understand what matters to each of them and develop constructive relationships built on mutual trust. We engage and consult with stakeholders to understand their views and priorities as we develop and execute our plans, balancing their often conflicting priorities.

Each of our operational performance measures is linked to one or more stakeholders for whom we are creating value.

Read about how we engage with stakeholders and factor their views into strategic decision-making at board level in **Our S172(1) Statement** on pages 47 to 48

Technology and innovation

New technology and innovation can create opportunities for improvements in service and efficiency. The use of artificial intelligence and machine learning helps us to improve performance, and is central to our Dynamic Network Management approach as set out in the infographic on pages 22 to 23.

In an increasingly digital world, customer expectations change and we must evolve our services to ensure we meet those expectations. Technology has changed the way customers can get in touch to access their bills, update their information and receive updates on services and support.

Technology can also create risks, such as the threat of cyber-attacks, which has increased in recent years as a result of global political tensions. Protecting infrastructure, customer information and commercial data from malicious activity is a key priority.

Five counties

Each of the five diverse counties across the North West is unique.

In order to help shape and adapt our AMP8 business plan, we've been working with stakeholders and customers to better understand the needs, challenges and opportunities of each county.

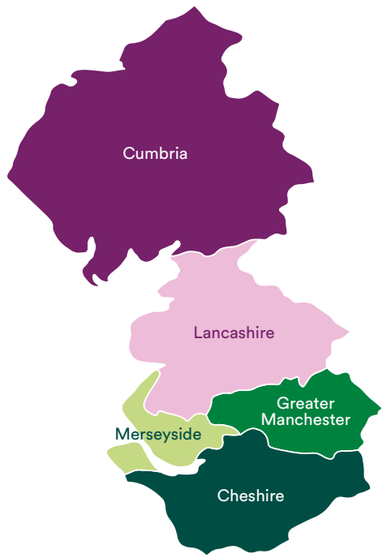
We've engaged with 95,000 people in Cumbria, Lancashire, Merseyside, Greater Manchester and Cheshire, shaping our plans for each county to address the things that they have told us matter most.

This has helped us to develop not just one plan, but five individual plans for the 2025–30 period, adapted to meet the diverse needs of each county. We call it place-based planning.

Adopting this approach means we will deliver outcomes that are tailored for customers in the places where they live. We hope that by setting out our plan this way, we have made our investment plans and the benefits they would deliver more meaningful to customers and communities.

These pages set out some of the characteristics of each county, and how we plan to address its individual challenges and opportunities.

Read more on our county-based plans at **pr24.unitedutilities.com**



Cheshire

River water quality is important for Cheshire and, while it has transformed over the last 30 years, there is still much to do. Our plan targets improvements to 24 kilometres of rivers and tackles 63 storm overflows in Cheshire. We will work with partners, building on our innovative Cheshire Hub partnership, to identify opportunities to work collaboratively and deliver nature-based solutions to improve our rivers.

Agriculture is a dominant industry across the Cheshire environment and a key part of its economy. It is important that we work closely with local landowners and farmers to ensure sustainable catchment management practices that do not impact on water quality. Through our Catchment Systems Thinking approach, also known as CaST, we collaborate with farmers to take a joined-up and holistic approach to farming and protecting water quality.

With an ageing population across Cheshire, we recognise how important it is to have a service tailored to customers' individual needs. We will offer sector-leading support for vulnerable customers with additional needs through our Priority Services schemes.

Many customers in and around Cheshire receive their water supply from Lake Vyrnwy in Wales. This is supplied through the Vyrnwy Aqueduct. Our business plan includes investment to improve 65 kilometres of the Vyrnwy Aqueduct, helping to secure a long-term resilient supply for current and future generations and reduce discolouration.

Due to the flat nature of the area, some areas of Cheshire are vulnerable to flooding. We are partnering with local authorities to reduce flood risk, such as the Northwich flood defence scheme, and we are working with the National Trust to trial leaky dams at Lyme Park – improving water quality and slowing flows to deliver natural flood management.

Cumbria

Cumbria is home to some of the wettest areas in England. Over a third of the North West's water supply originates in Cumbria, captured in reservoirs and transported across the region. We will work to increase the resilience of supplies during dry weather events and ensure that in doing so, the environment is protected. We will improve the catchments that protect raw water quality, delivering sustainable abstraction now and for the future. We will also work to improve the resilience of our assets to flooding.

Keeping rivers and lakes clean is hugely important. Our plan targets improvements to 219 kilometres of rivers and tackles 158 storm overflows in Cumbria. This will help to ensure great river water quality, protect biodiversity, and contribute to achieving bathing water standards across coastal and inland bathing waters. Over 500,000 hectares of land across Cumbria are farmed. We work with farmers to support sustainable agricultural practices to maximise benefits for river water quality, such as in the River Petteril where our work with dairy farms is improving rivers.

Cumbria has a wide variety of special landscapes: two national parks; two world heritage sites; three areas of outstanding natural beauty; and hundreds of designated sites of special scientific interest. We will continue to invest, working alongside partners, to protect these landscapes and manage our catchment land. Cumbria is home to Britain's Energy Coast, where more than 5 per cent of the nation's electricity is generated, and our infrastructure is critical in supporting this and the growing 'green energy' sector. Our plan also includes 2,144 hectares of peatland restoration across Cumbria.

Cumbria has finely balanced needs across the tourist economy, food production, and delivering for protected environments. Preserving this balance is critical over the long term. We will provide services that respond to changing needs throughout the year and work with other partners to preserve the environment.

Greater Manchester

Flooding from rivers, sewers and surface water presents significant challenges for homes and businesses in Greater Manchester. We will work with partners to deliver an integrated water management plan to minimise the risk of flood and disruption. Through using nature-based solutions, we also aim to deliver more green spaces.

River water quality in the Irwell and Mersey catchments requires significant improvement due to the legacy of the industrial revolution and the impact of transferring and treating wastewater from 2.8 million people. Of the North West's storm overflows, 37 per cent are in this county – that's over 800 overflows. Our plan would see us invest over £2 billion to improve the river environment in and around Greater Manchester, tackling 105 overflows and improving 82 kilometres of rivers along the Mersey, Irk and Irwell.

Affordability is a challenge for many customers across Greater Manchester. We offer sector-leading support to customers who face difficulty when paying their water bill and have put in place extra support for vulnerable customers with additional needs.

Customers in and around Greater Manchester receive their water supply from Haweswater in the Lake District, transported by gravity through a 110 kilometre long supply pipe – the Haweswater Aqueduct. We will invest in this pipeline to secure a long-term resilient supply for future generations.

Through partnerships, we will provide the critical water infrastructure to support growth in this booming county, and our investment and creation of more high-skilled green jobs will help develop the green economy.

The Greater Manchester Combined Authority's vision for the county is that it be 'a place for everyone'. We want to support it to achieve this for its diverse population of 2.8 million people and over 120,000 businesses.

Lancashire

Lancashire's coastline and popular beaches mean that bathing water quality is a priority for both customers and visitors to the region. With multiple coastal towns and cities such as Blackpool, Morecambe and Southport relying on tourism-related revenues, it is important that we continue to invest and work with partners to ensure the right solutions to improve bathing water quality.

Lancashire is home to some of the region's most beautiful natural features. The county is carved by many rivers drained from the Pennines, including the Ribble, Wyre and Lune, all of which drain to the west of the county, and enter the Irish Sea. Protecting the Areas of Outstanding Natural Beauty of Lancashire from increasing threats from climate change, including wildfires, flooding and drought, remains a priority. Another priority is ensuring damaged peatland in East Lancashire and the Pennines is restored, in order to protect this important store of carbon and minimise its adverse impact on water quality. We will work in partnership with environmental NGOs to deliver environmental benefits, and actively prevent the destruction of habitats.

Victorian sewer systems are particularly prevalent in the historic towns of East Lancashire, with higher proportions of overflows. We're investing to reduce the number of spills from 91 storm overflows in the area, and protecting and improving water quality and amenity along 35 kilometres of rivers along the Ribble, Lune and Wyre. We're bringing forward part of this investment so we can start work on improving many of these sooner.

There are a mix of socio-economic levels across Lancashire. It is important we make provision for those who may need more support. Our sector-leading affordability and vulnerability support is important for many people across the county, and our plan sees us doubling our support by 2030.

Merseyside

The River Mersey is an iconic part of this increasingly vibrant region. Water quality in the river has transformed over the last 30 years, but there's still more to do.

Liverpool has the highest proportion of combined sewers, which creates surface water management challenges and means a high number of overflows. Reducing the frequency that these overflows operate requires re-plumbing the sewer system and we have a long-term plan for this. Our AMP8 plan targets improvements to 26 kilometres of rivers and tackles 20 storm overflows in Merseyside. We have also proposed spending over £11 million in 'Cleaner Mersey' to investigate the best way to deploy the much larger anticipated investments required in the next ten to 15 years.

Merseyside has a significant length of coastline, making parts of the coast vulnerable to coastal erosion and flooding, which are forecast to become more frequent with climate change. Our plans would see us invest to ensure assets are resilient to climate change and the impacts of coastal erosion, and protect up to 169 homes from flooding. We have also proposed investment across the Merseyside coastline to benefit bathing and shellfish waters.

The population and economy of Liverpool are growing, and our water infrastructure needs to develop to support this growth. Customers in Merseyside receive their water supply from sources in Cheshire and Lake Vyrnwy in Wales. We will invest in our water supply pipeline to secure long-term resilient supplies from Lake Vyrnwy for future generations.

Affordability is a real concern for some customers in Merseyside. There are concentrations of extreme deprivation and four of the ten most deprived areas in England are in this area. We will continue to offer sector-leading support to customers who face difficulty when paying their water bill and have put in place extra support for vulnerable customers with additional needs.

Materiality assessment

Assessing and prioritising material themes

In order to ensure we are disclosing relevant information across this integrated report, as well as our corporate website and other communications, we have conducted a materiality assessment that considers material themes and their potential impact on both our ability to create value as a company and the value we create for our many stakeholders.

Stakeholder views and priorities

There are a number of stakeholders who take an interest in the water industry, its role in society, and the North West region. We actively engage with these stakeholders to help us understand their views and priorities.

Read more about how we engage with stakeholders on page 46

Understanding what matters to our stakeholders helps us to prioritise areas for focus and investment, enabling us to factor their views into strategic decision-making at board level, as set out in our S172(1) Statement on pages 47 to 48.

This understanding feeds into our materiality assessment, giving rise to the materiality matrix on the page opposite, which drives the matters disclosed across this report, helping to ensure we are disclosing relevant information of interest to our stakeholders.

Other considerations

In defining the strategic relevance of a theme to the company, we continue to adopt the integrated reporting <IR> framework definition of materiality and value creation. This means considering the impacts of the company on all of our stakeholders, alongside our dependencies, i.e. the impacts of the material themes on the company. This value may be financial or non-financial. This approach is consistent with the concept of double materiality.

In this year's assessment, we have also considered the definition of materiality adopted by the International Sustainability Standards Board (ISSB), which strengthens the concept of considering a material risk or opportunity from a level of **interest** to stakeholders to consider the impact on **value created** for stakeholders, in addition to the potential effect on our ability to create value as a company.

Disclosure guidance from the ISSB suggests that material sustainability-related risks and opportunities are discussed using a four-pillar approach, in line with the TCFD and TNFD frameworks. We have adopted this approach to report on our most material themes (which represent areas of risk and opportunity), as set out on page 30.

2023/24 assessment

We have carried out a thorough review of our material themes and materiality matrix. Striking the right balance between different interests and views is not easy, but our assessment process consolidated feedback based on a balance of views obtained from all of our stakeholders.

The applicability of industry-specific topics in the Sustainability Accounting Standards Board (SASB) standards were also considered as part of this assessment, as required by the ISSB S1 standard.

Read more on our website at unitedutilities.com/corporate/responsibility/our-approach/esg-reporting/sasb

We also considered the UN Sustainable Development Goals that we contribute towards, as set out on pages 08 to 09.

Our materiality assessment is aligned closely with our assessment of principal risks and uncertainties, with close linkage between the themes highest in terms of company value (horizontal axis) and our top principal risks and common causal and consequence themes identified.

Our assessment process this year identified 29 material themes.

Read about the material issues impacting our key resources on pages 20 to 23

Spotlight on: river water quality and storm overflows

The protection of rivers across the UK, and in particular the use of storm overflows, has rapidly grown in significance in recent years, now sitting in the top five themes.

Storm overflows and storm tank discharges have been an important part of the sewerage network for over 150 years, acting as a safety valve for sewers at times of heavy rainfall, protecting homes, businesses and land from pollution events, but this needs to change.

In normal conditions, sewage, mixed with rainwater in wet weather, transits through our wastewater treatment works, and only treated water is returned to the natural environment. If the flow is too much for the works to deal with, it is usually stored in tanks until the incoming flows have returned to normal levels. Then the tanks are emptied and the water is treated.

Our sewers are typically no more than 15 per cent full in dry conditions but, when rainfall is very heavy and the tanks fill to capacity, overflows act as a pressure relief valve allowing rainwater, mixed with sewage, to rise inside the sewer and eventually enter a separate pipe, which flows into a river or the sea. Sewers operate this way to help prevent the flooding of streets, homes and businesses.

The North West has 54 per cent combined sewers, receiving a mix of rain and sewage, compared with the industry average of 33 per cent. We also have 40 per cent higher urban rainfall than the average for England and Wales, so considerably more surface water enters our sewers.

When overflows are activated they can sometimes affect river and bathing water quality. With more extreme rainfall events and significant population growth expected over the next 25 years, more foul and rainwater will be entering our sewers, and the use of storm overflows would increase if investment needs were not addressed.

We understand and share concerns around this and we are committed to driving a step change, recognising this as one of our six strategic priorities.

This significant change will not happen overnight, and we have 25 per cent more storm overflows than the industry average to tackle. We are proposing a long-term programme of investment that will deliver significant changes to the region's sewer system and an increase in capacity. This will reduce the need to use storm overflows and create new ways of storing and dealing with excess wastewater at times of heavy rainfall. We have made a fast start to a very ambitious plan that is already delivering improvement, and we are keen to go further faster, as discussed on pages 69 to 70.

Our materiality assessment process

1 Define

We reviewed current best practice in materiality reporting. The assessment criteria was confirmed as potential value creation for both the company and stakeholders. Building on our existing matrix, we evolved the matrix design to integrate fully with our strategic priorities. This assessment provides the basis for disclosures included in this report, with more detailed commentary on the most material themes.

2 Engage

Views were obtained from across all our stakeholder groups. Insight from consultations and data was made available through the engagement processes described on page 46. Key internal subject matter experts and stakeholder relationship managers provided further insight on themes.

3 Assess

Comments and data were drawn together to form an initial view of the themes. The rationale for theme selection and its significance was reviewed and approved by the executive team. This included potential new themes, removal of themes, and movement of existing themes.

4 Align

We cross-referenced and aligned identified themes with SASB industry-specific topics and our principal risks and uncertainties, as set out on pages 52 to 56. Matrix visuals were then created to easily display the prioritisation of themes.

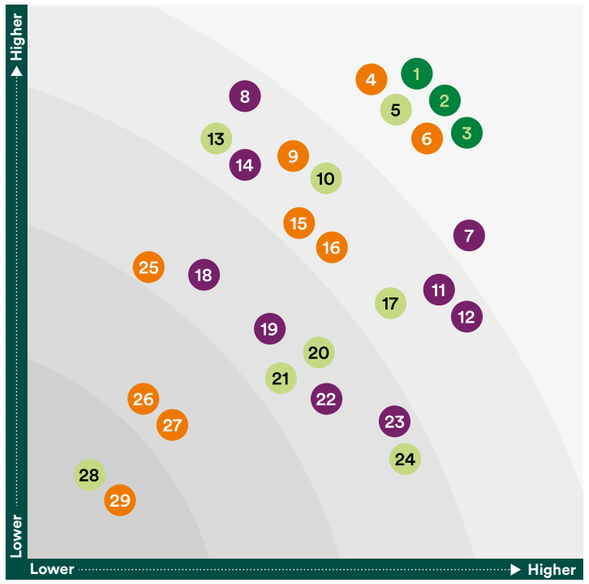
Key

Our material themes are aligned to the key ambitions of our purpose – stronger, greener and healthier.

- Overarching theme
- Greener
- Healthier
- Stronger

Materiality matrix

Themes are plotted on the matrix from higher (top right) to lower (bottom left) in terms of their potential to impact company value (horizontal axis) and their potential impact on the value we create for stakeholders, and have been colour-coded according to the key elements of our purpose.



Material Theme

1. Trust, transparency and legitimacy
2. Resilience
3. Political and regulatory environment
4. Customer service and operational performance
5. River water quality and storm overflows
6. Climate change adaptation
7. Cyber security
8. Affordability and vulnerability
9. Drinking water quality
10. Water resources and leakage
11. Financial risk management
12. Corporate governance and business conduct
13. Climate change mitigation
14. Supporting communities
15. Diverse and skilled workforce
16. Health, safety and wellbeing
17. Natural capital and biodiversity
18. North West regional economy
19. Land management, access and recreation
20. Sewage sludge to land
21. Waste management
22. Responsible supply chain
23. Innovation
24. Energy management
25. Data security
26. Colleague engagement
27. Competitive markets
28. Air quality
29. Human rights

Reporting on our material themes

Information on all material themes can be found within our report and corporate website.

The top three overarching themes are covered across the entire report:

- Our comprehensive disclosures across this report and our corporate website provide leading levels of transparency, and our integrated reporting approach ensures all material matters, financial and sustainability-related, are covered together in an understandable way that represents the integral nature of sustainability to how we run our business and create value.
- Resilience is a key consideration in our planning, as set out on pages 32 to 33, including the very long-term approach we take and our adaptive planning approach. It is key to the way we manage our key resources, as set out on pages 20 to 23, and resilience in the round is the ultimate focus of our robust risk management procedures, as detailed on pages 51 to 56.
- The external environment in which we operate, including the political and regulatory environment and the developments around the price review and our AMP8 business plan submission, is covered on pages 24 to 27.

Matters of corporate governance and business conduct are dealt with in our corporate governance report on pages 99 to 163.

As set out in our business model on pages 18 to 19, we provide disclosures across the four pillars set out by the ISSB – strategy, governance, risk management, and metrics and targets. For each pillar, we set out general company information followed by information relating to our most material themes, i.e. the remaining themes that sit within the upper two segments of the matrix. These are split into the key elements of our purpose – greener (climate and nature-related), healthier and stronger. The 'greener' elements also cover our disclosure requirements under the TCFD (climate-related) and TNFD (nature-related), as shown on page 03.

Strategy
See pages 31 to 43

Governance
See pages 44 to 50

Risk management
See pages 51 to 62

Metrics and targets
See pages 63 to 67

General disclosure requirements of the TNFD

The Task Force on Nature-related Financial Disclosures (TNFD) framework recommendations include six general requirements that apply to all four pillars of recommended disclosures: strategy, governance, risk and impact management, and metrics and targets.

A. Application of materiality
Pages 28 to 29 set out our materiality assessment for disclosures, which includes nature and climate-related themes. The materiality of nature-related matters reflects the impact of the business and its activities across the value chain on the environment. Climate-related issues are quantified by the impact of highest assessed risks.

B. Scope of disclosures
Scope of the disclosure account covers activities and assets, impacted and dependent on by our direct operations; upstream value chain (materials and construction); and downstream value chain (water use and customer behaviour).

C. Location of nature-related issues
Our services are dependent on the extent and condition of catchment land, including but not limited to the 56,000 hectares of land that we own across the North West of England.

D. Integration with other sustainability-related disclosures
Our annual report has included climate-related financial disclosures (TCFD) since 2020 and we were an early adopter of nature-related financial disclosures (TNFD) in 2022. We also report on nature loss in the World Economic Forum (WEF) risk index.

E. Time horizons considered
As set out on pages 32 to 33, we plan over short, medium and long-term horizons:

Short term – up to one year

Medium term – up to 2030

Long term – beyond 2030, typically to 2050, 2080 or 2100

F. Engagement of Indigenous Peoples, local communities and affected stakeholders in the identification and assessment of the organisation's nature-related issues
As part of the AMP8 business plan we engaged with 95,000 customers to inform our decisions, with environmental issues at the heart of this research. Our five counties model has a key focus on stakeholder management, to strengthen relationships with local community groups in order to help us meet their needs.

Our strategic priorities help us to deliver our purpose

Each of our six priorities is linked to one of the key elements of our purpose – stronger, greener and healthier – and helps us to address material themes identified.

Last year we re-shaped our strategy into six priorities, reflecting the key long-term drivers of the business and the services that matter to stakeholders, alongside ongoing developments in the political and regulatory environment. We believe that focusing on these priorities will help enhance our resilience, and by setting out clear and actionable aims in this way, and monitoring our performance against them, we hope to improve trust and transparency. By focusing on long-term drivers, our strategy directly addresses the top three themes determined through our materiality assessment described on pages 28 to 29. Each of our six strategic priorities, as set out below, also addresses one or more of the material themes identified.

In this section you will find:

- Our strategic priorities
- Short, medium and long-term planning horizons
- Our strategy for managing climate-related risks and opportunities and our net zero transition plan
- Our strategy for managing nature-related risks and opportunities
- Our strategy for other risks and opportunities identified as material themes against the stronger and healthier elements of our purpose

Improve our rivers

We have a strong track record in minimising pollution, and continue to protect bathing waters across the North West. River health in the UK has grown in public interest in recent years. The industrial legacy and high rainfall in our region means we have a bigger task than many to deliver the significant reduction in spills from storm overflows required by the Environment Act 2021. This will form a significant component of our investment in AMP8, with £3.1 billion dedicated to it in our business plan, and we are accelerating part of this investment, with good progress already made.

Material themes addressed:
- River water quality and storm overflows

Read more on our accelerated solutions to improve river water quality on page 73

Create a greener future

We are committed to protecting nature and biodiversity, and reducing water consumption. We have a net zero transition plan underpinned by our six carbon pledges and ambitious science-based targets. We generate clean energy from bioresources and through partners. We are looking at how we can make the best use of our land to deliver a greener future, be that through our pledges to create woodland and restore peatland, or increasing our renewable energy generation capacity.

Material themes addressed:
- Climate change mitigation
- Water resources and leakage
- Natural capital and biodiversity
- Energy generation
- Waste management
- Air quality

Deliver great service for all our customers

We strive to continually improve our service for customers – improving water quality, minimising interruptions, fixing leaks and reducing the risk of sewer flooding. Engagement helps us understand what matters most to customers – the stretching targets in our AMP8 business plan reflect views based on extensive engagement and this is reflected in strong levels of customer acceptability. Great service also means helping customers with affordability and vulnerability support, and keeping their data secure.

Material themes addressed:
- Customer service and operational performance
- Drinking water quality
- Affordability and vulnerability
- Data security

Provide a safe and great place to work

We invest in our colleagues' training and development, and are dedicated to maintaining high levels of health, safety and wellbeing. We want to attract, develop and engage great talent across the organisation, we support and encourage a diverse and inclusive culture, and we want colleagues to be empowered to contribute to making things better. To facilitate this, our new 'Call it Out' initiative enables everyone to raise any topic or suggestion for improvement directly with the CEO, and all contacts receive a response within 48 hours.

Material themes addressed:
- Health, safety and wellbeing
- Diverse and skilled workforce
- Colleague engagement

Spend customers' money wisely

We continuously challenge ourselves to improve cost efficiency in a sustainable way, so we can keep customer bills as low as possible in the long term without compromising on service or resilience. We look to minimise whole-life cost and deliver the best value solutions, using innovation to find better ways of working, raising efficient financing and managing risk prudently, leveraging partnerships and driving value in our supply chain, capitalising on digital and automation opportunities, and removing areas of duplication or waste.

Material themes addressed:
- Financial risk management
- Innovation
- Responsible supply chain

Contribute to our communities

We work closely with communities across the North West and we invest in those communities as well as opening our land for access and recreation. We actively engage and make use of partnerships to drive value for communities, such as our participation in the Love Windermere initiative. We produced individual business plans for each of the North West's five counties, recognising their unique and diverse needs and challenges, and we have mobilised our teams into county delivery squads to help manage these relationships and ensure we can deliver our planned improvements for each county with minimal disruption.

Material themes addressed:
- Supporting our communities
- Land management, access and recreation

Our planning horizons

We plan for the short, medium and long term, using an adaptive planning approach, which helps to ensure we are delivering our purpose in a sustainable way.

Short-term planning

We set annual, measurable targets, but retain flexibility to enable us to respond to challenges that may arise.

Short-term planning helps us work towards our medium and long-term goals and provides us with measurable targets so we can continually monitor and assess our progress.

Before the start of each financial year, which runs from 1 April to 31 March, we develop a business plan that is reviewed and approved by the board. This sets our annual targets to deliver further improvements in service delivery, environmental targets and efficiency, helping us move closer to our longer-term goals.

Performance against these stretching targets determines the annual bonus percentage that is awarded to executive directors and all colleagues right through the organisation.

To avoid encouraging short-term decision-making and ensure management is focused on the long-term performance of the company, executive directors and senior leaders are also remunerated through a long-term incentive plan (LTP).

The LTP assesses three-year performance and includes return on regulated equity (RoRE) alongside a basket of customer and environmental measures, including carbon.

Read more about the **annual bonus and LTP** in our remuneration report on pages 140 to 163

Executive directors hold regular business review meetings with senior managers across the business to track progress against our annual targets.

It is vital that we retain flexibility within this short-term planning so we can adapt to meet challenges that may arise during each year while continuing to deliver resilient and high-quality services to customers in the most effective and cost-efficient way possible.

This may involve bringing enhancements forward to deliver improvements for customers early, investing further into the business to maintain service, or delaying projects to occur later in the regulatory period to prioritise expenditure and focus our time on dealing with unexpected challenges that may arise.

The extreme weather we have seen in recent years demonstrates how important it is that we retain this flexibility, as we are already experiencing the impacts of climate change and the challenges it brings.

Hot, dry summers can lead to drought triggers being crossed, while prolonged excessive periods of rainfall at other times heightens the risk of flooding, and rapid freeze-thaw events during winter cold snaps put enormous pressure on pipes leading to more likelihood of leaks and bursts. Our adaptive approach to planning positions us well to tackle these challenges.

Medium-term planning

Aligned to the commitments in our AMP7 final determination and our AMP8 business plan.

The majority of the group's activities sit in our regulated water and wastewater business – United Utilities Water Limited (UUW). Our medium-term planning mostly sets out how we will deliver against the commitments in the final determination published by Ofwat for UUW for each five-year asset management plan (AMP) period, and our plans for the next one. Our medium-term plans are also designed to help us work towards our long-term delivery strategy, which accompanied our AMP8 business plan submission, to build and maintain resilience, and help us fulfil our purpose.

To ensure we deliver for all stakeholders, including customer preferences and environmental requirements, we align our plans to these priorities in line with key published methodologies. We engage in extensive research to ensure our plans are robust and balanced, targeting the best overall outcomes for all our stakeholders. Following scrutiny and challenge from Ofwat, we receive the final determination, which sets the price (in terms of total expenditure recovered through customer bills), service level, and incentive package that we must deliver over the five-year period. This includes an expected return to meet financing costs.

Adaptive planning is important in meeting our medium-term targets in the most effective and efficient way. During the current 2020–25 period (AMP7), we have adapted our total expenditure (totex) in three ways.

First, we accelerated our capital programme, with around £500 million of totex brought forward over the first three years, delivering improvements early and making a strong start to our plans.

Second, we extended our totex by £765 million to deliver customer and environmental improvements, accelerating delivery of the Environment Act 2021 and improving performance against customer outcome delivery incentives (ODIs).

Third, we are accelerating around £400 million of AMP8 expenditure into the final two years of AMP7, helping us to speed up delivery of environmental commitments, improving river health and reducing the use of storm overflows.

Our strategy helps us create value for our stakeholders by delivering or outperforming the final determination. We publish an annual performance report (APR) in July of each year, which reports our performance in a format that is comparable across the sector. This includes return on regulated equity (RoRE), which comprises the base allowed return and any out/underperformance.

Our APR will be available at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

Information on companies' regulatory performance can be found at **discoverwater.co.uk**

Long-term planning

We plan far into the future, using adaptive planning pathways to ensure we can respond to risks and opportunities that may arise.

To maintain a reliable, high-quality service for customers long into the future, we need to anticipate and plan for things that may impact on our activities. To do this we monitor the age and health of our assets, keep track of innovations and advancements in technology, and look at current and predictive data from various sources to track key risk indicators. This includes long-term economic forecasts, population growth expectations, climate and weather predictions, and legal and regulatory consultations and changes. Depending on the context, long-term can mean 2050, 2100, or beyond.

We review this information as part of our long-term planning and risk management processes, through which we assess and manage opportunities and risks from climate change, population growth, increased market competition, water trading, more stringent environmental regulations, developments in technology, and combining affordable bills with a modern, responsive service.

Our website has a dedicated section where we examine key long-term challenges and how we will focus our resources and talents to meet them. You can find our:

- Drainage and Wastewater Management Plan – examining the risks around flooding, pollution, storm overflows, and wastewater treatment over a 25-year period;
- Water Resources Management Plan – setting out the investment needed to ensure we have sufficient water to continue supplying customers, taking into account the potential impacts of climate change, covering a 25-year period and considering consumption and climate forecasts out to 2080;
- Drought Plan – setting out the actions we will take to manage drought risk, updated every five years; and
- Adaptation progress reports – setting out the current and future predicted impacts of climate change on the business and our proposals for adapting to a changing climate.

Read about our future plans at **unitedutilities.com/corporate/about-us/our-future-plans**

Our long-term delivery strategy out to 2050 is embedded into our plans for AMP8. We use whole-life cost modelling and maintain a robust financing structure to ensure we can invest efficiently to meet our long-term plans.

Our training and development, graduate and apprenticeship programmes, and work with schools to encourage STEM careers, all help to ensure we retain the skills we need in the North West to continue delivering these plans.

Greener: climate

Climate strategy: How climate-related risks and opportunities impact the organisation's businesses, strategy and financial planning

TCFD strategy disclosures

a) The most material climate risks identified are listed below, including how they change over short (up to one year), medium (to 2030) and long-term (beyond 2030) horizons.

b) The changing rainfall patterns have a substantial impact on our strategic and financial planning across all areas of the organisation.

c) The climate has already changed and will continue to do so under all future projections. We are actively and adaptively planning for a wide range of likely climate scenarios.

Most material climate-related risks

Climate risks and opportunities are assessed using our planning horizons set on page 33. As our assets can, typically, have very long useful lifespans, our long-term horizons look further into the future than other organisations. Our specific assessment of climate risks is described in our adaptation progress reports, the latest of which is our 2021 Planning for Climate Change. Each climate risk is rated out of five for likelihood and for impact using our six capital value framework. The product of these ratings is a risk score out of 25. The table below summarises our most material, highest scoring risks (at April 2024) for each climate trend and also shows how scores are expected to change over the medium and long term.

Many of our highest scoring risks are acute and chronic physical risks associated with changing rainfall patterns and volumes. We are already experiencing increasingly frequent high volume rainfall events, which in turn exacerbate existing challenges such as sewer flooding, asset flooding and asset deterioration. This is why resilience and adaptation to climate change are material themes (see page 29) and why five of our top ten business risks are noted as vulnerable to climate change.

TCFD risk category

- A Acute physical risks
- C Chronic physical risks
- T Transitional risks

Climate trend	Leading to	Horizon ST	Horizon MT	Horizon LT	Resulting in...
A Rain – short duration and high volume	Sewer capacity exceeded	○	●	●	Sewer flooding, pollution incidents, customer impact
	Flooded assets	○	●	●	Asset damage and service disruption
	Floods, accidents and landslips	◐	◐	◐	Disruption to transport and supply lines
	More spills from storm overflows	◐	●	●	Pollution and perception of pollution of rivers and bathing waters
	Wastewater treatment capacity exceeded	◐	●	●	Operating beyond effective parameters and permits
	More runoff from agricultural land	◐	◐	●	Raised nutrient loads in water sources
A Storm events	Increased volumes of calls reporting bursts and service disruption	○	◐	◐	Pressure on our emergency response
	Damage to infrastructure and access blocked	○	◐	◐	Issues for deliveries, maintenance and inspections
A Cold	Reduced effectiveness of biological processes	○	◐	◐	Ineffective wastewater treatment casing pollution
A Heat	Temperature inversions in reservoirs	○	◐	◐	Odour and taste changes
C Lower average rainfall	Reducing water resources	○	●	●	Supply interruptions and more supply restrictions
	Drying vegetation meaning more severe and frequent moorland/forestry fires	○	●	●	Loss or devaluation of assets and impact to catchment health, risking raw water quality
	Blockages in the sewage system due to low flows	◐	◐	●	Sewer flooding and pollution at next significant rainfall
	Highly concentrated shock loads when it next rains	◐	◐	●	Inadequate treatment and potential pollution events
C Warmer temperatures	More days of algal growth in reservoirs	◐	◐	◐	Raw water deterioration impacting water treatment
	More tourists in region and more use of United Utilities' land	◐	●	◐	Temporary population causing localised supply/demand issues and more damage to land and catchments
C Rain-prolonged	Sodden agricultural land	○	●	●	Adverse effect on supply and demand for recycling biosolids to land
	Increased use of rising mains (pumping)	◐	●	◐	Accelerated asset deterioration and consequent failures
C Rising sea level	Coastal tidal flooding	○	◐	◐	Problems with coastal discharges and asset failures
C Changing seasonality	Wet/dry cycles increasing soil movement causing pipe systems to move	◐	◐	●	Accelerated asset deterioration, leading to more fractures and consequential service disruption
	Increased liability risk from more flooding due to high rainfall and damage from wet/dry cycles	◐	◐	●	Increased insurance premiums
T Changing expectations	Higher climate change mitigation expectations	◐	●	◐	Demand for transition planning activities
T Technology	Decarbonisation of the UK electricity grid	○	●	◐	Unstable grid more commonplace
T Policy and legal	Legislation, taxation, standard practice and decarbonisation targets	○	◐	◐	Drive to invest in new assets, infrastructure and training and also higher energy costs and greater regulatory duties
T Market	Increased abstraction by other catchment users e.g. for agriculture and horticulture	○	○	○	Pressure on water resources

Key: Risk scores at 2025, 2030 and 2050 ○ Low risk: score less than 10 ◐ Medium risk: score 10 to 12 ● High risk: score greater than 12

Impacts of climate-related risks

The chart below shows the current profile of the 72 climate-related risks at April 2024. As weather directly and indirectly constrains our ability to deliver our services it is not surprising that the vast majority (90 per cent) of our climate-related risks are physical risks. Some risks impact single business areas, others are business wide and we also have risks from interdependencies with other parties across the North West.

Urban rainfall in the North West is already 40 per cent higher than the industry average, which means more rainwater needs draining compared to other areas. Increasing rainfall with climate change, together with our higher proportion of combined sewers, (54 per cent of our sewers compared to 33 per cent across England) will put more pressure on our network and treatment infrastructure and result in greater risks of sewer flooding and storm overflows.

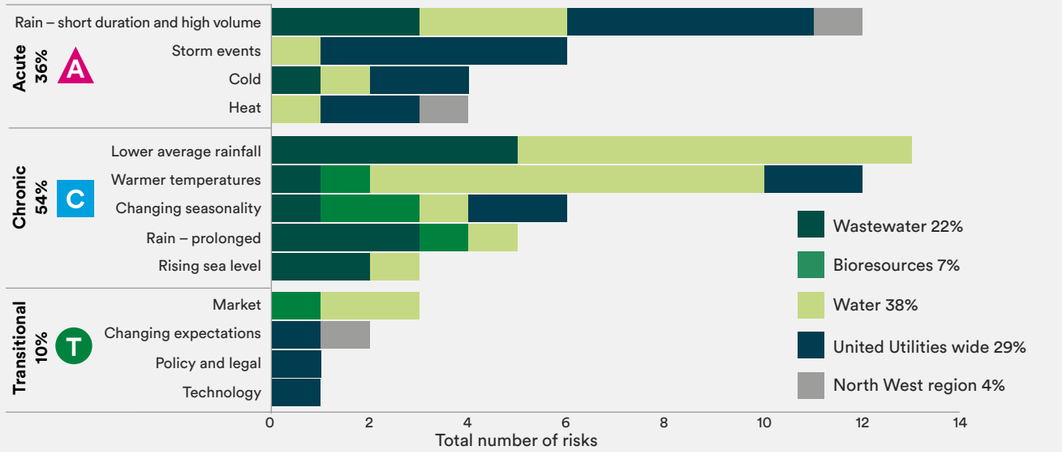
We manage 162 water reservoirs in the UK with around 93 per cent of our water sourced from surface water – lakes, reservoirs and rivers, rather than groundwater or aquifers. This means changing rainfall patterns also have a significant impact on our water operations. Projected warmer and drier weather will result in lower summer reservoir levels and greater drought risk, while higher frequency of short intense storms forecasted will increase soil erosion and movements in turn deteriorate or contaminate potable water sources.

The physical impacts of the climate risks have been quantified using predictions of weather metrics like wind, temperature, and rainfall from the highly respected and relevant Met Office UK Climate Projections 2018 (UKCP18). These projections are categorised by a Representative Concentration Pathways (RCP) with each RCP associated with a predicted level of future greenhouse gases relative to pre-industrial levels. Our third climate change risk assessment used the Met Office climate projections at a regional level for the representative concentration pathway, RCP 6.0, which has an emissions peak occurring in 2080 and an expected 3.0–3.5°C increase in global mean temperatures from pre-industrial levels. We chose this as it is widely recognised to be the most likely pathway that supports effective planning. Our future assessments will use RCP 2.6 and RCP 8.5 to understand a wider range of outcomes and will further differentiate at a sub-regional county level to recognise the differences in both weather and impact with geography. For instance, a drought in Cumbria is a more material risk to our operations than one in Manchester. This development will enable us to develop more local asset-specific response plans.

To convert GHG emissions into financial impacts, such as to quantify the impacts of the transitional risks, we have used the carbon values for use in policy appraisal, (£ per tCO_2e) of the relevant time period, provided by the UK Government.

Climate-related risks by climate trend and impacted business area/location

Climate trends are grouped by TCFD risk category. Percentages are out of 72 risks in the climate risk register at April 2024.



Including the climate change impacts in our strategies

Predicting the effects of climate change is multifaceted and complex. There is considerable uncertainty about how our processes, people and infrastructure will respond to the challenges of both climate and demographic changes.

Our public Water Resources Management Plan (WRMP), Water Quality Plan (WQP) and Drainage and Wastewater Management Plan (DWMP) are examples of where we use advanced modelling with climate change scenarios to shape our financial plans for the long term, while staying aligned with our short-term needs. In these plans we describe how we have used sophisticated models to predict and test how resilient our services would be against potential future demands including population growth and movement, economic trends and patterns of water use.

It is becoming increasingly vital in climate change adaptation planning to test scenarios with compound physical impacts. This is when multiple extreme weather events occur in a short time frame. We stress test our plans by building weather scenarios that combine together worst examples of weather that we have experienced. An example of this is how our assets and systems would cope with consecutive hot dry summers like 2020 and 2021 with a dry winter like 1984 in between.

We also try to model compound benefits where a single intervention might have multiple benefits. For instance, sustainable drainage systems (SuDS) slow down or divert rainwater runoff, which optimises use of wastewater treatment capacity and also provides an opportunity to deliver wider social value in the community and local environment.

Greener: climate — Climate strategy: How climate-related risks and opportunities impact the organisation's businesses, strategy and financial planning continued

Building resilience through adaptive planning

In developing our long-term strategic and financial plans, and seeking customer feedback on those proposals, we have used various scenarios encompassing wide ranges of environmental, regulatory, technological and societal possibilities.

In the last year we have built on our track record of effective long-term planning and combined those plans with our approach to asset management, which has been certified to ISO55001:2014, into an iterative, adaptive approach; our long-term delivery strategy (LTDS). An adaptive approach, using scenario analysis, means our LTDS prioritises problems with evidence of impact, such as the most material climate risks, while monitoring remaining uncertainties. This means we can choose the appropriate timing and approach for investment as climate science and technology advances, as legislation develops and as our customer and stakeholder expectations evolve. This approach helped us to build an investment plan with a low and no regrets approach in the core pathway for each area, while retaining flexibility, where there is uncertainty, via the alternative pathways. See example below.

Climate change presents a systemic and often compounding risk throughout our operations and services, with varying vulnerabilities dependent on the geographies and asset mix. We have assessed our operational resilience across a range of credible climate change scenarios; benign (low) aligned to RCP 2.6, adverse (high) aligned to the RCP 8.5 and where helpful a central pathway aligned to RCP 6.0. It has become apparent that RCP 2.6 (well below 2°C of warming) is no longer credible and that planning for this pathway would likely see the UK water sector ill-prepared for the future. It is important we plan for a plausible future, therefore, we have chosen the central RCP 6.0 projections for our core pathway investment plans to balance cost efficiency and physical resilience.

As well as considering physical risk scenarios, we have assessed potential impacts on our GHG emissions from our water, wastewater and bioresources core and adaptive plans. We have prioritised water efficiency in our plans so that we can extend services to meet the needs of the growing population, while minimising pressure on water sources and investments and protecting rivers over the medium and long term. These priorities pose substantial growth pressures in both embodied and operational emissions. Our plan strives to keep us on track to achieve our near-term targets, but to maintain a science-based trajectory to net zero 2050 will need transformational innovation and investment for GHG emissions reduction as a primary driver, and also the full valuation of GHG emissions throughout national policy frameworks.

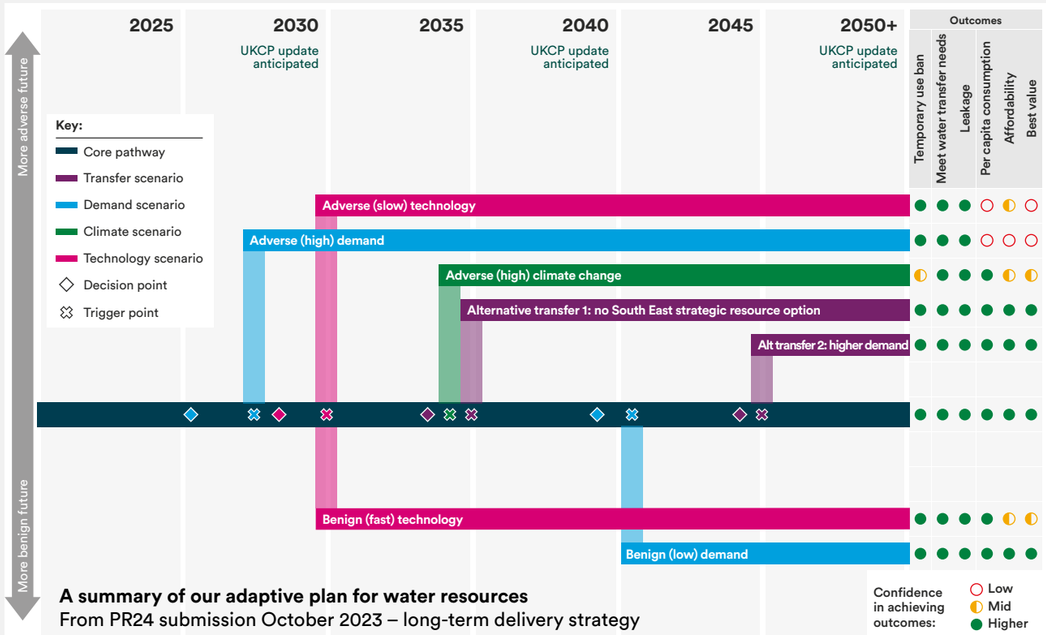
Read our three adaptation progress reports on our website at **unitedutilities.com/corporate/responsibility/environment/climate-change**

Read our long-term delivery strategy and our approach to operational resilience and asset health at **unitedutilities.com/corporate/about-us/our-future-plans**

Read our **net zero transition plan** on pages 37 to 39

An adaptive plan example with core and alternative pathways

We have developed strategic adaptive plans for water, wastewater and bioresources operations and tested each of these plans against multiple scenarios. We used scenarios for climate change, demand, reduced abstraction, technology, water transfers and changing expectations. Each adaptive plan, therefore, has one core pathway and alternative pathways, defined by decision or trigger points where alternative investment/development paths diverge. The confidence in achieving key outcomes is estimated for each pathway.



A summary of our adaptive plan for water resources
From PR24 submission October 2023 – long-term delivery strategy

Greener: climate — Our net zero transition plan

Our transition plan to contribute to, and prepare for, a rapid global transition towards a low-emission economy is based on our established climate change mitigation strategy. This has four components: vision and visibility; ambition and commitment; demonstrating action; and beyond here and now. Between them, these define our principles, priorities and implementation approach.

Vision and visibility

Demonstrating integrity and leadership in carbon reporting and disclosure.

Vision and visibility are the foundations of our climate change mitigation strategy and thus our net zero transition plan. We are dedicated to understanding how every aspect of our operations contributes to our emissions. Our aspiration is to ensure we consider the climate in all operational and strategic decision-making, influencing strategy and behaviours by including emissions management in remuneration schemes and including government carbon values into our best value framework used for decision-making.

We are committed to reporting in an open and transparent way, aiming to be recognised as among the best in the UK. We have a strong track record of sustainability reporting, having disclosed our verified GHG emissions since 2008. We publish our GHG emissions and underlying energy use in our annual report as required under the Companies Act 2006 and follow the 2019 UK Government Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance. Our reporting is supported by robust governance and accountability mechanisms. Our greenhouse gas inventory has undergone independent, third-party verification by Achilles Group, confirming our reporting is compliant with the international carbon reporting standard (ISO 14064) and certified as compliant with the CarbonReduce programme.

We have responded to the CDP climate change questionnaire since 2010 and use this as our benchmark of leadership. We were proud that our 2023 response was rated as A-, maintaining our position in the leadership category.

Ambition and commitment

Playing our part to mitigate climate change and lower our greenhouse gas emissions to help make the North West a better place to live now and in the future.

An important element of our approach is to demonstrate our ambition and encourage others to contribute by making public commitments.

In 2020 we made six carbon pledges and we are making good progress to deliver these. See page 74 for more details. Central to our pledges was to set science-based targets for all emission scopes. United Utilities is proud to be the first UK water company to have had near-term targets approved by the Science Based Targets initiative (SBTi), a collaboration that defines and promotes global best practice in science-based target setting. Our four targets cover all three emission scopes and the scope 1 and 2 emissions reduction target is consistent with the 1.5° ambition of the Paris Agreement. We plan to review, and if needed, revise our near-term science-based targets as per SBTi guidance and in line with our next business planning period.

The SBTi Corporate Net-Zero Standard was launched in late 2021 and reinforcing our support to the Business Ambition for 1.5°C campaign, we submitted our long-term target and commitment to net zero for validation in January 2024.

Demonstrating action

Reducing our environmental impacts through delivery of transformational strategies and culture change.

Our action plan to achieve the long-term ambition of net zero by 2050 (in line with climate science and the UK Government targets) is set out on the next page. We are already working on, and delivering on, actions in all themes to:

- **Reduce** through the efficient use of resources;
- **Replace** processes and resources with more sustainable alternatives;
- **Remove** GHGs from the atmosphere;
- **Collaborate** to tackle emissions in the supply chain; and
- **Innovate** to address current technological or market gaps.

Our priority in the medium term will be to reduce our absolute emissions through these actions before we use carbon units or purchase any credits to offset the residual emissions to net zero.

Beyond here and now

Innovating across processes, technology and culture.

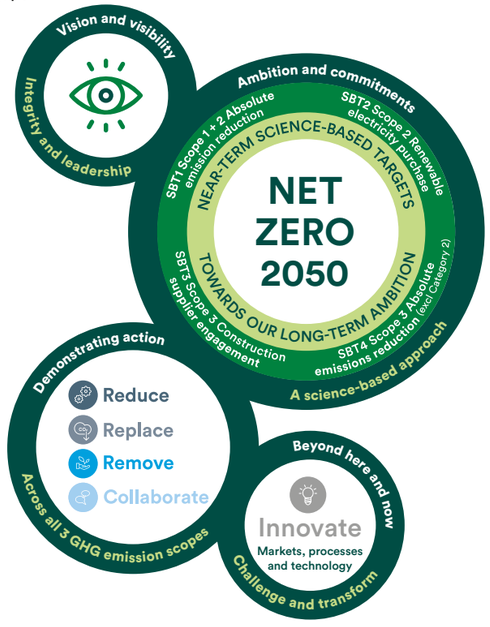
Our strategy pillar of 'beyond here and now' encourages us to reflect on the challenge to influence emissions beyond our current inventory and existing capabilities. To deliver our net zero transition plan we will challenge standards and engage with industry peers, our supply chain, and other partners to develop markets, technologies and practices to reduce or mitigate future emissions.

We co-chair the Water UK carbon network and are part of a team who lead net zero research across the industry, for instance exploring and testing what operational interventions can be made to reduce process emissions. We have also facilitated a water industry task and finish project to understand and quantify the GHG emissions related to chemicals use.

An example of working with our supply chain is our Innovation Lab, which is an annual 14-week programme that provides successful applicants opportunities to test their solutions to our business challenges. The programme is designed to 'look for ideas where others aren't looking' – in other sectors, other countries and with suppliers that are often small, start-up businesses, just starting on their idea development or business growth journey. Our most recent programme included teams developing technology to capture methane and testing sustainable concrete incorporating graphene.

A further example of evolving our practice and delivering outcomes in partnership is our procurement for AMP8 programme partners. All the tenders have included assessment of suppliers' measurement, management and reduction of GHG emissions and have favoured those with a robust and science-based approach.

Read more about how we are using innovation to tackle the sustainability challenges, at **unitedutilities.com/corporate/about-us/innovation**



Greener: climate

Our net zero transition plan continued

Transition plan, policies and principles

Our transition plan is ambitious and adaptive, aiming to achieve net zero (as defined by the SBTi Net-Zero Standard) across all three emissions scopes by 2050. We have already substantially reduced our GHG emissions since 2006 through energy efficiency initiatives and our move to use renewable electricity either generated on-site or purchased with energy attribute certificates. The next priority is to further reduce absolute emissions through cost-effective and technically feasible activities that minimise our use of GHG intensive energy and materials. Subsequent activities will enable future reductions by working with our supply chain and other partners to make the most of emerging markets, cultivate sustainable practice and to foster innovation to address technological gaps.

We will go beyond emissions reductions and enable, encourage and reward interventions that protect and enhance the natural environment, while promoting the value of wider ecosystem services across our sphere of influence. This will include promoting sustainable use of natural resources, and increased application of the waste hierarchy and circular economy principles in our operational activities and infrastructure programmes.

In spite of our best intentions, it will not be possible to eliminate emissions from the biological treatment of wastewater. To compensate for this we are implementing programmes that will remove and store carbon dioxide from the atmosphere through peatland restoration and woodland creation. United Utilities intends to use the carbon units issued to inset against our residual GHG emissions. Units will be retired from the UK Land Registry and reported in the energy and carbon report within our annual report for the relevant financial year. We may purchase additional carbon credits as we approach 2050 to offset residual emissions and achieve net zero.

As a regulated service provider and infrastructure operator, there are risks to the success of our transition plan that are outside of control. Our ability and approach to net zero is ultimately governed by national policy frameworks and legislative duties, such as the new Environment Act, that determine both the emissions growth pressures we need to counteract and the level of investment we can allocate to emissions reductions. Our transition plan, therefore, also includes engagement activities with regulators and government to inform effective policy that fully values GHG emissions to support sustainable development in the round.

Scope 1 – Decarbonising activities we own or control

Wastewater and sludge processes cause approximately 70 per cent of our scope 1 emissions as the gases released, nitrous oxide (N_2O) and methane (CH_4), have much greater global warming potentials than carbon dioxide (CO_2). Our process emissions are currently estimated as a direct function of the population whose sewage we treat. This means that, even if we achieve a 100 per cent green fleet and eradicate all fossil fuel use, along with the global water industry, we still have the gigantic challenge of process emissions to tackle.

Scope 2 – Decarbonising electricity and heat purchased

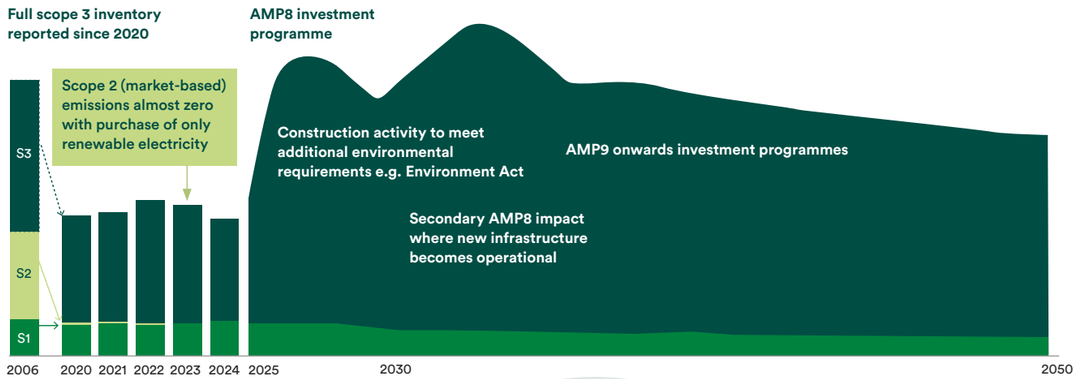
Our scope 2 emissions have reduced since we began to measure them in 2005/06 from 360 $ktCO_2e$ to 261 $ktCO_2e$ (location-based) and almost zero (market-based). This is a combination of the decarbonisation of the UK grid, restraining our energy use in the face of substantial growth pressures and our policy to buy REGO backed renewable electricity. In the medium term we intend to substantially increase our self generation capability to mitigate risk of increased REGO prices and build energy resilience by using our land for renewables and other clean technologies.

Scope 3 – Contributing to an economy-wide transition

Our largest source of scope 3 emissions are from construction and network maintenance activities. This means if our infrastructure development activity increases, for instance as a result of a prescribed environmental programme as is expected for AMPs 8 and 9, then our emissions will also substantially increase. We aim to mitigate this by the use of nature-based solutions and low-carbon material replacements. This contributes to the technological and a market readiness needed to embed and accelerate a transition to a low GHG emissions and climate resilient economy.

Our emissions challenge – growth from environmental obligations, population and climate change

Our total emissions have reduced over the last three years but our long-term emissions forecast in the October 2023 business plan shows the scale of our emissions challenge ahead. We anticipate significant growth from the investments required to address population increases, to adapt our assets and infrastructure for climate change as well as additional legal and regulatory requirements to protect the water environment.

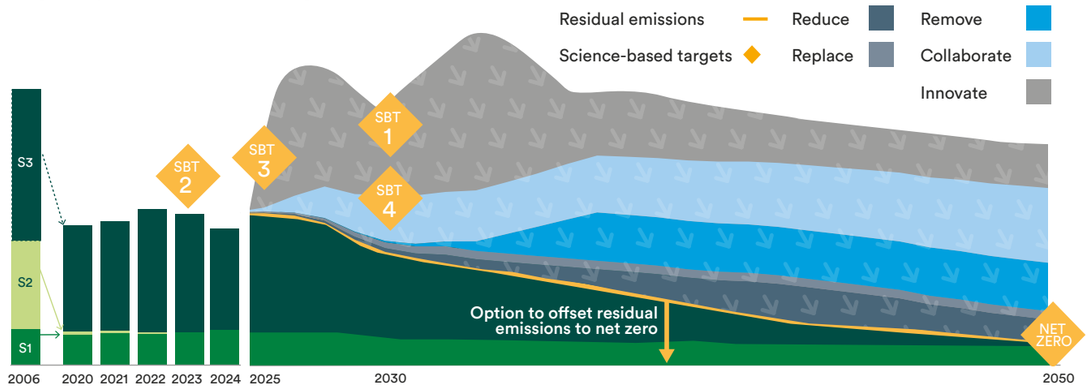


Action plan	Short term including recent progress	Medium term up to 2030	Long term to 2050 and beyond
Reduce consumption by careful use of resources.	• Colleague campaign 'Use Less, Save More' • Achieved ambitious targets for percentage of waste to beneficial reuse	• Optimise wastewater processes for GHG • Sensitive delivery of environment improvement programmes	• Identify and implement further efficiency opportunities • Reduce use of carbon intensive materials and techniques
Replace processes and resources with more sustainable alternatives.	◆ Renewable electricity sourcing • Substantial renewable energy generation capacity and capability • 60%+ sludge processing by lower GHG advanced digestion • Electric vehicle infrastructure	• Grow further renewables capabilities and capacity • Bioresources planning and investment to increase sludge processing capacity ◆ Electric vehicles rollout and trials for HGVs	• Eradicate use of fossil fuels, e.g. use hydrogen to fuel HGVs • Nutrient recovery initiatives • Continual stretch for sustainability informed by latest innovations
Remove GHGs from the atmosphere.	• Woodland creation – planning and first schemes planted and registered • Peatland restoration – schemes started	◆ 550ha woodland creation ◆ 1000ha peatland restoration	• Ongoing benefits of restored peatland • Benefits from growth of new woodlands • Carbon capture, use and storage
Collaborate to tackle emissions in the supply chain.	• Led water industry on task and finish group on chemicals and GHGs • Climate-related criteria in AMP8 delivery partner selection ◆ Encourage capital delivery partners to set SBTs	• Influence national approach to water environment improvements • Sustainability performance indicators for suppliers • Quantify more scope 3 emissions using product and activity data	• Collaborate to decarbonise our infrastructure programmes and wider supply chain • Drive standards reform to enable use of low emission materials and techniques • Offset residual emissions
Innovate to address current technological or market gaps.	• Carbon categories in United Utilities Innovation Labs • CEO Challenge improvement projects on energy and carbon • Identification of future research and innovation needs • Support regional transition via membership of Net Zero North West	• Explore low-carbon capital delivery options, e.g. nature-based solutions and low-carbon concrete • Process emissions monitoring • Nutrient recovery research • Research to support net zero treatment works and communities	• Transformation in water and wastewater processing towards net zero treatment works • Application of circular economy principles across the business • Utilise emerging Environment Attribute Certificates schemes

◆ Actions that directly link to our six carbon pledges or near-term science-based targets. For current progress on pledges see page 74.

Our route to net zero – adopting a science-based approach

The graph below shows how we are planning for emissions growth to be managed using the five themes of our transition plan. The depth of each layer relates to the GHG emissions that might be avoided by interventions such as those outlined above. Having already taken the most commercially attractive options costs, complexity and uncertainty will increase in the medium to long term, hopefully mitigated by advances achieved through collaboration and innovation.



Greener: nature

How nature influences our approach

TNFD strategy disclosures

a) The most material nature-related dependencies, impacts, risks and opportunities are listed below.

b) The effects of our direct operations on nature are broad and complex, we continue to invest to protect the environment.

c) Our long-term adaptive plans support investment in the resilience of the ecosystems we depend on.

d) We consider nature-related matters at our priority locations and sites under designation.

Impacts and dependencies

Protecting and enhancing the natural environment is at the heart of our purpose and strategy. Providing great water for a greener North West means we protect and enhance the natural environment and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive. Our strategic priorities to 'create a greener future' and 'improve our rivers' drive us to go above and beyond our regulatory requirements to maximise value for the environment. We aim to protect and enhance the natural environment by investing in our assets, driving performance improvements, adopting best asset management practices, and investing in nature-based solutions. Our environmental policy is underpinned by a framework of strategies and long-term plans in response to nature-related risks and opportunities. We are highly dependent on nature, with potential for material positive and negative impacts. The table below highlights some of the most material ways we rely and impact on nature. We manage these impacts and dependencies by creating long-term adaptive plans that support investment in the resilience of the ecosystems we depend on. Through adaptive planning, horizon scanning and natural capital accounting, we have identified the most material nature-related impacts and dependencies in our direct operations, upstream and downstream from our value chains. Our impact and dependency pathways are reflected on pages 22 to 23, where we describe how we manage natural capital and the water cycle from collection and treatment of freshwater through to removal, cleaning, and returning used water to nature.

Biome	We depend/rely on it	We can impact on it
Freshwater	• To source clean water from reservoirs, rivers, and boreholes, from which abstraction licences permit us to take water to be treated and supplied to customers. • To receive cleaned wastewater back into the environment.	• By improving the condition of rivers and water bodies. • Through our abstractions, final effluent quality, overflows, pollution incidents, and asset failure. • By cleaning our waterways through our River Rangers and volunteer activities.
Land	• To store and clean sources of water. • To recycle biosolids, to site engineered or nature-based interventions, and to attenuate water flows. • To provide resources, such as chemicals, cement, metals and energy.	• By improving the condition of the land we are stewards of, including improving habitat health and biodiversity. • By storing greenhouse gases (GHGs) in our land, e.g. soils, peatland, and woodland.
Atmosphere	• To provide a healthy and safe work environment. • For temperature regulation. • To reduce our fossil fuel consumption through wind power.	• By releasing GHG emissions, and other atmospheric pollutants, thereby contributing to climate change and impacting the health of people and nature.

Natural capital and biodiversity
Our interface with sensitive and priority locations

Natural capital has been a key element in our strategy and decision-making, from developing our 'enhancing natural capital value for customers' performance commitment in AMP7 to our approach to value-based decision-making in our AMP8 business plan, incorporating environmental metrics. In 2023, we completed our second corporate natural capital account to assess and value the benefits of our land holdings. Much of the land that we own is designated as Sites of Special Scientific Interest (SSSIs), which indicates the importance of the habitat for biodiversity. 91 per cent of SSSIs on our land now meet 'favourable' or 'unfavourable (recovering condition)' status, in part because we pioneered the use of nature-based solutions to address raw water quality when we started our sustainable catchment management programme (SCaMP) in 2005. We recognise our role as stewards of our land and make decisions based on the benefits and impacts our operations have on the natural environment and the value we can create for customers, society and the environment.

Our corporate natural capital account highlighted the importance of understanding our relationship with nature. For example, the land we own provides significant benefit to communities by providing natural open spaces for access and recreation, valued at £2.3 billion modelled over 60 years. Over 83 per cent of our land is within our water catchments and over 75 per cent of our land is under a form of statutory designation. The next step in monitoring and reviewing our relationship with nature is to determine the natural capital risk and impact our operations have on land we own. As part of our land review process, we are looking at the total value each parcel of our land provides for us, customers and the wider population of the North West, helping us better prioritise our future investment.

Our land under statutory designations	
Sites of Special Scientific Interest	22,500ha
Area of RAMSAR	1ha
Special Area of Conservation	11,000ha
Special Protected Area for Birds	14,000ha
Area within National Parks	26,000ha
Area of Outstanding Natural Beauty	11,000ha

Opportunities for nature improvement

Storm overflows and river water quality
In our AMP8 business plan we are proposing to invest £3.1 billion to reduce spills from more than 400 overflows, and protect and enhance over 500 kilometres of rivers, proposing to spend more than £900 million to reduce nutrients in final effluent. To maximise the societal benefits of the storm overflow discharge reduction plan, we have proposed to accelerate the delivery of the rainwater management element to maximise value for society and the environment. Taking advantage of the adaptive approach to the long-term targets, we are prioritising addressing overflows with proven harm, either through integrated catchment modelling or ecological surveys, to maximise benefits to customers and the environment.

Water resources and leakage
Our water resources and leakage long-term plans are set out in our Water Resources Management Plan (WRMP24). This plan sets out our approach to supply, demand, and drought scenario planning, ensuring long-term resilience of water supplies for the North West. Our plans to reduce demand, through reducing leaks and promoting more efficient use of water supported by smart metering, will allow us to halve the likelihood of a temporary use ban. Our demand reduction options detail our plans to achieve our long-term commitment of reducing leakage by 50 per cent by 2050, relative to the 2017/18 baseline.

Place based planning
Our place-based planning approach enables us and our partners to align and join up projects with the aim of unlocking shared funding and resources to deliver multiple environmental improvements across the region. It helps us to identify catchment and nature-based solutions and allows us to engage with potential partners much earlier to increase the likelihood of accessing co-funding and investment.

Upstream

We collaborate with our supply chain through our United Supply Chain approach, underpinned by our responsible sourcing principles (RSP) which set out our ambitions across a range of environmental, social and governance matters. As a signatory to our RSP, suppliers commit to developing their own supply chain by sharing resources, training, and upskilling their colleagues, whilst working with United Utilities to assure this approach by identifying and mitigating risk. As a leader against our RSP, suppliers commit to go further by demonstrating their commitment to the principles, collaborating with us in improving practice and identifying new ways of working to enhance the value delivered to customers.

Downstream

We have many schemes and strategies in place to support customers in considering their water use at home or at work, helping to reduce the demand for abstraction. Our 'what not to flush' campaigns support the reduction in blockages in sewers. They provide information illustrating how pouring fats, oils and grease down the sink and flushing wet wipes, period products or other bathroom rubbish down the toilet can lead to damage not only to customers' homes but also to the environment. A build-up of flushed products and fats, oils and grease can create fatbergs, which restrict the flow of wastewater through the sewer network and reduce the capacity of the sewers. This can lead to an increased risk of spills from storm overflows and the potential to cause pollution.

Biome	Material risks	Risk key: A Physical Acute; C Physical Chronic; T Transitional
Physical		
Freshwater	A	• Lack of ecosystem resilience, leading to damage to assets and infrastructure from adverse climate-related events.
	C	• Reduced raw water quality, leading to increased treatment burden. • Runoff from agriculture, leading to increased difficulty of meeting river water quality targets. • Reduced raw water availability, leading to more frequent drought risk.
Land	A	• Fire events in the catchment, leading to catastrophic impact on peatlands and water quality.
	C	• Reduced natural flood management, leading to more engineered interventions or more instances of flooding. • Increase in invasive non-native species, leading to reduced ecosystem resilience and impact on water treatment and flood management. • Landscape change, leading to reduced ecosystem resilience and impact on water treatment and flood management. • Increased risk of landslides, leading to disruption at our operational sites.
Atmosphere	C	• Reduced air quality ecosystem regulation, leading to worse impacts on customers, colleagues and society from our operations. • Reduced wind ecosystem regulation, leading to physical impacts at our sites or infrastructure.
Transitional	T	
		• Increasing pace of change towards a nature-positive economy, leading to difficulty in attracting finance. • Evolving expectations and requirements on reporting, leading to additional resources needed. • Existing technology is not fit for requirements or outpaces natural replacement rates, leading to additional investment requirements.
Material opportunities		
Sustainable and efficient use of resources		• Adoption of nature-based solutions such as sustainable drainage systems (SuDS), catchment interventions, and natural flood management. • Application of circular economy principles to design out waste, circulate products and materials, and regenerate nature. • Prioritisation of a best value approach that maximises value to customers, society and the environment at an efficient cost. • Transition to processes with lower negative impacts on nature and/or increased positive impacts on nature, including reducing resource extraction.
Markets		• Delivery of broader impacts through partnership working and collaborative approaches, such as the Integrated Water Management Plan in Greater Manchester, as discussed on page 86. • Access to new and emerging markets, such as renewables and carbon/biodiversity markets.
Capital flow and financing		• Access to nature-related green funds, bonds or loans, for example through our sustainable finance framework. • Use of financial incentives for suppliers to improve nature and ecosystem management. • Improved performance against regulatory objectives.
Social capital and trust		• Collaborative engagement with stakeholders. • Actions that create positive changes in sentiment towards United Utilities due to impacts on environmental assets and ecosystem services that have impacts on society.
Ecosystem protection, restoration, and regeneration		• Direct and indirect restoration, conservation or protection of ecosystems or habitats. For example, improving peatland, woodland and other SSSIs. • Protection and conservation of native threatened species and management of invasive non-native species. • Investment in blue-green and traditional infrastructure for nature-positive outcomes.

Healthier — Impact of material themes on our approach to creating a healthier North West

Customer service and operational performance, including drinking water quality

Providing great water is the building block of our purpose, and providing great service for all our customers is one of our six strategic priorities. This is, therefore, fundamental to our overarching business strategy and all our day-to-day activities.

Our Water Quality First initiative was awarded Drinking Water Initiative of the Year in the 2023 Water Industry Awards. This programme has achieved a significant reduction in discolouration, and our improvement has been recognised by the Drinking Water Inspectorate (DWI). We continue to drive forward with this important strategy, ensuring everyone right across the business, and including our supply chain, understands the role they can play in improving water quality and embedding this as part of our culture.

Our AMP8 business plan sets out the basis of our strategic plans to improve customer service and operational performance in the medium term, with stretching targets demonstrating our ambition to continuously improve, including:

- improving water quality for 1.4 million customers;
- safeguarding water supplies for over two million customers; and
- replacing lead pipes at 30,000 homes.

Affordability and vulnerability

Our approach is based on delivering industry-leading affordability and vulnerability support to customers, with a wide range of affordability schemes supporting around 375,000 customers so far in AMP7 and over 400,000 customers signed up to our Priority Services Register.

With bills anticipated to rise in AMP8 to support the necessary step up in investment, our business plan proposes doubling our affordability support to £525 million, which would see us helping one in six customers across the North West.

We use a variety of methods to help customers access the best schemes for them, including door-to-door affordability visits. We pioneer cross-sector collaborative approaches through our annual affordability summits and the Hardship Hub platform, which we developed to help debt advisers access all the help that is available across multiple sectors in one easily accessible place. We have been strong supporters of the call for a National Social Tariff, which would share the support that is available more fairly across the country to ensure the most vulnerable are able to access the support they need, regardless of where they live.

We hosted our second annual vulnerability summit in June 2023, bringing together professional representatives working with vulnerabilities to discuss how best we can all support people in the North West living with additional needs and the people that care for them.

Health, safety and wellbeing

The importance of this to our business is reflected in our strategic priority to provide a safe and great place to work.

It is a top priority everyone working for us or on our behalf gets home safe and well, and we actively work to support and improve the wellbeing of our colleagues.

Key to ensuring everyone goes home safe and well is making sure all colleagues are trained to do their role safely. That is why this year we have introduced an important incentive that links essential training to bonus payments, meaning all colleagues must remain up to date on their essential training to qualify for payment of their annual bonus.

We have also introduced new wellbeing benefits including a free virtual GP service, enhanced gym offerings, and a menopause support app. We are focused on mental, as well as physical, health. We have trained mental health first aiders across the business, an employee assistance programme where colleagues can access talking therapy, and we actively promote mental health conversations and support services such as Andy's Man Club.

We have been recognised for our focus on health, safety and wellbeing and awarded the RoSPA gold award for the 12th consecutive year and the National Workplace Wellbeing Charter, demonstrating our commitment to proactively championing a safe and healthy workplace.

Diverse and skilled workforce

As well as protecting the health, safety and wellbeing of our colleagues, our strategic priority to provide a safe and great place to work is also about providing an environment that actively promotes and celebrates equity, diversity and inclusion, and that continuously trains and develops colleagues to ensure we have the skills to keep delivering a great service for customers long into the future.

We are focused on training and development opportunities and were awarded Water Industry Skills Employer of the Year 2023, with the judge recognising us as a company that visibly attracts, develops and retains talent. We provide ongoing training and development for colleagues relevant to their role, as well as regular training that applies to all roles across the business.

We continue to invest in our training facilities across the region and in our digital training platforms to promote accessibility and meet a diverse range of learner requirements.

We've invested in further improvements at our Bolton training centre this year and, in order to improve accessibility of training, we have also expanded our training facilities. We now offer more training outside of our recognised training centres at Bolton and Leigh, with practical facilities for electrical, mechanical and health and safety training in a satellite site at one of our treatment works in Carlisle.

We continue to recruit and train new talent through our award-winning graduate and apprentice programmes. We welcomed more than 80 new graduates and apprentices in our 2023 intake with a breadth of diversity, with the introduction of a new pastoral support recognising our increasingly diverse apprentice programme. We have launched our largest ever apprenticeship recruitment process with more than 90 new opportunities available in 2024.

We want our workforce to reflect the local communities we serve, with all colleagues feeling welcomed, valued and included, regardless of their gender, age, race, disability, sexuality or social background. It is important that everyone feels they can bring their whole selves to work without the fear of being excluded.

Our equity, diversity and inclusion plan sets out our strategy and targets. We have five strategic workstreams, each of which plays an integral part in our journey towards our equity, diversity and inclusion commitments for 2030, as set out on page 67:

1. Leadership development – support leaders to drive inclusion across our business;
2. Encourage openness – encourage colleagues to share and take action;
3. Reset and refresh – weave equity, diversity and inclusion into everything we do;
4. Bring the outside in – educate and raise awareness of inclusion; and
5. Amplify our colleagues' voices – provide a safe space for all colleagues to be heard and take action.

Leaders play a critical role to drive inclusion from the top down. Managers across the business undertake inclusive leadership training to help them understand the impact and influence they have on inclusion, and disability awareness training to improve ways of working for people with differing abilities.

We are proud of how far we have come and in our latest internal engagement survey 89 per cent of colleagues said that United Utilities supports diversity and inclusion in the workplace, recognising our drive to be an inclusive workplace of choice. Our equity, diversity and inclusion category is in the top three highest scoring categories this year, scoring higher than the high performance norm, UK norm and utilities norm benchmarks.

We've committed to supporting the '10,000 Black Interns' programme over the next five years and have converted over 20 interns into full-time employment following the programme. We continue to run our 'Stepping Up' programme specifically designed for colleagues from an ethnic minority background who aspire to develop their careers at United Utilities. The programme has provided participants with opportunities to network with senior leaders, external speakers, sponsors and mentors, and to develop personal and leadership skills to help them fast track their careers with us. Since completing the programme, 50 per cent of participants have already secured a new role and over 40 per cent now manage a team.

Our multicultural texting service, to our customer-facing roles in the field, offers real-time information on cultural events and celebrations happening around our region. Giving general awareness of different cultures and faiths, it also gives our colleagues the tools to understand possible differences in water usage, in turn offering the best customer service we can.

We recognise the need to attract diverse and talented individuals with an interest in science, technology, engineering and maths (STEM) and have a focused approach to improving the gender diversity of our workforce. To inspire young people from a wide range of backgrounds into STEM-related careers, we continue to run our award-winning 'Engineering Masterclass' competition with secondary schools from the local area – some of which have a high number of pupils from deprived and disadvantaged backgrounds.

We continue to promote and support strong female role models at all levels of our organisation. We offer targeted support for future female talent through our female leadership pipeline, our new ILM Level 5 Women in Leadership programme and our Aspiring Manager programme, which have all been designed to support colleagues into leadership positions. We have achieved gender balance on our Aspiring Manager Programme with 50 per cent of colleagues currently on the programme female.

Overall, 48 per cent of our graduates and 33 per cent of our apprentices are female. We remain committed to closing the gender pay gap in our organisation. At 14.3 per cent, our median gender pay gap is less than the national average and less than the gap in similar STEM-industry organisations. We are confident that the work we are doing to attract, support and develop women, to build a 'pipeline' of female talent, will bring long-term improvements in our gender pay gap.

Stronger — Impact of material themes on our approach to creating a stronger North West

Cyber security

Our cyber security strategy is largely focused on the security requirements within the Cyber Assessment Framework created by the National Cyber Security Centre (NCSC). This outlines 39 security controls that are required to achieve an industry standard of compliance. These are driven from an EU-defined maturity scale of best practice that is reflected across all European operators of essential services. We have had a strong, dedicated programme of work in place for four years aimed at meeting and maintaining compliance, and have met regular expectations at all times.

Our longer-term strategy and investment plan aims to bolster our broader security posture by focusing significant effort on people, process and technology. Our current technology services portfolio includes a number of security-specific enhancements aimed at bolstering our existing profile for cyber.

We maintain a good relationship with the NCSC through our dedicated contacts and ensure we have up-to-date visibility of developing and long-term threats at all times, which helps shape our approach to security.

Financial risk management

We have robust treasury policies, targets and thresholds covering the key financial risks: liquidity risk, credit risk, market risk (inflation, interest rate, electricity price and currency), and capital risk.

The strategies and limits set out within these policies are designed to avoid excessive volatility and risk, align with the regulatory model in which we operate, maintain strong credit ratings and deliver efficient financing. Ensuring our financing costs are efficient is one of the things that helps to deliver our strategic priority to spend customers' money wisely.

As well as managing our exposure to financial risks, these policies help us to ensure we maintain compliance with relevant financial covenants, which are in place primarily in relation to historic borrowings from the European Investment Bank (EIB) and include interest cover and gearing metrics.

Read more about our financial risk management policies in note A3 to our financial statements on pages 208 to 215.

Supporting communities

We work in, and with, communities across the North West, and we support them with improved services, engagement and communication as well as direct financial support in community projects and partnerships.

The strategic importance of supporting communities across the North West is reflected in our strategic priority to contribute to our communities and also in our unique approach to engagement and development of our AMP8 business plan. We conducted extensive engagement and created five individual plans for each of the diverse and wonderful counties across our region, setting out how we plan to tackle each county's specific needs, challenges and opportunities.

We believe this approach is fundamentally important to successful delivery of our future plans, and we have already mobilised our teams into a five counties structure ahead of the start of AMP8, with five dedicated area engagement leads and county delivery squads.

We are a purpose-led organisation

Our strategy is set and governed by the board and its committees, and aims to deliver our purpose and create sustainable value for all of our stakeholders.

Governance structure

Our governance structure is set out in the diagram below and with more detail on page 106 including the roles of each committee and alignment against our six strategic priorities.

The board has overall responsibility for the company's purpose, value and strategy and approval of the business plan and annual budget. It delegates certain roles and responsibilities to its principal board committees, allowing them to probe deeply and develop a more detailed understanding.

The board provides oversight and challenge, including of climate and nature-related matters, through our business model, where we:

- consult and plan for best value over the short, medium and long-term horizons;
- deliver the outcomes set out in our regulatory contract;
- create long-term value for a range of stakeholders; and
- monitor and review our performance.

The main responsibilities of individual board committees can be found in the corporate governance report, and these pages include our reporting against the 2018 UK Corporate Governance Code (the code). We operate our business in line with the management standards to which we maintain certification, including quality (ISO 9001), environment (ISO 14001), asset management (ISO 55001), health and safety (ISO 45001), and customer vulnerability services (ISO 22458).

Every month, the CEO provides the board with an executive performance report, covering financial and operational performance. The board committees also report back to the board on what was discussed at their meetings, decisions taken, and, where appropriate, make recommendations on matters requiring board approval.

The executive team, comprised of senior managers that report directly into the CEO, is responsible for implementing our strategy and for the day-to-day running of the business and other operational matters. It holds two scheduled meetings each month, one focusing on day-to-day performance and the other focusing on matters of a strategic nature, along with weekly informal 'scrums' and ad-hoc communications.

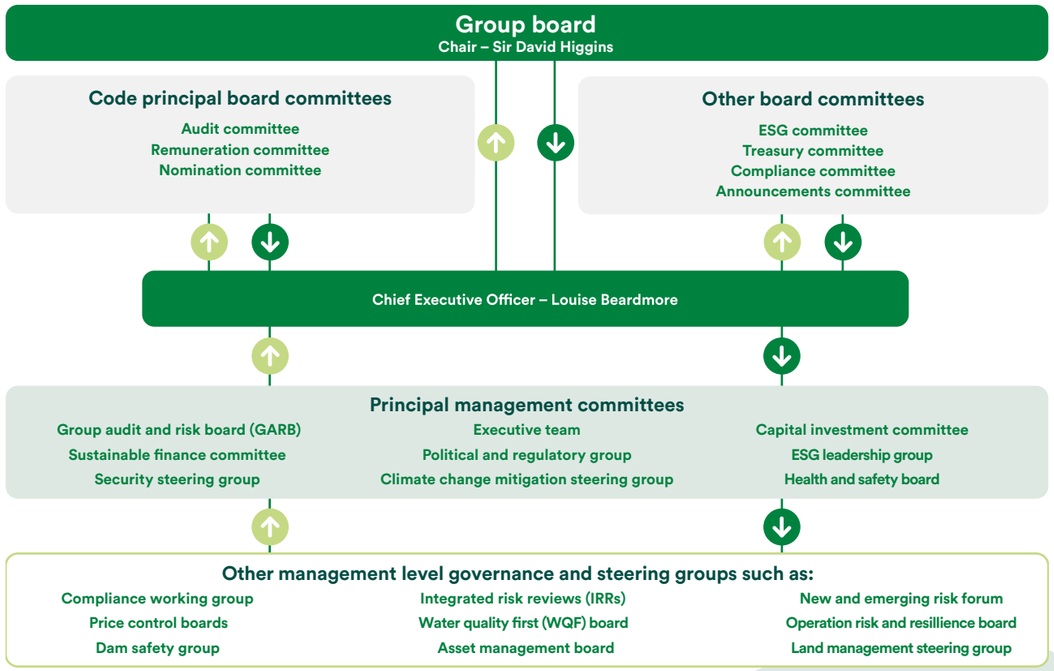
Through the principal management committees, senior managers discuss the needs of the business, raise issues, identify and delegate appropriate actions, monitor progress of key performance measures, and ensure any lessons learnt are implemented. Additional cross-business groups at management and business unit level manage both day-to-day and strategic risks and opportunities, and implement decisions of the board and its committees. Information on progress and performance feed up through the committees and ultimately to the board through this structure.

Read more in our corporate governance report on pages 99 to 163, including individual reports of board committees

In this section you will find:

- How the organisation is governed by the board and its principal committees
- Our culture and core values
- Stakeholder engagement and our S172(1) Statement
- Governance of risks and opportunities in relation to climate, nature, and other material themes

Governance structure of the board and its committees and the principal management committees



Key Inform and implement; Oversight and challenge

Governance and reporting process for risk management

We have a well-established governance and reporting structure for risk and resilience. In line with the code, the board has overall responsibility for establishing, maintaining and monitoring the risk management and internal control systems, with our CFO having executive responsibility for implementing the enterprise risk and resilience framework. This includes the development and roll out of the risk and resilience policy; establishing associated governance and steering groups; and employing dedicated risk and resilience teams, in particular the corporate risk team, which is responsible for the embedment of the overarching risk and resilience framework and processes.

The board undertakes a comprehensive review of the business risk profile twice a year in line with the full and half-year reporting cycle. This review considers the nature and extent of the most significant event-based risks relative to inherent risk areas (see page 52), new and emerging risks and any watching briefs (topics where there is currently insufficient information to assess the risk). The board also undertakes specific reviews of individual risks at each meeting. In combination, the profile review and specific review of risk by the board supports decision-making, enabling it to:

- decide on an acceptable level of risk, relative to risk appetite and tolerance, to deliver on the group's strategy;
- ensure appropriate controls and mitigation are in place, and test the appropriateness of plans;
- report externally on the long-term viability of the company in an informed manner; and
- monitor and review the effectiveness of risk management procedures and internal control systems.

Prior to the full and half-year review by the board, the executive-led GARB provides an initial oversight of the risk environment, undertaking a 'top-down' assessment of the risk profile. Key points and themes are then fed into a number of director-led integrated risk reviews (IRRs) for the 'bottom-up' assessment of risks, controls and the determination of further mitigation. These IRRs include senior managers and subject matter experts to ensure a holistic consideration of correlating risks, the interdependency of controls, and new and emerging circumstances. The outcome is then collated by the corporate risk team and reviewed by the executive committee before escalation to the board.

The effectiveness of risk management and internal control systems is formally reviewed on an annual basis, in accordance with the code. The assessment, which takes into account relevant governance, risk management, internal control and assurance factors, is undertaken by the GARB before escalation to the audit committee, which acts on behalf of the board on this matter. See page 119 for further details of the effectiveness review and outcome. The internal audit team provides periodic independent assurance on the effectiveness of risk management. This was last undertaken in 2023 for both risk management and, separately, for risk appetite and tolerance.

Our culture and core values

Culture

Our culture drives the interactions we have with our stakeholders, and our commitment to responsible business and sustainability is reflected in the way we measure and report the value we create as a business. Our culture is underpinned by three core values (set out below), which cascade down the business from the board to every one of our colleagues, guiding how we expect our people to behave to drive a high performing and innovative culture.

When assessing culture, we look at four elements – our core values (set out below), our purpose, our strategic priorities, and our people.

Read more about our culture and how the board monitors this throughout the year on page 110

Metrics are monitored and targets set for the greener, stronger and healthier ambitions within our purpose. These are closely aligned to our strategic priorities and to ESG matters. We also monitor a number of key metrics relating to our people, including engagement, health and wellbeing, diversity, and development.

Read more about our operational performance on pages 68 to 89

Core values

Our core values demonstrate the way we work and reflect, in a way that is clear and easy for all our colleagues to apply to every situation, the things we believe are most important to help us deliver our purpose of providing great water for a stronger, greener and healthier North West.

Do the right thing

First and foremost, as a responsible business, we want our people to always focus on doing the right thing. This means always putting safety first, delivering for the benefit of our stakeholders, championing fairness, acting with courage and integrity, and speaking up if they come across anything that doesn't feel right. This is vital for building and maintaining trust with the public and our stakeholders, and for delivering our purpose: doing the right thing for the natural environment helps us to create a greener North West; and doing the right thing for customers, communities, colleagues and suppliers helps us to build a stronger and healthier North West.

Make it happen

We are focused on supporting each other and working as a team to make things happen, taking accountability and putting progress over perfection. We want to celebrate successes, for individuals and for the company, and learn when we don't get things right first time.

This can already be seen across the business. We enable and foster new ways of working through our Innovation Lab process. We are able to act quickly and capitalise on pockets of efficient financing opportunity. We have also made decisions to accelerate investment where we can deliver improvements for customers and the environment faster.

Be better

Ultimately, everything we do is about improving things and creating a better tomorrow for everyone. We want to be better as a company, and this means encouraging our colleagues to live this value as well – being curious, ambitious, and solution-focused, seeking out new and innovative ways to deliver our services more efficiently and effectively. We want to ensure we are learning from the best people that are available to us, which is why we embrace equity, diversity and inclusion, collaboration and partnership opportunities, nature-based solutions, and other innovation and best practice ideas from across our sector, other industries, and the wider world.

Remuneration linked to sustainability performance

Part of being a responsible business and delivering our purpose involves making sure our executive, and colleagues, are remunerated in line with our performance for a number of stakeholders, measuring against sustainability metrics rather than purely financial performance.

Bonus measures drive remuneration for all colleagues, and the executive and senior leaders are also remunerated against longer-term performance targets through the Long Term Plan (LTP).

Bonus and LTP remuneration are both linked to service and delivery for customers and the environment, as well as financial targets. This includes customer satisfaction, customer outcome delivery incentives (ODIs), carbon measures, pollution and spills performance, and effective and efficient delivery of our capital programme.

Read more about our bonus and LTP in the remuneration report on pages 140 to 163

Engaging with our stakeholders

Active engagement helps us to understand what matters most.

We engage with all of our stakeholders, including the six key groups for whom we create value, detailed on pages 06 to 07, and others that influence our activities (below right). Strong, constructive relationships help us understand what matters most to them, and feedback from stakeholders has an influence on what we do, helping us to create long-term value for all.

There is robust governance to ensure regard is given to stakeholder views and priorities in decision-making at executive and board level. Our S172(1) Statement on pages 47 to 48 provides examples of how the board has had regard to stakeholders in some of the key board decisions made during the year.

The ESG committee has stakeholder engagement and reputation as standing agenda items, and the chair of the independent customer challenge group (YourVoice) attends the relevant board meeting each year to provide its perspective on the customer-related content in our annual performance report.

Colleagues

We could not deliver our services without our colleagues, and they act as the face of our business. They know our business better than anyone, and bring a diverse range of views and experience, making them well placed to help us identify new ways of working and opportunities for improvement, which can be raised directly to the CEO through our 'Call it Out' initiative.

Communities

Our work puts us at the heart of local communities, places where customers and colleagues live and work. We want to support them to be stronger and increase understanding of the impact and contribution our work has. We balance decisions based on often competing stakeholder interests and look to develop collaborative and partnership solutions where feasible.

Customers

To deliver value for customers, we need to understand their short-term issues, and longer-term expectations of us as their water company. As expectations change, we need to evolve our services to ensure we meet them. We actively seek feedback on what customers think about us so we can make our services better and address the issues that matter.

Environment

We depend on the environment and have a key role in protecting and enhancing it. We engage with interested groups such as environmental regulators, non-governmental organisations, campaigners and local communities to find the best ways to tackle environmental issues, like climate change and land management. Working together is often the best way to find the right solution.

Investors

It is important that investors have confidence in the organisation and how it is managed. We provide regular updates to debt and equity investors and meet with many top investors to establish two-way dialogue about matters of interest to them. Increasingly, this includes environmental, social and governance (ESG) updates alongside financial and performance data.

Suppliers

Good relationships help ensure projects are delivered on time, to good quality, at efficient cost. Awareness of issues in the supply chain means we can address them together and become more resilient. Supplier engagement can also help us identify and realise innovative approaches and solutions, and our Bid Assessment Frameworks help us find new partners.

Media

The media is influenced by public interests, which, in turn, influences them through what it reports. Many people hear about us and our activities from traditional and/or social media, so it is important that coverage is fair, balanced and accurate. This requires effective two-way dialogue and continuous engagement on important issues.

Politicians

Politicians influence the long-term national water strategy and environmental priorities, matters that affect how all businesses operate, and champion issues raised by their constituents. Local government, elected representatives and devolved administrations provide insight into shared ESG and economic issues across the North West.

Regulators

Through proactive, constructive engagement with economic, quality and environmental regulators, we understand requirements and deliver against commitments, aiming to meet or exceed the expectations they have of our business. We actively engage in workshops and respond to consultations to contribute towards the policy and regulatory framework.

Our strategic priorities

Improve our rivers | Create a greener future | Deliver great service for all our customers | Provide a safe and great place to work | Spend customers' money wisely | Contribute to our communities

S172(1) Statement

Our key decisions during the year to 31 March 2024

Throughout this integrated annual report, we provide examples of how the board has thought about the likely consequences of long-term decisions and how we:

- build relationships with stakeholders and balance their needs and expectations with those of the business;
- understand the importance of engaging with our colleagues;
- understand the impact of our operations on the communities in our region and the environment we depend upon;
- are mindful of the interactions we have with our regulators; and
- understand the importance of behaving responsibly and being consistent with the company's purpose, values and strategic priorities.

Statement by the directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006

The directors of United Utilities Group PLC, both individually and together, consider that they have acted in the way, in good faith, that would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so having regard (amongst other matters) to factors (a) to (f) s172(1) Companies Act 2006, in the decisions taken during the year ended 31 March 2024 including:

AMP8 business plan submission and long-term delivery strategy:

Link to strategy

The decision
The AMP8 business plan was approved for submission to Ofwat on 2 October 2023.

How we engaged with stakeholders
Customer and stakeholder engagement directly informed the development of our business plan. Our five-year business plan is set in the context of a 25-year long-term delivery strategy (until 2050). We wanted customer insight and research to directly inform our business plan, which covered ambition and performance commitments, such as water supply, customer experience, affordability, biodiversity, and carbon/net zero. Engagement was conducted in a variety of ways including: setting up customer focus groups, workshops and online community panels, carrying out face-to-face surveys and over the phone and online, and working with our partnerships, in addition to the countless conversations taking place daily. YourVoice, the independent challenge group for the North West, continued in its role to review and challenge our approach to research and engagement, closely examining our strategies and plans relating to affordability, social value and the environment.

This year, we ran 'Your water, your say' online panels for each of the North West's five counties – Cumbria, Lancashire, Merseyside, Greater Manchester and Cheshire – with a further workshop open to attendees from across the entire region. At panel sessions, the CEO and selected members of the executive team answered questions from customers and stakeholders. Each county session was facilitated by an independent chair from YourVoice, while for the regional session, an independent chair was appointed by Ofwat and the Consumer Council for Water.

The panels held in June sought feedback on the proposed business plan, seeking views from customers and stakeholders about our proposals; at those held in November we shared details on the actual plan submitted to Ofwat and how stakeholder insight had shaped this. Attendees were encouraged to ask questions on any topic of their choice or to submit questions in advance for the chair to raise on their behalf. The output of the sessions in June was taken into consideration in formulating the business plan, the customer aspects of which were reviewed by YourVoice. In total, over the 12 sessions, around 2,000 stakeholders registered their interest, with around 700 joining the sessions. Over 300 questions were answered at the November sessions alone.

The board's view
The board was satisfied, supported by independent third-party assurance, that the customer research and stakeholder engagement was of high quality and that the business plan consistently reflected customers' and other stakeholders' views and priorities obtained during the course of our research and testing. The board believes that having our business plan informed by customer and stakeholder views would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Five counties model

Link to strategy

The decision
To structure our operations by integrating our network and treatment activities, deliver our plans and invest in new capabilities on a regional basis, and in doing so communicating and providing more transparency than before about our services to our regional stakeholders and recognising the regional differences of the five counties within our area.

How we engaged with stakeholders
Building on the wider stakeholder engagement of the online 'Your water, your say' county workshops, all colleagues were invited to an event held in Blackpool where they learned about the business plan and the new five counties operating model. We engaged with community and environmental groups and charities, and held both a Rivers Forum and customer vulnerability summit in November 2022. We wrote to every MP and local authority offering to talk through the benefits our plan will deliver in each county. There have been several follow up conversations with these stakeholders to explore opportunities for greater collaboration on improving how water is managed across the region.

The board's view
The five counties in the North West are varied in nature, experiencing a range of different social conditions and natural environments from the predominantly rural and sparsely populated Cumbria to the urban and densely populated cities of Liverpool and Manchester in Merseyside and Greater Manchester respectively. Each area provides its own challenges and opportunities, and no more so than when it comes to the delivery of water and wastewater services to customers. Additional demands on water and wastewater infrastructure are expected to be concentrated in certain high-growth areas, such as Manchester and Carlisle. We know that protecting the environment and the quality of coastal waters is important for customers and the regional economy with notable tourism hotspots

S172(1) Statement continued

Five counties model continued

such as the Lake District, designated as a UNESCO World Heritage Site in 2023, and Blackpool. Along our region's coastline we have 29 designated coastal bathing waters, and 26 designated shellfish waters. The North West marine plan areas are of particular importance to numerous bird species, including Liverpool Bay, which is designated as a marine special protection area. Population growth and the associated development of new or extended urban areas means water efficiency and rainwater management are key priorities during AMP8 and the longer term. The board believes the county approach to deliver our plan would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Clean energy and renewables

Link to strategy

The decision
The board endorsed the aspirations of the group's clean energy strategy focusing on bioenergy, renewable energy generation – the majority of the opportunities identified being 'front of meter' schemes selling power back to the grid, and battery storage facilities.

How we engaged with stakeholders
Feedback from investors and analysts towards investment in clean energy opportunities continues to be supportive, using funds from shareholders and so outside of the regulated business.
We are participating in a pioneering carbon-capture facility, funded by the Department for Energy Security and Net Zero through their Direct Air Capture and Greenhouse Gas Removal Innovation Programme, which will be constructed on our head office site at Warrington. Once the facility's carbon-capture capabilities are proven, the heat and power generated by the process could be redirected to heat our on-site buildings as part of our long-term decarbonisation of the site.

The disposal of United Utilities Renewable Energy Limited (completed in September 2022) provided capital to invest in non-regulated activities and we know that our customers are supportive of our net zero ambitions, particularly when the costs are not impacting customer bills.

The board's view
United Utilities uses around 800GWh each year of electricity – costing in the region of £164 million during 2023/24 and with usage forecast to increase, we need to take every opportunity to minimise our electricity usage as well as de-risk our susceptibility to energy price volatility.

The clean energy generation opportunities identified to date are predominantly solar arrays. Approximately 1,000 hectares of the company's land assets across 142 locations are considered to be potentially suitable for development in this way. In generating clean energy and using battery storage facilities we will be improving our resilience and energy security and provide mitigation for energy usage/price volatility. We are particularly mindful of the potential human rights/forced labour supply chain risk in the manufacture of solar panels and batteries, including the component parts and minerals used in battery manufacture. Mitigation of this risk will be managed through the human rights and modern slavery working group and our United Supply Chain approach.

The board believes our approach to clean energy will contribute toward the achievement of our net zero ambitions and our strategy to create a greener future for the North West and would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Greener: climate — Governance around climate-related risks and opportunities

TCFD governance disclosures

a) The board and its committees, in particular the ESG committee, have oversight and scrutiny of climate change matters, including tracking delivery of our carbon pledges, science-based targets, and review of the climate-related risks.

b) Climate-related governance is fully integrated in the responsibilities of multiple principal management committees including the ESG leadership group, climate change mitigation steering group and sustainable finance committee.

Where climate-related matters are considered within our governance structure for the board and the principal committees is illustrated on page 106

Board oversight of climate-related risks and opportunities

The climate and natural environment are critical to our purpose to provide great water, which is why climate change mitigation and adaptation are both identified as material themes and monitoring of climate-related matters is a core activity of our board and the principal committees.

The board of directors sets, reviews and guides the strategy of the group ensuring the long-term success of United Utilities for customers, investors and wider stakeholders. The board approves the business plan, annual budgets and group policies. The impact of climate change on the assets and liabilities of the group are described within the accounting policy notes to the financial statements, see page 188. Climate-related issues feature strongly in our environment policy and in turn directly influence our value-based decision-making. This enables us to plan and deliver investments that represent best value for the environment and communities.

Our CEO, Louise Beardmore, has accountability to the board for climate matters. Louise is an active and vocal champion with respect to environmental topics and initiatives and she passionately promotes the need for both pace and scale of action to adapt and mitigate climate change.

Climate-related matters have been discussed by multiple board level committees this year including each of the four ESG committee meetings when topics included our carbon pledges, our emerging clean energy strategy and scope 3 emissions. The ESG committee, via the ESG leadership group, also reviewed the sustainability capabilities required by our board and executive management team. This resulted in relevant training being completed and chapter zero membership for our asset management director and head of ESG and sustainability. Our newly appointed non-executive director, Michael Lewis, comes with a wealth of zero carbon energy and sustainability experience, which will be applied to our business.

The audit committee considered climate in its reviews of the group risk profile, including those sensitive to climate and the carbon commitments risk, and also in relation to the introduction of the integrated risk reviews. The remuneration committee has continued to endorse the link between long-term incentive outcomes and the delivery of GHG emissions reductions by including a new metric related to energy use from low-carbon generation.

Management role

Climate and the environment are valued highly by the business, evident by most committees contributing to 'create a greener future'. Climate-related matters, therefore, influence both day-to-day and strategic decision-making and behaviours. For instance, this year, there have been actions to drive efficiency and process excellence, develop a clean energy and renewables strategy and include climate-related criteria into supplier selection.

Our CEO demonstrates her accountability for the group's preparedness for adapting to climate change and driving our mitigation strategy through chairing all relevant management committees.

Our CFO, Phil Aspin, has executive responsibility for risk management and has made climate change and ESG core to the business culture. The executive management team, through its groups and committees, is tasked with assessing and managing the climate-related risks and mitigating actions, such as ensuring the company has the necessary financial resources and skilled people in place.

The business risks that are sensitive to climate change are set out on page 57

Read more about our committees including how often they meet and their ESG skills on pages 106, 108 and 115

Greener: nature — Governance around nature-related dependencies, impacts, risks and opportunities

TNFD governance disclosures

a) Nature is embedded in our governance structure and regulatory commitments. This is overseen and challenged by the board and its committees.

b) Interactions with nature through our operations are managed in multiple principal management committees across the business.

c) Our human rights policy ensures a safe and great place to work, we actively work with our supply chain through our responsible sourcing principles.

As with climate-related matters, our CEO has overall accountability for nature-related matters with tracking, monitoring and management of impacts and dependencies on nature spread across many of our principal management committees. For instance, the executive team is responsible for regulatory performance that relates to nature, the ESG leadership team is responsible for matters such as natural capital, land management and biodiversity, and the political and regulatory group is responsible for monitoring existing and emerging legislation on nature.

Natural capital and biodiversity

Natural capital and biodiversity matters are primarily managed by the ESG leadership group, with risks identified through natural capital accounting, climate adaptation planning, and our natural capital risk assessment process. Identified risks and opportunities are fed into our corporate risk register and overseen, and escalated as necessary, by the executive team.

Our performance and progress in priority locations, such as delivery of the WINEP, wider improvement in wastewater treatment, catchment management, our progress towards 100 per cent of Sites of Special Scientific Interest (SSSIs) having favourable or recovering status, peatland restoration, woodland planting, and our operational environmental performance, are shared monthly with the executive team.

Storm overflows and river water quality

We have recently appointed a dedicated director to manage the end-to-end process of our Better Rivers programme to improve river water quality and reduce storm overflow operation. The Better Rivers programme is overseen by the executive team, with regular updates and challenge from the board and its committees. Our Better Rivers commitments and spill reduction target feature prominently in the annual bonus scheme.

Approach to human rights

Our CEO has overall responsibility for compliance with human rights and modern slavery laws and best practice, with oversight from the board. The political and regulatory group and the ESG leadership team both have human rights and modern slavery within their remit. Ensuring that United Utilities is a safe and great place to work is one of our six strategic priorities, which reinforces the importance of human rights for colleagues in the business and supply chain.

Another of our strategic priorities is to 'contribute to our communities', supporting us to build the needs of local communities into our strategies and plans. We are committed to tackling modern slavery, both in terms of our own business operations and in our supply chain. Last year, we completed 34 site audits with modern slavery due diligence checks on our construction partner sites. All roles identified as relevant must complete our modern slavery e-learning course, focusing on customer and community-facing roles to raise awareness of potential modern slavery risks.

As a UK utility company operating with a principal footprint in the North West, our use of stringent employment checks means it is highly unlikely that modern slavery or human trafficking has occurred within the local area as a result of our operations, or as a secondary consequence of our actions.

As part of our United Supply Chain (USC) approach, our responsible sourcing principles are structured around ESG issues that are important to us as a business and in our approach to responsible sourcing. Considerations on modern slavery are incorporated into the wider issues of human rights and fair treatment, specifically: 'Treat people with dignity and respect, whilst working to eradicate modern slavery in all its forms'. We are aiming to ensure that 100 per cent of targeted suppliers will be signed up to our responsible sourcing principles by 2025.

Our supply chain modern slavery risk assessment is available on our website at unitedutilities.com/corporate/responsibility/our-approach/human-rights/modern-slavery-policy

See how nature-related matters are considered within our governance structure on page 44

Healthier — Governance around material themes related to our ambition to create a healthier North West

Customer service and operational performance, including drinking water quality

Overall responsibility for operational performance, including drinking water quality, sits with the CEO, and an update on performance against a range of key metrics and targets for the different operational performance areas is presented to the board every month in the executive performance report. The report uses a traffic light system to show performance in-month, year-to-date, and changes from the prior month, with accompanying narrative. This enables progress to be tracked and any potential issues, developments or opportunities to be fully understood and swiftly addressed.

Each operational performance area has a responsible director and strategic leadership team responsible for the day-to-day delivery of our operational targets and commitments.

Additional governance oversight of our performance on drinking water quality is provided by the DWI, as quality regulator, who has recognised the significant improvements we are making. Operational performance is also overseen by our other regulators, as detailed on page 24.

Affordability and vulnerability

The customer services management team has responsibility for the delivery of our affordability and vulnerability schemes, including our certification to ISO 22458 for our Priority Services scheme. Schemes are continuously monitored and performance is reported to the executive performance meeting and the board on a monthly basis. Affordability and vulnerability are reviewed by the board twice a year.

Health, safety and wellbeing

Relevant matters, including policies and our accreditation to ISO 45001, are managed through the health, safety and wellbeing team and reported monthly to the executive. An annual management review process has been implemented with the executive team to review performance and effectiveness of systems and controls, helping to drive improvements. Health, safety and wellbeing is reported to the board every month, with a detailed review twice a year. Day-to-day responsibility for delivering our plans and monitoring progress sits with our health and safety director.

Diverse and skilled workforce

The nomination committee is responsible for board succession, ensuring the right mix of skills and experience, and there is a designated non-executive director on the board with overall responsibility for workforce engagement. Day-to-day responsibility sits with our people director.

Leaders have an important role in championing equity, diversity and inclusion (ED&I). Executive directors drive the delivery of our strategy and role model inclusivity. Each of our colleague networks (which support colleagues within minorities and focus on educating, raising awareness and celebrating key events) has two executive sponsors, who provide support, listen, and escalate action. Our colleague networks meet with these sponsors as a group to review progress, with the people director to provide insight and feedback, and they review the plan and next steps with the ED&I manager.

The inclusion steering group is responsible for the overall ED&I plan, providing updates and tracking progress. The ED&I manager works alongside business areas and colleague networks to deliver plans and raise awareness, both internally and externally. The people director sponsors the plan and tracks progress against our 2030 targets. Regular updates are provided to the ESG committee. Our people dashboards give access to real-time, secure data including new starters, attrition, training, and colleague opinion survey feedback on inclusion, allowing senior leaders to develop and track plans.

Stronger — Governance around material themes related to our ambition to create a stronger North West

Cyber security

The board is responsible for the oversight of cyber security and updates are provided at each of its scheduled meetings, with a presentation given by the chief security officer twice a year. The executive team is updated on performance on a monthly basis.

The security steering group (SSG) meets monthly to consider changes to digital and physical security risks and mitigating actions, and to review any incidents. Members of the committee include the company secretary, who has responsibility for security matters and is in attendance at all board meetings, the chief security officer, and representatives from each business unit. The SSG reports security metrics on a quarterly basis to the GARB, and six-monthly to the board. As it is one of our principal risks, an update on cyber security is provided every six months to the board. The chief security officer reports to the company secretary and, along with the information security team, works closely with the digital services team.

Our information security policies and compliance are aligned to ISO 27001. As a provider of essential services for UK Critical National Infrastructure, we are governed by the Network and Information Systems Regulations, which came into force in 2018 and focus on cyber security compliance. We are making good progress with our programme of work to comply with these regulations. We are required to comply with the Security and Emergency Measures Direction (SEMD) to maintain plans to provide a supply of water at all times, and this includes security components. A SEMD report is submitted annually to the DWI, with prior independent attestation.

Financial risk management

The board is responsible for treasury strategy and governance, which is reviewed annually. The treasury committee has responsibility for setting, and monitoring the group's adherence to, treasury policies. Policies are reviewed on at least an annual basis, or following any major changes in treasury operations and/or financial market conditions.

Day-to-day responsibility for operational compliance with the treasury policies and the targets set therein rests with the group treasurer. An operational compliance report is provided monthly to the treasury committee, detailing our performance and compliance with these policies, and highlighting the level of risk against the appropriate risk limits in place, with more detailed management information provided quarterly.

The group's treasury function does not act as a profit centre and does not undertake any speculative trading activity.

Supporting communities

We have appointed five dedicated area engagement leads for each of the counties in our region, overseen by our head of regional engagement, and have structured our teams into a new county delivery squad structure, designed to promote successful delivery of the performance improvements and scale of investment included in our AMP8 business plan.

Our risk and resilience framework

We have a robust risk and resilience framework for the identification, assessment and mitigation of risk.

Our approach to risk and resilience

Successful management of risks and uncertainties enables us to deliver on our purpose to provide great water for a stronger, greener and healthier North West, and be more resilient across our corporate, financial and operational structures. A key objective of our approach to risk and resilience is to support the sustainable achievement of the strategic priorities (see page 31), that underpin our purpose.

Our risk and resilience framework provides the foundation for the business to:

- anticipate threats and variability to delivering an effective service in these challenging times;
- understand the interrelationships and interdependencies for an integrated approach;
- apply preventative measures to avoid, or increase resistance and reliability; and
- respond and recover effectively when risks materialise.

Key components of the framework include:

- an embedded group-wide risk management process, which is aligned to ISO 31000:2018 risk management guidelines;
- a board-led approach to risk appetite, based on strategic goals;
- a strong and well-established governance structure giving the board oversight of the nature and extent of risks the group faces, as well as the effectiveness of risk management processes and controls; and
- a portfolio of policies, procedures, guidance and training to enable consistent, group-wide participation by our people.

Continuous improvement is a key feature of the framework, which incorporates a maturity assessment model to identify areas to enhance. Based on risk management capabilities relative to five levels of maturity, we continue to encourage an integrated approach through:

- maturing the escalation of data from operational risk assessment;
- reinforcing reputational impact (the impact on trust) using the six capitals and stakeholders to emphasise this;
- standardisation of controls for cross-business analysis; and
- the continued development of tactical risk appetite and tolerance statements.

Roles and responsibilities

In addition to the governance and reporting structure (see page 44), the risk and resilience framework incorporates specific roles and responsibilities. Executive members (business unit heads) are accountable for sponsoring risk management activity in their business unit; for the determination of strategic risk appetite (the propensity to take risk and apply control); and tactical level tolerances for each event-based risk. Executive sponsors delegate responsibility for the risk assessment, and the implementation of control/risk mitigation to risk sponsors. Risk sponsors are senior managers who identify and consult with cross-business control owners on the effectiveness of controls, and action owners for the determination and progress of further mitigation. Control and action owners are typically subject matter experts who have the remit to mobilise resource. Supporting these risk management roles are a network of risk leads and coordinators within each business area who support the corporate risk team in the coordination and facilitation of the risk management process.

In this section you will find:

- Our approach to identifying, assessing and managing risks and opportunities
- Our principal risks
- Our management of climate, nature and other risks related to material themes
- New and emerging risks and opportunities
- Material litigation

Risk appetite and tolerance

Focused on supporting decision-making, the risk appetite and tolerance framework consists of a package of measures.

The general risk appetite represents financial limits against which event-based risks are compared at each full and half-year assessment and reporting cycle.

In parallel are a series of strategic appetite statements that align directly to the inherent risk areas (see page 52). Each statement reflects the strategic intent, strategic priority, relevant stakeholders and governance, but fundamentally emphasises the attitude to risk taking and control relative to four descriptors:

- **Averse:** a strong opposition to accept risk within business strategy or operational activity.
- **Prudent:** a reluctance to accept risk within business strategy or operational activity, but careful acceptance within tight boundaries.
- **Moderate:** willingness to accept risk with regard to business strategy or operational activity provided this is within reasonable limits.
- **Accepting:** willingness to accept risk with regard to business strategy or operational activity.

As a regulated company providing essential public services, none of the inherent risk areas have risk accepting as a strategic direction or approach.

Underpinning each strategic statement, and currently under development, are a series of more tangible tactical statements with specific levels and limits identified for each of the event-based risks.

Our risk and resilience framework continued

Inherent risk areas and the risk profile

A key feature of the business risk profile is the ten inherent risk areas. These are categories of risk that are based on the value chain of the company, reflecting the interrelationship of the primary and supportive structures or activities across the business where value can be gained, preserved or lost. As a result, they support the identification and/or gap analysis of risk, facilitate analysis of correlation and interdependency, and provide the platform for determining risk appetite and tolerance, which in turn helps us to articulate our direction and priorities to support decision-making around risk and resilience.

Underpinning each inherent risk area are the event-based risks, which are reviewed at the integrated risk reviews at the full and half-year reporting cycle. There are currently approximately 100 event-based risks, which are inherent to the company's objectives and obligations, and cover core elements of the production lines, systems, networks and activities across the business. Each event-based risk is sponsored by a senior manager who is responsible for the ongoing assessment and treatment (management) of risk (see page 53). Each event-based risk remains dynamic by reflecting new and emerging circumstance relative to the ever-changing external threats and internal vulnerabilities.

Read more about our principal risks on pages 54 to 56 and new and emerging risks on page 61

Inherent risk area	Scope	Executive sponsor	Strategic priority	Appetite and tolerance (the propensity to take risk and apply control)
Water service	The assets and operations to deliver a reliable supply of clean safe drinking water.	• Water services director		• Water quality – Averse
Wastewater service	The assets and operations to remove, treat and return water to the environment, and the disposal of sludge to land.	• Wastewater services director • Bioresource and green energy director		• Wastewater – Prudent • Bioresource – Moderate
Retail and commercial	All aspects of business development, income generation and cash collection in regulated and non-regulated businesses.	• Customer and technology director • General counsel and company secretary		• Retail – Averse • Non-regulated commercial activity – Moderate
Supply chain and programme delivery	All elements of the supply chain and the delivery of capital, operational or change programmes.	• Capital delivery, engineering and commercial director • Transformation and strategic programmes director		• Supply chain – Prudent • Programme delivery – Moderate
Resources	The resource to support core business activity, including people (capacity and capability), technology (applications, systems, services and infrastructure), property (other than operational assets) and fleet.	• Customer and technology director • People director • Bioresource and green energy director		• Technology, property and fleet – Moderate • Human resources – Prudent
Financial	The financing and financial control of business activity, including operational expenditure, capital investment, treasury, pensions and tax.	• Chief Financial Officer		• Finance – Prudent
Health, safety and wellbeing	The potential harm to colleagues, contractors, or the public.	• People director		• Health, safety and wellbeing – Averse
Environment	The influence the environment has on water, wastewater and bioresource assets and the impact our operations can have on the environment (air, soil, water and biodiversity) in the short and longer term.	• Asset management director		• Environment – Averse
Security	The security and protection of our colleagues, the public, data and assets.	• General counsel and company secretary		• People, data and critical infrastructure – Averse • Other assets – Prudent
Conduct and compliance	All elements of the regulated, legal and ethical frameworks associated with being a regulated water and wastewater company, which is listed on the stock market with multiple stakeholders.	• Corporate affairs director • General counsel and company secretary • Regulation and compliance director		• Statutory and regulatory – Averse • Conduct and standards – Prudent

Our strategic priorities

Improve our rivers · Create a greener future · Deliver great service for all our customers · Provide a safe and great place to work · Spend customers' money wisely · Contribute to our communities

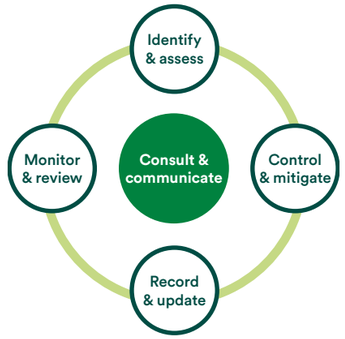
How we assess and manage risk

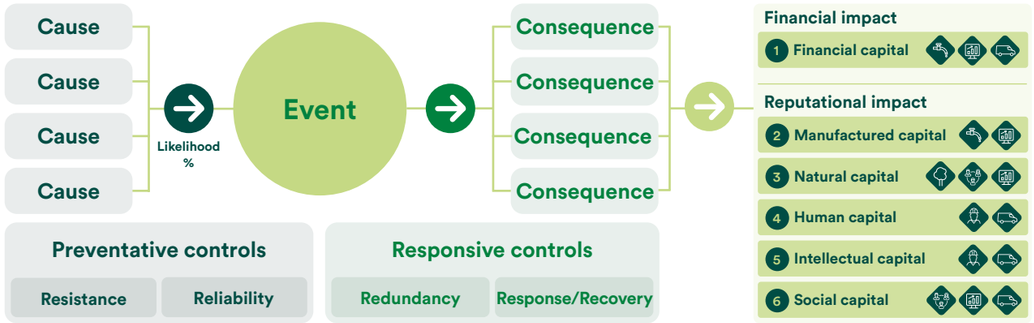
We have a number of mechanisms in place to identify risk, including: the inherent risk areas; the water cycle; cross-business horizon scanning forums; consultation with third parties; and comparison with national risk registers. Understanding the context of the risk is a fundamental part of the assessment, and relative to our objectives and obligations. It takes into account new and emerging circumstances from the internal and external business environment, and utilises 'bottom-up' information from operational and project risk assessments where appropriate. Risk assessments are also supported by 'top-down' assessments as described in the governance and reporting process section on page 45. This integrated 'top-down, bottom-up' approach ensures that reporting reflects the risks facing the company, serves to calibrate the risk assessments, and enables assessment of the risks relative to our appetite.

Following an update of the risk context, the process then quantifies the risk for likelihood and impact with the bow tie diagram below illustrating the components of risk. The likelihood of the event occurring is based on the causal factors with the financial and reputational impacts reflecting the consequences of the event should it occur. Financial impact includes loss of revenue, additional costs, fines, regulatory penalties and compensation. Reputational impact represents the impact on stakeholder trust and the six capitals. The full range of financial and reputational impact is considered from a minimum (best case) to a maximum (worst case) scenario. Out of this range, the most likely impact scenario is assessed. Comparing this position against the desired target state, in combination with the strengths, weaknesses and gaps of the control environment, supports the decisions for further mitigation. Further mitigating action will target either the likelihood of occurrence, the impact, or a combination of both, through new or improved preventative or responsive controls. Further mitigating actions have a specific owner as per roles and responsibilities on page 51, specified resolve by dates and progress status indicators to support monitoring.

Identifying opportunities

Factors from both the internal and external business environment may give rise to opportunities that will positively affect our performance and future prospects. The identification, analysis and management of upside as well as downside risk will further support the achievement of the strategic priorities.





Common themes

Recognising the value of an integrated approach to risk and resilience management, we consider common themes across the event-based risks. This allows us to take a holistic view of the strengths, weaknesses and gaps in our controls, enabling us to take appropriate action.

As part of our risk assessment, we have identified a number of common causal and consequence themes that relate to multiple risks. This allows us to understand correlating risk and take a holistic view of the short, medium and long-term implications of risks materialising. Categorisation indicates seven causal themes and six consequence themes as outlined to the right and on page 54.

As illustrated in the bow tie diagram above, each of the event-based risks has multiple causes and consequences, with impacts that range across all six capitals and stakeholders. Preventative and responsive controls (incorporating four components of resilience – resistance, reliability, redundancy and response/recovery), are also critical to understanding how to reduce the likelihood of the event occurring, limit the impact if the event were to materialise or both.

Common causal themes

Categorisation of all causal themes indicate seven common themes:

- **Asset health:** Asset deterioration, technological obsolescence and operating assets beyond their optimal capacity to cope with increased demand (population growth and/or climate change) affect operational efficiency and resilience.

Common themes continued

- **Culture:** Internal company attitude and behaviour, and external perception and expectations of wider society can lead to increased threat and vulnerability as an organisation relative to service delivery, capital programmes and reputation.
- **Demographic change:** Population growth/shift and evolving age profiles can impact the capacity and capability of water and wastewater treatment and network assets, can affect demand on water resources, and increase uncertainty in relation to pension obligations.
- **Economic conditions:** Macroeconomic events can have multiple financial implications, including: lower revenue; reduced cash collection; increased operational cost through inflationary pressures; and increased cost of borrowing.
- **Extreme weather/climate change:** Climate change projections highlight increased temperatures, rainfall, wind and more frequent extreme variations in weather patterns with the potential to affect our service delivery and the environment that we strive to protect and enhance.
- **Legislative and regulatory change:** Changes in, or the interpretation of, legislation and regulation can have implications for our business model, asset base and ways of working.
- **Technology and data:** Ageing technology assets, and poor quality data can threaten efficiency and security. In addition, the pace of technological change (including artificial intelligence), and seeking opportunities through increased automation and system integration, can also provide challenges in the adaptability of the workforce and increase security threats through greater connectivity.

Common consequence themes:

Categorisation of all consequences indicate six common themes:

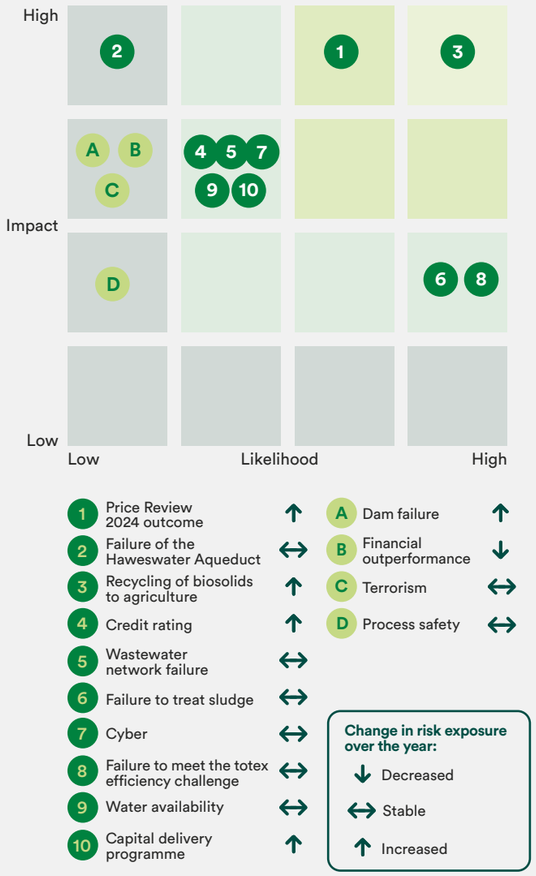
- **Environmental impact:** The potential impact to air, soil, water and biodiversity in the short and longer term, based on our assets, activities, carbon emissions and waste.
- **Investors:** The financial, ethical and environmental performance of our activity has implications for the value of investments and the market perception of the company.
- **Non-compliance:** The potential inadvertent breach in legislation or regulation when undertaking our activities.
- **People:** The diversity, skill set, engagement and wellbeing of our colleagues and the health and safety of our people and the public relative to both our culture and activities.
- **Service delivery:** The quality of our service delivery, capital programmes and communication, and the effect on customer experience and trust with the wider community.
- **Supply chain:** The sustainability and resilience of suppliers can be affected by our culture and activities.

The company's principal risks and uncertainties

The most significant group risks represent our principal risks and uncertainties. These reflect the ten highest-ranked risks by exposure (likelihood of occurrence of the event multiplied by the most likely financial impact over the long-term) and those risks that have been assessed as having a significantly high impact, but low likelihood. The heat map diagram opposite provides an indicative view of these risks relative to each other, with the top ten ranking risks labelled 1–10, and those assessed as having high impact, but low likelihood labelled A–D. A summary of the principal risks is provided on pages 55 to 56, with further areas of uncertainty illustrated in the new and emerging risks on page 61.

Eight of the fourteen principal risks have remained relatively stable in the last year with the following principal risks demonstrating a change in exposure:

- **Price Review 2024 outcome:** Increase due to the competing issues of cost effective environmental improvement plans versus keeping bill increases to a minimum.
- **Recycling of biosolids to agriculture:** Increase due to the potential for regulatory change combined with changing climate impeding the availability of, or access to, land.
- **Credit rating:** Increase due to timing difference of investment and associated revenues which may affect financial ratios, and developments in the broader sector which could change rating agency sector risk assessments and related rating thresholds.
- **Capital delivery programme:** Increase due to the challenges associated with delivery of an expected significant capital programme over future asset management plan (AMP) periods.
- **Dam failure:** Increase following the routine cyclical reassessment resulting in the probability of one dam (now subject to enhanced control measure pending capital intervention) influencing the portfolio position.
- **Financial outperformance:** Decreased due to a less volatile inflationary environment as inflation starts to come down following its peak in the prior year.



The company's principal risks

1. Price Review 2024 outcome

TCFD

Risk exposure: Following submission of our business plan to Ofwat, the risk relates to our expenditure allowance, performance incentives and penalties, and the allowable return on investment at the final determination. Risk factors include Ofwat's assessment of the quality and ambition of our plan, including cross-company comparisons of stretching performance and delivery targets alongside efficient costs and alignment to customers' interests.

Control/mitigation: We believe we have presented an ambitious and high quality business plan with comprehensive supporting evidence and justification, and continue to liaise and work closely with Ofwat and other stakeholders.

Assurance: Second line assurance has been provided through a dedicated price review team and a PR24 programme board. There was a blend of internal audit and external assurance focused on the quality of the PR24 business plan and related submissions.

2. Failure of the Haweswater Aqueduct

Risk exposure: The Haweswater Aqueduct is a key asset with current low resilience due to deterioration, with failure potentially resulting in water quality issues and/or supply interruptions to a large proportion of our customer base.

Control/mitigation: A capital project to replace the tunnel sections of the aqueduct has already commenced with the completion in November 2020 of one section. The remaining sections are due to be replaced as part of Haweswater Aqueduct Resilience Programme (HARP).

Assurance: Technical and geological advice and modelling have been sought throughout the programme development, with second line assurance including engineering technical governance. Independent assurance is provided by internal audits and external assurance over the HARP procurement process.

3. Recycling of biosolids to agriculture

TCFD

Risk exposure: We believe that recycling of biosolids to agriculture is the most practical environmental option, however, a reduction in the agricultural landbank could have significant implications to operations and expenditure into the long term, with a total ban being the worst case scenario. Threats include the quality of biosolids, and changes in, or the interpretation of, regulations.

Control/mitigation: Treatment, sampling and testing ensures that quality standards are met, and we work closely with farmers, landowners and contractors to ensure compliance with regulations. In addition, we work closely with regulators and lawmakers to influence policy from an informed postilion.

Assurance: The bioresources team ensures compliance with the UK Biosolids Assurance Scheme (BAS) and other codes of practice. Second line assurance is undertaken by the assurance team, with third line assurance provided by internal audit, and external auditors certifying our BAS accreditation.

4. Credit rating

Risk exposure: Credit ratings are important for access to capital, meeting regulatory requirements and to give confidence to investors of our financial health. A potential downgrade in credit rating, leading to increased cost of funding, can occur due to: external factors (such as inflation and/or a change in sector risk assessment by a ratings agency); financial and/or operational performance; and a large capital programme which is not matched by equity support where necessary.

Control/mitigation: We continuously monitor financial markets, manage key financial and treasury risks within defined policy parameters, and we will review the capital structure once we have clarity following Ofwat's final determination for Price Review 2024.

Assurance: Second line assurance is provided by financial control and monthly executive performance review meetings, with oversight provided by the treasury committee. The treasury function is subject to regular internal audits.

5. Wastewater network failure

TCFD

Risk exposure: Our sewer network can fail to operate effectively, resulting in unpermitted storm overflow activations, sewer flooding and environmental damage. Causes include blockages, operational failures or inadequate hydraulic capacity relative to population growth, extreme weather, asset health, and legal/regulatory change.

Control/mitigation: Key preventative measures include proactive maintenance and inspection regimes, customer campaigns and a sewer rehabilitation programme. Sewer network performance is subject to dynamic monitoring, and the Better Rivers programme is improving the capacity of the network.

Assurance: Second line assurance is provided by wholesale assurance, engineering technical governance and the flood review panel. The risk is subject to regular internal audits and external assurance of regulatory reporting.

6. Failure to treat sludge

TCFD

Risk exposure: Treating sludge to the appropriate quality relates to the capacity of our assets to cope with increasing volume relative to changing demographics, asset health and legislative/regulatory change, such as the Industrial Emissions Directive (IED).

Control/mitigation: We adopt a Throughput, Reliability, Availability and Maintainability (T-RAM) approach for our facilities, balance capacity and demand, undertake regular testing and analysis of sludge, and operate a programme of asset cleaning.

Assurance: Bioresources production planning team provides first line assurance on managing sludge treatment plant performance and capacity. Second line assurance is provided through our internal environmental, regulatory and technical advisers, and assurance team. Third line assurance is undertaken by the internal audit team.

7. Cyber

Risk exposure: There is an increasing and constantly changing cyber threat landscape, with the potential for data and technology assets to be compromised, leading to a major impact to key business processes and operations.

Control/mitigation: Multiple layers of control exist including a secure perimeter, segmented internal network zones, training and access controls. Constant monitoring and forensic response capability also exists.

Assurance: Second line assurance is provided by the security team, which monitors multiple sources of threat intelligence, and the security steering group provides oversight. Independent assurance is provided by annual internal audits and various technical audits, including penetration testing, is regularly undertaken by external specialist.

8. Failure to meet the totex efficiency challenge

Risk exposure: AMP7 totex efficiencies are challenged through a combination of factors including supply chain issues, inflationary pressures, and additional investment to deliver performance improvements.

Control/mitigation: Strategic Portfolio Board (SPB) planning, risk-based investment prioritisation, and the company business planning process all contribute to efficient delivery of services and the capital programme. In addition, there are number of executive-led initiatives to realise efficiency opportunities.

Assurance: First line assurance is undertaken through executive-led meetings, with the strategic portfolio board, and monthly executive performance review meetings providing second line governance and assurance. Third line assurance is undertaken through cyclical internal audits.

Key:

TCFD Climate-related risk

Top ten ranking risks relative to likelihood and impact

High impact, low likelihood risks

The company's principal risks continued

9. Water availability

TCFD

Risk exposure: The availability of raw water is one of the most sensitive risks to climate change. Extended periods of low rainfall and exceptionally hot weather, with accompanying increased customer demand, impacts our water resources, which can result in the need to implement water use restrictions.

Control/mitigation: We produce a Water Resources Management Plan (WRMP) every five years which, based on in-house, industry and regulatory assumptions, forecasts future demand and water availability under repeats of historic droughts, adjusted for climate change. A statutory Drought Plan is also developed every five years setting out the actions we will take in a drought situation.

Assurance: The WRMP and Drought Plan are subject to various second and third line assurance activities prior to publication.

10. Capital delivery programme

Risk exposure: The delivery of the capital programme to time, cost and quality is under constant challenge due to ongoing exposure to natural hazards, and the capacity and capability of third parties and internal resource. This risk will be amplified with the proposed increased size and scale of the capital programme in subsequent AMPs.

Control/mitigation: All projects are subject to planning and project management within a managed programme of capital works. There is a transformation programme in place to ensure readiness of the significant increased capital programme in AMP8.

Assurance: The engineering team provides technical governance and the programme management office (PMO) assures against delivery obligations. The assurance team undertakes health, safety, environmental and quality inspections, and internal audit undertake third line assurance against performance metrics as well as audits of specific projects and programme management.

A. Dam failure

TCFD

Risk exposure: The integrity of dams is fundamental to water storage and the safety of society downstream. Flood damage, overtopping, earthquake or erosion could, in remote circumstances, result in an uncontrolled release of a significant volume of water with catastrophic implications.

Control/mitigation: Each reservoir is regularly inspected by engineers. Where appropriate, risk management activities are applied and risk reduction interventions are implemented through a prioritised investment programme.

Assurance: There are various sources of second line assurance, including supervising engineers, dam safety group, assurance team and regular board reviews. Independent assurance is provided by panel engineers and internal audit.

B. Financial outperformance

Risk exposure: Inflation is fundamental to the economic regulation of the water sector affecting wholesale revenues, regulatory asset values, return on investment, and indexed link debt. Periods of low inflation impact the value of the company and its profitability.

Control/mitigation: The impact of interest rates and inflation is mitigated through hedging and forward buying of commodities such as energy. Business planning, including sensitivity analysis, takes into account ongoing monitoring of markets and regulatory developments.

Assurance: Second line assurance and oversight is provided by the board and treasury committee in addition to monthly executive performance meetings. The risk is also subject to cyclical internal audit reviews.

C. Terrorism

Risk exposure: Terrorism is a threat to our business with terrorist groups looking to advance their political agendas by causing harm and destruction. Although deemed remote, there is a risk to our assets leading to the subsequent loss or contamination of supply and/or pollution of the environment.

Control/mitigation: Assets are protected in accordance with the Security and Emergency Measures Direction (SEMD), and we liaise with the National Protective Security Authority (NPSA), regional counter terrorist units, local agencies, and emergency services.

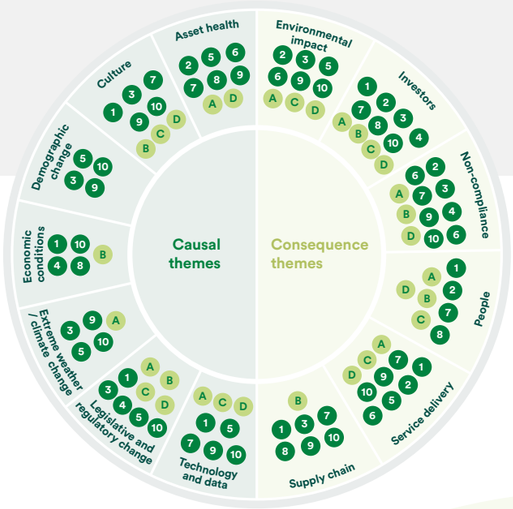
Assurance: Second line assurance is provided by the security steering group. In addition, internal audit undertake cyclical audits with external technical assurance being delivered by specialists.

D. Process safety

Risk exposure: Our activities include processes that are inherently hazardous, with the storage of toxic and explosive gases across multiple sites (two of which fall under the Control of Major Accident Hazard (COMAH) regulations).

Control/mitigation: Multi layers of protection are in place including: design standards; maintenance and operating regimes; work authorisation procedures; and emergency planning and training.

Assurance: Second line assurance is undertaken by both the assurance and health and safety teams, with third line assurance being undertaken through periodic internal audits. The Health and Safety Executive also carries out regulatory inspections.



Key:

TCFD Climate-related risk

Top ten ranking risks relative to likelihood and impact

High impact, low likelihood risks

The wheel diagram illustrates how the principal risks relate to the common causal and consequence themes (as described on pages 53 and 54), demonstrating how new and emerging circumstances associated with the themes can influence the likelihood of a risk event occurring, the impact should the event occur, and the capacity and capability to respond through control/mitigation.

Greener: climate

Our event-based risks most sensitive to climate change

Climate sensitive business risks

The 2020 special report identified six of the circa 100 risks in our business profile as sensitive to climate change. These risks were those that, when applying Met Office projections for 2050 and 2100, using RCP 6.0, experienced a noticeable increase in either likelihood and/or impact. As described on page 53, all business risks undergo review at least twice a year for their current likelihood and impacts taking into consideration the controls in place. The Spring 2024 values for the climate sensitive risks are shown in the table below.

During the coming year, as we prepare our next adaptation progress report, our impact assessments will be revised using updated Met Office projections for different weather characteristics at a seasonal and county level. It is expected more of our business risks will be deemed climate sensitive such as the three risks identified below.

C Chronic physical risk Changing trends in weather patterns, such as temperatures, sea level and rainfall

A Acute physical risk Severe weather events, such as storms, heat waves and floods.

T Transitional risk Associated with move to lower-carbon economy.

Business risks categorised as sensitive to climate change in 2020 special report			2024 risk assessment			Climate sensitivity	
				Impact			
Business risk		Description of climate sensitivity	Likelihood %	Financial £m[2]	Non-financial[3]	Frequency change[4]	Impact change[4]
Water availability	C	Changing seasonal rainfall patterns impact water availability and warmer temperatures intensify supply challenges in dry periods because of evapo-transpiration.	30	198	5 High	↑↑↑	↑↑↑
Failure of wastewater network (sewer flooding)	C A	More frequent and intense storms can overload the wastewater network and lead to severe sewer flooding. Urbanisation makes this worse due to quick runoff from hard surfaces.	40	198	5 High	↑↑	↑↑
Combined sewer overflows[1]	C A	Increased rainfall, together with our significantly higher proportion of combined sewers, is highly likely to exceed the capacity of the combined sewers and lead to storm overflow activations.	50	54	5 High	↑↑	↑↑
Pumping stations and rising mains failure[1]	C A	More frequent and intense storms will increase the likelihood and impact of failures of pumped wastewater systems leading to sewage discharge into the environment or foul flooding.	50	12	4 Medium	↑↑	↑↑
Failure to treat wastewater	A	Extremely heavy rainfall, which is projected to happen more often, can exceed our wastewater treatment works capacity and result in activations of overflows to prevent flooding of assets, streets and homes.	50	60	4 Medium	–	↑
Failure of above ground water and wastewater assets (flooding)	C	Operational sites can be flooded from sea, river or surface water sources. Climate change is expected to increase the likelihood of flooding due to average winter rainfall being projected to rise, frequent storm events and rising sea levels.	7	76	5 High	↑	↑
Recycling biosolids to agriculture	C	Water logging resulting from more persistent rainfall will limit options for recycling biosolids to land for a greater part of the year. Uncovered sludge stores and stockpiles will be more vulnerable in persistent wet, winter weather, increasing the risk of environmental pollution from runoff.	75	515	5 High	–	↑
Land management	C	Deterioration in land quality due to climate change has both direct and indirect impacts. Hotter, drier summers lead to fire, flood, subsidence and landslip events, which in turn have associated health, safety and environmental impacts.	20	9	3 Medium	↑↑↑	↑↑↑
Other risks likely to be deemed sensitive to climate change in 2024 assessment							
Power loss	A	Greater variation in temperatures and precipitation will cause stresses and strains to the power infrastructure, which combined with more intermittent power sources, will cause more asset failures linked to loss of power.	4		4 Medium	Not yet quantified	
Contamination of raw water sources	C A	Raw water sources can be affected by various events such as flooding, landslides, algal bloom, and faecal and pesticide runoff. It is likely that climate change will increase frequency of such incidents, e.g. storm events, fluctuation of weather (dry and wet) and temperature trends.	50	1	3 Medium	Not yet quantified	
Management of fleet	C T	Operational changes responding to climate change will hasten fleet deterioration. Also constraints/legislation to accelerate net zero transition such as clear air zones may limit life of fossil fuel powered vehicles.	30	3	2 Low	Not yet quantified	

(1) Additional risks previously part of the 'failure of the wastewater network (sewer flooding)' risk that are now considered independently.

(2) Financial impact is valued in £millions, estimated for a 40-year period (2024–2064). The valuation includes impacts on income, capex, opex, interest, tax, penalties, and fines and incorporates inflation.

(3) Non-financial impact to stakeholder perception on scale of 1–8. Stakeholders include customers, regulators, investors, politicians and the media.

(4) Variation due to climate change from 2024 to 2100 in RCP 6.0. – Minimal change ↑ increase, ↑↑ approx two-fold increase ↑↑↑ three-fold increase.

Stock code: UU.

Risk management

Greener: climate — How we identify, assess and manage climate-related risks and opportunities

TCFD risk management disclosures

a) The company operates a mature risk and resilience framework for the identification, assessment and management of all risks including the threats and variability associated with climate change. We also assess all corporate risks for their sensitivity to climate, see page 57.

b) We manage both physical and transitional climate-related risks in our corporate business risk profile, including five of our ten most significant event-based risks, see pages 55 to 56.

c) Climate change is fully integrated across our overall risk management system with climate change adaptation and mitigation each identified as material themes (see page 57) and extreme weather/climate change noted as a common causal theme of event-based risks.

Climate risk identification and assessment

Our framework for the identification, assessment and management of risks is described on pages 51 to 53. As our services are intrinsically linked to the natural environment many of our business risks could be also considered climate risks. These may be physical risks that impact our operations, assets or resources, or transitional risks associated with the transition to a low-carbon economy, such as evolving policies, regulation and legislation.

We use a variety of approaches to identify and evaluate risks, and tools such as PESTLE, to ensure coverage of the main external influencing factors. When assessing climate-related risks, or the climate sensitivity of business risks, we use complex and detailed models to understand the financial and non-financial impacts forecasted weather patterns will have on water resources, water quality and drainage and wastewater management. In our quantification of risk impacts we recognise that some risk events may happen multiple times so we compare impacts over a long-term, typically 40-year, horizon. This incorporates where interdependencies between climate change and other demographic changes influence the frequency of events as well as the consequences.

Following recognition of climate change as a material issue, a special review of all risks in our business risk profile was carried out in 2020 to ascertain, and publish in annual reports, the risks in our business risk profile that are sensitive to climate change. Understanding longer-term impacts raised the profile of climate change, which enabled the board to consider our appetite and tolerance, choosing to mitigate and control the risks from within existing risk management processes and with the same thresholds for materiality.

Change in likelihood and impacts at 2050 and 2100 were individually estimated for all risks in the group risk profile by applying the Met Office climate projections for RCP 6.0, in which emissions peak around 2080 and average temperatures will have risen to between 3–3.5°C by 2100. Climate sensitive risks were defined as those that their likelihood and/or impact would increase with climate change. For example, where the current risk assessment estimates one weather event every five years but the climate projections predict that this event is likely to happen twice every five years.

The current list of business risks recognised as sensitive to climate change is outlined on page 57.

As well as assessing the climate sensitivity of business risks during preparation of our adaptation progress reports we have reviewed the organisation's resilience to physical outcomes of climate change, such as hotter, drier summers and the impact of transition to a low-emission economy. This identified over 70 climate-related risks and the current profile of these risks is presented on page 35, segmented by TCFD risk category and where the impact would manifest. The most material of these physical and transitional climate risks for each climate trend are listed in a table on page 34 and describes how different climate trends can lead to a variety of business challenges and result in consequences to customers or the environment.

Managing climate-related risks

A significant challenge to business planning and managing risks is the considerable uncertainty and interdependencies associated with complex issues such as climate change, population growth, technology and changing needs. To address this we are maturing our capabilities in long-term and adaptive planning as discussed on page 36.

Our public Water Resources Management Plan (WRMP) and Drainage and Wastewater Management Plan (DWMP) are examples of where adaptive planning is used to shape our plans for the longer term (25 years and beyond), while staying aligned with our short-term needs. In these plans we describe how we have used complex models to test how resilient our services would be against a wide range of plausible and extreme future climates alongside alternative demand scenarios defined by different demographics, economic trends and patterns of water use. By recognising the causes and consequences, and quantifying the likelihood and the severity of impact (both financial and non-financial) should the risk event occur, we are able to prioritise climate-related risks and take proactive and early action to manage these risks and adapt our strategies to improve performance and resilience across key topic areas such as water supply, leakage, sewer flooding and pollution.

Read our adaptation progress report on our website at **unitedutilities.com/corporate/responsibility/environment/climate-change**

Integration of climate-related risks into our risk management framework

Weather is fundamental to how we deliver water and wastewater services, so climate-related matters are firmly embedded in our overall risk management processes. Climate influences the financial planning across all business horizons and physical and transitional climate risks are considered in the preparation of financial statements – see page 188.

With the exception of the adaptation progress reports, climate-related risks are not differentiated from other risks in any way and are managed in the same way and with the same processes as any other business risk.

By maturing our understanding of risk and uncertainty we are building and maintaining long-term resilience across the corporate, financial and operational structures of the group, including to the challenges of climate change. Our integrated approach together with our multi-capital value framework allows us to also deliver wider environmental and social value in the community and local environment, while managing business risks. For instance, by delivery of green infrastructure solutions to reduce storm overflow spills instead of more traditional built assets.

Greener: nature — How we identify, assess and manage climate-related risks and opportunities

TNFD risk management disclosures

a) Nature-related risks are identified through our horizon scanning activities, natural capital accounting, and land management approaches.

b) We manage identified risks and opportunities in the near term through our business planning process and over the long term through our DWMP and WRMP.

c) Nature is fully integrated in our risk management processes, with many nature-related material themes (see page 29).

The North West environment

The land across the North West comprises rural, urban, and city locations that include moorland, agricultural, forestry, operational, offices and commercial land, which poses many risks and opportunities for us. The natural hazards of wind, rain and temperature contribute to a change in the state of nature, with climate change likely to increase the frequency and intensity of weather events. There are a range of controls in place to manage identified risks and opportunities on our land, such as our land management strategy and environmental framework.

Identifying, assessing, and managing nature-related risks and opportunities

Nature-related risks (physical or transitional) can be defined as potential threats posed to our business that arise from our dependencies and impacts on nature, outlined on page 38. Physical risks result from the degradation of nature and consequential loss of ecosystem services, arising as a result of changes in the biotic and abiotic conditions that support healthy, functioning ecosystems. Transitional risks result from a misalignment of economic factors with actions aimed at protecting, restoring and/or reducing negative impacts on nature. These risks can be prompted by changes in regulation and policy, legal precedent, technology, or investor sentiment.

Short-term and medium-term physical risks at specific locations across the North West are captured on an ongoing basis through our internal asset management systems. Our long-term risks are captured and managed as part of our long-term planning activities such as our Drainage and Wastewater Management Plan (DWMP) and Water Resources Management Plan (WRMP), which look over a 25-year time horizon and are reviewed every five years.

Once our material risks are identified, we evaluate our operational and strategic dependencies and impacts over short-term (one year), medium-term (up to 2030), and long-term (beyond 2030) time horizons. These risks are then monitored through our business risk management processes, as outlined on page 51.

Activities in our supply chain are primarily supported by our responsible sourcing principles, which support our supply chain partners in identifying and managing risks and opportunities relating to the environment. A future focus for our nature-related financial disclosures is to further review our upstream risks and opportunities.

Healthier — How we identify, assess and manage material risks and opportunities affecting our ability to create a healthier North West

Customer service and operational performance, including drinking water quality

Being so fundamental to our day-to-day service, these themes permeate a variety of our top risks. Several of our inherent risk areas are part of customer service and operational performance, including water service, wastewater service, retail and commercial, and supply chain and programme delivery. Others can also have an impact on our performance, including resources, finance, environmental, security, and political and regulatory.

Seven of our top ten event-based risks are directly linked to these material themes:

- Failure of the Haweswater Aqueduct
- Recycling of biosolids to agriculture
- Wastewater network failure
- Failure to treat sludge
- Cyber
- Failure to meet the totex efficiency challenge
- Water availability

Drinking water quality is particularly impacted by the risks around failure of the Haweswater Aqueduct and water availability.

The outcome of the 2024 price review (our top event-based risk) will also be important in supporting how we manage service opposite these themes in AMP8. High impact but low likelihood risks around dam failure, terrorism, and process safety also have potentially significant impacts on this theme.

Risk management is embedded fully into organisation-wide processes given the fundamental nature of this to everything that we do. Detail on the risk exposure, controls/mitigation, and assurance in relation to each of these top risks can be found on pages 54 to 56.

Affordability and vulnerability

Retail and commercial is one of our inherent risk areas, and this incorporates a number of underpinning event-based risks that sit outside of our top ten. These include customer experience, cash collection, billing accuracy, and affordability support, which collectively take account of economic conditions including cost-of-living pressures, providing value for money, and supporting our most vulnerable customers. The impact of affordability and vulnerability is also a factor in our top ten event-based risk of failure to meet the totex efficiency challenge.

In order to achieve high levels of performance, our customer experience and debt strategy includes multiple controls, including customer consultation and surveys, affordability schemes, tariff setting policies, and reconciliation processes.

Our AMP8 business plan envisages significant increases in bills to support the investment needed, but we also propose doubling the value of the affordability support schemes we offer for customers struggling to pay their bill, which would see us helping one in six households during the 2025–30 period. The outcome of the 2024 price review (our top event-based risk) will, therefore, have a significant impact on this theme going forward.

Healthier — How we identify, assess and manage material risks and opportunities affecting our ability to create a healthier North West continued

Health, safety and wellbeing

Health and safety is one of our inherent risk areas, and we have an averse appetite and tolerance in this area. Our event-based risks can be categorised into three types: personal safety; process safety; and health and wellbeing. These represent all the key hazards, both from a severity and frequency basis, and include occupational health and mental health. One of our high impact but low likelihood risks, process safety, also has the potential to significantly impact this theme.

Details on our risk exposure, controls/mitigation, and assurance in relation to the top risks can be found on pages 54 to 56.

Mitigation includes our health, safety and wellbeing culture, which is built upon six key principles: active leadership; engaged, empowered colleagues; clear expectations; safe, healthy working environments; simple effective systems; and continuous improvement.

Diverse and skilled workforce

Our resources inherent risk area includes human resources which, in turn, includes the specific risks of talent, recruitment and selection, employee relations, and pay and reward.

Equity, diversity and inclusion (ED&I) is a common theme across these risks. Having a diverse and inclusive workforce is important to ensure we have access to a wide range of ideas and views and to maximise colleague engagement.

A diverse, engaged and skilled workforce is important in managing a number of other risks. For instance:

- Price review 2024 outcome – our colleagues have been heavily involved in the preparation of a high-quality and ambitious plan, helping us to secure a positive outcome, and they will also be fundamental to successful delivery of the plan once we receive the final determination.
- Totex efficiency challenge – ensuring all colleagues are focused on efficient ways of working helps enable us to deliver the best value for money and strong totex efficiency. The new 'Call it Out' initiative gives colleagues an opportunity to raise ideas for cost-saving and other improvements directly with the CEO so the best suggestions from right across our diverse and skilled workforce can be actioned quickly and effectively.
- Cyber – we rely on our colleagues being cyber safe to help protect our network from attempted attacks. Therefore, ensuring everyone working for us is appropriately trained and skilled in how to spot and avoid these attempts is very important to ensuring our assets are safe from cyber attacks.
- Process safety – ensuring our colleagues are appropriately skilled is particularly important when dealing with inherently hazardous processes.

Stronger — How we identify, assess and manage material risks and opportunities affecting our ability to create a stronger North West

Cyber security

Security is one of our ten inherent risk areas and cyber is identified as one of our top ten event-based risks. We have a low risk appetite in this area, and to date have not experienced a material breach in our IT security. We undertake a number of mitigating actions, including:

- Enhanced physical security measures to counter general criminality and potential terrorism as appropriate.
- We monitor and review alerts and guidance issued by the NCSC and the US Cybersecurity and Infrastructure Security Agency, and implement new security technologies where needed to address growing threats, such as upgrades to our firewalls and multi-factor authentication to access our systems. We maintain strong information sharing links with the broader UK water industry, security partners and vendors, and the wider information security community.
- We have a structured security policy framework including detailed guidance to allow all users, administrators and moderators to operate within a clearly communicated, best practice ruleset. Internal audits are regularly carried out to ensure compliance is maintained.
- Colleague training, including mandatory 'Security Seven' training, cyber incident training, and enhanced training for incident first responders. We improve colleague awareness with regular cyber incident response exercises, phishing tests and associated training, as well as running regular cyber-related events. We retain a dedicated, third-party cyber incident responder to be deployed in the event of a major cyber incident.
- Our cyber security incident response plan is incorporated into business continuity and incident management plans and processes, and we have a dedicated business-wide cyber security incident response team. Our incident response plans are regularly tested using independent incident exercise providers, ensuring our teams are prepared for all the most likely cyber incident scenarios.
- Strong, independent assurance, including a continuous annual schedule of penetration testing, red team exercises for both physical and cyber and regulatory audits against our operational assets, and independent assurance and guidance against our regulatory security commitments as part of our annual security assessments. We have a comprehensive supply chain security assurance process, and work with suppliers to help them reach the required security level where needed.

Financial risk management

Finance is one of our inherent risk areas, credit ratings is one of our top ten event-based risks, and financial outperformance is one of our high impact but low likelihood risks. The controls we have in place through our financial risk management policies and processes provide a high degree of mitigation and protection from market volatility, enabling us to raise finance across the economic cycle. Our debt has a long average life and maturities are spread to avoid a high concentration of risk in any one year. We monitor financial ratios regularly as well as considering the impact on these metrics within our business planning processes.

Supporting communities

The scale of our AMP8 business plan means community engagement and support will be more important than ever, so this theme plays into several of our inherent risk areas – water service, wastewater service, and supply chain and programme delivery. It is also a key driver in enabling successful delivery of our AMP8 business plan, with its individual county plans. Our county delivery squad structure and dedicated stakeholder managers will be key to managing associated risks.

New and emerging risks and opportunities

We define new risks as those that have not previously been apparent and are expected to have long-term implications for the group and/or sector. We consider emerging risks to be those that are growing, developing, becoming more apparent or prominent. The emerging status of a risk can, therefore, relate to either newly established or existing risks. Horizon scanning activity is a key feature of the risk and resilience framework. It is undertaken routinely as part of external research and benchmarking, the assessment of event-based risks, and through dedicated forums such as the new and emerging risk forum and the compliance working group. Where there are high levels of uncertainty, or the circumstances are too complex to quantify, we classify and retain new and emerging risks as watching briefs. Where there is more understanding, assumptions can be applied to the assessment of causal factors, consequences, and control effectiveness, which will be reflected in the quantification of the likelihood and/or impact. Recent assessments of new and emerging risks can be categorised into two areas, namely: geopolitical environment; and political, regulatory and legal.

Geopolitical environment: Geopolitical issues continue to emerge with hostilities around the world changing the security landscape and threatening supply chain resilience.

- **Cyber:** There is a steady growth in cyber incidents globally with increased sophistication and approaches by which attacks are enacted. Ongoing geopolitical tensions compound the issue with Russian state sponsored actors targeting western countries, and pro-Palestinian/Iranian attackers targeting those they believe are supportive of Israel's posture. This constantly changing threat landscape requires continuous updates in cyber security measures and further development of our business continuity plans.
- **Scarcity of goods and services:** The outbreak of war in the Middle East and related hostilities, coupled with the existing war in Ukraine and tensions between America and China over Taiwan, continues to affect the supply and demand of operational, construction and technology goods. As a result, we are now reducing reliance on global supply chains, placing greater focus on UK suppliers, and encouraging suppliers to increase resilience.
- **Energy resilience:** There is an increasing external threat of planned and unplanned outages, and supply voltage quality issues that could affect technological and operational assets. As a result we continue to increase our self sufficiency and work closely with Electricity North West regarding outages.

Political, regulatory and legal: Increased public and political interest in the water sector and changes to societal expectations is leading to a number of developments.

- **Reputation and scrutiny:** The sector continues to be under significant scrutiny, linked to issues arising from storm overflows, proposed bill increases and other water companies being under financial stress. These reputational issues add to ongoing criticism of the sector and existing concerns over sector legitimacy. While our high quality and ambitious business plan and improving environmental performance are positive mitigation against direct regulatory action, overall sector performance and risk of contagion continues to emerge and remains a concern. These challenges could potentially lead to a change in sector risk assessment by a credit ratings agency, and a credit rating downgrade, the effect of which would be an increase in the cost of debt over the long term and lower financial outperformance.
- **Plastics and forever chemicals:** There is increased attention on single-use plastic, microplastic (plastics less than 5mm) and perfluoroalkyl and polyfluoroalkyl substances (PFAS) commonly known as 'forever chemicals', with their presence in the environment being linked to the water cycle.
- **Capacity and capability:** Whilst our transformation and strategic programmes team are coordinating preparations, and our new county model focuses on stakeholder relationships, emerging risk factors associated with the significant planned investment programme include: the suitability of technology and information; skill sets and efficient ways of working; and partner arrangements. The availability of goods and services may also be impacted by the size and scale of our capital programme relative to competition with the water sector and other industries for limited resources. In addition, whilst underlying credit quality is not a concern, the additional spend could result in timing mismatches affecting financial ratios and thresholds which could lead to a credit rating downturn, an increase in the cost of debt, and low financial outperformance.

Material litigation

The group robustly defends litigation where appropriate and seeks to minimise its exposure by establishing provisions and seeking recovery wherever possible. Litigation of a material nature is regularly reported to the group board. While our directors remain of the opinion that the likelihood of a material adverse impact on the group's financial position is remote, based on the facts currently known to us and the provisions in our financial statements, the following three cases are worthy of note:

- In relation to the Manchester Ship Canal Company matter reported in previous years, a hearing was held in the Court of Appeal in 2022 and the main additional points raised by MSCC were dismissed, although MSCC were granted leave to appeal to the Supreme Court. The final appeal was heard in early March 2023 and the Court's decision is awaited. This may provide further clarity in relation to the rights and remedies afforded to the parties and others in relation to discharges by water companies into the canal and other watercourses.
- As reported in previous years, in February 2009, United Utilities International Limited (UUIL) was served with notice of a multiparty 'class action' in Argentina related to the issuance and payment default of a US$230 million bond by Inversora Eléctrica de Buenos Aires S.A. (IEBA), an Argentine project company set up to purchase one of the Argentine electricity distribution networks that was privatised in 1997. UUIL had a 45 per cent shareholding in IEBA, which it sold in 2005. The claim is for a non-quantified amount of unspecified damages and purports to be pursued on behalf of unidentified consumer bondholders in IEBA. The Argentine Court has scheduled various hearings to receive the testimony of fact witnesses and experts (starting in May 2023 and ongoing). UUIL will vigorously resist the proceedings given the robust defences that UUIL has been advised that it has on procedural and substantive grounds.
- Collective proceedings in the Competition Appeal Tribunal (CAT) were issued on 8 December 2023 against UUW and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative, Professor Carolyn Roberts. It is alleged that customers have collectively paid an overcharge for sewerage services during the claim period (which runs from 1 April 2020 and may continue into the early years of the PR24 period) as a result of UUW allegedly abusing a dominant position by allegedly providing misleading information to regulatory bodies. A hearing is currently scheduled in late September 2024 to deal with certification of the claim and any possible preliminary issue or strike out arguments in respect of the claim. UUW believes the claim is without merit and will defend it robustly. Similar claims have also been issued and served against five other water and wastewater companies.

Performance metrics

Our key performance indicators

We measure our performance against a selection of key performance indicators (KPIs), both operational and financial.

Our operational KPIs are aligned with our purpose and strategic priorities, which also provides alignment with environmental, social and governance (ESG) matters. KPIs for each element of our purpose – stronger, greener and healthier – can be found in the relevant sections of our operational performance on pages 68, 78 and 84.

Our financial KPIs assess both profitability and financial resilience, including income statement, balance sheet and shareholder performance metrics. More detail on these can be seen on page 90.

Bonuses (for all colleagues) and long-term incentives (for senior leaders and executive directors) are closely aligned to many of our operational and financial KPIs.

Our other performance indicators

Our operational and financial KPIs are by no means the only measures by which we monitor and assess our performance. We report on a range of material ESG measures across our operational performance section on pages 72, 82 and 88, with consideration to what stakeholders tell us matters most, as well as our contribution to wider value and global goals such as the UN SDGs and climate change mitigation goals.

These measures relate to all activities undertaken by the group unless stated otherwise in the performance tables, in which case they relate solely to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

We also disclose our latest performance on ESG measures on our website at **unitedutilities.com/corporate/responsibility/our-approach**

Assurance of performance metrics

All these performance indicators have received an appropriate level of assurance, such as independent third-party verification, regulatory reporting assurance processes, or through our own internal audit team. The performance tables on pages 68 to 88 state what nature of assurance has been obtained for each metric, and the sections of this report that have received external limited assurance are marked as such on the relevant pages, including the figures in our energy and carbon report and our remuneration report. These audit opinions can be found on our website at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

Benchmarking our ESG performance

We measure ourselves against national and international benchmarks of responsible business practice, and align ourselves to recognised management standards and accreditations to give confidence in the way we are operating.

We actively participate in a range of global ESG ratings, indices and frameworks to benchmark our approach against best practice and emerging sustainability challenges, and our performance against a suite of trusted indices is one of our operational KPIs. Our strong consistent performance against these external benchmarks demonstrates our commitment to operating in a responsible manner.

Read more about our **performance against these ratings and indices** on pages 86 and 87

Many of the ESG indices draw their data from this report. We collate, monitor and report publicly on a wide range of performance measures across ESG categories. In addition to the wealth of ESG disclosures and performance data throughout this report, the following paragraphs indicate where further information on certain frameworks can be found.

World Economic Forum (WEF) International Business Council (IBC)

The WEF IBC has proposed a set of common metrics for the consistent reporting of sustainable value creation in mainstream annual reports. We already integrate many of these metrics in our integrated annual report and to make this easier for those searching for the information we have collated them into one place on our website.

Read more on our website at **unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/wef**

Sustainability Accounting Standards Board (SASB)

SASB standards aim to standardise disclosure of material sustainability information mainly for companies based in the United States. As many of our shareholders are located in North America we publish comparable SASB data on our corporate website. This covers the main SASB data points for the water utilities industry, of which we are a part.

Read more on our website at **unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/sasb**

In this section you will find:

- Some of the ways we monitor and benchmark operational and financial performance, and our assurance over those metrics
- Supplementary documents and where to find additional performance information
- A selection of key future targets over the short, medium and long term
- Metrics and targets used to assess and monitor climate-related, nature-related and other material themes

Annual performance report (APR)

Performance against our regulatory contract is monitored and assessed each year, and reported within the annual performance report (APR), as required by our economic regulator Ofwat. We include several regulatory performance measures within this integrated annual report but our APR (published in July of each year) provides greater detail, as well as further narrative, about our regulatory performance during the year and cumulatively across the AMP.

There is financial information contained within the APR, which relates only to the regulated company, United Utilities Water Limited, and its appointed activities, and is calculated in accordance with the regulatory accounting framework. This differs from IFRS reporting, and a reconciliation to IFRS reporting is provided in the APR.

For the purposes of clarification, our financial KPIs relate to performance at the group level, and are calculated within the definitions given in this report.

Our previous year APRs are available on our website, and the APR for 2023/24 will be published by 15 July 2024.

Our annual performance report will be available from 15 July at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

Metrics and targets

Future targets

This page sets out some of the future targets we have set ourselves over the short, medium and long term in relation to the three key elements of our purpose

Short term | **Medium term** | **Long term**

- 2025 – Greener: nature – Improve water quality in 1,315 kilometres of rivers across the North West
- 2025 – Stronger – 100 per cent of targeted suppliers signed up to United Supply Chain
- 2025 – Healthier – >220,000 customers registered for our Priority Services scheme
- 2030 – Greener: climate – Restore 1,000 hectares of peatland and create 550 hectares of woodland
- 2028 – Greener: climate – 100 per cent of our fleet to be green
- 2025+ – Greener: climate – Work to enable future national water trading
- 2030 – Greener: climate – Absolute greenhouse gas emissions reductions targets
- 2030 – Greener: nature – Improve 437 storm overflows and reduce spills by 60 per cent
- 2030 – Healthier – 50 per cent female executives and their direct reports
- 2050 – Greener: nature – Help reduce water demand to 110 litres per person per day
- 2050 – Greener: climate – Net zero GHG emissions aligned to the Paris Agreement and Net Zero Standard
- 2045 – Stronger – Install additional water meters to achieve coverage of around 75 per cent of households
- 2050 – Greener: nature – Reduce leakage by 50 per cent
- 2050 – Greener: nature – Reduce to an average of no more than ten spills per storm overflow
- 2070 – Healthier – Eliminate lead pipes in customers' homes

Greener: climate – Metrics and targets used to assess relevant climate-related risks and opportunities

TCFD metrics and targets disclosures

a) We track both physical and transitional metrics to assess climate-related risk and opportunities. We also consider some of our environmental KPIs as key to understanding our resilience to climate change and monitor accordingly.

b) We disclose our GHG emissions and underlying energy use for 2023/24 in our energy and carbon report on pages 75 to 77.

c) Our key climate-related targets are our six carbon pledges and our four near-term science-based targets. Our progress against them is summarised on page 74. Other climate-related targets and performance against them can be found on page 72.

Our vulnerability to climate-related risks is determined by both the physical and transitional impacts we experience and the control measures we have put in place to manage the risks and realise opportunities.

Metrics to monitor risks

Physical risks

As a water company, weather metrics (and forecasts) are vital inputs into our day-to-day operational planning. Rainfall volume, intensity and location direction impact the demands on water resources, wastewater and bioresources functions. To manage this we track recent and historic patterns of weather and weather events and use the data to continually improve our understanding of how different patterns can affect demand and our ability to deliver our services. We use both short-term forecasts and longer-term projections from the Met Office, and for the long-term plan for up to a 4°C change in global temperature.

Transitional risks

We horizon scan for changes relating to transitional risks across technology, policy and legal, markets and expectations of our stakeholders. Topics include looking for technologies to measure and reduce process and fugitive emissions, government policy changes and developments, energy pricing fluctuations (of both fossil fuels and low-carbon alternatives), and the developing market (availability and cost) of alternative fuelled vehicles, batteries.

Carbon pricing is an important topic and we track closely the costs of purchasable credits, offsets and energy attribute certificates. For medium and long-term risk and benefits assessments (such as our AMP8 business plan) we use the UK Government carbon values 'for use in policy appraisal' for the relevant year to convert GHG emissions to a financial value, e.g. £130 per tCO_2e for 2030.

Opportunities

As a regulated business, climate-related opportunities are limited to ways we can avoid costs, rather than generate revenue. For example, our strategy to increase renewable energy generation is primarily focused on reducing costs to buy electricity rather to export more and generate revenue.

Read more about environmental performance and remuneration from page 72

Performance metrics and targets

Environmental KPIs

We manage our climate-related risks by putting in place controls such as those as set out on page 85 to 89 and in Appendix A.3 of the 2021 climate change adaptation report, published on our corporate website. The effectiveness of these controls is seen in our operational performance metrics. The following environmental KPIs are recognised as climate-related performance metrics and are reported on page 72:

- Leakage reduction;
- Per capita consumption;
- Flooding incidents, risk and resilience;
- Storm overflow activations;
- Risk of severe restrictions in a drought;
- Sewer collapses;
- Water service supply and resilience; and
- Low water pressure areas.

Science-based emissions targets

We have a strong track record of playing our part to mitigate climate change and have reduced scope 1 and 2 emissions by over 70 per cent since 2005/06, largely through our substantial investment in renewable power generation and green electricity procurement.

Our ambition and commitments are based on international guidance and climate science and our four near-term science-based targets were verified by the Science Based Targets initiative (SBTi) in July 2021. The SBTi Net Zero Standard was launched in late 2021 and we have submitted our long-term net zero target for validation in January 2024. We plan to review and, if needed, revise our near-term science-based targets in 2025 as per the SBTi guidance and also aligned with the next business planning period.

Performance and remuneration

Climate-related environmental KPIs and targets influence remuneration. Bonuses for all colleagues are linked to the company scorecard (see page 143) and the long-term incentive plans for senior leaders and executive directors, for periods ending 2025 and 2026, include measures directly linked to our carbon pledges and clean energy strategy.

Read about progress to deliver our six carbon pledges on page 74

Read our energy and carbon report including 2023/24 greenhouse gas emissions on pages 75 to 77

Read about reward for environmental related performance on pages 140 to 149

SBT1 Scope 1 + 2 Absolute emission reduction

42% reduction in absolute scope 1 and 2 emissions by 2030

SBT2 Scope 2 Renewable electricity purchase

100% purchased electricity each year is renewable by 2023

NEAR-TERM SCIENCE-BASED TARGETS TOWARDS OUR LONG-TERM AMBITION

NET ZERO 2050

66% of construction suppliers (by emissions) have SBTs by 2025

SBT3 Scope 3 Construction supplier engagement

25% reduction in scope 3 emissions (excl capital goods) by 2030

SBT4 Scope 3 Absolute emissions reduction (excl cat 2)

Stock code: UU.

Metrics and targets

Greener: nature — Metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities

TNFD metrics and targets disclosures

a) We disclose below the nature-related metrics currently used to drive internal decision-making.

b) Many of the short, medium, and long-term nature-related targets align with regulatory expectations.

c) Performance against our environmental KPIs can be found on page 68, and against other environmental metrics on page 72.

We monitor a wide variety of metrics and set targets to help monitor and assess nature-related risks and opportunities. In our disclosures, we have focused on metrics and targets that we currently use to drive internal business decisions. Moving forward we intend to develop our disclosures to more closely align with the TNFD's 14 core global indicators, to support comparable decision-useful information for report users. Several of our targets align with a number of Global Biodiversity Framework (GBF) long-term goals and targets for 2050, for improving biodiversity and transitioning to a nature positive economy. To measure our performance, we demonstrate delivery against contributing targets from a number of statutory requirements, such as the condition of protected sites, biodiversity net gain, and environmental performance. We set a natural capital performance commitment, with related outcome delivery incentive (ODI), in our business plan for 2020–25. This is measured by demonstrating additional value created through ecosystem services for customers and the environment. We achieve this by implementing nature-based solutions where they offer best value compared to a hard-engineered solution. In 2023, we updated our corporate natural capital account, to assess the extent and value of the benefits our land provides to us and the rest of society. As we update our account in future, we can track changes to our natural assets and quantify improvements from our investments.

Storm overflows and river water quality

Many of our targets in the short and medium term are regulatory performance commitments for AMP7 and proposed in our AMP8 business plan. We also have targets that go further, like our Better Rivers pledges and targets for monitoring and reducing spills from storm overflows. Our longer-term targets, as part of our long-term delivery strategy, align with regulatory expectations. We are committed to improving surface, groundwater, and bathing water quality in the immediate term and beyond.

Risks and opportunities	Metric and indicators
Land use change	• Extent of terrestrial and freshwater habitat change, measured by total land cover area (hectares).
Natural capital and biodiversity	• Condition of our priority locations: Sites of Special Scientific Interest (hectares).
Invasive species	• Record the presence of invasive plant species and monitor the number of non-native animal species on our land (number).
Water	• Number of pollution incidents. • Percentage reduction in leakage. • Number of flooding incidents.
Recycling biosolids	• Tonnes of biosolids removed.

Risks and opportunities	Targets and progress
Water	• To monitor all storm overflows by 2023. • To improve water quality in 1,315 kilometres of rivers across the North West by 2025. • Reduce spills from more than 400 overflows by 2030. • To protect and enhance over 500 kilometres of rivers by 2050. • 25 per cent reduction in the number of pollution incidents by 2050. • Reduce leakage by 50 per cent by 2050. • Reduce to an average of no more than ten spills per storm overflow by 2050. Invest £230 million in environmental improvements during AMP7, supporting at least a one-third sustainable reduction in the number of spills recorded from our storm overflows by 2025 compared to the 2020 baseline. **Progress** – There are over 2,200 storm overflows in the North West, and all are now monitored. We have committed to reinvest £250 million of our AMP7 outperformance to deliver improved environmental outcomes, including accelerating our Better Rivers programme. We have proposed a £3.1 billion investment in our AMP8 business plan to deliver further reductions in spills from storm overflows, and a £900 million investment to reduce nutrients. We've installed over 72,000 sensors on our pipe network that listen for leaks. Our proposed water resources management plan meets government policy to halve the level of leaks and to reduce water use per person per day to 110 litres by 2050.
Natural capital and biodiversity	• To achieve 100 per cent favourable or recovering condition for SSSI locations, improving 11,500 hectares of SSSI to enhance biodiversity by 2030. • Protect and enhance rural environments and adapt to the challenges of climate change by 2050. **Progress** – 91 per cent of SSSIs on our land now meet 'favourable' or 'unfavourable recovering condition' status. We have mapped out the extent and condition of our land via our 2023 Corporate Natural Capital Account.
Invasive species	• To remove invasive plant species and promote the growth of native plant and animal species by 2050. **Progress** – We continue to remove non-native and invasive species, such as giant hogweed. Our River Rangers are helping to spread information on how to prevent the spread of invasive non-native species.
Recycling biosolids	• To reduce the amount of waste material going to landfill because of our production process by 2050. **Progress** – Delivering biosolids for over 17,000 hectares of land every year across 1,500 farms.

Healthier — Metrics and targets to monitor and assess delivery of the 'healthier' ambition in our purpose

Customer service and operational performance, including drinking water quality

We have a number of performance commitments with associated customer outcome delivery incentives (ODIs), through which we monitor and assess operational performance for customers and the environment. These set ambitious targets for performance each year, and rewards and/or penalties for over/underperformance against those targets. This includes Ofwat's measure of customer satisfaction, C-MeX, which is one of our KPIs, and water quality metrics.

We monitor individual performance and overall net rewards/penalties, as well as other metrics of operational performance outside of our regulatory performance commitments. Many of these measures are included in this report, and fuller commentary and outcomes related to our regulatory performance commitments can be found in our APR each year.

Affordability and vulnerability

We monitor metrics including cash collection, bad debt, and the number of customers on our support schemes. Our C-MeX score for customer satisfaction is impacted in part by the help we provide to customers in vulnerable situations. We have performance commitments with FY25 targets for lifting customers out of water poverty (which is one of our KPIs) and signing more customers up to Priority Services, and we have set ambitious targets in our AMP8 business plan to double affordability support, supporting one in six customers in 2025–30.

Health, safety and wellbeing

We monitor various metrics including accidents and near misses, and health, safety and wellbeing is one of the things we assess in our annual colleague opinion survey. We target reductions in significant incidents and injuries, whilst ensuring the correct levels of training and competency, and we have targets for accident frequency rates for both colleagues and contractors. Our overarching aim is that every person working for us or on our behalf goes home safe and well. We also monitor programmes to maintain accreditation with the Workplace Wellbeing Charter.

One of the most important ways to protect colleague safety is to ensure they are properly trained. Recognising this, we have implemented a rule that colleagues must remain in certification on all mandatory training throughout the year to be eligible for the annual bonus. We monitor this regularly and report monthly on any colleagues out of certification.

Diverse and skilled workforce

We monitor metrics on the inclusive nature of our workforce, including gender, ethnicity, disability, social mobility and LGBT+. We target scoring at least in line with both the UK norm and the utilities norm on the diversity and inclusion questions in our colleague engagement survey, and we seek to make progress towards improving our diversity statistics, including closing the gender pay gap.

In 2023, we published our very first equity, diversity and inclusion report, detailing the progress we have made and our commitments and plans to go further still. We have set long-term measurable and actionable ambitions for equity, diversity and inclusion, with a short-term action plan highlighting the areas of focus for the next financial year.

By 2027	
5%	Ethnic minority – executive and direct reports
By 2030	
5.4%	Ethnic minority – total workforce
40%	Females – total workforce
44%	Females on the board
50%	Female executives
50%	Female direct reports to executive

Our goals are focused initially on prioritising gender and ethnicity, but we also remain focused on fully supporting candidates and colleagues from all characteristics and social background.

Colleague training is monitored through a training and development portal, and they receive frequent reminders when they are due to come out of certification and need to undertake any refresher or new training, as well as giving them access to a wide range of training courses.

Stronger — Metrics and targets to monitor and assess delivery of the 'stronger' ambition in our purpose

Cyber security

We monitor a number of security metrics and have targets against each. Many are aimed at meeting or exceeding national recommendations or comparative performance, such as targets for security patching recommended by the National Cyber Security Centre, and our phishing test platform where we monitor comparative performance on clicks, compromises and reports.

We target (and achieve) zero malware outbreaks and use a series of technical and process controls to ensure we achieve this. We aim to have all our major suppliers security assured to our standards, and maintain a dynamic and live assessment of our supply chain through dedicated assessment tools and resources.

We are measured annually by our regulators against NIS security targets and have remained compliant since this was introduced. As a tier two PCI-DSS merchant, we are measured annually by our payment industry stakeholder against PCI-DSS and have remained compliant to requirements for many years.

Financial risk management

We operate within targets set out in our financial risk management policies, including a range for how many months' liquidity we maintain on a rolling basis, levels of index-linked and fixed rate debt as a percentage of net debt that we want to maintain, and energy price hedging. We set individual credit risk targets for counterparties based on their level of risk to ensure we are not over-exposed to any counterparty. We target a 55 to 65 per cent gearing range, which supports our credit rating targets.

Performance against all of these targets is monitored on a monthly basis through management information updates, with more detailed analysis provided quarterly. We also monitor and forecast performance against financial covenants to ensure these will not be breached.

Supporting communities

Community investment is one of our KPIs, with a target to increase our investment by ten per cent in AMP7 compared with the average over AMP5 and AMP6.

We also monitor other community support metrics, such as the number of children benefitting from our education materials.

Our AMP8 business plan has ambitious targets for what we will deliver for each of the five counties in our region, setting out how we will go even further to support these communities in 2025–30.

Building a greener North West

Key performance indicators

Our key performance indicators for building a greener North West are achievement of our Better Rivers commitments, our carbon pledges relating to renewable energy, green fleet, peatland restoration and woodland creation, and the Environment Agency's Environmental Performance Assessment. We report on a selection of other environmental metrics of interest to stakeholders on page 72.

Better Rivers: Better North West commitments

The percentage of in-year milestones delivered as part of our Better Rivers programme.

Target

At least 95% of programme milestones delivered by 2025

Annual performance

100%

All of this year's Better Rivers programme milestones have been delivered, including ensuring 100 per cent of our storm overflows are monitored, which was completed by December 2023.

2022/23: 100% of milestones for the year

2021/22: n/a – new measure in 2022/23

Status

Met expectation/target

Key stakeholder

Environment

Relevant material themes[2]

- River water quality and storm overflows
- Political and regulatory environment
- Trust, transparency and legitimacy

Relevant principal risks[3]

- Wastewater network failure

Link to remuneration[4]

Bonus

Assurance

Independent third-party verification

Carbon pledges

Six pledges supporting our climate change mitigation activities including green fleet, peatland restoration and woodland creation, and supplier engagement.

Target

Individual targets for each of the six carbon pledges

Annual performance

Good progress

Having already delivered two of our six pledges, during the last 12 months we have surpassed our 2030 target for peatland restoration ahead of schedule, with potential identified to go further. We continue to make progress on the other pledges, as detailed on page 74.

2022/23: Pledges 2 and 6 met

2021/22: Pledges 2 and 6 met

Status

Met expectation/target

Key stakeholder

Environment

Relevant material themes[2]

- Climate change mitigation
- Resilience
- Trust, transparency and legitimacy

Relevant principal risks

See pages 57 to 58

Link to remuneration[4]

LTP

Assurance

Independent third-party verification

EA's Environmental Performance Assessment (EPA) rating[1]

The Environment Agency's annual assessment across six key sector environmental performance measures.

Target

Upper quartile performance within the water industry each year

Annual performance

3* 'good' rating

The most recent assessment is for 2022, when we were awarded three stars, meaning we were classed by the Environment Agency as a good company. The EA will publish its annual assessment for 2023 in July 2024, and we are on track for 4-star 'industry-leading' performance.

2021: Joint first

2020: Joint first

Status

Met expectation/target

Key stakeholder

Environment

Relevant material issues[2]

- Customer service and operational performance
- Trust, transparency and legitimacy
- Political and regulatory environment

Relevant principal risks[3]

- Wastewater network failure
- Recycling of biosolids to agriculture

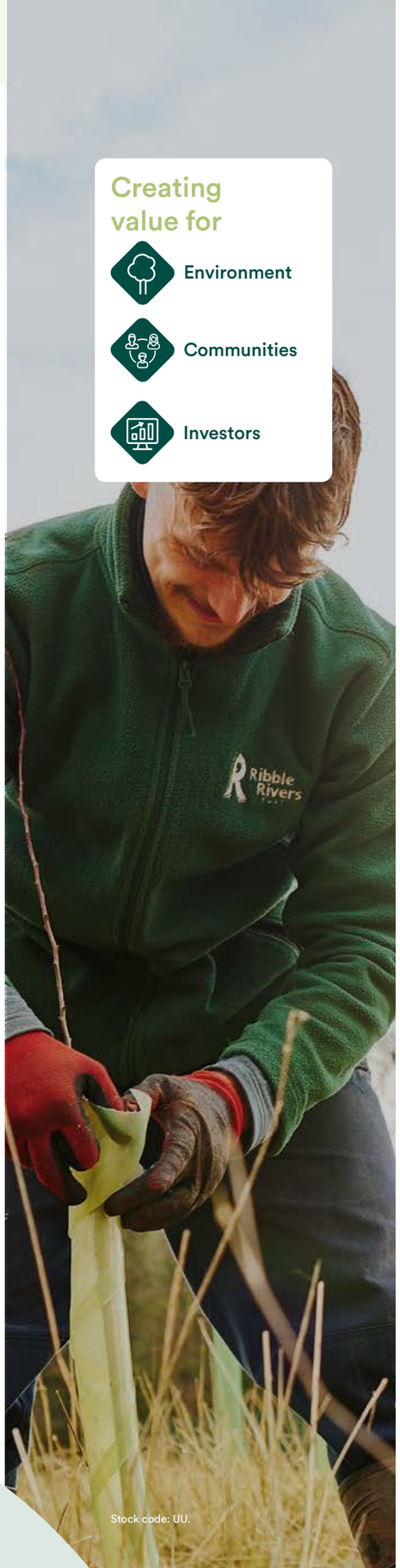
Link to remuneration[4]

LTP

Assurance

Independent third-party verification

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read more about our materiality assessment on pages 28 to 30.
(3) Read more about our principal risks on pages 55 to 56.
(4) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
(5) Read more about the assurance over our performance metrics on page 63.



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Creating value for

- Environment
- Communities
- Investors

Consistently strong environmental performance

The Environmental Performance Assessment (EPA) published by the Environment Agency (EA) consists of seven metrics – including the addition of satisfactory sludge use and disposal for 2022 – against which company performance is assessed on a red, amber or green (RAG) status. Based on performance across all of the metrics, star ratings (one to four, with four being the highest) are then applied to each water company.

The most recent assessment is for 2022, and we were awarded overall three stars, meaning we were classed by the EA as good. The EA will publish its assessment for 2023 in July 2024, and we are on track to achieve the maximum four stars, which would classify us as 'industry leading'.

This remains a strong achievement, particularly as the thresholds to assess companies' performance continue to tighten. We were green across six of the seven metrics, with an amber status for discharge permit compliance being the only factor falling short of us achieving the top 4-star rating. We have been rated three or four stars in every year's assessment since they began, with the top 4-star rating secured in five of the last eight years, demonstrating consistently strong environmental performance.

We continue to deliver a sustained reduction in pollution incidents, achieving industry-leading performance on minimising pollution in the 2022 assessment. We were one of only two companies with zero serious pollution incidents (category 1 and 2). This was the 12th year running that we were rated green status for our performance on serious incidents, which is the strongest performance in the industry. We also had the lowest number of total pollution incidents per 10,000km² of any company. While the extraordinarily heavy rainfall we experienced this year did have an impact on our pollution performance commitment with an ODI penalty in this area, we continue to perform strongly and remain committed to minimising our environmental impact.

We once again achieved green status for our delivery of the Water Industry National Environment Programme (WINEP). We have delivered 100 per cent of our WINEP schemes by their planned delivery date since the beginning of the current 2020–25 period (AMP7). These schemes are delivering significant improvements to the environment, including rivers, across the North West.

Improving water quality in rivers across the North West

We are dedicated to improving rivers across the North West, which is one of our six strategic priorities. Under the Water Framework Directive, river water quality is measured by whether it is achieving good ecological status, and the target is for all rivers to attain this by 2027. Where rivers fail to meet this, the 'reasons for not achieving good status' (RNAGs) are assigned by the EA to a range of organisations, including water companies, with a responsibility to act to improve water quality. In 2019, 18.4 per cent of the total RNAGs in the North West where responsible sectors have been identified were attributed to us. As a result of our investment in wastewater treatment and storm overflows, we are taking action to tackle 75 per cent of these by 2025, with further reductions targeted in AMP8 and beyond. We will also continue to work in partnership with other organisations on actions to address RNAGs attributed to them, which can deliver further benefits such as improving how surface water is managed to reduce the risk of flooding.

Many of our stakeholders are concerned about the impact of storm overflows. We agree that the time has come to change this century-old feature of wastewater networks, and we are committed to going further and faster to reduce the number of spills. This is a huge change, and achieving the improvement that is needed will not happen overnight. The North West has more rainfall and more combined sewers than elsewhere in the country. However, we are committed to delivering as quickly and as effectively as possible.

Two years ago we set out our commitments to improve river health across the North West. As part of our Better Rivers programme, we set out four pledges supported by 30 commitments to kick-start a river revival in the region. We have made good progress so far. By December 2023, we had fitted monitors to all of our storm overflows, and we have published a map that shows the location and operational status of each overflow in near-real time.

As a result of our considerable efforts to improve monitoring and operation of storm overflows, we have achieved a significant reduction in the number of reported spills compared to the 2020 baseline. The exceptionally high rainfall this year did lead to an increase in spills compared with last year, but reported spills in the current year were still 24 per cent lower per overflow than our 2020 baseline. 2020 was also a wet year, comparable to 2023.

View our map of overflows across the North West at unitedutilities.com/better-rivers/storm-overflow-map

Building a greener North West

We remain on track to meet our target of a sustainable one-third reduction by 2025 under normal weather conditions.

We have made particularly strong progress at certain targeted sites. For instance at Cargo, one of our highest spilling sites, our interventions have significantly reduced spills. Having completed our work in August 2023, a site that saw 343 spills in 2022 has experienced just nine from September 2023 up to the end of the financial year. More information on our interventions at Cargo can be found in the case study on page 73. We plan to roll this out to a further 29 locations.

While we are pleased with progress so far, we want to go further and faster to deliver improvements. Our AMP8 submission included the UK's biggest storm overflow spill reduction plan, targeting a 60 per cent reduction in the decade to 2030 and, as part of Defra's Accelerated Infrastructure Delivery project, we have approval to progress with more than 150 priority projects during 2023–25.

We are focused on agile solutions that enable us to make meaningful progress quickly, while our longer-term plans look at 'blue-green' nature-based solutions as well as the traditional 'grey' options like storm tanks. We have appointed a dedicated Better Rivers director and established a new storm overflow integrated delivery team to accelerate our improvement plan and reduce spills from storm overflows as quickly as possible.

Climate mitigation

We continue to work towards our 2050 net zero ambition, with our transition plan set out on pages 37 to 39. Supporting this, we have made six bold carbon pledges, underpinned by science-based targets.

Our pledges include making absolute emission reductions, switching to low-carbon electricity, moving our fleet to green vehicles, restoring peatland and creating woodland.

Having already achieved two of these pledges, this year we also surpassed our 2030 target for peatland restoration and continue to make good progress with the remaining three pledges, as detailed on page 74.

We are delivering landscape-scale change in our peatland restoration and woodland creation programmes. These programmes are not only beneficial from a carbon perspective, capturing and sequestering greenhouse gases, but also deliver wider benefits to protect water and other habitats, and enable recreational access for communities and tourism.

For example, since 2005 we have undertaken extensive work to restore the quality of the peatland. This delivers multiple benefits, ranging from slowing the flow of water to reduce flooding risk, delivering higher-quality raw water at the receiving watercourse, and reducing carbon emissions by trapping carbon in the peat. Over the past year, we worked with partners such as the Cumbria Wildlife Trust and the Peak District National Park Authority to implement schemes to improve peatland and, with the RSPB, we planted the one millionth sphagnum plug at Dove Stone in the Peak District National Park.

As the largest corporate landowner in England, our land assets provide an abundant scope for the development of renewable and other clean technologies. We have showcased our ability in this space, having previously grown a portfolio of renewable assets across the North West. Following the sale of these assets last year, we will be recycling the funds generated by that sale to invest in the next stage of our journey. As an initial step, we are working on plans to develop up to 200 megawatts of new installed capacity by 2030. This programme could comprise a combination of solar, wind and batteries, helping to deliver emissions reductions and further improve both operating and financial resilience.

24%

reduction in spills per monitored storm overflow compared with 2020 baseline

3* or 4*

performance in the EA's annual assessments since they began, and on track for 4-star for 2023

42%

targeted reduction in scope 1 and 2 emissions by 2030, towards our net zero 2050 target

We will also work with our supply chain to achieve two scope 3 targets. Firstly, for 66 per cent of our capital goods suppliers (by emissions) to have science-based targets by 2025. Secondly, for all other scope 3 categories, to achieve a 25 per cent reduction in emissions by 2030 (from a 2019/20 baseline year).

We are proud to be contributing to the UK water industry's efforts to mitigate climate change.

Climate resilience

We continue to invest across our business to protect and enhance the climate resilience of our assets, processes and customer services.

In December 2021, we published a comprehensive overview of our climate risks and plans in our third climate change adaptation progress report, and we are in the process of updating this again during 2024. We have further integrated our approach to understanding the impacts of climate change in our latest Drainage and Wastewater Management Plan and our Water Resource Management Plan. This is part of our long-term adaptive planning to ensure our services are resilient to a range of plausible climate change scenarios.

We continue to expand our approach to climate resilience, including engagement with stakeholders and interdependent service providers, such as the energy sector. Taking account of interdependent risks in our business planning process allows us to maximise the value we deliver for customers and other stakeholders through working together on common challenges. We are working with electricity distribution network operators to align investment, such as securing resilient energy infrastructure to our sites, as part of our business plan submission for 2025–30 and beyond.

Working with the Ribble Rivers Trust, we have delivered a natural flood management scheme within the Chipping catchment in the Ribble Valley, with similar schemes also benefitting the catchments around the rivers Wyre and Lune.

Our annual disclosures, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), can be found throughout this report, as set out on page 03. These describe how our strategy and financial planning is influenced by the challenges of climate change.

Enhancing and protecting biodiversity and natural capital

We have developed a value assessment tool, used in the development of our future plans to incorporate broader natural capital into our decision-making process. We continue to deliver strong performance against our ODI on enhancing natural capital value for customers, which encourages assessment of the added natural capital value we deliver by pursuing nature-based and catchment solutions. We have earned a reward this year, against a nil target as we identified new opportunities to improve natural capital on projects during the year.

In 2024 we published our Corporate Natural Capital Account, which captured the key benefits from natural assets on land we own, and the costs associated with maintaining these. This will influence how we prioritise our investments, and feeds into our Task Force on Nature-related Financial Disclosures (TNFD) throughout this report. Each natural capital account will be utilised to support future decision-making and to monitor and track the value we deliver through our activities.

Biodiversity is a key pillar of natural capital, and ensuring the preservation and enhancement of biodiversity is a key element to our Catchment Systems Thinking approach.

We are working in partnership with the RSPB across our Haweswater estate in the Lake District National Park, with nature restoration working alongside hill farming to bring benefits for the rich and varied wildlife native to the area, the quality of water flowing into the Haweswater reservoir, and the people that live in and visit this beautiful area, which attracts more than 400,000 visitors every year. Conservation grazing and regenerative farming is part of the operation, working across 3,000 hectares of land through:

- Restoration of grassland SSSI features;
- Low intensity grazing by hardy upland species;
- Native woodland planting;
- Deer management;
- Natural woodland regeneration;
- River restoration; and
- Blanket bog restoration.

We undertake significant development to deliver our capital investment programme, and our AMP8 plan proposes the largest investment in our region for more than a decade. Importantly, for many years we have committed to no net loss of biodiversity through our development, and are striving to go further with opportunities for biodiversity net gain.

We have a major impact on biodiversity through the large areas of land we own that are designated as Sites of Special Scientific Interest (SSSIs). We have committed to achieving 100 per cent of our SSSI land in either favourable or recovering condition by 2030, and we have made significant improvements, helping us move towards this target. In 2023, 91 per cent was favourable or recovering, up from 48 per cent in 2004.

We have been an active member of the Ofwat working group supporting the development of a new common performance commitment around biodiversity, and we welcome this important step. We are now developing our delivery programme to maximise the environmental value that can be delivered through this performance commitment.

Woodland creation helps to boost biodiversity, protect water quality, and improve air quality. Since the start of AMP7 we have planted more than 600,000 trees across the region, surpassing our 2025 target. We continue to identify suitable locations for further tree planting, working towards our commitment to plant a million trees by 2030.

Strong performance on leakage despite challenging weather

Reducing leakage is of huge importance for our stakeholders and for us. Over AMP7, we are targeting a 15 per cent reduction in total leakage, and we have met our leakage target for the 18th consecutive year, now fixing six leaks every 30 minutes. As a result of this strong achievement we expect to receive an ODI reward this year in relation to outperformance against our leakage performance commitment.

Our AMP8 business plan targets a further 13 per cent reduction. Our delivery plan continues to make best use of available technologies and is flexible to ensure that we can embrace innovation in this area. We actively look to trial new techniques to understand how these can be scaled and embedded in the most effective way, and this gives us opportunities to accelerate and target those interventions that are demonstrated to be the most effective. We continue to use the learning from these pilots and trials to refine our approach to reducing leakage and deliver our Dynamic Network Management (DNM) ambition across our water network.

Building a greener North West

Status key

Annual performance	Met expectation/target	Close to meeting expectation/target	Behind expectation/target
Against 2025 target	Confident of meeting target	Some work to do	Target unobtainable

Stakeholder key

Customers · Environment · Communities · Colleagues · Suppliers · Investors

Measure	2025 target	Performance 2023/24	Performance 2022/23	Performance 2021/22	Assurance[6]	Link to remuneration[2]	Key stakeholder	Status: Annual performance	Status: Against 2025 target
Pollution incidents per 10,000km sewer network[1]	19.5	**27.93**	16.29	17.71	RRA	LTP	Environment	Behind expectation/target	Confident of meeting target
Reduction in spills per storm overflow monitored	33% sustainable reduction[4]	**24%**	41%	29%	IAT	Bonus	Environment	Close to meeting expectation/target	Confident of meeting target
Treatment works compliance[1]	99%	**99.0%**	98.5%	99.0%	RRA	LTP	Environment	Confident of meeting target	Confident of meeting target
Leakage reduction[1]	15%[3]	**9%**	6%	8%	RRA	LTP	Environment	Confident of meeting target	Confident of meeting target
Reduction in per capita consumption[1]	6.3%[4]	**2.5% decrease**	0.5% increase	1.5% increase	RRA	PC	Environment	Behind expectation/target	Behind expectation/target
Internal flooding incidents per 10,000 sewer connections[1]	1.34	**4.35**	2.32	2.98	RRA	PC	Customers	Behind expectation/target	Behind expectation/target
External flooding incidents[1]	5,859	**7,063**	5,916	6,223	RRA	PC	Customers	Behind expectation/target	Close to meeting expectation/target
Waste to beneficial use	98%	**98.3**	98.3%	97.8%	IAT		Environment	Confident of meeting target	Confident of meeting target
Enhancing natural capital for customers[1]	£4 million	**£15.777 million**	£0	£3.234 million	RRA	PC	Environment	Confident of meeting target	Confident of meeting target
Number of trees planted	500,000	**600,466**	565,733	461,240	IAT		Communities	Confident of meeting target	Confident of meeting target
Carbon pledge 1: reduction of scope 1 and 2 GHG emissions	14% reduction[5] (42% by 2030)	**3.4% reduction**	3.7% reduction	2.2% reduction	ITV		Communities	Close to meeting expectation/target	Close to meeting expectation/target
Carbon pledge 2: renewable electricity purchased	100% by 2023	**100%**	100%	96%	ITV		Environment	Confident of meeting target	Confident of meeting target
Carbon pledge 3: green fleet	100% by 2028	**91 vehicles**	33 vehicles	27 vehicles	IAT	LTP	Environment	Confident of meeting target	Confident of meeting target
Carbon pledge 4: peatland restoration	1,000 hectares (ha) by 2030	**1,211 ha**	585 ha	Activity underway	ITV	LTP	Environment	Confident of meeting target	Confident of meeting target
Carbon pledge 5: woodland created	550 hectares (ha) by 2030	**37 ha**	37 ha	9 ha	ITV	LTP	Environment	Confident of meeting target	Confident of meeting target
Construction services suppliers with science-based targets	66%	**23%**	23%	n/a	IAT	LTP	Suppliers	Confident of meeting target	Confident of meeting target
Better air quality: nitrogen oxides (NOx) emissions per unit of renewable electricity generated[1]	1.42	**0.96**	1.07	1.19	RRA	PC	Environment	Confident of meeting target	Confident of meeting target
Energy generated directly, and with partners, as a percentage of used	25% at 2026	**22.4%**	23.0%	n/a	ITV	LTP	Environment	Confident of meeting target	Confident of meeting target

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs).
These feed into both bonus and LTP through inclusion of customer ODIs and return on regulated equity (RoRE) respectively.
(3) As measured against a 2017/18 baseline.
(4) As measured against a 2019/20 baseline.
(5) As measured against science-based target baseline year 2019/20.
(6) Read more about the assurance over our performance metrics on page 63.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Acting now to improve the North West's rivers

We're committed to making the step change people want to see in improving the North West's waterways, and our storm overflow reduction plan will see the biggest overhaul of the region's sewer network in a century.

The plan up to 2050 will require us to invest around £19 billion in the North West. It's the largest investment of its kind and will bring a massive reduction in sewer pollution entering rivers, beaches and lakes across the North West, as Jo Harrison, asset management director, explains.

"We are re-plumbing our drainage systems, building storage tanks to increase the capacity, separating rainwater out of sewers, and harnessing the power of nature to treat stormwater before it is returned to the environment. Work has already started and people are going to see much more of this over the next 25 years."

By 2050 the goal is to ensure that storm overflows, the relief mechanism that prevents sewers from backing up and flooding homes and businesses in heavy rain, each operate less than ten times a year. We monitor each one of our overflows, capturing real-time data that gives us a clear picture on how frequently they're operating, and which should be tackled first – those that are causing harm to river systems. We've accelerated delivery at some of the highest priority sites and by 2030 more than 430 storm overflows will be improved, through a mix of nature-based schemes, agile solutions and larger construction projects.

A scheme where a quick solution has had a big impact is in Cargo, a village near the River Eden in Cumbria. A small wastewater treatment works in the relatively remote location services 254 homes and, having no mains power, is reliant on a gravity-based system. The size, scale and location of the site brings multiple challenges, and the local storm overflow was spilling with even modest use, discharging into a local water course.

Following approval of our proposed Accelerated Infrastructure Delivery programme, we moved quickly to create an interim solution. In just 14 weeks, we installed a new tank to provide temporary storage for spills and an additional storm tank to add a further 75m³ capacity, completing that work in August 2023. Where previously the site could treat three litres of wastewater a second, it now treats 17 litres a second. Crucially, spills have reduced significantly, from 343 in 2022 to just nine from September 2023 up to the end of March 2024.

Of course, while Cargo provides a great example of a site where we moved quickly to deliver a rapid solution, the majority of sites need a more substantial and longer-term approach. One of our much larger projects has seen a vast new underground stormwater storage tank, capable of holding almost two million litres of water, being constructed in Nelson, near Burnley, Lancashire. A combination of an increasing population in the area and the impact of climate change created a need to introduce extra capacity in the sewer system. The stormwater tank will act as a 'holding area' for the extra rainwater that enters the sewer network during times of heavy rainfall, meaning the system is less likely to be overwhelmed and reducing spills into the River Calder.

Projects like these form part of our commitment to create better rivers, making the North West stronger, greener and healthier.

Delivering value for

This is creating value for the environment, local communities, and customers.

Read more about our Better Rivers commitments and plans on our website at unitedutilities.com/better-rivers

Greener: climate — Progress against our carbon pledges

In 2020 United Utilities made six pledges that set out our initial priorities in the global goal to curb climate change to no more than 1.5°C above pre-industrial levels.

Our progress against these pledges, and where they link to remuneration, is summarised below. Before the start of the next investment period we will review our pledges and targets to reflect our business plan to 2030 and the opportunities which it will bring for emissions reduction.

Pledge 1

42 per cent reduction of scope 1 and 2 emissions from our 2020 baseline by 2030

Our progress

3.4% Some work to do

It continues to be challenging for us to reduce scope 1 and 2 emissions whilst serving an increasing North West population. 60 per cent of scope 1 and 2 emissions are from the release of methane which has a higher global warming potential in AR5. This change, from AR4, was the primary driver for the small increase in emissions in 2023/24.

2019/20: 138,961 tCO_2e baseline
2023/24: 134,239 tCO_2e 3.4% reduction

Pledge 2

100 per cent renewable electricity by 2021

Our progress

100% Pledge met

Since October 2021, all electricity we buy through annual contracts is renewable. Around 22 per cent of our needs are renewably generated directly by us or with partners and the remainder is purchased and backed with REGO certificates. We are working on plans to further increase the energy we can self-supply through investment in renewable capacity and storage.

Pledge 3

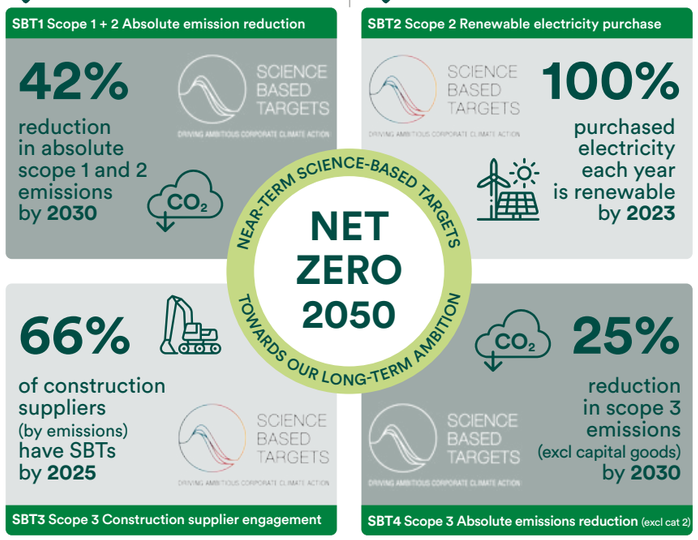
100 per cent green fleet by 2028

Our progress

91 vehicles Confident of meeting pledge

Having assessed our travel patterns with advanced telemetrics we are now using this insight to develop the infrastructure a green fleet needs. We are installing home chargers for fleet drivers, have begun to install fast and rapid chargers across our operational sites and forecast to have 200 all-electric vehicles (EVs) by the end of 2025. We also encourage personal green travel through salary sacrifice schemes for bikes and EVs and discounted travel on Warrington buses.

Link to remuneration: LTP



Pledge 4

1,000 hectares of peatland restoration by 2030

Our progress

1,211ha Confident of meeting pledge

We have carried out peatland restoration activities across the North West building on the 2,000 hectares improved through our 2005–15 SCaMP projects. We already have 1,211 hectares under restoration towards meeting this pledge and the LTP. We have also identified a potential further 2,800 hectares that may be improved or protected, subject to detailed suitability assessments.

Link to remuneration: LTP

Pledge 6

Set a scope 3 science-based target by 2021

Our progress

SBTs verified July 2021 Pledge met

Our two scope 3 science-based targets (SBT3 and SBT4 above) cover all our relevant scope 3 emissions. Our total scope 3 emissions in 2023/24 are now 2 per cent lower than our 2019/20 baseline. 18 per cent of our scope 3 emissions are from our construction services partners. We work with our construction partners to reduce emissions from their infrastructure projects and encourage them to set their own targets verified by the Science Based Targets initiative (SBTi). Of our construction suppliers, 23 per cent (by 2023/24 emissions) have already set SBTi verified science-based targets for their organisation. In total, 94 per cent have either already set targets or have an active commitment to set targets as can be seen on the SBTi Target dashboard.

Link to remuneration: LTP

Pledge 5

Plant one million trees to create 550 hectares of woodland by 2030

Our progress

37ha Confident of meeting pledge

Woodland creation requires substantial preparatory work including identifying suitable sites, considering the appropriate species mix and planting density, securing funding and producing a long-term management plan. We are making great progress and our current schedule will create around 500 hectares of new woodland over the next three planting seasons.

Link to remuneration: LTP

Greener: climate — Energy and carbon report: Energy

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations require us to publish this energy and carbon report applying the 2019 UK Government Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting Guidance (SECR). We use the financial control approach so our energy and carbon accounting is aligned with the consolidated financial statements for United Utilities Group PLC for 1 April 2023 to 31 March 2024. This includes subsidiaries listed in section A8 on page 228.

Our greenhouse gas inventory, including the underlying energy data summarised below, has undergone independent third-party verification by the Achilles Group to the requirements of Toitū CarbonReduce programme.

	2023/24 GWh	2022/23 GWh[4]	2021/22 GWh	2020/21 GWh
Energy use				
Electricity	**819.6**	818.8	803.3	807.3
Natural gas	**34.1**	33.6	33.8	40.0
Stationary fossil fuels (Gas oil, kerosene, diesel)	**54.7**	59.2	50.5	36.5
Stationary low-carbon fuels (HVO, LPG)	**0.14**	0.01	<0.01	0
Energy for transport (from fuel used or distance travelled)	**80.2**	79.1	72.6	67.5
Total energy used	**988.7**	990.7	960.2	951.3
Electricity purchased				
Grid renewable[1]	**657.6**	655.6	611.0	591.4
Grid standard tariff[2]	**0.09**	0.13	22.3	47.8
Total purchased	**657.7**	655.7	633.3	639.2
Renewable energy generated				
CHP	**120.4**	123.0	133.8	127.6
Solar	**47.3**	46.4	47.8	50.7
Wind	**5.2**	5.1	4.8	5.3
Hydro	**7.6**	6.9	7.2	6.9
Biomethane[3]	**40.2**	44.7	48.9	47.0
Total generated	**220.7**	226.1	242.5	237.5
Renewable energy exported				
Electricity	**18.6**	18.3	23.5	22.4
Biomethane[3]	**40.2**	44.7	48.9	47.0
Total exported	**58.8**	63.0	72.4	69.4

(1) All contractually purchased electricity has been bundled with, or backed by, REGO certificates since October 2021.
(2) Grid standard tariff electricity is the consumption on interim tariffs for newly adopted sites.
(3) Biomethane generated and exported to grid was expressed as an electricity equivalent in previous annual reports.
(4) The figures for 2022/23 are restated for some fuel purchased but not consumed in 2022/23 and to correct an error using petrol fuel properties for diesel and vice versa when calculating energy.

Energy efficiency actions taken

We have an integrated approach to energy efficiency based on continuous improvement of people – optimising ways of working; systems – improving visibility of use and analysis of data systems; and technology – targeted investment to remove technological inefficiencies.

Our energy management programme is delivered by a specialist team of energy engineers working with operational staff. It sets a common approach for benchmarking performance and develops action plans to optimise site-based energy use. The programme held 59 workshops this year and is supported by operational carbon e-learning and a comprehensive energy performance reporting and analysis capability.

We have completed hundreds of systems and technology measures to improve energy efficiency from installing low energy lighting to automating operations of our water and wastewater assets such as with new controls for secondary treatment and pumps. We have also installed over 3,000 sub-meters to identify opportunities to restrain energy use and quantify the benefits of interventions.

Improving energy efficiency is a primary focus of our capital programme and also integrated into our Dynamic Network Management (DNM) capability to ensure our asset base is as efficient as possible. We have developed training courses to engage and develop colleagues across the business and implemented our 'Use Less, Save More' campaign.

Energy strategy

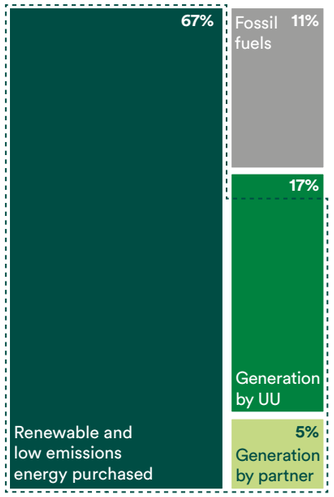
Our energy management strategy has four objectives:

- Efficient use of energy;
- Maximising self-generation and direct supply opportunities;
- Minimising costs; and
- Building supply resilience to ensure we can deliver our services.

Each year we serve a growing population, which means increased energy use as we strive to achieve stringent environmental performance targets. We seek to mitigate this through our energy management and in recent years have maintained consistent energy use in the face of considerable upward pressures.

This year, to support our aims to switch to clean, green energy, we have introduced a new energy metric: 'Energy generated directly, and with partners, as a percentage of used'. The measure has also been included in the 2023 Long Term Plan for executive directors and will encourage energy efficiency, fuel switching away from fossil fuel and clean energy generation, each of which support our net zero transition. Energy generated directly, and with partners, from low carbon sources together with renewable and low emissions energy purchased in 2023/24 is equivalent to 89 per cent of the total energy used.

Switch to clean, green energy



Electricity use (*100% renewable*)

Greener: climate

Energy and carbon report: GHG emissions inventory

Emissions are calculated by estimating the individual greenhouse gases that result from all United Utilities' activities, converted into a tonnes carbon dioxide equivalent (tCO_2e).

Tools and values used in 2024 include UK water industry Carbon Accounting Workbook v18, the 2023 UK Government GHG conversion factors for company reporting, global warming potentials from IPCC 5th Assessment report and Global CEDA (Comprehensive Environmental Data Archive) v6.

Our greenhouse gas inventory, and the underlying data, has undergone independent third-party verification by Achilles group and is certified to the requirements of the Toitū CarbonReduce programme, as aligned to the GHG Protocol Corporate Accounting and Reporting Standard (2015) and the international carbon reporting standard ISO 14064, Part 1:2018. The assurance certificate and report can be found at **unitedutilities.com/corporate/responsibility/environment/climate-change**

Scope 1 and 2 greenhouse gas emissions		2023/24[4] tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e	2020/21 tCO_2e	SBT baseline 2019/20 tCO_2e
Scope 1: Emissions from activities we own or control, e.g. burning fossil fuels, wastewater and sludge processing.						
Direct emissions from burning of fossil fuels		**20,188**[5]	21,166	19,207	17,371	15,247
Process and fugitive emissions – including refrigerants		**96,173**	94,915	96,020	98,569	96,186
Transport: Company-owned or leased vehicles		**17,838**	17,665	16,507	16,634	15,739
Scope 2: Emissions from purchased electricity including for use in vehicles.						
Purchased electricity – generation	Market-based[1]	**32.9**[6]	9.3[6]	4,201	8,507	11,789
	Location-based[2]	*136,183*	*126,813*	*134,492*	*149,030*	*164,521*
Purchased electricity – vehicles	Market-based	6.8	1.7	0.04	0	0
	Location-based	*6.8*	*1.7*	*0.04*	*0*	*0*
Gross scope 1 and 2 emissions total	**Market-based**	**134,239**	**133,757**	**135,936**	**141,081**	**138,961**
	Location-based	*270,389*	*260,561*	*266,226*	*281,604*	*291,693*
Emissions reduction from:						
Renewable electricity exported[3]		**-3,101**	**-2,888**	-4,317	-4,184	-3,979
Biomethane exported	*Location-based*	*-8,439*	*-9,360*	*-10,283*	*-9,725*	*-9,302*
Green tariff electricity purchased[3]	*Location-based*	*-136,162*	*-125,746*	*-133,197*	*-138,015*	*-164,210*
Net scope 1 and 2 emissions total	**Market-based**	**131,138**	**130,869**	131,619	136,897	134,982
	Location-based	*122,687*	*122,567*	*118,429*	*129,680*	*114,202*

(1) Market-based figures use emission factors specific to the actual electricity purchased. For electricity supplied on a standard grid tariff we use CO_2e per kWh from suppliers' public fuel mix disclosures.

(2) Location-based figures use average UK grid emissions to calculate electricity emissions and are shown in *grey italics*.

(3) Exported electricity emissions use the average UK grid emissions factor for both market and location-based totals.

(4) 2023/24 emission factors use IPCC AR5 global warming potentials where CH_4 = 28, N_2O = 265. All previous years use AR4 where CH_4 = 25, N_2O = 298.

(5) Emissions from electricity for recently adopted sites supplied on standard tariffs until they can be moved onto our corporate renewable contracts.

(6) Restated to correct for some fuel previously included in 2022/23 accounts but consumed in 2023/24.

Scope 3 greenhouse gas emissions	2023/24 tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e	2020/21 tCO_2e	SBT baseline 2019/20 tCO_2e
Category 1: Purchased goods and services[7]	**233,480**	250,189	292,946	271,871	213,442
Category 2: Capital goods[7]	**99,962**	138,182	112,498	95,968	128,286
Category 3: Fuel and energy-related emissions[8]	**53,189**	53,446[6]	58,948	42,599	45,262
Category 4: Upstream T&D – sludge transport[8]	**6**	35	103	1,119	3,374
Category 5: Waste generated in ops: including sludge disposal[8]	**26,135**	27,454	25,458	26,333	27,936
Category 6: Business travel: public transport, private vehicles and hotel stays[8]	**1,464**	1,486	1,138	1,226	3,508
Category 7: Employee commuting and homeworking[9]	**5,136**	5,336	4,066	4,108	4,231
Scope scope 3 total	**419,372**	476,128	495,158	443,224	426,039
Scope 3 SBT measure (excluding category 2)	**319,410**	337,946	382,660	347,256	297,753

(7) Categories 1 (excluding chemicals) and 2 use Global CEDA v6 to estimate emissions based on the amount spent by spend category. CEDA is a multi-region, environmentally extended input-output database and has global coverage, annual updates and is a CDP recommended tool.

(8) Categories 3, 4, 5 and 6 use activity records and 2023 UK Government GHG conversion factors for company reporting.

(9) Category 7 uses EcoAct models to estimate emissions from employee commuting and homeworking based on company FTE figures and home, site, hybrid working policies.

Greenhouse gas emissions intensity		2023/24 tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e	2020/21 tCO_2e
Scope 1 and 2 gross emissions per £m revenue	Market-based	**68.9**	73.3	73.0	78.0
Scope 1 and 2 net emissions per £m revenue	Market-based	**67.3**	71.7	70.7	75.7
Water net operational emissions per megalitre water treated [10]	*Location-based*	*177.6*	*101.4*	*106.9*	*118.5*
Wastewater net operational emissions per megalitre sewage treated [10]	*Location-based*	*209.0*	*158.8*	*144.2*	*152.3*

(10) UK water industry intensity metrics. The method for calculating these has been redefined by Ofwat in 2024.

Scope 1 emissions

Wastewater and sludge processes cause approximately 70 per cent of our scope 1 emissions as the gases released, nitrous oxide (N_2O) and methane (CH_4), have much greater global warming potentials than carbon dioxide (CO_2). Our process emissions are currently estimated as a direct function of the amount of wastewater we treat and from recent monitoring we believe this to be an underestimate. We are collaborating with other UK water companies to improve the method to quantify these emissions and to identify ways to reduce or capture those emissions for beneficial use.

Scope 2 emissions

Our market-based scope 2 electricity emissions are negligible as all our contract purchased electricity is REGO backed. In the light of increasing costs, we are reviewing our commitment to REGO back 100 per cent of our electricity purchase in the future.

Scope 3 emissions

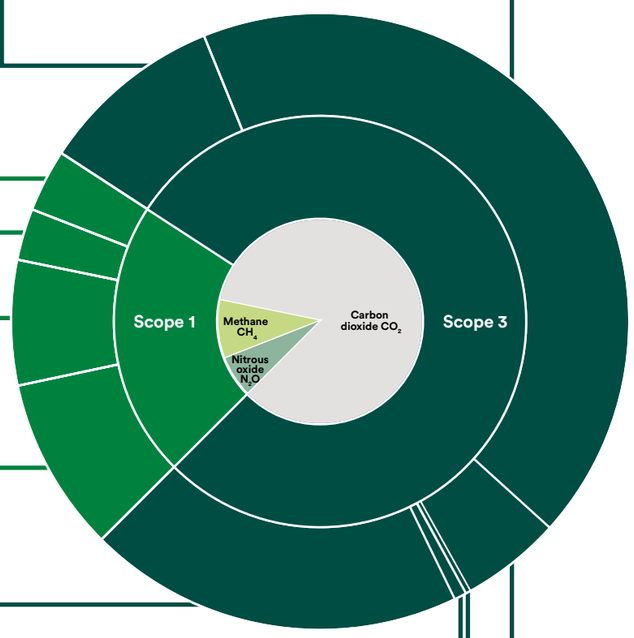
Most of our scope 3 emissions are in GHG Protocol categories 1 (products and services) and 2 (capital goods); the latter being the construction services we buy. The current methodology to estimate these emissions uses records of the amount we have spent. This provides an estimate that is determined by the scale and timing of our investment programme rather than our design choices. We are working with supply chain partners to implement processes and systems to quantify category 2 emissions based on materials and techniques used, thereby giving us the opportunity to influence and track the emissions impacts of our management decisions.

The next highest category is indirect emissions from fuel and energy use so our clean energy and renewable generation ambitions will tackle these as well as scope 1 emissions.

Fuel and energy
20,188 tCO_2e + 53,189 tCO_2e
Fossil fuel use at our sites and the well-to-tank and transmission and distribution scope 3 emissions for all energy makes up 13 per cent of our net total footprint. Reducing our consumption and replacing such fuels with low emissions alternatives is central to our net zero transition plan. We intend to grow our renewable capabilities and play an active role in the development of new technologies such as hydrogen.

Purchased goods and services 233,480 tCO_2e
This year, for the first time, we have estimated the emissions from our chemicals using purchase records and emission factors from published life-cycle carbon assessments. We can now target the chemicals with highest emissions and influence operational and purchasing decisions and research and development investment accordingly. For the remainder of our purchased goods and services we use records of the amount we have spent and a multi-region, environmentally extended input-output database, Global CEDA v6 to give us a comprehensive but indicative estimate of emissions.

Transport 17,838 tCO_2e
We have begun our investment to convert our fleet to low-carbon fuels. We have a growing infrastructure for electric vehicles and are exploring options to fuel HGVs, including hydrogen and HVO.



Sludge processing 42,899 tCO_2e
Treatment of sludge produces methane. Half of our facilities use advanced anaerobic digestion, which captures more of this methane to power and heat our processes or generate electricity. This reduces methane emitted during treatment and after disposal.

Wastewater processing 53,139 tCO_2e
The biological processes used in wastewater treatment produce N_2O and CH_4, both potent GHGs. Emissions are approximately proportional to the size of the communities producing the wastewater.

Gas losses 134 tCO_2e
GHG from refrigerants and SF6 gas losses.

Capital goods
99,962 tCO_2e
We have a significant capital programme to develop our water and wastewater services infrastructure and this construction will produce substantial emissions.

Employees commuting and homeworking
5,136 tCO_2e
Estimates using the numbers of colleagues and where they typically work (office, site or home) using EcoAct's UK models.

Business travel
1,464 tCO_2e
Public transport including air, train, vehicles and hotel stays.

Sludge transport 6 tCO_2e
Contracted sludge transport.

Operational waste
26,135 tCO_2e
Of these emissions, 96 per cent are from disposal of sludge biosolids to agricultural land. Recent UKWIR data shows that the industry estimation method is likely to be significantly overestimating these emissions.

Key performance indicators

Our key performance indicators for building a healthier North West are colleague engagement, customer satisfaction as measured through our ranking within Ofwat's C-MeX survey, and the number of customers lifted out of water poverty. We report on a selection of other metrics relating to customers, colleagues and other social matters on page 82.

Colleague engagement

Level of colleague engagement as measured by our annual colleague opinion survey.

Target

At least as high as utilities norm benchmark

Annual performance

81%

We have achieved a strong set of results this year, scoring well against external benchmarks. Our overall engagement score is in line with the UK high performance norm benchmark.

2022/23: 82 per cent

2021/22: 87 per cent

Status

Met expectation/target

Key stakeholder

Colleagues

Relevant material themes[2]

- Colleague engagement
- Diverse and skilled workforce
- Health, safety and wellbeing

Relevant principal risks[3]

- Inherent risk areas: Resources and Health, safety and wellbeing

Link to remuneration[4]

n/a

Assurance[5]

Independent third-party verification

C-MeX ranking[1]

Ofwat's customer measure of experience (C-MeX), comprising two surveys – the customer service survey, and the customer experience survey.

Target

Upper quartile against water and sewerage companies (WaSCs)

Annual performance

2nd quartile

We continue to be the highest performing listed company, ranked fourth out of the WaSCs, and sixth out of all 17 companies.

2022/23: top listed company, fourth WaSC, and fifth overall

2021/22: top listed company, fourth WaSC, and seventh overall

Status

Close to meeting expectation/target

Key stakeholder

Customers

Relevant material themes[2]

- Customer service and operational performance
- Trust, transparency and legitimacy
- Political and regulatory environment

Relevant principal risks[3]

- Failure of the Haweswater Aqueduct
- Wastewater network failure
- Water availability

Link to remuneration[4]

Bonus and LTP

Assurance[5]

Regulatory reporting assurance

Customers lifted out of water poverty[1]

Where our support acts to lift a customer out of water poverty, which is defined as spending more than 3 per cent of income on their water bill.

Target

At least 66,500 customers lifted out of water poverty by 2024/25

Annual performance

100,758

We have helped more than 100,000 customers out of water poverty so far this AMP (including more than 84,000 against our regulatory target and related ODI, which applies a maximum cap on the number of company-funded customers that can be included).

2022/23: 106,936 customers

2021/22: 98,293 customers

Status

Met expectation/target

Key stakeholder

Customers

Relevant material themes[2]

- Affordability and vulnerability
- Customer service and operational performance
- North West regional economy

Relevant principal risks[3]

- Inherent risk areas: Retail and commercial

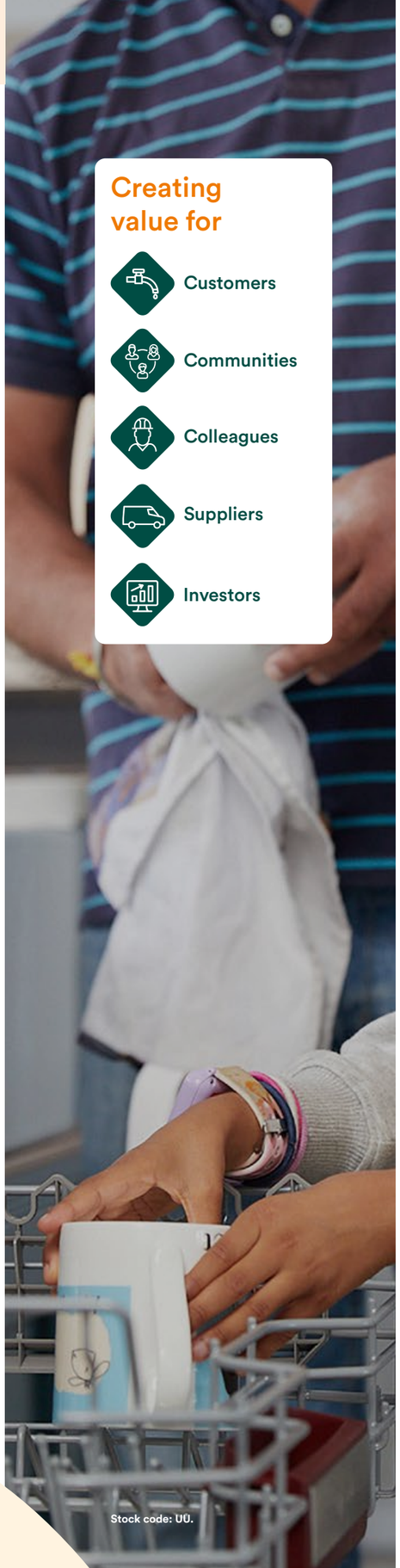
Link to remuneration[4]

LTP

Assurance[5]

Regulatory reporting assurance

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read more about our materiality assessment on pages 28 to 30.
(3) Read more about our principal risks on pages 52 to 56.
(4) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
(5) Read more about the assurance over our performance metrics on page 63.



Stock code: UU.

Creating value for

- Customers
- Communities
- Colleagues
- Suppliers
- Investors

Affordability

Affordability support remains a key focus area and over the last year we have seen a significant increase in the number of customers asking for help with their bills.

We have supported around 375,000 households so far in AMP7 through our comprehensive range of affordability schemes. We've increased our efforts to support customers, many of whom will be disproportionately impacted by the cost-of-living increases, with management of their bills and highlighting the support we have available. Utilising data, we're monitoring customer payment behaviour to proactively identify customers showing signs of struggling to pay, and sending early intervention emails with tailored messaging designed to increase customer awareness of the support we, and third-party organisations, can offer.

With bills expected to go up in AMP8 to support the investment needed, our business plan proposals include our biggest ever support package, doubling the financial support available to more than £500 million and helping one in six customers during 2025–30.

Customers that struggle to pay their water bills will inevitably also struggle with other bills, so we believe the key to providing real tangible support is cross-industry collaboration. In January, we held our fifth affordability summit, bringing together partner agencies and key stakeholders to highlight the importance of collaborative cross-sector working. Attendees from councils, charities, energy companies, housing associations and others shared experiences and discussed ways to be more joined up when it comes to helping people across the region.

We remain supportive of the drive to introduce a national social tariff, which would help to provide a more equitable sharing of support for customers across the country.

Vulnerability

We are a leader in vulnerability assistance in the water industry, with a wide range of support schemes for customers, many of which are firsts for the industry.

We support over 400,000 vulnerable customers on the Priority Services Register, and we are one of the first in the industry to hold accreditation to the new ISO Consumer Vulnerability standard, ISO 22458:2022 for our Priority Services offering.

We held our second customer vulnerability summit in June 2023, bringing together more than 50 representatives from charities and organisations specialising in vulnerabilities to discuss ways we can all support people with additional needs. We are also publishing our new vulnerability strategy in June this year.

Providing great customer service

We continue to focus on delivering great service, and have reorganised our water and wastewater services to align with our county-based approach to drive further improvements for customers, building on the strong overall level of service we have delivered this year.

We have met or beaten 80 per cent of our performance commitments this year, achieving our highest ever reward against customer outcome delivery incentives (ODIs) with a net reward of £34 million this year.

Our investment in water quality, principally avoiding discolouration, has supported a reduction in discoloured water events and a subsequent reduction in customer contacts for discoloured water. This has been supported by our Water Quality First programme, launched in 2021 with the aim of providing customers with industry-leading water quality. Alongside improvements to our assets, such as cleaning over 15,000 kilometres of mains to reduce the risk of discolouration, over 5,000 colleagues and many of our key supply chain partners have completed an e-learning module on water quality. Last summer we completed a rigorous eight-year programme of inspecting and cleaning every storage reservoir as part of our Water Quality First programme.

Our efforts to improve water quality have been recognised by the Drinking Water Inspectorate (DWI). We also won the Drinking Water Initiative of the Year award in the 2023 Water Industry Awards.

While we have seen a significant improvement in discolouration, we know there is still work to do to improve our overall performance.

The improvements we have made to water quality and the reduction in water quality contacts we have seen are contributing towards our ODI reward this year, alongside other measures such as the work we have done to reduce voids, improving hydraulic flood risk resilience, enhanced water service resilience, reducing sewer blockages, and reducing lead risk.

Weather during the year has brought challenges, with dry weather in the early summer triggering actions under our drought plan, and then shifting suddenly to a prolonged period of heavy rainfall over autumn and winter, followed by a sharp freeze-thaw event in January. Annual rainfall in 2023 was exceptionally high across the North West – it was the wettest for the last 69 years, with parts of our region experiencing rainfall up to 50 per cent higher than 2022 and up to a third higher than the long-run average.

Building a healthier North West

This unfortunately had an adverse impact on service for customers, with increased instances of flooding and supply interruptions, as well as the impact on overflow spills and pollution performance mentioned on page 69. We are disappointed to see that our performance on internal sewer flooding is above the maximum collar for ODI penalty this year. Supply interruptions, external flooding and pollution incidents are also in ODI penalty this year as a result of this extreme weather.

We have made great progress in reducing flooding incidents since the start of AMP7, supported by our investment in Dynamic Network Management (DNM), our pollution performance across recent years has been the strongest in the industry as discussed on page 69, and we continue to target these important areas.

As mentioned on page 12, we experienced a fractured outlet pipe at our Fleetwood Wastewater Treatment Works in June and the Environment Agency issued precautionary advice in relation to the bathing water along the Fylde Coast while we were working to resolve this. We recognise the disruption caused by this loss of amenity and have worked hard with the local community, hosting drop-in sessions while the incident was ongoing and putting back into the community afterwards with financial contributions, water butts in Cleveleys town centre, and a newsletter for Fylde Coast residents.

The bypass and the repair has resulted in £38 million of additional operating and infrastructure renewals expenditure in the period, which has been excluded from underlying results as shown on page 97.

Customer satisfaction

In the latest Customer Service Index (an independent survey from the Institute of Customer Service that benchmarks over 280 organisations across many sectors), we were ranked as the top water and sewerage company and retained our top five position among the 31 utility companies.

Our performance against Ofwat's measure of customer satisfaction, C-MeX, remains strong despite feeling an impact due to general sentiment towards the company in relation to areas of public scrutiny such as spills from overflows. We continue to be the highest performing listed company, ranked fourth out of the water and wastewater companies and sixth overall out of all 17 companies.

Customer service is hugely important to us, and we have been re-accredited with the Institute of Customer Service – Service Mark with Distinction award, one of only 22 brands to achieve distinction. Every month we receive fantastic feedback from customers telling us how our colleagues have gone the extra mile. We were particularly proud of 11 of our colleagues that have each received more than 500 nominations from customers in the WOW! Awards scheme, where customers provide independent, proactive feedback on the service we provide.

Cash collection

Cash collection performance has been good this year and our household bad debt charge is low at 1.6 per cent of household revenue, down from 1.8 per cent last year. We have a high level of direct debit penetration, at 71 per cent, and overall more than 80 per cent of customers are on payment plans.

This helps to provide a high degree of collection certainty and enables us to spot potential affordability issues early, at the first missed payment, so that we can make contact swiftly.

For customers that need affordability support, we can quickly get them onto the right scheme to help them get back on track. For those customers that can afford to pay but choose not to do so, we have a comprehensive data-led approach to collections that helps us accurately pursue payment in an efficient and timely manner. This includes a range of techniques, such as 'nudging' customers through email or text if a payment is late, enhanced credit reference sharing, and credit reporting.

A safe and great place to work

Service is underpinned by the people who deliver it and it's encouraging to see we have achieved UK high performance levels of colleague engagement, with 87 per cent of our colleagues contributing to our annual survey with an engagement level of 81 per cent. Wellbeing and safety were the two highest scoring categories, and this year's wellbeing score of 93 per cent was a 12-point improvement from last year, reflecting our ongoing focus on providing a safe and great place to work.

Following submission of our business plan this year, we hosted a colleague event in Blackpool, open to everyone across the organisation, to hear about our plans and ask questions. We launched some excellent new benefits for all colleagues, including a virtual GP service and menopause support app. We are focused on mental, as well as physical health, and have actively promoted Andy's Man Club and other mental health services. We also launched a new 'Call it Out' initiative this year to encourage colleagues to raise ideas for improving efficiency and performance, which is already delivering improvements.

The most important thing is that every colleague goes home safe and well, and we continue to have a strong focus on health, safety and wellbeing. Following concerns over RAAC concrete, we have undertaken a review supported by an expert third-party structural surveyor for any use of RAAC concrete in our buildings and structures. The survey did not identify any use in process assets, and in only one instance has the material been found to be present in structures assessed.

Our colleague accident frequency rate for 2023/24 was 0.092 accidents per 100,000 hours worked, slightly higher than last year and amounting to 12 accidents reported. This year we have seen an increase in manual handling injuries and slips, trips and falls. Although none of our employees were seriously injured during these incidents, they did result in lost time from work. To address the increase in these types of incident, we have strategic objectives focused on driving improvements in these areas. We have focused risk-based plans in place to maintain progress toward our 2025 target of a 10 per cent year-on-year improvement in performance.

Our contractor accident frequency rate decreased to 0.043 accidents per 100,000 hours worked. We continue to work closely with our contract partners to develop standard approaches to key risk areas to help reduce health and safety risks.

In recognition of our commitment to health and safety, we were awarded the Royal Society for the Prevention of Accidents (RoSPA) gold standard medal for the twelfth consecutive year.

We have been recognised for our focus on wellbeing and awarded the National Workplace Wellbeing Charter, demonstrating our commitment to proactively championing a healthy workplace. We continue to perform well in ShareAction's Workforce Disclosure Initiative, with our score of 89 per cent exceeding the UK and utilities averages.

Focusing on equity, diversity and inclusion (ED&I)

We want fantastic people to enable us to deliver a great service now and into the future. We are supporting colleagues to achieve their full potential and to feel valued and included, regardless of their gender, age, race, disability, sexual orientation or social background, and we make sure we are reaching and recruiting from every part of our community.

Our workforce profile remains at 65 per cent male and 35 per cent female. We have set bold, long-term targets to improve diversity. We have exceeded our 2025 target to have 40 per cent women on board, achieving an overall ranking of 31 out of 100 FTSE companies in the FTSE Women Leaders index. In the utilities sector, we are now ranked sixth in the combined FTSE 350 + Private 50 companies index.

This year, 46 per cent of our new graduates are female. We have achieved gender balance in our apprenticeship population with 50 per cent female in a traditionally male-dominated sector where women only make up 26 per cent of the science, technology, engineering and maths (STEM) workforce.

Through our partnership with WB Directors, colleagues have access to services such as CV writing and workshops to develop their career in senior leadership and non-executive board roles.

This year, we celebrated ten years of our GENEq (gender equality) network. The network aims to support, mentor, develop, inspire and promote everyone – through fostering a culture of gender equality. We have lots of different networks including LGBT+, multicultural, and armed forces. It is important to us to create an inclusive and supportive working environment, where everyone feels valued. The GENEq network has over 400 members and is continuously growing.

In our latest survey, 89 per cent of colleagues said that United Utilities supports diversity and inclusion in the workplace – scoring higher than both the UK norm and utilities norm benchmarks, and recognising our drive to be an inclusive workplace of choice.

Attracting and developing future talent

We are focused on training and development opportunities, and won Water Industry Skills Employer of the Year 2023 award in recognition of our commitment and dedication to training and development for our colleagues, with the judge recognising United Utilities as a company that visibly attracts, develops and retains talent, and an employer of choice.

We have refreshed our training and development to focus on the skills and competencies we've identified as key for us to deliver our ambitious plans, and we are adopting different routes to market to attract diverse talent and secure different skills for the future.

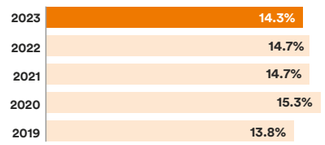
We continue to recruit and train new talent through our graduate and apprentice programmes. We welcomed more than 80 new graduates and apprentices in our September 2023 intake with a breadth of diversity, our first digital cohort and graduate opportunities in our newly formed rainwater management team supporting our commitments to river health, and we have launched our largest ever apprenticeship recruitment process with more than 90 new opportunities available in 2024. We remain on track to deliver our commitment of 125 green apprentice roles by the end of the AMP.

We also welcomed 15 interns as part of a national programme to give students and graduates better access to career development opportunities. This is our second year taking part in the '10,000 Black Interns' scheme, and with a successful track record of converting internships into graduate or permanent positions.

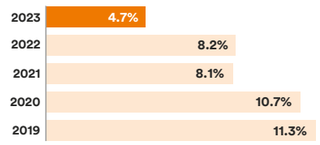
We continue to inspire and encourage students to consider a career in STEM in the future through our initiative with The Challenge Academy Trust.

We have an active succession and resilience plan that includes developing rising stars, creating development opportunities encouraging mobility through assignments, secondments and projects. In the last 12 months, over 900 colleagues secured either a promotion or a change in role. Of colleagues who have completed their Chartered Manager Degree Apprenticeship, 95 per cent have secured a promotion or a new role.

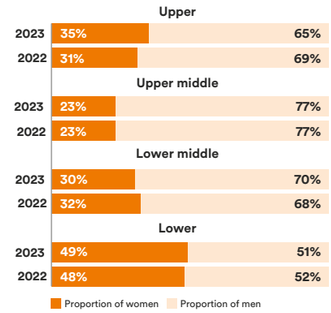
Our median gender pay gap over time

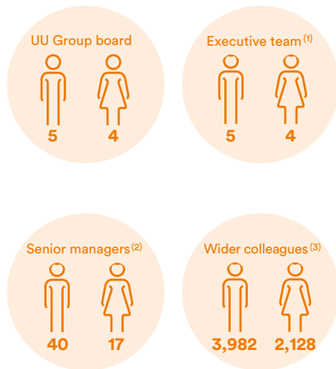


Our mean gender pay gap over time



Percentage of women and men overall and in each quartile of the pay range (figures for 2022 and 2023)





(1) Executive team excludes CEO and CFO who are included in group board figures.

(2) As at 31 March 2024, there were five male and three female colleagues appointed as statutory directors of subsidiary group companies but who do not fulfil the Companies Act 2006 definition of 'senior managers'.

(3) Wider colleagues as at 31 March 2024.

Building a healthier North West

Status key

Annual performance: Met expectation/target; Close to meeting expectation/target; Behind expectation/target

Against 2025 target: Confident of meeting target; Some work to do; Target unobtainable

Stakeholder key

Customers, Environment, Communities, Colleagues, Suppliers, Investors

Measure	2025 target	Performance 2023/24	Performance 2022/23	Performance 2021/22	Assurance[5]	Link to remuneration[2]	Key stakeholder	Status: Annual performance	Status: Against 2025 target
Customer ODIs[1]	Year on year improvement	**£34 million**	£25 million	£25 million	RRA	Bonus	Customers	Close to meeting expectation/target	Confident of meeting target
Water quality customer contacts per 10,000 population[1]	12.2	**13.2**	14.1	17.9	RRA	Bonus	Customers	Met expectation/target	Confident of meeting target
Supply interruptions per property per year (hours:minutes:seconds)[1]	00:05:00	**00:09:39**	00:38:44	00:07:58	RRA	PC	Customers	Behind expectation/target	Close to meeting expectation/target
Unplanned outages of peak week production capacity[1]	2.34%	**2.05%**	1.73%	2.07%	RRA	PC	Customers	Met expectation/target	Confident of meeting target
Number of household written complaints compared to WaSCs[1]	Upper quartile	**Third quartile[3]**	Second quartile	Second quartile	RRA		Customers	Behind expectation/target	Close to meeting expectation/target
Speed of resolution[1]	5 days	**3.95 days**	3.9 days	3.5 days	RRA		Customers	Met expectation/target	Confident of meeting target
Developer satisfaction score (D-MeX)[1]	Above industry median	**Above industry median**	Above industry median	Above industry median	RRA	PC	Colleagues	Met expectation/target	Confident of meeting target
Number of households registered for Priority Services[1]	In excess of 220,000 (7%)	**401,987 (12.35%)**	294,490 (9.1%)	186,224 (5.9%)	RRA	LTP	Colleagues	Met expectation/target	Confident of meeting target
Certification for Priority Services[1] [4]	Maintain certification	**ISO22458: 2022 Verification achieved**	ISO22458: 2022 Verification achieved	Maintained BS18477	ITV		Colleagues	Met expectation/target	Confident of meeting target
Helping customers look after water in their home[1]	10% increase	**34.30%**	31.60%	23.85%	RRA	PC	Colleagues	Met expectation/target	Confident of meeting target
Compliance Risk Index[1]	0.00	**6.00**	3.67	3.02	RRA	LTP	Colleagues	Target unobtainable	Target unobtainable
Wellbeing Charter accreditation	Retain accreditation	**Retained**	Retained	Retained	ITV		Communities	Met expectation/target	Confident of meeting target
Accident frequency rate for colleagues (per 100,000 hours)	10% year-on-year improvement	**0.092**	0.072	0.073	IAT		Communities	Target unobtainable	Confident of meeting target
Accident frequency rate for contractors (per 100,000 hours)	Year-on-year improvement	**0.043**	0.078	0.043	IAT		Communities	Met expectation/target	Confident of meeting target
Your Opinion Survey score for diversity and inclusion questions	Upper quartile against utilities norm	**Upper quartile**	Upper quartile	Upper quartile	ITV		Communities	Met expectation/target	Confident of meeting target

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed into both bonus and LTP through inclusion of customer ODIs and return on regulated equity (RoRE) respectively.

(3) Latest comparative data available 2022/23.

(4) The new Consumer Vulnerability standard, ISO 22458:2022 replaces the previous BS18477:2010 Inclusive Service Provision standard.

(5) Read more about the assurance over our performance metrics on page 63.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Delivering what matters for the North West's five counties

Engaging with customers and stakeholders in each of our five diverse counties directly informed our business plan for AMP8 and our long-term delivery strategy until 2050.

As we developed our plans for 2025–30 and beyond, it was important for customers and stakeholders to have their say on the services we provide, and for us to make sure our business plan reflected their needs and priorities.

As well as engaging through customer focus groups, workshops and surveys, and carrying out bespoke research, we held 'Your water, your say' online panels for each of the North West's five counties. A further panel was open to attendees from across the entire region and hosted by an independent chair, appointed by Ofwat and the Consumer Council for Water. The sessions allowed attendees to put questions to our CEO and executive team on topics ranging from our impact on the environment to keeping bills affordable. The panels held in June sought feedback on the proposed business plan, seeking views from customers and stakeholders about our proposals; at those held in November we shared details on the actual plan submitted to Ofwat and how insight had shaped this.

All of this engagement activity helped us achieve strong acceptability for our proposed business plan, with 74 per cent of customers supporting the plan.

Understanding the challenges and meeting the needs of our five very different counties requires a unique approach, and we've mobilised our teams into county squads to deliver what matters to communities in Cumbria, Cheshire, Greater Manchester, Lancashire and Merseyside.

The county business model brings together colleagues from across the company to drive performance and delivery within each regional location; we're integrating our network and treatment activities, delivering our plans and investing in new capabilities on a regional basis. An area engagement lead for each county ensures we're communicating effectively and transparently with our stakeholders about our services.

We're communicating with MPs and local authorities to talk through the benefits our plan will deliver in each county and explore opportunities for greater collaboration on improving how water is managed across the region.

We used our all-colleague event, held in Blackpool in December, to bring our plan to life with our teams, to share more on how the county squads will operate and to get everyone's commitment to support us in delivering what matters for the North West.

"Understanding the challenges and meeting the needs of our five very different counties requires a unique regional approach."

Delivering value for

This is creating value for customers, communities, and colleagues.

Read more about our five counties on pages 26 to 27

Key performance indicators

Our key performance indicators for building a stronger North West are our capital programme delivery incentive, community investment, and our ratings and rankings against a range of trusted investor indices. We report on a selection of wider governance metrics of interest to stakeholders on page 88.

Capital programme delivery incentive (CPDi)

Measures the extent to which we have delivered our capital projects efficiently, on time, and to the required quality standard.

Target
At least 85%

Annual performance
98%

We have delivered a strong performance, exceeding our target and improving on last year.

2022/23: 92.9 per cent

2021/22: n/a – new measure in 2022/23

Status
Met expectation/target

Key stakeholder
Investors

Relevant material themes[1]
- Customer service and operational performance
- Financial risk management
- Corporate governance and business conduct

Relevant principal risks[2]
- Failure to meet the totex efficiency challenge

Link to remuneration[3]
Bonus

Assurance[4]
Internal audit team

Community investment

Total community investment as measured by the Business for Societal Impact (B4SI) method.

Target
Average community investment between 2020 and 2025 to be at least 10 per cent higher than the average between 2010 and 2020 of £2.56 million per annum

Annual performance
£3.99m

Direct community investment has increased this year and we have once again exceeded our target.

2022/23: £2.88 million

2021/22: £2.82 million

Status
Met expectation/target

Key stakeholder
Community

Relevant material themes[1]
- Supporting communities
- Trust, transparency and legitimacy
- Land management, access and recreation

Relevant principal risks
See page 60

Link to remuneration[3]
n/a

Assurance[4]
Independent third-party verification

Performance across a range of trusted investor indices

Company performance relative to water and utilities sector participants in a selection of trusted investor ESG ratings and indices.

Target
Upper quartile

Annual performance
Upper quartile

We have maintained upper quartile performance across our selection of ESG ratings and indices.

2022/23: Upper quartile

2021/22: Upper quartile

Status
Met expectation/target

Key stakeholder
Investors

Relevant material themes[1]
- Trust, transparency and legitimacy
- Corporate governance and business conduct
- Political and regulatory environment

Relevant principal risks[2]
- Inherent risk area: Conduct and compliance

Link to remuneration[3]
n/a

Assurance[4]
Independent third-party verification

(1) Read more about our materiality assessment on pages 28 to 30.
(2) Read more about our principal risks on pages 52 to 56.
(3) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
(4) Read more about the assurance over our performance metrics on page 63.

Stock code: UU.

Efficient and effective delivery of our capital programmes

Our capital programme performance is measured through our capital programme delivery incentive (CPDi), which places a strong emphasis on efficiency and reducing the carbon impact of our enhancement projects. We have delivered a strong performance of 98 per cent this year, surpassing our target and improving on last year's already strong performance. This has been achieved through the application of value engineering techniques, innovation and other opportunities in our supply chain.

Innovative funding opportunities help drive efficiency, and over half of our innovation investment is from external funding sources. We have continued to influence over £90 million of awarded projects from the Ofwat Innovation Fund, leading on seven totalling almost £30 million. Our Innovation Lab continues to deliver world first solutions that can be tested faster and adopted earlier. For our fifth Lab, we have reviewed over 100 ideas, selecting six for rapid prototyping with results expected in the summer of 2024. To date, our Lab programme has created opportunities to deliver over £15 million of efficiencies.

We have completed 24 pilot projects testing innovative approaches to key AMP8 business challenges such as protecting water resources, improving resilience and water efficiency, and these have helped inform our business plan, enabling us to propose a very high level of efficiency.

Contributing to our communities

We invest in local communities through financial investment in environmental and community partnerships, delivery of education in schools, and time volunteered by our colleagues across the business.

This year, our direct community investment (calculated using the B4SI method) totalled £3.99 million, an increase on last year and exceeding our target. The increase in the year has come from greater spend on peatland restoration, innovation projects, community-based sustainable urban drainage and water efficiency schemes, and community engagement in the Ribble catchment. In addition, we contributed to our Trust Fund to help those struggling to pay their bills, with further customer bill support available through our social tariff.

We have sought further opportunities to engage with communities across the North West, addressing some of their issues through community investment that is strongly aligned with our strategic priorities. For example, recognising the strong interest in river water quality in line with our strategic priority to improve our rivers, we launched a fund targeted at grass roots community groups keen to improve their local rivers, awarding grants up to £2,500 for groups that wish to clean up their local watercourses or help with water sampling. We also promoted the uptake of sustainable drainage systems (SuDS) with communities across the region, in line with our rainwater management strategy, and a targeted campaign to encourage Staveley villagers in Cumbria to sign up for a water butt extended to the installation of 'SuDS pods' at the village hall.

Keeping customers updated on our plans is a central feature of our engagement and we launched a 'see for yourself' programme, providing customers and community groups the opportunity to take a look at how we operate our wastewater treatment works and to understand the technology we use to clean used water and return it safely to the environment. Other community events have been held at pollution/blockage hotspot areas promoting the 'stop the block' messaging, such as in Leigh, which saw sewer blockage reductions following an education campaign.

In July 2023, we opened an information centre on Windermere High Street to provide local people and visitors with information about our plans to further improve water quality in the lake. We've used the centre to hold several events focused on water saving and meters, our graduate and apprentice schemes and affordability help and support.

Each of our five counties has very different challenges and needs, and our AMP8 business plan reflects these differences. Customer and stakeholder engagement in each of our diverse counties helped us to build and adapt five targeted county-based plans. This five counties engagement has actively informed the development, engagement and support for our plan, and is at the heart of how we intend to deliver it. We are organising ourselves into 'county delivery squads' so we are ready to deliver our county plans at pace, and we have already moved to this new team structure. Read more about our five counties approach on pages 26 to 27 and 83.

Working in partnership

The most effective and efficient way for us to achieve our purpose to provide great water for a stronger, greener and healthier North West is through collaboration and partnership working. Working with community groups, we often find that we can deliver more for less, or partners can leverage additional funds to invest in schemes that benefit water customers.

Co-creating, co-financing and co-delivering partnership solutions are core capabilities for us already, and over the past year we have been building on our industry-leading track record and continued evolution of our strategic partnerships.

Building a stronger North West

Natural Course
A leading example of a strategic partnership, Natural Course – a €20 million part-funded EU LIFE Integrated Project – is a ten-year collaboration involving United Utilities, the Environment Agency, Natural England, Greater Manchester Combined Authority (GMCA), and The Rivers Trust, with the objective of improving the water environment across the North West.

Natural Course successfully concluded in March 2024. It trialled new ways of working together to find ways of reaching our ecological targets sooner, established more joined-up ways of making decisions that impact our waters in the future, and enabled the development/use of new funding mechanisms to support the delivery of a wide range of projects. We are now planning to ensure benefits from Natural Course continue to be realised throughout AMP8. Natural Course has already informed our Catchment Systems Thinking (CaST) approach, our place-based planning, and influenced the development of the Integrated Water Management Plan for Greater Manchester and the emerging plans for water priorities in the Liverpool City Region.

Greater Manchester Integrated Water Management Plan
Over the last four years we, alongside the GMCA and the Environment Agency, have developed a productive partnership to drive forward the environmental, development and infrastructure priorities across Greater Manchester. With support from Andy Burnham, Mayor of Greater Manchester, we have jointly developed a UK-leading Integrated Water Management Plan (IWMP).

The IWMP, which launched in June 2023, focuses on all aspects of Greater Manchester's water cycle and brings together various strategic plans into an overall framework and ambition for the county. It aims to ensure sustainable water management is applied holistically across Greater Manchester to enhance water quality, manage flood risk and increase biodiversity.

Working with suppliers

Our activities during AMP8 will support around 30,000 jobs both within United Utilities and our supply chain. This includes an additional estimated 7,000 jobs, which will be created in our supply chain as they support our AMP8 plan, demonstrating that we continue to play a part in helping to support the North West economy.

Suppliers play an important role in delivering our services and, alongside our colleagues, often act as the face of our business for many customers and communities. Events in recent years have shown the importance of maintaining strong relationships with our supply chain partners and we continue to encourage collaboration as part of our United Supply Chain approach. We work constantly to ensure that our core service delivers maximum value to internal stakeholders, key suppliers, our broader supply chain and ultimately, customers.

Payment practices are critical to our business and our suppliers – particularly at a time when there have been significant rises in the costs of key commodities. As a signatory to the Prompt Payment Code, and in addition to the commitment to pay at least 95 per cent of invoices within 60 working days, we also continue to pay 95 per cent of our small and medium-sized enterprise (SME) suppliers within 30 days. Over the last year, we have continued to outperform our target to pay suppliers promptly, with more than 99 per cent of our invoices paid within 60 days, and an average time to pay of 11 days.

30,000

jobs supported through our AMP8 plans, with 7,000 new skilled jobs created

>99%

invoices paid within 60 working days

11 days

on average for invoices to be paid

Read more about the Natural Course project at naturalcourse.co.uk

Read more about the Integrated Water Management Plan for Greater Manchester at greatermanchester-ca.gov.uk/what-we-do/planning-and-housing/integrated-water-management-plan

External recognition and benchmarking

United Utilities Group PLC has been included in the FTSE4Good Index Series since June 2001. Latest review December 2023.

In the annual review in July 2023, our status was assessed as Prime.[1]

We received an overall Advanced ESG score by Moody's ESG of 61/100 in year 2023 and United Utilities Group PLC has been reconfirmed as a constituent of the Euronext Vigeo UK 20 index in December 2023.[2]

As of November 2023, United Utilities Group PLC received an MSCI ESG rating of A.[3]

For 2023, our overall performance was 77% and we are proud to be a component of the iconic Dow Jones Sustainability World Index. Effective December 2023.

In December 2023, United Utilities Group PLC received an ESG Risk Rating of 10.7 and was assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors.[4]

In 2023, we achieved CDP leadership scores in both climate change (A-) and supplier engagement (A) assessments and also achieved a B on our first Water Security assessment.

(1) issgovernance.com/esg/ratings/badge
(2) moodys.com/esg
(3) msci.com/notice-and-disclaimer
(4) sustainalytics.com/legal-disclaimers

We act fairly and transparently with all our suppliers and as a signatory to the Code, comply fully with the reporting requirements. We were awarded a 'Fast Payer Award' by Good Business Pays for the third year running. This award recognises FTSE350 companies who are fast payers of their invoices and can demonstrate that over the past 12 months they have paid their suppliers in less than 30 days as well as paying 95 per cent or more of all invoices on time. We are one of 290 companies to have received the award this year, with only 6 per cent of reporting companies achieving this.

United Supply Chain

Our United Supply Chain (USC) approach plays a fundamental part in achieving our purpose. USC helps to mitigate risk, build resilience, improve compliance, assurance and ultimately deliver better value within a high-quality supply chain and will help to deliver our responsible sourcing principles effectively throughout our supply chain. USC recognises suppliers as an extension of United Utilities and they are asked, as a minimum, to become a signatory to our responsible sourcing principles. For those suppliers that are integral to our operations, we encourage them to become leaders and to work jointly with us to deliver improvements across ESG areas and to improve value for customers.

Through our continued membership of the Supply Chain Sustainability School (SCSS) we can provide additional training and events to assist our suppliers in their own sustainability efforts. We have created tailored learning pathways for over 70 of our key suppliers aligned to our responsible sourcing principles and have held several sponsored workshops. We continually achieve the maximum SCSS 'Gold' status, due largely in part to our continued commitment through USC.

Working with our supply chain to reduce scope 3 emissions

We take pride in working collaboratively and responsibly with our supply chain, helping us to drive innovation, mitigate risk and deliver value.

One example of how we have achieved this is via our collaboration with Wilo UK at our Mouldsworth site, which deals with raw water extraction. Here we have replaced an aged asset to deliver cost savings, improvements in hydraulic efficiency, energy savings, and reductions in scope 3 carbon emissions.

Wilo manufacturing sites have been certified carbon neutral, with the ability to source products manufactured carbon neutrally, meaning zero embedded carbon in the product we purchase. Wilo have achieved this by implementation of solar and green hydrogen technologies.

Read more at unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/case-study---wilo---final.pdf

In July 2023, we hosted a supplier round table event attended by over 40 individuals from 23 partners in our supply chain, with support from the Supply Chain Sustainability School and one of our graduate CEO Challenge teams.

During the event we shared information on our purpose and strategic priorities, our long-term strategy, and updates on our approach to carbon. This included what changes we are making and how we are determined to reduce the carbon impact we have as an organisation – in efforts to bring our supply chain partners along on the journey.

The participation across the supply chain was invaluable and during the round table sessions we explored some of the challenges and opportunities relating to carbon reporting and emissions reduction. This provided us an opportunity to get to know our supply chain partners better, share best practice collectively, and work on improvement plans of our own.

Read more about our plans and progress against our six ambitious carbon pledges on pages 74 to 77

Of suppliers that attended the event, 93 per cent currently have plans to reduce emissions, and 100 per cent believe that working with others is important.

Sustainable finance

Our sustainable finance framework allows us to raise financing based on our strong ESG credentials alongside conventional issuance. We have issued £1.7 billion so far through this framework, including a €650 million green bond this year that saw high levels of engagement and appetite from debt investors.

We published an allocation and impact report during the year, detailing the investments made with the proceeds of funds raised under the framework.

Read more at unitedutilities.com/corporate/investors/credit-investors/sustainable-finance

Recognising the group's ongoing commitment to paying its fair share of tax and acting in an open and transparent manner in relation to its tax affairs, we were delighted to retain the Fair Tax Mark independent certification for a fifth consecutive year. We pay significant contributions to the public finances every year, including employment taxes for our more than 5,000 strong workforce.

Read more on our UK tax policies and objectives on page 164

Business ethics

We aim to maintain high ethical standards of business conduct and corporate governance. This extends to our commercial activities and we have demonstrated our commitment to ethical procurement and supply practices by achieving the CIPS Corporate Ethics Mark for the fifth consecutive year. This requires commercial colleagues to undertake additional online training covering human rights and forced labour in supply chains; the implications, the risks and how to respond. This accreditation recognises the work we have done and the level of training we have provided to our colleagues in support of our aim of eliminating modern slavery and human trafficking. We aim to retain this again by completing the online training once again in 2024.

We have undertaken a gap analysis of our approach to modern slavery and human trafficking with the help of independent social enterprise Slave-Free Alliance. The objective of the analysis was to assess our modern slavery initiatives, identify good practice and main risk areas, and develop a set of recommendations for continuous improvement. The report identified several areas of best practice and highlighted areas for focus in our policies, due diligence and risk mitigation approach, and we are using the recommendations to build upon our approach. Our anti-slavery and human trafficking statement can be found at unitedutilities.com/human-rights

Performance across a range of trusted investor indices

We have participated in a range of independently assessed global ESG ratings and indices for many years to benchmark our approach against best practice and emerging sustainability challenges. Our approach to responsible business has ensured consistent upper quartile performance in selected ESG ratings and indices. We remain a member of the Dow Jones Sustainability World Index, along with just three other companies from the multi-utilities and water sector. In the Sustainalytics assessment, we continue to be classified as low risk and in the top two per cent of performers in the utilities industry group. We are proud to be ranked among Corporate Knights' 2024 100 Most Sustainable Corporations in the World.

These ESG ratings look beyond the UK water sector to compare our performance against international water utilities, wider utilities and non-utility companies. We continue to respond to best practice and emerging ESG trends to maintain our performance in these ratings and we are increasing our engagement with investors on ESG matters.

Building a stronger North West

Status key

Annual performance
- Met expectation/target
- Close to meeting expectation/target
- Behind expectation/target

Against 2025 target
- Confident of meeting target
- Some work to do
- Target unobtainable

Stakeholder key

Customers | Environment | Communities | Colleagues | Suppliers | Investors

Measure	2025 target	Performance 2023/24	Performance 2022/23	Performance 2021/22	Assurance[2]	Link to remuneration	Key stakeholder	Status: Annual performance	Status: Against 2025 target
Credit rating UUW (Moody's, S&P, Fitch)[1]	A3, BBB+, A-	**A3, BBB+, A- (Stable outlook)**	A3, BBB+, A- (Stable outlook)	A3, BBB+, A- (Stable outlook)	ITV		Investors	Met expectation/target	Confident of meeting target
Maintain sustainable finance framework	Available/ continued issuance	**Available**	Available	Available	IAT		Investors	Met expectation/target	Confident of meeting target
Anti-bribery: percentage of identified colleagues completing required training	100%	**100%**	100%	100%	IAT		Investors	Met expectation/target	Confident of meeting target
Number of children benefitting from education materials	20,000	**39,131**	23,253	12,998	ITV		Communities	Met expectation/target	Confident of meeting target
Partnership leverage[1]	1:4	**1:3**	1:4	1:4	RRA		Communities	Close to meeting expectation/target	Confident of meeting target
Invoices paid within 60 days	At least 95%	**99.60%**	98.91%	99.34%	ITV		Suppliers	Met expectation/target	Confident of meeting target
Average time taken to pay invoices	<28 days	**11**	12	13	ITV		Suppliers	Met expectation/target	Confident of meeting target
Supplier Relationship Management score	90%	**95%**	90%	54%	IAT		Suppliers	Met expectation/target	Confident of meeting target
CIPS ethical mark	Retain accreditation	**Retained**	Retained	Retained	ITV		Suppliers	Met expectation/target	Confident of meeting target
Percentage of targeted suppliers signed up to United Supply Chain	100%	**94%**	89%	90%	IAT		Suppliers	Met expectation/target	Confident of meeting target
Percentage of partner and strategic suppliers that have sustainability risk assessments in place	75%	**78%**	73%	72%	IAT		Suppliers	Met expectation/target	Confident of meeting target
Percentage of suppliers in high risk categories (in sustainability risk assessments) covered by enhanced due diligence audits	5%	**4%**	3%	Delivery scheduled from 2022	IAT		Suppliers	Met expectation/target	Confident of meeting target
UK Corporate Governance Code	Maintain compliance	**Compliant**	Compliant	Compliant	IAT		Investors	Met expectation/target	Confident of meeting target
Fair Tax Mark	Retain accreditation	**Retained**	Retained	Retained	ITV		Investors	Met expectation/target	Confident of meeting target
Living Wage accreditation	Secure and retain	**Retained**	Retained	Retained	ITV		Colleagues	Met expectation/target	Confident of meeting target
Pension Quality Mark +	Retain accreditation	**Retained**	Retained	Retained	ITV		Colleagues	Met expectation/target	Confident of meeting target

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

(2) Read more about the assurance over our performance metrics on page 63.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Compliance committee ensures robust scrutiny of regulatory submissions

We understand the importance of providing accurate and transparent information to regulators and customers.

The compliance committee was established in 2023 to ensure that the board had an even greater opportunity to provide early and in-depth scrutiny of regulatory submissions and to help ensure the accuracy and transparency of information presented to regulators and customers. The compliance committee is made up of three directors, two of whom are non-executive directors. The regulation and compliance director is also a member of the committee. Providing the required oversight, the committee offers technical knowledge, experience and expertise in a variety of areas, including engineering, regulation, finance and audit.

To help ensure compliance with the relevant regulatory reporting requirements prior to submission to the board for approval, the committee has, in 2023, reviewed key regulatory submissions including the annual performance report and AMP8 business plan. The committee challenged the underlying governance approach for these submissions, while providing guidance to improve the clarity of the information presented.

The risk and compliance statement, for example, is a key document within the annual performance report. While providing detail on how we understand our obligations and the systems and controls to manage these, this statement also provides information on any known departures from compliance over the course of the year, known as the Table of Departures. Before the annual performance report submission, the committee challenged the articulation of several departures and made recommendations to enhance the clarity of the information within the Table of Departures.

The committee is also charged with reviewing compliance with other areas of legislation and regulation as they see fit. Additional matters considered by the committee during 2023/24 included reviewing the approach to assurance in areas considered higher risk, such as storm overflow spill reporting, leakage and per capita consumption data. Extra scrutiny in each of these areas has contributed to further refinement of approach and greater confidence over the published information.

"...the committee offers technical knowledge, experience and expertise in a variety of areas, including engineering, regulation, finance and audit."

Delivering value for

This is creating value for customers and investors.

Read our compliance committee report on page 137

Creating long-term sustainable value

Key performance indicators

Our financial KPIs include income statement, balance sheet, regulatory and investor return metrics to provide a snapshot of our performance for the year.

Underlying operating profit

See note 1.

Target
Not externally disclosed

Annual performance
£518 million

Reported operating profit: £480 million

Underlying operating profit has increased £77 million compared with last year, primarily driven by an increased revenue allowance partially offset by inflationary pressures on our core costs, with the largest increases seen on power and labour costs.

2022/23: £441 million

2021/22: £610 million

Status
Behind expectation/target

Link to remuneration[2]
Bonus

Gearing

Group net debt (plus loan receivable from our joint venture) divided by UUW's regulatory capital value.

Target
55–65%

Annual performance
59%

Gearing has risen marginally compared with 58 per cent last year, but at 59 per cent this remains comfortably within our target range.

2022/23: 58 per cent

2021/22: 59 per cent

Status
Met expectation/target

Link to remuneration[2]
n/a

Dividend per share (DPS)

Total dividends declared divided by the average number of shares in issue during the year.

Target
Annual growth in line with CPIH inflation to 2025

Annual performance
49.78 pence

The board has proposed a final dividend of 33.19 pence, which takes the total dividend to 49.78 pence per share for 2023/24. This is an increase of 9.4 per cent, in line with our policy of targeting an annual growth rate of CPIH inflation through to 2025.

2022/23: 45.51 pence

2021/22: 43.50 pence

Status
Met expectation/target

Link to remuneration[2]
n/a

Underlying earnings per share (EPS)

See note 1.

Target
Not externally disclosed

Annual performance
33.3 pence

Reported EPS: 18.6 pence

Underlying earnings per share is primarily driven by the movement in operating profit and a lower underlying finance expense. Reported EPS is lower due to £38 million exceptional costs in relation to the outlet pipe at Fleetwood, fair value gains, and the deferred tax adjustment.

2022/23: -1.3 pence

2021/22: 53.8 pence

Status
Behind expectation/target

Link to remuneration[2]
n/a

Return on regulated equity (RoRE)

Base allowed return plus or minus any out or underperformance.

Target
Not externally disclosed

Annual performance
8.5%

We have delivered another strong RoRE performance, more than doubling the 4 per cent base return with outperformance on financing, tax and customer ODIs, partially offset by the totex impact.

2022/23: 10.9 per cent

2021/22: 7.8 per cent

Status
Met expectation/target

Link to remuneration[2]
LTP
Also indirectly linked to the bonus, as RoRE is influenced by two bonusable measures: ODIs and C-MeX.

Total shareholder return (TSR)

Based on the movement in share price plus dividends over each financial year.

Target
Not externally disclosed

Annual performance
1.6%

TSR was 1.6 per cent in the year to 31 March 2024, which was behind the FTSE 100 return of 8.4 per cent, but significantly ahead of our listed water company peers.

2022/23: -1.5 per cent

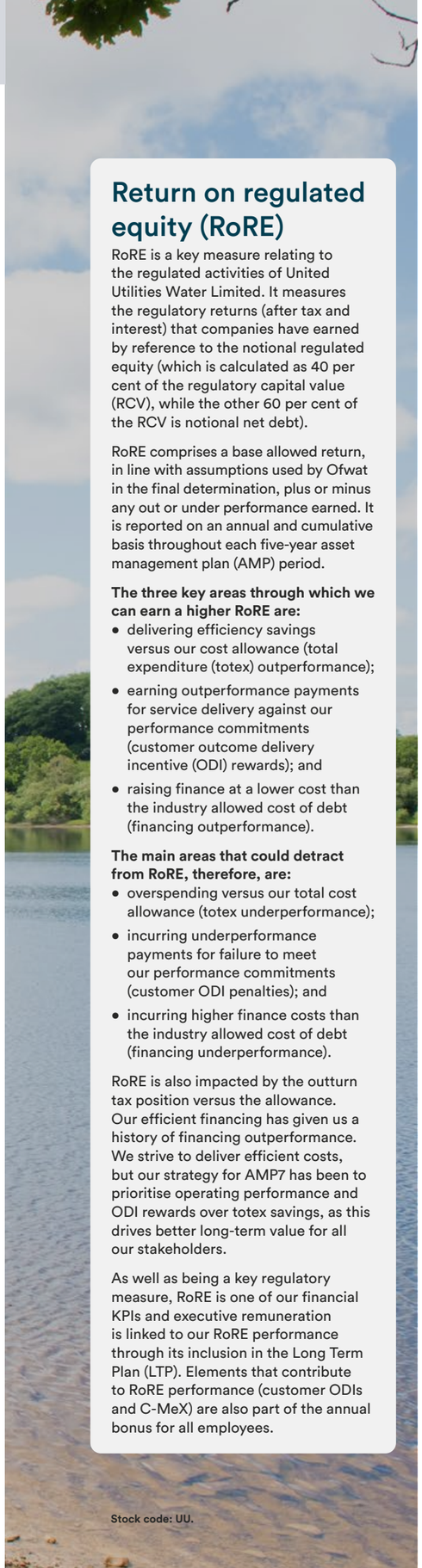
2021/22: 27 per cent

Status
Close to meeting expectation/target

Link to remuneration[2]
n/a

(1) Underlying operating profit and underlying earnings per share are alternative performance measures that exclude adjusted items from their reported equivalents. Underlying operating profit excludes any significant non-recurring items. Underlying EPS deducts underlying net finance expense, underlying share of joint venture losses, and underlying taxation from underlying operating profit to calculate underlying profit after tax, and divides this by the average number of shares in issue during the year. Underlying net finance expense makes adjustments including stripping out fair value movements. Underlying taxation strips out deferred tax (including any tax credits or debits arising from changes in the tax rate) and any exceptional tax. A description of adjusted items, the framework by which these are assessed, and reconciliations between reported and underlying measures, can be found on pages 96 to 97.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.



Return on regulated equity (RoRE)

RoRE is a key measure relating to the regulated activities of United Utilities Water Limited. It measures the regulatory returns (after tax and interest) that companies have earned by reference to the notional regulated equity (which is calculated as 40 per cent of the regulatory capital value (RCV), while the other 60 per cent of the RCV is notional net debt).

RoRE comprises a base allowed return, in line with assumptions used by Ofwat in the final determination, plus or minus any out or under performance earned. It is reported on an annual and cumulative basis throughout each five-year asset management plan (AMP) period.

The three key areas through which we can earn a higher RoRE are:

- delivering efficiency savings versus our cost allowance (total expenditure (totex) outperformance);
- earning outperformance payments for service delivery against our performance commitments (customer outcome delivery incentive (ODI) rewards); and
- raising finance at a lower cost than the industry allowed cost of debt (financing outperformance).

The main areas that could detract from RoRE, therefore, are:

- overspending versus our total cost allowance (totex underperformance);
- incurring underperformance payments for failure to meet our performance commitments (customer ODI penalties); and
- incurring higher finance costs than the industry allowed cost of debt (financing underperformance).

RoRE is also impacted by the outturn tax position versus the allowance. Our efficient financing has given us a history of financing outperformance. We strive to deliver efficient costs, but our strategy for AMP7 has been to prioritise operating performance and ODI rewards over totex savings, as this drives better long-term value for all our stakeholders.

As well as being a key regulatory measure, RoRE is one of our financial KPIs and executive remuneration is linked to our RoRE performance through its inclusion in the Long Term Plan (LTP). Elements that contribute to RoRE performance (customer ODIs and C-MeX) are also part of the annual bonus for all employees.

AMP7 financial framework

Our five-year financial framework captures anticipated performance in the five years to 31 March 2025. This period aligns with the AMP7 regulatory period.

Investment and regulated asset growth

We expect to deliver a number of capital programmes in AMP7 in addition to our base totex (total expenditure) programme. These include the £765 million additional investment programme announced in May 2022, the Accelerated Infrastructure Delivery Project spend and AMP8 transitional investment. Combined with the impact of inflation, our regulated assets are expected to grow at a compound annual growth rate of 4 to 5 per cent across the five years to March 2025.

RoRE

The RoRE metric measures returns (after tax and interest) earned by reference to notional regulated equity. Overall returns comprise a base return on equity plus a contribution from outcome delivery incentives, operating efficiency, financing and tax efficiency and customer service. We currently expect to deliver average returns of between 6 and 8 per cent in AMP7, on a real RPI/CPIH blended basis.

Balance sheet

The board has set a target gearing range for the AMP7 regulatory period of 55 to 65 per cent net debt to regulated capital value. As at 31 March 2024, our gearing is in the lower half of this range at 59 per cent.

Dividend policy

The group maintains a dividend policy to target a growth rate of CPIH inflation each year through to 2025. The annual increase in the dividend is based on the CPIH element included within allowed regulated revenue for the current financial year. This is calculated as using the CPIH annual rate from the November prior (i.e. the 2023/24 dividend is equal to the 2022/23 dividend indexed for the movement in CPIH between November 2021 and November 2022).

Outlook and guidance

ODI rewards

We are forecasting to achieve a net customer ODI reward for 2024/25 at least in line with FY24.

Revenue

Revenue is expected to increase by around 10 per cent in 2024/25, with around 3 per cent due to inflation offset by k factor, and 7 per cent due to timing.

Underlying operating costs

Operating costs including IRE are expected to increase by more than inflation due to business rates, regulatory charges and IRE.

Depreciation

With continued growth in our asset base and accelerated investments ahead of AMP8, depreciation is expected to increase by £30 million to £40 million.

Underlying net finance expense

Underlying net finance expense is expected to be broadly unchanged year on year. As at 31 March 2024, we had £4.7 billion of index-linked debt exposure, giving rise to a £47 million swing in our annual interest charge for every 1 per cent change in inflation.

Underlying tax

Our current tax charge is expected to be nil in 2024/25, reflecting expected benefits in relation to 'full expensing' and the 50 per cent first year allowances on longer life assets.

Capital expenditure

Capex in 2024/25 is expected to be in the range of £850 million to £1.1 billion. In addition to our AMP7 base programme, this reflects capital expenditure for the year in relation to the circa £400 million of investment brought forward from AMP8 (including Accelerated Infrastructure Delivery Project and AMP8 transitional investment) as well as our additional investment (including supporting our Better Rivers programme).

Creating long-term sustainable value

We delivered robust underlying financial performance this year. Revenue increased 8 per cent, mainly driven by the inflation increase allowed as part of our revenue cap. This revenue increase, partly offset by inflationary increases to costs resulted in underlying operating profit increasing by £77 million to £518 million. Reported operating profit was £38 million lower than underlying, at £480 million, reflecting an adjusting item in respect of costs associated with a fractured outlet pipe at our Fleetwood Wastewater Treatment Works.

Non-cash interest expense on our index-linked debt declined, resulting in an underlying profit of £227 million and an underlying earnings per share of 33.3 pence. Reported profit after tax was lower at £127 million, with reported earnings per share of 18.6 pence per share. Adjusted items between underlying and reported are set out on pages 96 to 97.

We have one of the strongest balance sheets in the sector, providing us with future flexibility. During the year, we completed a pension scheme buy-in transaction with Legal & General, covering two-thirds of scheme liabilities and representing a significant milestone in our de-risking journey. Our AMP7 investment requirements are fully pre-funded, and with gearing of 59 per cent and solid credit ratings we approach AMP8 in a strong position.

Revenue

Revenue was up £145 million, at £1,950 million, largely reflecting the inflation increase allowed as part of our revenue cap.

In 2023/24, we had a £103 million increase in the revenue cap due to regulatory adjustments, largely driven by a 9.4 per cent CPIH-linked increase partly offset by 1.4 per cent real reduction in allowed wholesale revenues as set out in our PR19 Final Determination.

Other revenue impacts largely reflect increases in consumption.

Operating profit

Underlying operating profit at £518 million was £77 million higher than last year, largely reflecting the increase in revenue, offset by inflationary pressures on our core costs.

Inflationary pressures on our operating costs have resulted in a £41 million increase. The largest increases have been to power and labour costs, where we incurred an additional £34 million and £13 million respectively. Other costs have been tightly controlled, partly mitigating the inflationary increases and leading to a £6 million cost reduction.

As our asset base continues to grow, IRE increased by £12 million and our depreciation charge for the year increased by £15 million.

Reported operating profit increased by £39 million compared to last year, reflecting the £77 million increase in underlying operating profit offset by £38 million of costs associated with responding to a fractured outlet pipe at our Fleetwood Wastewater Treatment Works. The specific nature, and the activity involved in remediating this failure, was unlike anything that would typically be experienced. As such, the associated costs were not representative of normal business activity and were excluded in arriving at underlying operating profit.

£1.9bn

revenue impacted by increased inflationary allowance

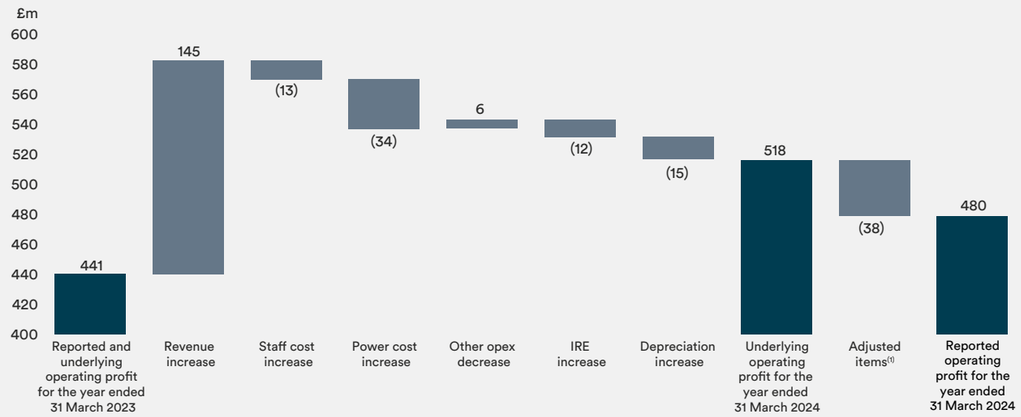
£518m

underlying operating profit increased due to higher revenue partially offset by the inflationary impact on core costs, particularly power and labour

1.6%

low level of bad debt as a percentage of household revenue

Summary of operating profit movement



(1) Adjusted items between underlying and reported are set out on pages 92 to 93.

Current year cash collection has been strong, supported by our industry-leading affordability schemes, effective credit collection practices and utilisation of technology. As a result, our bad debt position has reduced to 1.6 per cent of statutory revenue.

Profit/(loss) before tax

Underlying profit before tax of £221 million compared to a £34 million underlying loss before tax last year. The £255 million difference reflects the £77 million increase in underlying operating profit and a £182 million decrease in underlying net finance expense, partly offset by a small increase in the share of losses of joint ventures of £4 million. Underlying profit before tax reflects presentational adjustments as outlined on pages 96 to 97.

Reported profit before tax decreased by £86 million to £170 million reflecting a £90 million increase in reported net finance expense, a £31 million profit on disposal of our subsidiary United Utilities Renewable Energy Limited recognised in the prior year, and a small increase in the share of losses of joint ventures of £4 million, partly offset by a £39 million increase in reported operating profit.

Net finance expense

Underlying net finance expense of £293 million was £182 million lower than last year mainly due to significantly lower inflation resulting in a £268 million decrease in the non-cash indexation on our debt and derivative portfolio, partly offset by a reduction in capitalised interest of £47 million, and rising interest rates resulting in higher net interest payable on debt, derivatives and cash of £39 million.

Cash interest of £125 million was £23 million higher than last year. Cash interest excludes non-cash items mainly comprising the indexation on our debt and derivative portfolio, capitalised interest and net pension interest income.

Reported net finance expense of £306 million was £90 million higher than last year, reflecting a £272 million reduction in net fair value gains on debt and derivatives (excluding interest on debt and derivatives under fair value option) from £259 million net fair value gain last year to £13 million net fair value loss this year, partly offset by the £182 million decrease in underlying net finance expense.

Joint ventures

The group incurred a share of the losses of Water Plus for the year ended 31 March 2024 of £4 million, all of which has been recognised in the income statement. This compares to a share of the profits of Water Plus of nil for the year ended 31 March 2023, with the deterioration this year largely as a result of the impact of higher interest rates.

Profit/(loss) after tax and earnings per share

The underlying profit after tax of £227 million was £236 million higher than the £9 million underlying loss last year, reflecting the £255 million increase in underlying profit before tax and a £19 million reduction in underlying tax credit.

Reported profit after tax was lower at £127 million and reported earnings per share at 18.6 pence per share with the adjusted items between underlying and reported set out on pages 96 to 97.

Tax

We continue to be fully committed to paying our fair share of tax and acting in an open and transparent manner in relation to our tax affairs, and are delighted to have retained the Fair Tax Mark independent certification for a fifth year.

The group makes significant contributions to the public finances on its own behalf as well as collecting and paying over further amounts for its over 6,000 strong workforce. The total payments for 2023/24 were around £240 million and included business rates, employment taxes, environmental taxes and other regulatory service fees such as water abstraction charges.

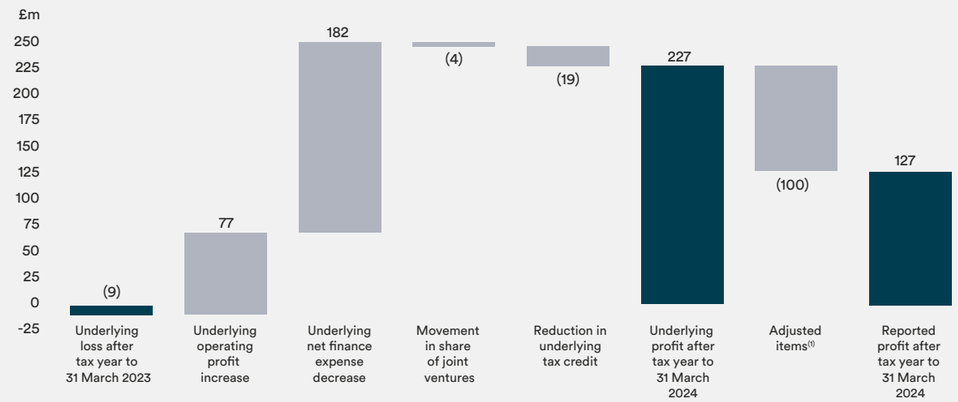
In the current year, we received a net corporation tax repayment of £5 million, which represents an effective cash tax rate of 0 per cent. The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment including full expensing introduced in 2023.

The group recognised a current tax credit of £6 million, mainly due to prior year adjustment in relation to optimising the available research and development tax allowances on our innovation-related expenditure, for multiple prior years.

For the year to 31 March 2024, we recognised a deferred tax charge of £49 million, compared with £77 million last year.

The total effective tax rate, excluding prior year adjustments was 26 per cent for the year to 31 March 2024 compared with the headline rate of 25 per cent.

Summary of profit/(loss) after tax movement



(1) Adjusted items between underlying and reported are set out on pages 92 to 93.

Creating long-term sustainable value

There are £166 million of tax adjustments recorded within other comprehensive income, primarily relating to remeasurement movements on the group's defined benefit pension schemes. The rate at which the deferred tax liabilities are measured on the group's defined benefit pension scheme is 25 per cent (2023: 35 per cent), being the rate applicable to refunds from a trust.

Dividend per share

The board has proposed a final dividend of 33.19 pence per ordinary share in respect of the year ended 31 March 2024. This is an increase of 9.4 per cent compared with the dividend last year, in line with the group's dividend policy of targeting a growth rate of CPIH inflation each year through to 2025. The 9.4 per cent increase is based on the CPIH element included within allowed regulated revenue for the 2023/24 financial year (i.e. the movement in CPIH between November 2021 and November 2022).

The final dividend is expected to be paid on 1 August 2024 to shareholders on the register at the close of business on 21 June 2024. The ex-dividend date for the final dividend is 20 June 2024. The election date for the dividend reinvestment plan is 11 July 2024. A dividend reinvestment plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the company's shareholders to elect to have their cash dividend payments used to purchase the company's shares. More information can be found at **www.shareview.co.uk/info/drip**

Cash flow

Net cash generated from operating activities for the year to 31 March 2024 was £745 million, £43 million lower than £788 million last year, principally due to higher net interest paid resulting from the rise in interest rates, and changes in working capital decreasing cash generated from operations. The net cash generated from continuing operating activities supports the dividends paid of £320 million and partially funds some of the group's net capital expenditure of £731 million, with the balance being funded by net borrowings and cash and cash equivalents.

The group's consolidated and company statements of cash flows can be found on page 185 of our consolidated financial statements.

Pensions

As at 31 March 2024, the group had an IAS 19 net pension surplus of £268 million, compared with a surplus of £601 million at 31 March 2023. This £333 million decrease principally reflects the impact of the purchase of bulk annuities as part of a buy-in transaction completed in July 2023 with Legal & General leading to around a £220 million reduction in the surplus. The partial buy-in represents a significant milestone in our de-risking journey for the benefit of the pension schemes, their members, and the group, by working as a near-perfect economic hedge, removing interest rate, inflation and longevity risks for the portion of liabilities secured. The remaining reduction materially relates to changes in financial conditions over the period, which have seen a fall in the value of the schemes' assets and the impact of inflation remaining above the assumption made at 31 March 2023.

Further detail on pensions is provided in note 14 ('Retirement benefits') of our consolidated financial statements.

Financing

Net debt at 31 March 2024 was £8,763 million, compared with £8,201 million at 31 March 2023. This comprises gross borrowings with a carrying value of £10,001 million, net derivative liabilities hedging specific debt instruments of £50 million and total indexation on inflation swaps of £111 million, and is net of cash and bank deposits of £1,399 million.

Gearing, measured as group net debt including a £74 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms) of £14.7 billion, was 59 per cent at 31 March 2024, slightly higher than the 58 per cent at 31 March 2023 but remaining within our target range of 55 to 65 per cent.

Cost of debt

As at 31 March 2024, the group had approximately £3.6 billion of RPI-linked instruments and £0.5 billion of CPI or CPIH-linked instruments held as debt. Including swaps, the group has RPI-linked debt exposure of £3.4 billion at an average real rate of 1.4 per cent, and £1.3 billion of CPI or CPIH-linked debt exposure at an average real rate of -0.6 per cent.

A significantly lower RPI inflation charge compared with last year contributed to the group's average effective interest rate of 4.7 per cent being lower than the rate of 8.0 per cent last year. More information on this can be found on page 97.

The group has fixed the interest rates on its non index-linked debt in line with its ten-year reducing balance basis at a net effective nominal interest rate of 2.7 to 3.1 per cent for the remainder of the AMP7 regulatory period.

Credit ratings

UUW's senior unsecured debt obligations are rated A3 with Moody's Investors Service (Moody's), A- with Fitch Ratings (Fitch) and BBB+ with Standard & Poor's Ratings Services (S&P) and all on stable outlook. United Utilities PLC's senior unsecured debt obligations are rated Baa1 with Moody's, A- with Fitch and BBB- with S&P, all on stable outlook.

Debt financing

The group has access to the international debt capital markets through its £10 billion medium-term note (MTN) programme. The group has fully pre-funded its AMP7 investment requirements, and has begun funding its AMP8 (2025–30) investment programme.

In the year to March 2024, we raised circa £1.6 billion of term funding. A 15.5-year £300 million sustainable public bond in April, a nine-year £100 million bilateral loan with a relationship bank in April, a 13-year £350 million sustainable public bond in June, a 22-year £250 million public bond in January, a £50 million tap of 12.3-year sustainable public bond in February and a €650 million sustainable public bond in February. In addition, we renewed £100 million of relationship bank revolving credit facilities with an initial five-year term. Further in March we repurchased and cancelled circa £110 million of bonds that had an original maturity date of February 2025.

Interest rate management

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 31 March 2024, approximately 39 per cent of the group's net debt was in RPI-linked form, representing around 23 per cent of UUW's regulatory capital value, with an average real interest rate of 1.4 per cent. A further 15 per cent of the group's net debt was in CPI or CPIH-linked form, representing around 9 per cent of UUW's RCV, with an average real rate of -0.6 per cent. The long-term nature of this funding also provides a good match to the company's long-life infrastructure assets and is a key contributor to the group's average term debt maturity profile, which is around 16 years.

Our inflation hedging policy is to target around 50 per cent of net debt to be maintained in index-linked form. This reflects a balanced assessment across a range of factors.

Where nominal debt is raised in a currency other than sterling and/or with a fixed interest rate, the debt is generally swapped to create a floating rate sterling liability for the term of the debt. To manage exposure to medium-term interest rates, the group fixes underlying interest costs on nominal debt out to ten years on a reducing balance basis.

Liquidity

Short-term liquidity requirements are met from the group's normal operating cash flow and its short-term bank deposits and supported by committed but undrawn credit facilities. Our MTN programme provides further support.

At 31 March 2024, we had liquidity out to March 2026, comprising cash and bank deposits, plus committed undrawn revolving credit facilities. This gives us flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and support the delivery of our ongoing capital investment programme.

Return on regulated equity (RoRE)

RoRE for 2023/24 was 8.5 per cent on a real, RPI/CPIH blended basis.

In addition to the base return of 4.0 per cent (including our 11 basis point fast track reward that we receive in each of the five years of the AMP), we delivered net outperformance of 4.5 per cent comprising:

Financing outperformance

We earned financing outperformance this year of 4.3 per cent. We have consistently issued debt at efficient rates that compare favourably with the industry average, thanks to our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise. As in the prior year, our financing outperformance this year has been supplemented by higher levels of inflation, which increases the benefit of the roughly £4 billion fixed rate debt we have locked in.

Tax outperformance[1]

The 2.1 per cent outperformance on tax reflects the small current year underlying tax credit, and includes allowable tax deductions on capital investment including full expensing introduced in 2023.

Customer outcome delivery incentives (ODIs)

Customer ODI outperformance of 0.7 per cent reflects a net reward of £34 million.[2] Our overall performance was strong this year, meeting or exceeding 80 per cent of our performance commitments. However, exceptionally high rainfall during the year adversely impacted performance such as flooding and we expect to receive penalties against these commitments for FY24. The extreme weather we experienced meant that while our net reward reflects strong delivery for customers, it is around £30 million lower than we previously anticipated.

Customer ODI rewards and penalties are applied to revenues with a two-year lag. As we are approaching the end of the AMP7 regulatory period, the payments earned in 2023/24 and 2024/25 reporting year will be considered during the determination processes for the next regulatory period and will be reflected in adjustments to revenues during AMP8.

Totex performance[1]

The totex impact on RoRE of -2.2 per cent reflects the combined impact of the in-year portion of the £765 million investment programme announced in May 2022, accelerated investment brought forward from AMP8 and inflationary pressures, partly offset by the inflationary uplift within the totex mechanism. We continue to robustly challenge our costs to help us deliver our investment as efficiently as possible.

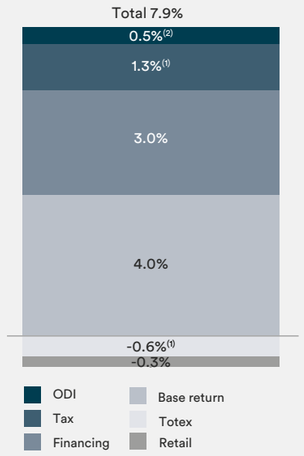
Retail performance

The retail impact on RoRE of -0.4 per cent reflects a small underperformance in household retail resulting from the impacts of cost of living and inflationary cost pressures.

(1) Tax benefits directly attributable to £765 million additional investments netted against totex performance

(2) Excluding per capita consumption, which Ofwat is considering as part of its final determination process in the context of a full understanding of the enduring impact of COVID-19 effects.

Cumulative AMP7 RoRE



8.5%

return on regulated equity (RoRE) for 2023/24

£34m

highest ever reward for customer ODIs earned in 2023/24[2]

Creating long-term sustainable value

Guide to alternative performance measures (APMs)

The underlying profit measures in the following table represent alternative performance measures (APMs) as defined by the European Securities and Markets Authority (ESMA). These measures are linked to the group's financial performance as reported in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006 in the group's consolidated statement of comprehensive income, which can be found on page 181. As such, they represent non-GAAP measures.

These APMs can assist in providing a representative view of business performance, and may not be directly comparable with similarly titled measures presented by other companies. The group determines adjusted items in the calculation of its underlying measures against a framework that considers significance by reference to profit before tax, in addition to other qualitative factors such as whether the item is deemed to be within the normal course of business, its assessed frequency of reoccurrence and its volatility, which is either outside the control of management and/or not representative of current year performance.

In addition, a reconciliation of the group's average effective interest rate has been presented, together with a prior period comparison. In arriving at net finance expense used in calculating the group's effective interest rate, underlying net finance expense is adjusted to add back net pension interest income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Adjusted item	Rationale
Adjustments not expected to recur	
Fleetwood outfall pipe fracture	In June 2023, the group suffered a large-scale outfall pipe fracture at a major wastewater treatment works at Fleetwood. The specific nature of this incident, and scale of the activity involved in remediating this failure was unlike anything that would be typically experienced. As such, the associated costs, which were incurred across both operating expenditure and infrastructure renewals expenditure, were not representative of normal business activity and, therefore, the costs are excluded in arriving at underlying operating profit.
Profit on disposal of subsidiary	This relates to the disposal of the group's subsidiary United Utilities Renewable Energy Limited during the prior year, which represents a significant, atypical event and as such is not considered to be part of the normal course of business.
Consistently applied presentational adjustments	
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	Fair value movements on debt and derivative instruments can be both very significant and volatile from one period to the next, and are, therefore, excluded in arriving at underlying net finance expense as they are determined by macro-economic factors, which are outside of the control of management and relate to instruments that are purely held for funding and hedging purposes (not for trading purposes). Included within fair value movement on debt and derivatives is interest on derivatives and debt under fair value option. In making this adjustment it is appropriate to add back interest on derivatives and debt under fair value option to provide a view of the group's cost of debt, which is better aligned to the return on capital it earns through revenue. Taking these factors into account, management believes it is useful to adjust for these fair value movements to provide a more representative view of performance.
Deferred tax adjustment	Management adjusts to exclude the impact of deferred tax in order to provide a more representative view of the group's profit after tax and tax charge for the year given that the regulatory model allows for cash tax to be recovered through revenues, with future revenues allowing for cash tax including the unwinding of any deferred tax balance as it becomes current. By making this adjustment, the group's underlying tax charge does not include tax that will be recovered through revenues in future periods, thus reducing the impact of timing differences.
Tax in respect of adjustments to underlying profit/(loss) before tax	Management adjusts for the tax impacts of the above adjusted items to provide a more representative view of current year performance.

Underlying profit	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Operating profit per published results	**480.2**	440.8
Fleetwood outfall pipe fracture	**37.6**	–
Underlying operating profit	**517.8**	440.8
Net finance expense		
Finance (expense)/income	**(389.3)**	(262.7)
Allowance for expected credit losses – loans to joint ventures	**(2.4)**	–
Investment income	**85.6**	47.0
Net finance expense per published results	**(306.1)**	(215.7)
Adjustments:		
Fair value gains on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	**12.9**	(259.4)
Underlying net finance expense	**(293.2)**	(475.1)
Share of profits/(losses) of joint ventures per published results	**(4.1)**	–
Profit on disposal of subsidiary	**–**	31.2
Adjustments:		
Profit on disposal of subsidiary	**–**	(31.2)
Underlying profit on disposal of subsidiary	**–**	–
Profit before tax per published results	**170.0**	256.3
Adjustments:		
In respect of operating profit	**37.6**	–
In respect of net finance expense	**12.9**	(259.4)
In respect of profit on disposal of subsidiary	**–**	(31.2)
Underlying profit/(loss) before tax	**220.5**	(34.3)
Profit after tax per published results	**126.9**	204.9
Adjustments:		
In respect of profit before tax	**50.5**	(290.6)
Deferred tax adjustment	**48.9**	76.6
Tax in respect of adjustments to underlying profit before tax	**1.0**	0.4
Underlying profit/(loss) after tax	**227.3**	(8.7)
Earnings per share		
Profit after tax per published results (a)	**126.9**	204.9
Underlying profit/(loss) after tax (b)	**227.3**	(8.7)
Weighted average number of shares in issue, in millions (c)	**681.9m**	681.9m
Earnings per share per published results, in pence (a/c)	**18.6**	30.0
Underlying earnings per share, in pence (b/c)	**33.3**	(1.3)
Dividend per share, in pence	**49.78p**	45.51p

In arriving at net finance expense used in calculating the group's effective interest rate, management adjusts underlying net finance expense to add back pension income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Average effective interest rate	Year ended 31 March 2024	Year ended 31 March 2023
Underlying net finance expense	**(293.2)**	(475.1)
Adjustments:		
Net pension interest income	**(28.6)**	(28.7)
Adjustment for capitalised borrowing costs	**(81.0)**	(127.5)
Net finance expense for effective interest rate	**(402.8)**	(631.3)
Average notional net debt[1]	**(8,504)**	(7,849)
Average effective interest rate	**4.7%**	8.0%
Effective interest rate on index-linked debt	**6.2%**	12.4%
Effective interest rate on other debt	**2.9%**	2.2%

[1] Notional net debt is calculated as the principal amount of debt to be repaid, net of cash and bank deposits, taking the face value issued of any nominal sterling debt, the inflation accreted principal on the group's index linked debt, and the sterling principal amount of the cross currency swaps relating to the group's foreign currency debt.

Governance

Responsible business culture with remuneration linked to performance

Strong governance is a core part of who we are as a business. Our values drive a high-performance culture and our executive, and all colleagues across the business, are remunerated against customer and environmental measures as well as financial performance.

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Corporate Governance Code

In the following pages of this corporate governance report we set out how the board has fully applied the principles and fully complied and reported on the provisions of the 2018 UK Corporate Governance Code (the code).

1 Board leadership and company purpose

Areas of focus for the board in 2023/24
See page 99

Our governance structure and its link to our strategic priorities
See pages 106 to 108

Engagement with colleagues and other stakeholders and monitoring and assessing culture
See pages 109 to 111

2 Division of responsibilities

Biographies of the board of directors include a summary of each director's responsibilities
See pages 100 to 103

Overview of the board's responsibilities, board roles and time commitment of directors
See page 112

3 Composition, succession and evaluation

The report of the nomination committee sets out the appointments process, board and committee succession planning activities, the board diversity policy and information relating to the board and committee evaluation process undertaken during the year
See pages 113 to 117

4 Audit, risk and internal control

The report of the audit committee and its work fulfilling its responsibilities during the year
See pages 122 to 135

5 Remuneration

The report of the remuneration committee and its work fulfilling its responsibilities during the year
See pages 140 to 163

Areas of focus for the board in 2023/24

The board's role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. During the year, the board collectively spent time focusing on the following matters:

Reputation – delivering great service

April 2023

The board participated in a session, facilitated by the director of corporate affairs and third-party advisers on the reputational issues impacting the UK water and wastewater sector and how best for the company to respond.

Outcome: The board endorsed the approach that the CEO should take primary leadership and engage directly with those criticising the sector, reiterating the board's intention to ensure that the views of the 'critical voices' were proactively taken into account. It was agreed that two-way engagement would be undertaken, ensuring stakeholders were provided with an understanding of the activities being undertaken by the company to address issues such as reductions in storm sewer overflow activations and leakage. Communication links would be forged regarding the work to address specific issues at Lake Windermere, the River Bollin and River Tame, with local partners.

Spending customers' money wisely

April 2023

The board participated in a session facilitated by the director of transformation and strategic programmes on the work being undertaken to ensure customers' money was being spent wisely and that the business was well placed to deliver its largest ever capital programme and to mobilise the supply chain for AMP8.

Outcome: The board fully supported the company's plans for AMP8 readiness and enhancing operational efficiency across all parts of the business and in doing so, challenging management to identify and eradicate inefficiencies in the remainder of AMP7.

Clean energy strategy

June 2023

The board participated in a session to discuss the opportunities for developing the group's clean energy strategy with a view to creating significant shareholder and customer value, and address the growing ESG expectations of stakeholders.

Outcome: The board was supportive of the ambitions of the clean energy strategy focusing on bioenergy, renewable energy generation and storage opportunities. The board tasked management to be ambitious in its approach to clean energy and the group's contribution to creating a greener future for the North West.

AMP8 business plan

July 2023

The board reviewed the progress and development of the AMP8 business plan for 2025–30, ahead of the submission to Ofwat on 2 October 2023, to address customers' short and longer-term priorities.

Outcome: Our proposed plan would deliver investment in infrastructure and better service by: improving water quality, reducing leakage, reducing service interruptions, reducing pollution, reducing internal flooding and reducing the impact of storm overflows. Other matters of importance to customers are reflected in the plan such as increasing the use of smart meters to help reduce usage and lower bills, reduce the chances of hosepipe ban restrictions during dry weather, reducing our production of carbon emissions and providing more affordability support to customers that need it.

Talent and succession pipeline

September 2023

The board reviewed senior management succession plans and the talent pipeline to ensure the group's resource capabilities match the challenges of the AMP8 investment programme for 2025–30 and were aligned with its equity, diversity and inclusion ambitions.

Outcome: The board is fully aware of the challenges of delivering such a large capital programme in the next asset management period and the need to retain, develop and attract resources with the appropriate mix of skills to do so.

AMP8 mobilisation

October 2023

The board reviewed the plans being mobilised in readiness for the proposed £13.7 billion AMP8 investment programme. The programme would require different delivery solutions ranging from a direct procurement for customer approach for projects in excess of £350 million to small local blue/green solutions of circa £500,000 with delivery via a flexible contracting strategy and the 'best contractor for the job' approach.

Outcome: The board discussed the changes to the operating model and the plans to establish closer community relations through the five counties approach, which would, for appropriate projects, support smaller contractors and workforce skills in the North West. The board explained the importance of management maintaining the focus on working collaboratively with its supply chain, engaging with external partners in order to challenge traditional engineering thinking and maximising efficiencies.

Health and safety

October 2023

Ahead of the significant increase in construction and operational activities in AMP8 the board was keen to review current health and safety practices and performance.

Outcome: The board engaged a third party to undertake a safety assurance audit which identified a number of improvements for implementation, including enhancing accountability and focus at leadership level. During the year, a new executive health and safety board, chaired by the CEO, was established and a new director of health and safety appointed. A refresh of the existing 'Home Safe and Well' strategy has been implemented to improve performance with regular updates presented to the board.

Haweswater Aqueduct Resilience Programme (HARP)

February 2024

The board considered the contractual arrangements for the replacement of tunnels in the Haweswater Aqueduct under Ofwat's direct procurement for customers (DPC) model, between the competitively appointed provider (the CAP) and UUW and considered how the cost and risk mechanisms were structured and allocated between UUW, the CAP, contractors and customers.

Outcome: The board has been kept fully apprised of progress to date with procurement of the CAP who will be responsible for the design, build, financing and maintenance of the tunnels for a 25-year term from the completion of the last tunnel section. The design and build period is expected to be around ten years.

Quick links

Terms of reference: unitedutilities.com/corporate-governance

Board of directors

N

Sir David Higgins
Chair

Responsibilities: Leadership of the board, setting its agenda and ensuring its effectiveness on all aspects of its role.

Qualifications: BEng Civil Engineering, Diploma Securities Institute of Australia, Fellow of the Institute of Civil Engineers and the Royal Academy of Engineering.

Appointment to the board: May 2019; appointed as Chair in January 2020.

Skills and experience: Sir David has spent his career overseeing high profile infrastructure projects, including: the delivery of the Sydney Olympic Village and Aquatics centre; Bluewater Shopping Centre, Kent; and the delivery of the 2012 London Olympic Infrastructure Project.

Career experience: Sir David was previously chief executive of: Network Rail Limited; The Olympic Delivery Authority; and English Partnerships. He has held non-executive roles as chair of both High Speed Two Limited and Sirius Minerals plc, and as a non-executive director at the Commonwealth Bank of Australia.

Current directorships/business interests: Sir David is a non-executive director of Gatwick Airport Limited and Sydney Airport Limited and a member of the Council at the London School of Economics. He is Chair of United Utilities Water Limited.

Independence: Sir David met the 2018 UK Corporate Governance Code's independence criteria (provision 10) on his appointment as a non-executive director and chair designate.

Specific contribution to the company's long-term success: Sir David has extensive knowledge of managing major infrastructure projects and working with regulators. As Chair of the nomination committee he is responsible for ensuring the succession plans for the board and senior management identify the right skill sets to face the challenges of the business.

E C

Louise Beardmore
Chief Executive Officer (CEO)

Responsibilities: Manage the group's business and implement the strategies and policies approved by the board.

Qualifications: BSc (Hons) Business Management, Fellow of the Chartered Institute of Personnel Development, Vice-President of the Institute of Customer Services.

Appointment to the board: May 2022.

Skills and experience: Louise has a wealth of experience leading utility and infrastructure businesses both in the UK and internationally. She has a strong track record in driving transformational change and service improvements for the benefit of customers, stakeholders and the environment.

Career experience: Louise joined United Utilities on its graduate programme and has comprehensive experience of the company and the North West region we serve. She was appointed as customer service and people director in 2016, prior to which she held a number of senior positions, leading teams in business transformation, water operations, electricity and telecoms in the UK and overseas. She completed the corporate director programme at Harvard Business School in 2022.

Current directorships/business interests: Louise is Chief Executive Officer of United Utilities Water Limited and a non-executive director of Water Plus, a joint venture with Severn Trent serving business customers. She is a non-executive director of Water UK and a non-executive director of the UK Engage for Success Foundation, named on the Northern Power Women's 'Power List' and a member of the 30% Club.

Specific contribution to the company's long-term success: Louise's strategic vision and constant customer focus will continue to build on the group's significant performance and delivery for customers, communities and the environment.

T

Phil Aspin
Chief Financial Officer (CFO)

Responsibilities: Manage the group's financial affairs, contribute to the management of the group's business and implement the strategy and policies approved by the board.

Qualifications: BSc (Hons) Mathematics, Chartered Accountant (ACA), Fellow of the Association of Corporate Treasurers (FCT).

Appointment to the board: July 2020.

Skills and experience: Phil has extensive experience of financial and corporate reporting, having qualified as a chartered accountant with KPMG and more latterly through his role as group controller. He has a comprehensive knowledge of capital markets and corporate finance underpinned through his previous role as group treasurer and his FCT qualification, and has a strong understanding of the economic regulatory environment.

Career experience: Phil has over 25 years' experience working for United Utilities. Prior to his appointment as CFO in July 2020, he was group controller with responsibility for the group's financial reporting, and prior to that he was group treasurer with responsibility for funding and financial risk management. He has been a member of EFRAG TEG and chaired the EFRAG Rate Regulated Activities Working Group.

Current directorships/business interests: Phil was appointed as a member of the UK Accounting Standards Endorsement Board in March 2021. He is chair of the 100 Group pensions committee and a member of the 100 Group main committee. He is Chief Financial Officer of United Utilities Water Limited and a non-executive director of Water Plus, a joint venture with Severn Trent serving business customers.

Specific contribution to the company's long-term success: Phil has driven forward the financial performance of the group and delivered the group's competitive advantage in financial risk management and excellence in corporate reporting.

N R E C

Alison Goligher
Senior independent non-executive director

Responsibilities: Responsible, in addition to her role as an independent non-executive director, for discussing any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chair or Chief Executive Officer. She is the current designated non-executive director for workforce engagement and chair of the compliance committee.

Qualifications: BSc (Hons) Mathematical Physics, MEng Petroleum Engineering.

Appointment to the board: August 2016.

Skills and experience: Alison has strong technical and capital project management skills, having been involved in large projects and the production side of Royal Dutch Shell's business. Her experience of engineering and industrial sectors provides the board with additional insight into delivering United Utilities' capital investment programme.

Career experience: Royal Dutch Shell (2006 to 2015), where Alison's most recent executive role was Executive Vice President Upstream International Unconventionals. Prior to that, she spent 17 years with Schlumberger, an international supplier of technology, integrated project management and information solutions to the oil and gas industry. She is a former non-executive director at Meggitt PLC and chair of Silixa Ltd.

Current directorships/business interests: Alison is a non-executive director of Technip Energies NV. She is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Alison's understanding of the operational challenges of large capital projects and the benefits of deploying technology provides valuable insight into addressing the longer-term strategic risks faced by the business. Her role as the designated non-executive director for workforce engagement provides the board with a better understanding of the views of colleagues and greater clarity on the culture of the company.

N A E

Liam Butterworth
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board.

Qualifications: MBA Business Administration and Management, CIM Marketing, HND Mechanical Production Engineering.

Appointment to the board: January 2022.

Skills and experience: As a serving CEO, Liam brings strong engineering and industrial technology experience to the board, with a track record of managing performance and enhancing corporate culture.

Career experience: Liam is an experienced leader in the automotive industry. He started his career in 1986 at Lucas Industries as an apprentice toolmaker before moving into sales and marketing. He joined FCI Automotive in 2000 in France, where he lived for 18 years. From 2008, Liam was CEO of FCI Automotive and led the sale of the business to Delphi Automotive plc in 2012, which he then joined as Senior Vice President and the President of its Powertrain Division. He subsequently became group CEO of Delphi Technologies plc in December 2017 when he led its demerger from Aptiv plc (formerly Delphi Automotive) and admission to the New York Stock Exchange. In 2018, he became CEO of GKN Automotive before its demerger from Melrose Industries plc and became CEO of Dowlais Group plc on its listing on the London Stock Exchange in April 2023.

Current directorships/business interests: Liam is CEO of Dowlais Group plc. He is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Liam's operational experience contributes to the board's continuing focus on improving the performance of the business.

Board role
- Chair
- Executive director
- Senior independent non-executive director
- Independent non-executive director

Committee membership
- N Nomination committee
- E ESG committee
- T Treasury committee
- R Remuneration committee
- A Audit committee
- C Compliance committee
- Chair of the committee

Board of directors continued

N A R

Kath Cates
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board and to lead the board's activities concerning directors' remuneration.

Qualifications: Solicitor of England and Wales.

Appointment to the board: September 2020.

Skills and experience: Kath has spent most of her career working in a regulated environment in the financial services industry. Since 2014, she has focused on her non-executive roles, chairing all the main board committees and undertaking the role of senior independent director.

Career experience: Kath was chief operating officer at Standard Chartered plc, before which she held a number of roles at UBS Limited over a 22-year period, prior to which, she qualified as a solicitor. She is a former non-executive director at Brewin Dolphin Holdings plc and RSA Insurance Group plc, where she chaired the remuneration committee.

Current directorships/business interests: Kath is a non-executive director at Columbia Threadneedle Investments where she chairs the TPEN audit committee. She is the senior independent director of TP ICAP Group Plc and chairs the board at Brown Shipley. She is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Kath's extensive board experience of regulated sectors enables her to contribute to board governance and risk management at United Utilities. As an experienced remuneration committee chair, she is focused on ensuring performance-related pay is linked to stretching delivery for customers and other stakeholders, and implementing robust pay governance mechanisms.

N E

Clare Hayward
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board.

Qualifications: BSc (Hons) Agricultural Marketing, MBA.

Appointment to the board: April 2024.

Skills and experience: Clare's background is in strategy consulting having spent most of her career working with national and international blue-chip clients, co-founding two global consultancy businesses.

Career experience: Clare was a co-founder of Cirrus, a leadership and talent consultancy, sold to Accenture in 2021. Prior to which, in 1993, she co-founded Academee developing it into a global leadership development consultancy. Alongside her executive responsibilities she has held several community interest non-executive roles including that of the Peaks and Plains Housing Trust.

Current directorships/business interests: Clare is interim chair of The NP11, the organisation which brought together the 11 Local Enterprise Partnerships (LEPs) from across the North of England, and has chaired the Cheshire and Warrington LEP since 2020. Through the LEPs, the public and private sector and government have worked together to drive prosperity and improve the lives of those living in their regions. Through this work she has developed strong links with local and central government. She is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Clare's strong affinity with the North West and interest in supporting the economic growth of our region will be an asset to the board in ensuring the company's purpose and strategic priorities are fulfilled.

N E

Michael Lewis
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board.

Qualifications: BEng (Hons) Engineering Technology, MSc Pollution and Environmental Control, MA Environmental Law.

Appointment to the board: May 2023.

Skills and experience: Michael has spent his career in customer-facing regulated utilities and has considerable experience of working with both environmental and economic regulators. He has managed a wide range of capital investment projects aimed at improving the customer experience, and driving environmental sustainability has been a key focus throughout his career.

Career experience: Michael started his career at Wessex Water plc, prior to joining PowerGen plc, which was subsequently acquired by E.ON SE. In 2007 he joined the management board of E.ON Climate and Renewables being appointed as CEO in 2015. He was appointed as CEO of E.ON UK in 2017, where he led the company's transformation into a leading supplier of zero carbon energy solutions, stepping down from the role in June 2023. He is a former non-executive director of Equinor ASA.

Current directorships/business interests: Michael is CEO of Uniper SE, one of Europe's leading power generation and gas supply companies, and a Member of Council for the Natural Environment Research Council. He is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Michael's extensive experience in regulated customer-facing utilities and his focus on sustainability will help the board deliver its AMP8 ambitions by 2050.

N E

Paulette Rowe
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board and to lead the board's agenda on ESG matters.

Qualifications: MEng + Man (Hons), MBA.

Appointment to the board: July 2017.

Skills and experience: Paulette has spent most of her career in the regulated finance industry and so provides the board with additional perspective and first-hand regulatory experience. Her experience of technology-driven transformation contributes to United Utilities' drive to incorporate technology into its operations, optimising decision-making and fostering a proactive approach to improve customer service.

Career experience: Paulette has held senior executive roles in banking and technology at Meta, Barclays, the Royal Bank of Scotland/NatWest and at Paysafe Group. She is a former trustee and chair of children's charity The Mayor's Fund for London.

Current directorships/business interests: During the year, Paulette was appointed CEO of Stax Payments Inc. In 2022 she was appointed as a non-executive director of Thredd, a private equity-owned venture. She is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Paulette's wide-ranging experience in regulated sectors, profit and loss management, technology and innovation enables her to provide a first-hand contribution to many board topics of discussion and has been instrumental in providing challenge on the group's equity, diversity and inclusion activities.

N A T R C

Doug Webb
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board and to lead the audit and treasury committees.

Qualifications: MA Geography and Management Science, Chartered Accountant (FCA).

Appointment to the board: September 2020.

Skills and experience: Doug has extensive career experience in finance from qualifying as a chartered accountant with Price Waterhouse, his executive roles as CFO of major listed companies and more recently through his non-executive positions and focus on audit committee activities.

Career experience: Doug was chief financial officer at Meggitt PLC from 2013 to 2018 and prior to that, he was chief financial officer at the London Stock Exchange Group plc and QinetiQ Group plc. He is a former non-executive director and audit committee chair at SEGRO plc and the Manufacturing Technology Group Ltd, and a former senior independent non-executive director and audit committee chair at BMT Group Ltd.

Current directorships/business interests: Doug currently serves as a non-executive director and audit committee chair at Johnson Matthey plc. He is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Doug applies his financial capabilities and his technical knowledge and experience covering audit and treasury matters in his role as chair of both the audit and the treasury committee to strengthen the board's financial expertise.

Board role
- Chair
- Executive director
- Senior independent non-executive director
- Independent non-executive director

Committee membership
- N Nomination committee
- E ESG committee
- T Treasury committee
- R Remuneration committee
- A Audit committee
- C Compliance committee
- Chair of the committee

Changes to the board
Michael Lewis joined the board on 1 May 2023 and Clare Hayward on 16 April 2024.

Corporate governance report

Sir David Higgins

Chair's letter

At £13.7 billion, the business plan submitted to Ofwat in October 2023 has been designed to address the group's expected regulatory commitments in 2025–30 and provide great water for a stronger, greener and healthier North West.

Quick links

Schedule of matters reserved for the board: **unitedutilities.com/corporate-governance**
A copy of the Financial Reporting Council's 2018 UK Corporate Governance Code can be found at **frc.org.uk**

Quick facts

- Sir David Higgins met the independence criteria as set out in provision 10 of the 2018 UK Corporate Governance Code (the code) when he was appointed.
- The code requires that at least half of the board, excluding the Chair, should be non-executive directors whom the board considers to be independent. As at 31 March 2024, there were six independent non-executive directors on the board.
- The company secretary attends all board and committee meetings and advises the Chair on governance matters. The company secretariat team provides administrative support.
- The directors' biographies (see pages 100 to 103) include specific reasons why each director's contribution is, and continues to be, important to the company's long-term sustainable success.
- All directors are subject to annual election at the annual general meeting (AGM) held in July. The board concluded, following the completion of the evaluation of the effectiveness of the board, that each director continues to contribute effectively.
- The board recommends that shareholders vote in favour of those directors standing for election or a further term at the forthcoming AGM, as they will be doing in respect of their individual shareholdings.

Dear shareholder

The AMP8 business plan was submitted to Ofwat on 2 October 2023. At £13.7 billion, it is hugely challenging – and to put it into context, it will mean managing an average spend of circa £228 million per month efficiently. Management have been driving change in readiness for AMP8 throughout the year, including reinvigorating the group's 'Home Safe and Well' health and safety strategy and culture and working to improve health and safety performance throughout the business, which is subject to regular review by the board. A considerable amount of the AMP8 capital expenditure will be spent with local suppliers and will directly benefit the North West economy – making our region stronger.

The governance process of the AMP8 business plan has been robust. In the first instance, proposals were reviewed and challenged by the future plan strategy board, the executive team and the compliance committee. The compliance committee thereafter made a recommendation to the board to approve the board assurance statement relating to the plan. The board has undertaken regular deep-dives throughout the year on a number of topics (see page 99), many of which directly informed the business plan and further information can be found in our S172(1) Statement on page 47.

Communities

Time in board meetings has been spent considering the communities across our region – particularly where our operations have had an impact on normal business operations with a knock-on effect to the communities we serve. The incident at Fleetwood Wastewater Treatment Works over the summer resulted in precautionary advice being issued by the Environment Agency in relation to the bathing waters along the Fylde Coast, and while the company did its utmost to make the repairs to the ruptured pipe as quickly as possible, some disruption was unavoidable.

The company has worked with the local community around Lake Windermere regarding the storm overflows that discharge into the lake to take action along with other organisations through the Love Windermere partnership (**lovewindermere.co.uk**). An information centre has been opened in the town to ensure members of the local community can easily come and talk to us to understand our plans to reduce spills from storm overflows.

Haweswater Aqueduct resilience programme (HARP)

The board has been kept fully informed of progress with the procurement of the competitively appointed provider (the CAP) to design, build, finance and maintain the replacement of six single line tunnel sections of the Haweswater Aqueduct. The aqueduct is a critical asset for the supply of water to customers in Cumbria, Lancashire and Greater Manchester. The project is the first of its kind to be procured under Ofwat's 'direct procurement for customers' (DPC) methodology, whereby United Utilities Water, as the licensed water and wastewater company (the appointee) will appoint a CAP following a competitive procurement process to deliver the project. Under the DPC arrangements, the CAP will finance the project and recover its costs via a monthly charge to UUW, over the life of the project. This charge will be recovered from customers as part of UUW's wholesale water charges.

To reflect the differences in the approach Ofwat has set out a series of 'control points' where specific information is submitted to Ofwat for its approval to move to the next stage of the process. At each control point, Ofwat expects the board to provide an assurance statement that the submission meets Ofwat's requirements. A governance framework has been established for the programme, with escalation of commercial and regulatory issues where appropriate through the HARP commercial steering group, the executive team, to the UUW board and also to Ofwat – if its approval is required. The board has engaged a number of third parties to provide assurance on the different elements of the control point submissions and Deloitte has been appointed to act as the cross-programme assurance aggregator to provide a cohesive overview of assurance.

The board has also engaged a panel of third party experts to provide oversight and challenge to the procurement team to ensure that the process of selection of the preferred bidder is being managed in accordance with the procurement process as set out in the contract. The panel, established in February 2023, has met approximately every three months, with the experts bringing together their collective expertise of procuring a number of large infrastructure projects across different industries, sharing best practice and insight from their collective experience. The panel prepare a report to the board following each of their meetings summarising the recommendations given to the procurement team and highlighting any areas to be considered or points of action.

Looking to AMP8, DPC is a model which Ofwat is expected to roll out throughout the sector for large capital infrastructure projects, and has used the learning from HARP to inform and improve its guidance for DPC projects.

The board has met with a number of representatives from our regulators during the year, both formally and informally, enabling both parties to share views and discuss matters of joint interest and focus on the particular challenges posed in the North West.

Cyber and artificial intelligence (AI)

The board has regular oversight of cyber security matters – cyber risk is a top-ten risk for United Utilities. As a provider of essential services for UK Critical National Infrastructure, the group is governed by the Network and Information Systems Regulations (NIS Regulations), which focus on cyber security compliance. Monitoring/enforcement of these regulations is within the remit of the DWI. The chief security officer, who reports functionally to the company secretary, presents to the board twice a year, providing the board with insight into the mitigation activities employed by the group in response to the evolving threat of cyber and physical security attacks. The protection of our customers, our people and our assets is of the utmost importance. During the year, the board was apprised of the group's AI policy, which sets out guidance for colleagues on the utilisation of AI services, both online and on premise and provides a structure and framework within which AI services should be used.

Board colleagues

As reported last year, Michael Lewis joined the board and the ESG committee on 1 May 2023, and as part of our board succession plans, we were pleased to welcome Clare Hayward as an independent non-executive director joining the board on 16 April 2024. It was announced on 16 April 2024 that Paulette Rowe would not be seeking reappointment at this year's AGM following her move overseas to take up an executive role. Paulette will be much missed and we wish her well in her new role.

Compliance committee

During the year, the compliance committee, which was established as a committee of the board in February 2023, met on three occasions. Alison Goligher, senior independent non-executive director, chairs the committee. Our regulators are some of the group's key stakeholders, and addressing their requirements is an essential business activity. The committee was formed in order to provide independent oversight and review of the group's regulatory reporting and assurance requirements and processes, which included providing helpful challenge and endorsement of the approach to the assurance of the business plan prior to consideration of the same by the board. Alongside Alison, Doug Webb, Louise Beardmore and James Bullock were appointed as members of the committee. The committee's inaugural report can be found on page 137.

Reporting against the code

In the following pages of this corporate governance report, we set out how the board has fully applied the principles and fully complied and reported on the provisions of the 2018 UK Corporate Governance Code (the code).

Annual general meeting

I look forward to welcoming shareholders to the company's main offices in Warrington at the annual general meeting in July, the details of which are included in the notice of meeting.

Sir David Higgins
Chair

Read more about **our core values** on page 45

Read more about **our financial performance** on pages 90 to 97

Board leadership and company purpose

Governance structure for the board and the principal committees

Set out below is the governance structure of the group covering the board, its principal committees and the principal management committees. A governance structure, overseen by management, with appropriate levels of delegated authority cascades throughout the business as part of the internal control process.

Key Inform and implement / Oversight and challenge

United Utilities Group PLC board
Chair – Sir David Higgins

Code principal board committees

Audit committee
Chair: Doug Webb
Contribution to our strategy:
See pages 122 to 135

Remuneration committee
Chair: Kath Cates
Contribution to our strategy:
See pages 140 to 163

Nomination committee
Chair: Sir David Higgins
Contribution to our strategy:
See pages 113 to 117

Other board committees

ESG committee
Chair: Paulette Rowe
Contribution to our strategy:
See pages 138 to 139

Compliance committee
Chair: Alison Goligher
Contribution to our strategy:
See page 137

Treasury committee
Chair: Doug Webb
Contribution to our strategy:
See page 136

Announcements committee
Chair: Any member of the committee
Contribution to our strategy:
Responsible for overseeing compliance with the group's disclosure controls and considering the materiality of information.

Chief Executive Officer – Louise Beardmore

Principal management committees

Group audit and risk board
Chair: Louise Beardmore, CEO
Contribution to our strategy:
See pages 45 and 134

Executive team
Chair: Louise Beardmore, CEO
Contribution to our strategy:
The executive team is responsible for the day-to-day running of the business and other operational matters and implementing the strategy set by the board.

Capital investment committee
Chair: Louise Beardmore, CEO
Contribution to our strategy:
The committee is responsible for authorising expenditure relating to the capital investment programme.

Sustainable finance committee
Chair: Phil Aspin, CFO
Contribution to our strategy:
The committee is responsible for ensuring funds raised under the sustainable finance framework are allocated to eligible green or social projects.

Political and regulatory group
Chair: Gaynor Kenyon, corporate affairs director
Contribution to our strategy:
The group is responsible for discussing political and regulatory issues affecting the company, where any 'horizon scanning' issues are raised and business responses to consultations are agreed.

ESG leadership group
Chair: Jo Harrison, asset management director
Contribution to our strategy:
The group leads and governs the continual improvement of performance on evolving ESG matters to reduce risk, maximise positive impacts, and create value for all stakeholders

Security steering group
Chair: Jon Wyatt, chief security officer
Contribution to our strategy:
The group is responsible for the oversight of cyber and physical security matters, risks and mitigating actions.

Climate change mitigation steering group
Chair: Phil Aspin, CFO and Jo Harrison, asset management director
Contribution to our strategy:
The group leads the ongoing development and delivery of our strategy and activity to achieve our science-based targets and carbon pledges.

Health and safety board
Chair: Louise Beardmore, CEO
Contribution to our strategy:
The group leads on the delivery of health and safety strategy, policy and implementation, driving continuous improvement and learning from incidents.

Our strategic priorities
Improve our rivers / Create a greener future / Deliver great service for all our customers / Provide a safe and great place to work / Spend customers' money wisely / Contribute to our communities

Board activities during 2023/24

In addition to the areas of board focus set out on page 99 and the S172(1) Statement on page 47, the board has been fully apprised of the matters set out in the table below, with decisions made as appropriate. Eight scheduled meetings are held per year (2023: 8). Papers are circulated via an electronic portal.

Other board meetings were held as the need arose. Scheduled meetings are usually held in person, and board members are expected to attend. Similarly, they are expected to make every effort to attend ad hoc meetings, albeit virtually if needs be. On the evening before most scheduled board meetings, the non-executive directors meet together to provide a discussion opportunity outside of the formal meeting, from time to time the CEO, CFO and company secretary also attend. A table of attendance is set out on page 108.

Actions	Outcomes	Cross reference	Link to strategic priorities
Leadership and colleagues			
Review of health, safety and wellbeing activities for colleagues and contractors and engagement of an independent third party to conduct a review of process safety at operational sites.	Considered the findings of independent third-party review of process safety at operational sites and opportunities for improvement.	See page 99	
Review of board and executive team succession plans.	Apprised of the succession planning activities for the senior management talent pipeline.	See pages 113 to 117	
Review of the results of the annual colleague engagement survey and feedback from the Colleague Voice panel.	Insight on the views of colleagues and through the Colleague Voice panel enabling the board to focus on addressing areas where improvement was required.	See page 109	
Annual review of the company's dashboard of cultural metrics and associated analysis.	Monitored and assessed culture and concluded it was aligned with the company's purpose, values and strategy.	See page 110	
Strategy – stronger, greener, healthier North West			
Aim to maintain the company's long-standing debt to RCV gearing target for AMP8 within a target range of 55 to 65 per cent.	Our PR24 submission is designed to support a stable credit rating for UUW and a financially resilient profile by proposing to retain a robust functioning equity buffer to absorb cost/performance shocks.	See pages 16 to 17	
Maintaining the focus on the provision of wholesome drinking water and treating wastewater are at the heart of what we do.	Kept fully apprised of the progress made by the 'Water Quality First' and 'Better Rivers' programmes focusing on improving water quality and the security of supplies, and targeting a 60 per cent reduction in storm overflow spills in the decade to 2030.	See pages 12 to 13	
Spent time understanding the balance of feedback from the extensive research with customers whose views were sought as part of the PR24 engagement process.	Considered the need to make bills as affordable as possible for customers, notwithstanding delivering record levels of investment, and so a £525 million package of affordability support has been proposed, to help more than one in six customers so that no increase in water poverty is expected despite the increase in bills.	See pages 12 to 13	
Apprised of the long-term adaptive plan to achieve net zero by 2025.	Inclusion of the long-term adaptive plan, including a detailed plan for carbon management for AMP8, in the PR24 submission.	See pages 32 to 33	
Governance			
Reviewed and debated the overall risk profile of the group, the principal and emerging risks and risk appetite.	Endorsed the nature, and the management of principal risks and were satisfied that the approach to risk appetite and the risk management framework were fit for purpose.	See pages 51 to 62	
Reviewed the risk management systems, including financial, operational and compliance controls and the effectiveness of the internal control systems.	The risk management and internal control systems were considered to be effective.	See page 119	
Reviewed and discussed the findings of the external evaluation and review of the performance of the board, its committees and any potential conflicts of interest.	Identified action points and any ongoing training needs.	See page 117	
Reviewed the performance of the statutory auditor and recommendation for reappointment at the 2024 AGM.	Accepted the recommendation from the audit committee that KPMG be proposed for reappointment at the 2024 AGM.	See page 117	
Financial			
Reviewed the 2020–25 business plan, noted the AMP business plan and approved the 2024/25 budget.	Approved the 2024/25 budget and approved management's proposal to treat the £37.6 million of cost relating to the burst final effluent pipe at Fleetwood Wastewater Treatment Works as an adjusting item at 31 March 2024.	See page 122	
Reviewed the half and full-year results, and associated announcements and related dividend payments.	Considered and approved the half and full-year results and the interim dividend and final dividend payments.	–	
Reviewed management's proposed going concern and long-term viability statements.	Approved the going concern and long-term viability statements for the financial year to 31 March 2024.	See pages 120 to 121	
Reviewed the annual treasury update.	Approved the group's funding requirements and potential sources of funding and endorsed the approach to managing interest rates and other exposure to market risk.	See page 136	

Governance structure for the board and its principal committee continued

Attendance at board and committee meetings during 2023/24

	Boards meetings[1]	Audit committee	Remuneration committee	Nomination committee	ESG committee	Treasury committee	Compliance committee
Sir David Higgins	8 8	–	–	3 3	–	–	–
Louise Beardmore	8 8	–	–	–	–	–	3 4[6]
Phil Aspin	8 8	–	–	–	–	3 3	–
Alison Goligher	8 8	–	4 4	3 3	4 4	–	4 4
Liam Butterworth	8 8	3 4[3]	–	1 3[3]	3 4[3]	–	–
Kath Cates	8 8	3 4[4]	4 4	3 3	–	–	–
Michael Lewis	7 7[2]	–	–	3 3	3 4[2]	–	–
Paulette Rowe	8 8	–	–	2 3[5]	3 4[5]	–	–
Doug Webb	8 8	4 4	4 4	3 3	–	3 3	4 4

● Meetings attended ● Possible meetings

(1) Actual number of meetings attended/maximum number of scheduled meetings that the directors could have attended during the financial year ended 31 March 2024.

(2) Michael Lewis was appointed to the board on 1 May 2023 and was unable to attend a meeting of the ESG committee due to a prior commitment arranged before his appointment.

(3) Liam Butterworth was unable to attend a meeting of the audit committee and meeting of the ESG committee arranged on consecutive days due to overseas travel, and two nomination committee meetings (one of which was arranged at short notice) due to unavoidable commitments.

(4) Kath Cates was unable to attend an audit committee meeting due to a long-standing personal commitment.

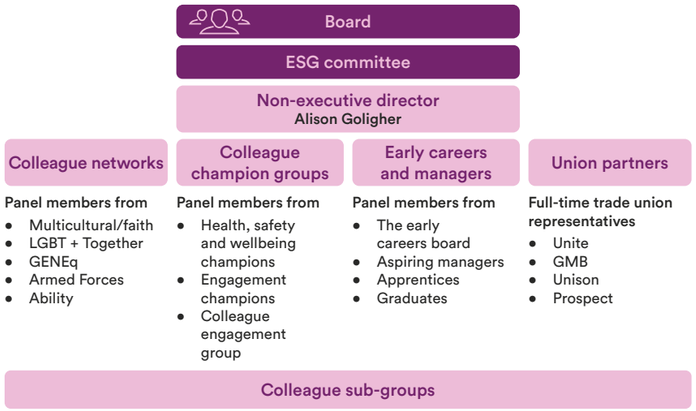
(5) Paulette Rowe was unable to attend a nomination committee meeting which was arranged at short notice and an ESG committee meeting due to illness.

(6) Louise Beardmore was unable to attend a compliance committee meeting due to attending a stakeholder meeting.

Board engagement with colleagues

Colleague Voice panel

Alison Goligher is the current designated non-executive director for engagement with the workforce and as part of the role she chairs the Colleague Voice panel facilitating the opportunity for two-way dialogue between the board and the wider workforce. The activities and findings of the panel are shared with the ESG committee and the board on a regular basis. Representatives from colleague groups and networks from across the business and region attend meetings, with the membership being regularly refreshed. Meetings alternate between in-person and virtual, to provide greater flexibility and ease of attendance. There is an open invitation to board members to attend panel meetings, as most of the non-executive directors have done on previous occasions.



Three meetings of the panel were held during the year. Minutes are recorded and made available on the company's intranet for all colleagues to access. A summary of the items discussed during the meetings is set out below:

- Board updates
- Sub-group updates on
  - Culture
  - Inclusion cross-network collaboration
  - Colleague engagement survey
- Update from the customer services director on affordability, accessibility and attentiveness
- Updates from the CFO on performance and from the wastewater services director on storm overflows
- Update on the communications approach from head of media, brand and communications
- Windermere information centre
- Technology services update
- 'Call it Out' helpline
- Workforce profile

Alison holds regular meetings with senior trade union representatives as part of the agreed panel approach. Furthermore, alongside the employee relations team, the CEO also holds regular face-to-face meetings with senior trade union representatives to ensure direct two-way communication.

The group has a commercial agreement in place with a third party for the provision of agency staff and contractors. Engagement and communication in relation to these members of the wider workforce is managed directly by the third party via a dedicated third-party account manager who liaises directly with the company's human resources team. Should there be significant change activity, a representative of the third party would join the project team to ensure consistency when communicating information to colleagues, agency staff and contractors. On pages 45 and 07 respectively, is information on the company's approach to engagement with, and creating value for, colleagues. Health, safety and wellbeing is a priority, see page 50. An explanation of the company's approach to rewarding the workforce can be found on page 151.

31 panel members from 14 different work locations

15 male and 16 female

Representatives from all five colleague networks

The panel operates three key sub-groups to provide insight and colleagues' perspective, which provide updates to each of the panel meetings:

- **Culture sub-group**
  Exploring the drivers and measures of the company's culture.
- **Inclusion cross-network collaboration sub-group**
  Helping colleague networks promote and support an inclusive culture across the business.
- **Engagement survey sub-group**
  Considering opportunities for continuous improvement and feedback on how colleague engagement is measured through the annual all-colleague engagement survey.

Other colleague engagement mechanisms include:

Engagement champion sessions
Provides those colleagues who act as engagement champions for their teams/departments with the opportunity to interact with our CEO and be kept up to date with our engagement approach.

CEO site visits
During the year, our CEO has visited a number of operational sites across the business as part of an ongoing programme, enabling her to spend time chatting with colleagues face to face in an informal setting and giving them opportunity to raise any issues, ask her questions and give feedback.

All colleague event
In December 2023, around 4,000 colleagues attended a session in Blackpool to learn about the AMP8 business plan (see page 24).

Executive sponsorship
Each colleague network group is sponsored by two members of the executive team.

'Call it Out' helpline
During the year, in addition to the whistleblowing helpline, a 'Call it Out' helpline was set up for colleagues to call out situations where: they think customers' money is not being spent wisely; where the service and behaviour of suppliers is not to the standard expected; or to provide an easy means of suggesting a process improvement idea or other suggestion.

Board engagement with colleagues continued

Confidential helpline and whistleblowing policy

As part of our two-way communication, the board has responsibility for reviewing the group's arrangements for individuals to raise matters of concern and the arrangements for the investigation of such matters. The group's whistleblowing policy (the policy) supports a culture within the group where genuine concerns may be reported and investigated without reprisals. A confidential telephone helpline and a web portal are available to enable colleagues (including agency workers and contractors) to raise matters of concern in relation to possible incidents of fraud, dishonesty, corruption, theft, security and bribery. Furthermore, colleagues are encouraged to raise any matters relating to health and safety and any activities of the business that have caused, or may cause, damage to the environment, such as pollution or other contamination. Both the helpline and web portal are operated by a third party, enabling any concerns to be reported anonymously. The policy makes it clear that no colleague will be victimised for raising a matter in accordance with the policy. Matters raised with the helpline/portal are in the first instance reported to the whistleblowing committee and investigated by senior managers independent of any involvement of the issues being considered.

Details of the findings of the investigation and proposed solution are then considered by the whistleblowing committee (whose membership comprises the company secretary, the people director, the regulation and compliance director, the head of internal audit and the commercial, engineering and capital delivery director), which meets quarterly. The board routinely reviews matters considered by the whistleblowing committee, the outcome of the investigation and the ways in which the matters were brought to a conclusion, thus ensuring that the core value of integrity is upheld and fostering an environment where colleagues feel it is 'safe to speak up' and to do so without fear of reprisal.

Culture

Our values of 'doing the right thing', 'make it happen' and 'be better' underpin our culture of behaving as a responsible business and articulate how colleagues are expected to behave, both individually and collectively. These values are continually reinforced by management in order that the right behaviours cascade throughout the organisation. Our colleagues are fundamental to delivering our strategy and achieving our purpose.

Assessing and monitoring our culture

Culture is routinely monitored and assessed by management to ensure behaving responsibly drives what we do, and action is taken where there is misalignment.

Qualitative and quantitative metrics are regularly made visible to the board via a number of mechanisms including in the CEO's monthly performance report, and, from time to time, relevant reports are provided to both the ESG and remuneration committees and the board itself. The people director presents an annual update on corporate culture to the board and the ESG committee.

Dashboard of cultural metrics

The dashboard comprises metrics derived from the annual colleague engagement survey including scores on 'listen and act', wellbeing, reward, and inclusion along with other key performance indicators (KPIs). A number of KPIs are reviewed on a monthly basis by the executive team and presented at scheduled board meetings.

The board was satisfied that the policies, practices and behaviours within the business were aligned with the company's purpose, values and strategy.

The following metrics are extracted from the dashboard:

81%
Overall percentage engagement score
UK norm: 79%

88%
Overall colleague response rate
2022/23: 87%

89%
Support for diversity and inclusion in the workplace
2022/23: 89%

85%
I would recommend United Utilities as a good place to work
UK norm: 80%

60%
I believe I am paid fairly for the work that I do
UK norm: 51%

93%
I know where to find health and wellbeing support
2022/23: 92%

Board engagement with stakeholders

Engagement with investors and shareholders

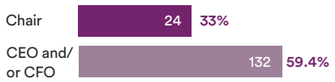
The board as a whole accepts its responsibility for engaging with shareholders and receives regular feedback from meetings with investors undertaken by the Chair, CEO and CFO, supported by the investor relations team. It receives reports and updates from sector analysts and the company's brokers ensuring the board has a clear understanding of investors' priorities.

Common themes from Sir David Higgins' meetings with representatives from institutional investors held during the year, the details of which were shared with other board members, were as follows:

- **Environment:** heightened regulatory/political risk given the impending UK general election.
- **Social:** focus on customer support for bills, reputational reaction to sector media coverage and resulting concerns for colleague morale.
- **Governance:** encouraged by management's invigorated approach to manage capital expenditure given larger project size and cost risk in AMP8.
- **CEO succession:** positive feedback with ongoing interest in the new focus and the energised approach.

The group has an active investor programme, with the CEO and CFO presenting the half and full-year results to the market via a live webcast and participating in a question and answer session. For those not able to attend, the sessions are recorded and made available on the company's website. The CEO and CFO hold a regular schedule of meetings with major investors, the programme incorporates all the major financial centres in the UK, Europe, North America and the Asia Pacific.

Set out below, is the 2023/24 breakdown of actual meetings held with shareholders and the percentage of the total shareholder register represented by these shareholders.



unitedutilities.com/corporate/investors/results-and-presentations/full-and-half-year-results

In 2023, shareholders were invited to the AGM at the company's main offices in Warrington, with 33 shareholders/proxies present. At the meeting, votes were cast in relation to approximately 75 per cent of the issued share capital (2022: 73 per cent; 2021: 70 per cent) and all 20 resolutions were passed by the required majority. There were no significant votes cast against the board's recommendations. Votes cast in favour of the election/reappointment of each of the directors were in excess of 98 per cent.

Shareholders are encouraged to access information, particularly relating to the half and full-year results presentations and annual report and accounts, via the company's website. Our registrar Equiniti, the company secretariat team and our investor relations team are all available to help shareholders with queries. Further information is available on page 230, along with a number of useful addresses.

Engagement with banks and credit investors

Running a water and wastewater business, by its very nature, requires a long-term outlook. Our regulatory cycle is based on five-year periods, and we raise funding to build and improve our water and wastewater treatment works and associated network of pipes for each five-year cycle and beyond. We are heavily reliant on successfully raising long-term funding from banks and credit investors to fund our capital investment programme and refinance upcoming debt maturities.

This requires long-term support from our credit investors who invest in the company by making term funding available in return for receiving interest on their investment and repayment of principal on maturity of the loans or bonds. We arrange term debt finance in the debt capital markets (with maturities typically ranging from seven years to up to 50 years at issue). Debt finance is primarily raised via the group's London-listed multi-issuer £10 billion Euro Medium Term Note Programme, which gives us access to the sterling and euro public bond markets and privately arranged note issues. Committed credit facilities are arranged with our relationship banks on a bilateral basis.

Additionally, the European Investment Bank (EIB), which is the financing arm of the European Union (EU), remains a significant lender to United Utilities Water, currently providing around £1 billion of loan funding supporting past capital investment programmes, with our existing EIB loan portfolio expected to 'run-off' in line with the scheduled maturities of each loan.

A greater proportion of the group's term finance is, therefore, likely to come from the debt capital markets, including funding raised under the group's sustainable finance framework that was established in November 2020. In February 2024, the group issued its first bond in the euro public market in almost 20 years, diversifying its sources of funding by issuing a €650 million, long ten-year bond maturity, in accordance with the group's sustainable finance framework. An allocation and impact report is published annually in respect of any green/sustainable finance raised, which provides credit investors with details on the use of proceeds of any sustainable finance raised, along with the selected case studies on eligible projects funded.

The group currently has gross borrowings of £10,001 million. Given the importance of debt funding to our group, we have an active credit investor programme coordinated by our group treasury team, which provides a first point of contact for credit investors' queries and maintains a dedicated area of the company's website. One-to-one meetings are held with credit investors through a programme aimed at the major European fund managers known to invest in corporate bonds that may be existing holders of the group's debt or potential holders. Regular mailings of company information are sent to keep credit investors informed of significant events. The treasury team has regular dialogue with the group's relationship banks, the EIB and the credit rating agencies.

More information can be found on our website at unitedutilities.com/corporate/investors/credit-investors

Engagement with regulators and other stakeholders

During the year, the chair of YourVoice (the independent customer challenge group) provided feedback to the board confirming whether, in YourVoice's view, customers' views had been taken into account in the construct of the 2023 UUW annual performance report and the AMP8 business plan. Sir David, Kath Cates, Alison Goligher, Michael Lewis and Paulette Rowe attended an event for non-executive directors organised by Ofwat.

Non-executive director's induction programme – Michael Lewis

Since joining the board in May 2023, Michael Lewis spent time with members of the executive team and met with representatives from the company's advisers in an induction programme agreed by the company secretary and CEO as follows:

Areas covered	Discussions held with
Strategic priorities, company purpose and values, and PR24/look ahead to AMP8	CEO
Financial performance, internal audit, risk and internal control and investors	CFO and members of the finance team
Corporate and governance structure, governance and best practice, and legal matters	Company secretary and external legal adviser
Colleague engagement and reward, organisational culture, health, safety and wellbeing	People director, head of reward, health and safety director
Engineering and capital programme, commercial activities, Haweswater Aqueduct Resilience Programme	Commercial director and transformation director
Customer services activities and technology	Customer and technology director
Water quality, treatment and supply network	Water services director
Wastewater treatment and wastewater network and storm overflows	Wastewater services director
Economic regulation and compliance	Regulation and compliance director
Bioresources and green energy activities	Bioresources and green energy director
Communication and stakeholder engagement activities	Corporate affairs director, head of media, brand and communications and head of regional engagement

Board roles

The roles and responsibilities of the Chair, the CEO and the senior independent director are clearly defined and set out in the terms of reference, available on the company's website. There is a clear division of responsibility between the leadership of the board and the executive leadership of the group's business. The Chair's role is fundamental to the effective operation and decision-making of the board. Sir David was independent on appointment when assessed against the circumstances set out in provision 10 of the Code. As CEO, Louise Beardmore is responsible for managing the group's business and implementing the strategies and policies approved by the board. The responsibilities of each of the directors is summarised in their biographies as set out on pages 100 to 103.

Sir David is supported in his role as Chair of the board by the company secretary. Regular meetings are held to discuss agendas and ensure that information provided to the board is both timely and board materials are of an appropriate length and quality. The company secretary ensures that the board is kept abreast of regulatory and legislative drivers and provides support to the non-executive directors and ensures the practical arrangements for board meetings are met.

Conflicts of interest/related party transactions and the time commitment of non-executive directors

The company's articles of association contain provisions that permit unconflicted directors to authorise conflict situations. Each director is required to notify the Chair of any potential conflict or potential new appointment or directorship. Additionally, the board reviews the position of each director annually. No changes were recorded that would impact the independence of any of the directors. No conflicts of interest or related party transactions were declared during the year.

The board does not specify the precise time commitment it requires from its non-executive directors – in taking on the role they are expected to fulfil their responsibilities and manage their diaries accordingly. This approach is set out in the letter of appointment that each director signs when joining the board. Each individual's circumstances are different, as is their ability to take on the responsibilities of a non-executive directorship role. Should a director be unable to attend meetings on a regular basis, considered not to be preparing satisfactorily or not contributing appropriately to board discussions, the Chair would be responsible for discussing the matter with them and agreeing a course of action. During the year, Paulette Rowe was appointed to a new executive role working overseas. As a consequence of her new commitments, Paulette has decided not to seek re-election at the 2024 AGM. The board is content that each of the directors seeking reappointment/election at the 2024 AGM are able to fulfil their responsibilities to the United Utilities' board alongside other roles currently held. During the year, Alison Goligher relinquished her role as chair of Silixa Limited following a corporate transaction.

Executive directors are not normally allowed to take on more than one non-executive position.

Board committee membership

The board delegates certain responsibilities to its committees and appoints directors to board committees that best reflect their skills, expertise and particular areas of interest. The board has applied the board diversity policy (see page 115) to the audit, nomination, remuneration, ESG and compliance committees thereby ensuring diversity of attributes and female representation. The board is satisfied that the membership of the audit committee and the remuneration committee are in accordance with provisions 24 and 32 of the code respectively.

Overview of the board's responsibilities

- Sets the strategy of the group, ensuring the long-term success of the group for customers, investors and wider stakeholders.
- Is responsible for challenging and encouraging the executive team in its interpretation and implementation of how it manages the business, and that it is doing so in accordance with the strategic goals the board has set.
- Has responsibility for ensuring the company's risk management and internal control systems (including financial, operational and compliance) and processes operate effectively (see pages 51 to 62).
- Must ensure that the company has the necessary financial resources and people with the necessary skills to achieve its objectives. It reviews managerial performance annually.
- Approves appointments to, and removals from, the board and membership of the committees.
- Applies the principles of the code and reports against the provisions.
- Has oversight of major capital expenditure projects that exceed £200 million, and any project that materially increases the group's risk profile, or is not in the ordinary course of the group's business.

There is a schedule of matters that the board has reserved for its own decision, a copy is available at **unitedutilities.com/corporate-governance**

Nomination committee report

Members

Sir David Higgins
Chair

Liam Butterworth
Michael Lewis
Kath Cates
Paulette Rowe
Alison Goligher
Doug Webb

Quick facts

- All members of the committee are independent, thus fulfilling the code requirement that a 'majority of members of the nomination committee should be independent non-executive directors'. On joining the board, all independent non-executive directors become members of the nomination committee.
- The company secretary attends all meetings of the committee.
- The people director regularly attends meetings and is responsible for engaging with executive search recruitment advisers.
- The CEO is not a member of the committee, but from time to time is invited to attend. Neither the Chair nor the CEO would participate in the recruitment of their own successor.

Main responsibilities

- Lead the process for board appointments and make recommendations to the board about filling board vacancies, including the role of company secretary.
- Consider the succession planning of directors and members of the executive team.
- Make recommendations to the board on refreshing the membership of the board's principal committees.
- Review directors' conflict authorisations.
- Consider requests from executive directors for election to the boards of other companies and make a recommendation to the board.
- Consider requests from non-executive directors for election to the boards of other companies; this role has been delegated to the Chair (other than in respect of his own requests).

Quick links

Terms of reference: **unitedutilities.com/corporate-governance**

Dear shareholder

It was announced on 16 April 2024, Paulette Rowe would not seek re-appointment at the 2024 annual general meeting (AGM) in July. On behalf of the committee, I would like to thank Paulette for her service to the group, and in particular for her valuable guidance and support toward improving our approach to equity, diversity and inclusion across the business. With her recent move overseas to take up a demanding executive role, coupled with the constraints of a USA/UK time differential, she concluded that after seven years on the board she would step down at the conclusion of the 2024 AGM. She will be much missed and I wish her every success with her new role.

As was also announced on 16 April 2024, Clare Hayward joined the board as an independent non-executive director. Clare brings a wealth of experience of effective partnership working alongside her involvement with a number of community interest and charity organisations. Her entrepreneurial background will bring a fresh perspective to our board thinking as we approach the 2025/30 asset management period. Her links in the North West are strong with her both living and working in the region, and I am sure board discussions will benefit from her perspective as a customer.

As part of our long-term board succession planning, the search process resulting in the appointment of Clare was in progress prior to Paulette announcing her intention to step down. Enhancing long-term succession planning for the board and management, and focusing on all aspects of diversity, was an action identified in the 2023 board evaluation (see page 117).

Board diversity

Diversity, in its broadest sense, is a key consideration in our board recruitment process, and the committee is committed to ensuring that all aspects of diversity are reflected among its board members. There were no candidates identifying as minority ethnic having applied for the role during the recent search process. The committee will keep attainment of this objective under review and it is hoped that a more ethnically diverse pool of candidates will be available during any future executive search process.

During the year, as recommended by the Parker Review, a target was set that by 31 December 2027, five per cent of senior managers and their direct reports will self-identify as minority ethnic. At 31 March 2024, none of the senior manager cohort self-identified as minority ethnic. Progress will be reported in future annual reports.

As set out on page 114, there is better news to report on ethnic diversity among the workforce and in the proportion of colleagues who have completed our 'All about me' self-identification survey. Small increases have been recorded in both measures, although having a workforce that is reflective of the communities we serve is still some way off.

Committee membership

Liam Butterworth will succeed Paulette as chair of the ESG committee and on her appointment, Clare joined the nomination and ESG committees.

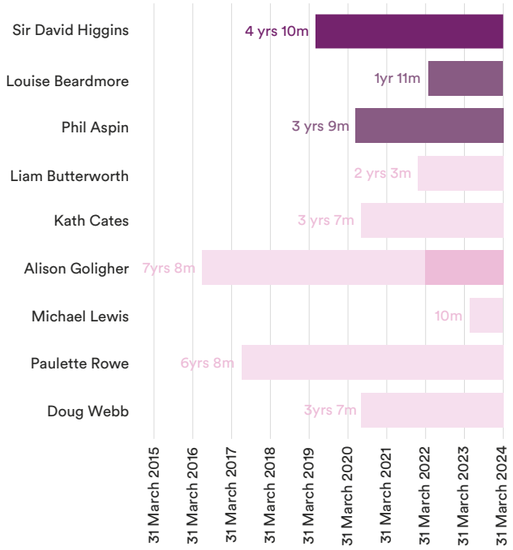
External board evaluation

In line with the code, our board evaluation is externally facilitated every three years. During the year, Independent Audit Limited (IAL) were again engaged to undertake the evaluation, having undertaken the last externally facilitated review in 2020/21, thereby providing a useful comparator with the previous external evaluation, notwithstanding there have been some changes to board members throughout the period since their last review. The representative from IAL attended a meeting of the board and meetings of a number of the committees to observe and provide feedback to myself and board colleagues. IAL is one of the first providers to be awarded accreditation by the Governance Institute for its board review services. A summary of the external evaluation is on page 117.

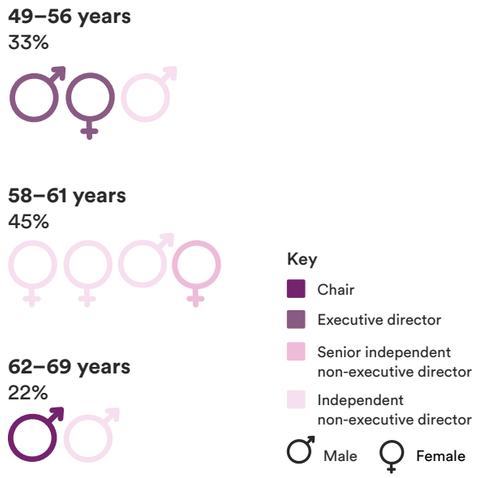
Sir David Higgins
Chair of the nomination committee

Nomination committee report continued

Directors' tenure as at 31 March 2024



Age and gender profile as at 31 March 2024



	At 31 March 2024
Non-executive directors average tenure	5 years 11 months
Executive directors average career time within the business	28 years 6 months
Average age of the non-executive directors	60 years
Average age of the executive directors	53 years

Gender identity or sex as at 31 March 2024

	No. of board members	Percentage of the board	No. of senior positions on the board (CEO, CFO, SID, Chair)	No. in executive management	Percentage of executive management
Men	5	55.6%	2	5	55.6%
Women	4	44.4%	2	4	44.4%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background as at 31 March 2024

	No. of board members	Percentage of the board	No. of senior positions on the board (CEO, CFO, SID, Chair)	No. in executive management	Percentage of executive management
White British or other White (including minority-white groups)	8	88.9%	4	9	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	11.1%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Data for the above tables is drawn from HR management information at 31 March 2024, with the directors and members of the executive team each having completed the company's 'All about me' equity, diversity and inclusion survey. Among those colleagues completing the survey, colleagues from a minority ethnic background represented 3.2 per cent (2023: 2.7 per cent), 89.1 per cent from a non-ethnic background (2023: 89.1 per cent) and 7.7 per cent chose not to disclose (2023: 8.2 per cent).

As required by LR 9.8.6(9), the company has met the following board diversity targets at 31 March 2024:

a. at least 40 per cent of the individuals on the board are women;
b. at least one of the following senior positions is held by a woman: the chair; the CEO; the SID or the CFO; and
c. at least one individual on the board is from a minority ethnic background.

Summary of the board diversity policy

- Ensure the selection process for board appointments provides access to a range of candidates. Any such appointments will be made on the basis of merit and objective criteria, and within this context should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- Ensure that the policies adopted by the group will promote diversity in the broadest sense among senior managers, who will in turn aspire to a board position.
- Ensure that the board, led by the Chair, collectively fosters an inclusive and belonging environment in the boardroom, enabling open and frank contributions from all board members.
- In selecting candidates for board positions, only use the services of executive search firms who have signed up to the voluntary code of conduct for executive search firms.
- Adopt measurable objectives from time to time for achieving diversity on the board, which shall be to maintain at least 40 per cent female representation, to have at least one director from a minority ethnic background[1], and to have at least one of the positions of: Chair, CEO, senior independent director or CFO held by a female.

Skills matrix of board directors

	Sir David Higgins	Louise Beardmore	Phil Aspin	Alison Goligher	Liam Butterworth	Kath Cates	Clare Hayward	Michael Lewis	Paulette Rowe	Doug Webb
Finance/accounting			●			●				●
Utilities		●	●					●		
Regulation	●	●	●			●		●	●	●
Government	●		●				●	●		
Construction/engineering	●			●	●			●		
Industrial				●	●					●
Customer-facing		●	●			●	●	●	●	
FTSE companies		●	●	●	●	●	●		●	●
Digital/technology		●			●	●		●	●	
ESG		●	●	●	●	●	●	●	●	●
Current CEO/CFO of listed entity[2]					●			●		
Former CEO/CFO of listed entity	●									●

Committee and succession planning activities during 2023/24

Actions	Outcomes	Cross reference
Reviewed the senior management succession pipeline and the refreshed approach to managing and developing talent, which would be piloted with senior managers, and thereafter rolled out across the wider workforce.	The succession planning activities are designed to support and align the human resource requirements of senior managers and their direct reports both on a contingency basis and as a look ahead in preparation for our 2025/30 asset management plan.	See page 24
Review of the membership and roles of the executive team.	The membership, roles and responsibilities of the members of the executive team were restructured to better reflect the strategic priorities of the business.	See page 31
Review of the long-term succession plan for the board.	Agreed the brief and engaged Lygon Group[3] to assist in the appointment of a new non-executive director ahead of the expected retirement of existing non-executive directors in order to guard against any apparent impairment of the independence of a non-executive director as described in code provision 10.	See page 116
Received an update on the recruitment process and considered the short-list of potential candidates to undertake interviews with the existing non-executive directors.	Considered and discussed feedback from the candidate's interviews with each of the current non-executive directors and agreed the candidate to take forward to meet with Ofwat representatives.	See page 116
Considered feedback from Ofwat on the suitability of the proposed candidate.	Made a recommendation to the board for the appointment of Clare Hayward as an independent non-executive director.	See page 113
Reviewed the committee's terms of reference.	No changes made.	–
Discussed the findings of the committee's evaluation.	Identified actions.	See page 117

(1) Defined by reference to categories recommended by the Office for National Statistics (ONS) excluding those listed by ONS as coming from a white ethnic background.

(2) Excludes United Utilities.

(3) Lygon Group have no other connection with the company other than providing executive search services.

Nomination committee report continued

Board succession planning and diversity

The succession planning matrix and board skill set matrix (see page 115) capture the skills and experience of the current board members, any gaps or potential gaps that will arise as the existing non-executive directors step down and the skill sets required to meet the forecast strategic needs of the business. Details of the tenure of board members is shown on page 114. Neither the Chair, nor the CEO, would be involved in the appointment of their successor, although the committee would most likely seek to consult with the incumbent CEO given their unique knowledge of the business. Any selection process is underpinned by the application of the board diversity policy (see page 115). The policy is applied to the board committees as set out on page 112. On joining the board, non-executive directors undertake an induction programme, Michael Lewis' induction programme is set out on page 111.

As set out on page 114, at 31 March 2024 the company met the board diversity targets set out in LR 9.8.6(9). The board is cognisant of the benefits that diversity, in its broadest sense, among its membership brings to board discussions and in its role to challenge management. The board recognises the benefits of equity, diversity and inclusion across the business, and there are initiatives in place to support women in the workplace and address the ethnic imbalance of the workforce and align with our strategic priority to provide a safe and great place to work (see page 15).

Executive directors and senior manager succession

The group has had a written succession plan for the executive directors and other members of the executive team, which includes outline timescales, identifies an interim internal successor to fill a role in the short term should the need arise, and to address the longer-term development needs of potential successors to be able to fulfil a role on a more permanent basis. As with all board appointments, in aiming to appoint the best person to fulfil a role it would be common, when recruiting for a senior role, for an external search to be conducted alongside an internal candidate recruitment process.

Knowledge and training

Board directors regularly receive updates to improve their understanding and knowledge about the business and, in particular, its regulatory environment. As part of the individual director's element of the board evaluation exercise, directors are asked to identify any skills or knowledge gaps they would like to address.

Consideration of ESG issues are fundamental to our purpose of providing great water for a stronger, greener and healthier North West. During the year, board members and members of the executive team have all completed internally provided training entitled 'introduction to carbon' and deep-dives have been regularly undertaken as set out on page 99.

During the year, the board received briefings from both Slaughter and May (legal and governance matters) and KPMG (governance changes relating to reporting requirements), and held sessions with a number of other advisers. Our non-executive directors are conscious of the need to keep themselves properly briefed and informed about current issues and to deepen their understanding of the business. During the year, Sir David, Kath Cates, Alison Goligher, Michael Lewis and Paulette Rowe attended an event organised by Ofwat for non-executive directors. Alison Goligher has again chaired the Colleague Voice panel (see page 109).

New directors receive information on the key duties of being a director of a regulated water company. They are required to meet with representatives of Ofwat prior to appointment, as Michael Lewis did in November 2022, prior to him joining the board on 1 May 2023, and as did Clare Hayward in February 2024.

Read more about our apprentices and graduates on page 42

Read more about our strategic priorities on page 31

Read more about storm overflows on page 40

Read more about our equity, diversity and inclusion on page 67

Board evaluation

1 Approach

The Chair, Independent Audit Limited (IAL) and the company secretary discussed the evaluation process. A questionnaire-based approach with IAL attending a meeting of the board and each of the audit, ESG and remuneration committees to observe the committee in action was adopted. IAL discussed the content of the questionnaires with the Chair and the company secretary. Once the questionnaires were drafted, they were shared with the Chair, company secretary and chair of each committee for comment/approval prior to being issued.

2 Methodology

Questionnaires (included questions to be scored and free text questions) were completed by board members assessing both the performance of the board, and that of the Chair. Members of each committee completed relevant questionnaires as did the standing attendees for each committee including any external advisers. Directors were not asked to complete a questionnaire for a committee they did not routinely attend. Each director also completed a self-assessment questionnaire assessing their own performance. Questionnaires were completed via IAL's online portal.

3 Analysis

The results were collated by IAL and analysed, with a draft report prepared.

4 Review

The draft report was discussed with the Chair and circulated to the relevant committee chairs, after which, IAL presented their final report to the board at its meeting in February 2024. Each committee also discussed the results of the relevant evaluation.

The Chair reviewed the performance of the individual directors.

Alison Goligher, as the senior independent non-executive director (SID), led the review of the Chair. She held a discussion with the other non-executive directors without the Chair present. Detailed feedback was provided to the Chair. The Chair discussed the review of the individual directors with each of them and identified any points of action.

Externally facilitated self-assessment evaluation process

In accordance with the timings set out in the code, an external evaluation was due in 2023/24. After discussion with the company secretary, the Chair agreed that Independent Audit Limited (IAL) would again be engaged to facilitate the exercise and so provide a comparison with the evaluation undertaken by IAL in 2020/21, that being the most recent external evaluation. Internal evaluations were conducted by the company secretary and his team during the intervening years.

Outcomes

The conclusions of the evaluation and actions identified are set out below:

The board – strengths:

- Questionnaire responses suggested that the board performed well in many areas, and the diversity of its members contributed to its success. The non-executive directors had a good understanding of the business and they engaged well in constructive conversations. The board is well chaired and well supported by the company secretary. The non-executive directors are supportive of the executive management team with transparent, honest and open two-way dialogue in board meetings – as was observed by IAL during its attendance at the board and committee meetings.
- Responses indicated that the board felt there was good oversight of the long-term planning process and strategic aims and the oversight of financial management was strong. The non-executive directors felt they were able to contribute to strategy and implementation was monitored effectively.
- There was good oversight of the risk management process, which was effective, and the programme of deep-dives was well aligned with the challenges of the business. Deep-dives themselves were considered to be comprehensive and informative particularly for new non-executive directors, and provided excellent opportunities for further discussion.

The board – priorities for action:

- The directors agreed it would be beneficial to spend more board time discussing emerging issues and spend more time understanding the impact, opportunities and risk offered by emerging technologies on the strategy and operations of the business.
- Maintaining a greater focus on health, safety and wellbeing and on the ever evolving cyber risk, ensuring mitigating actions kept pace and that the group was well prepared in the event of a cyber attack.
- Increase the opportunities for the non-executive directors to have more opportunities for face-to-face contact and to interact with senior management.
- Respondents felt a review of peer comparators could be of benefit to ensure the business was challenging itself.
- Board members were keen to keep virtual meetings to a minimum as they were felt to restrict the flow of dialogue within the meeting and prevented the ability to have further conversations with colleagues outside the formal meeting.

The committees – strengths and priorities for action:

- Audit committee – Committee members agreed that the committee chair is knowledgeable and has a strong grip on substantive issues and chairs the meeting in such a way to encourage debate and challenge. There was felt to be benefit in developing all members of the committee's understanding of the risk and assurance framework and how the assurance function within internal audit worked together.
- ESG committee – Questionnaire responses showed that the committee is well chaired and support to the committee was good. It was felt that gaining further clarity on the areas that the committee could best contribute its expertise and time would be beneficial.
- Nomination committee – Ensuring the committee maintained its focus on succession planning for both non-executive board appointments and executive senior management succession was raised, along with having greater insight as to how senior managers coming through the organisation were being supported given the demands of AMP8.
- Remuneration committee – Respondents indicated that the committee is well chaired and works well, with healthy discussion and debate and all members contributing their views. It would be beneficial to increase liaison with other committees particularly during an appointment process and when long-term plan performance targets were being set.
- Responses showed that the treasury committee performed strongly in all aspects, with the focus being on the funding requirements for AMP8.
- Responses showed that the compliance committee was well managed and chaired with the focus being the forward-looking regulatory agenda.

Key 2022/23 evaluation recommendations	Actions taken during 2023/24
Robust challenge by the board of the AMP8 business plan submission.	Reviewed key objectives multiple times through the drafting process, deep-dive (see page 99 and S172(1) Statement, page 47).
The board to obtain a better understanding of the Better Rivers programme and the HARP procurement process.	The board undertook deep-dives on reputation (covering storm overflows and the Better Rivers programme) and the HARP procurement process (see page 99).
Greater standardisation and more succinct board papers and opportunities for interaction with senior management.	Management are being more disciplined about the length of board papers. A standard format is being adhered to.
Knowledge development and training on ESG matters for members of the ESG committee.	Members of the committee completed an 'Introduction to carbon' training module.

Financial oversight responsibilities of the board

The board as a whole is responsible for overseeing the financial performance of the business. The board is supported in this role by the audit committee, whose activities are described on pages 122 to 135.

The board reviews the financial performance of the company at every scheduled board meeting, receiving a report from the CFO, which provides the board with the up-to-date position of the consolidated financial statements, interpretative analysis and other key performance indicators, metrics and ratios. The board takes into account the review by the audit committee of the financial and narrative statements, and the auditor's views on the key risks and judgements identified and given particular focus in their audit work and set out in their report (see pages 170 to 180), and the information and explanations provided by management in relation to their key judgements and adjustments to APMs (see page 96). The board considered the review and assurance process undertaken by management, and considered by the audit committee to support the application of principle N. The board concluded that in the 2023/24 integrated annual report and financial statements it had presented a fair, balanced and understandable assessment of the company's position and prospects, and the board was satisfied on the integrity of the financial and narrative statements. Furthermore, the board approved the accounts and provision of the directors' responsibility statement at its meeting on 15 May 2024, see page 168.

Oversight of the financial aspects of ESG

ESG, and behaving responsibly, has been a long-term commitment and part of the board ethos for many years and is embedded throughout the business. It naturally flows through into the board's approach to the integrity of the group's financial reporting. As described on page 55, climate change poses a risk to the group's provision of water and wastewater services. A table of our reporting against the TCFD recommendations is set out on page 03.

As part of the processes supporting the provision of the 'fair, balanced and understandable' statement, the board determined that the levels of assurance provided by the combination of the work by internal audit and of the various third parties was satisfactory at this time – a stance endorsed by the audit committee. The impact of environmental risk and other potential risks associated with climate change on the financial statements is kept under review. The board's approach for accounting for climate change for the year ended 31 March 2024 is set out on page 188.

Board's approach to risk management and internal control

As a key part of the risk management framework, risk appetite and tolerance (see page 51) captures the board's desire to take and manage risk relative to the company's obligations, stakeholder interests and the capacity and capability of its key resources. The board discharges its responsibility for ensuring that the company's risk management and internal control systems operate effectively across the business, and that they receive an appropriate level of scrutiny and challenge through the risk and resilience governance and reporting process – the structure of which is shown on page 44. The risk profile is reviewed in conjunction with the full and half-year reporting cycle along with deep-dives and routine performance reviews. The group's risks focus on the achievement of the objectives and obligations of a regulated water and wastewater company including those relating to service delivery, reputation, regulatory and legal compliance, and the natural environment and are relative to multiple threats and vulnerabilities such as climate change, asset health, demographic change and security.

Monitoring and review of the effectiveness of the risk management and internal control systems

Taking into account the principal risks set out on pages 54 to 56, the ongoing work of the audit committee in monitoring the risk management and internal control systems (see pages 134 and 135) on behalf of the board (and to whom the committee provides regular updates), the board:

- was satisfied that it had carried out a robust assessment of the emerging and principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; and
- has monitored and reviewed the effectiveness of the risk management and internal control systems, including all material financial, operational and compliance controls.

After review, taking into account that no significant failings or weaknesses were identified, the board concluded the company's risk management and internal control systems are operating effectively.

How the board monitored and reviewed the effectiveness of the risk management and internal control systems:

Governance

- UUW board oversight of operational and compliance risk and controls.
- Oversight and activities undertaken by each of the audit committee, the treasury committee, the ESG committee and the compliance committee, including the recommendations from each of the committees and a review of the minutes of the committees' meetings.
- Treasury committee oversight of key treasury matters including debt, financing and interest rate management.
- The review of the minutes of meetings of the group audit and risk board (GARB) and feedback from the CEO as chair of the GARB (see page 44).
- Feedback from the CEO, the CFO, the executive team and the head of audit and risk.
- Review of the effectiveness of the internal audit function (see page 134).

Risk management

- The business risk and resilience framework, including the 'bottom-up' biannual integrated risk review process and the 'top-down' assessment of risks through the group audit and risk board (see pages 51 to 54).
- Bi-annual review of the group risk profile, with a focus on the most significant group and high impact, low likelihood event-based risks (our principal risks) (see pages 51 to 56) and new and emerging risks (see page 61).
- The risk appetite and tolerance framework (see page 51), which includes: strategic appetite statements (as endorsed by the board); general financial appetite against which the board reviews the most significant risks biannually; and target state for each corporate risk.
- Details of the most significant (principal) risks, highlighting the extent of control/mitigation and the potential to achieve a targeted position, is made available to the board biannually.
- Review of matters correlating with, and deep-dives into, specific event-based operational risks.

Internal control

- Operational controls relating in particular to asset health, operational hazard and long-term resilience and compliance controls to managing environmental performance and regulatory compliance managed through the business quality and environmental management system certified to IS0 9001 and ISO 14001.
- The internally published internal control manual (ICM) sets out financial controls, authorisation and approvals, and governance requirements.
- Self-assessment by management confirming compliance with key elements of the ICM and a range of key internal policies, processes and controls.
- Performance and financial reports are circulated as part of the information packs for board meetings.
- UUW's regulatory reporting and approval process.

Assurance

- An 'assurance map' summarising the key external advice and assurance, second line assurance activities and internal audit activities for each of the significant group and operational risks.
- The outcome of the activities undertaken by the internal audit function, who apply a risk-based approach and cover the group's auditable areas on a cyclical basis.
- The opinion provided by internal audit in relation to their work, that 'the governance, risk management and internal control framework was suitably designed and effectively applied within the areas under review'.
- Periodic review of the risk and resilience framework and risk appetite and tolerance framework by the internal audit co-source partner (most recently reported July 2023).
- Application of an assurance framework for the annual report to determine the external assurance requirements based on risk.
- Third-party assurance of specific sections of the annual report and financial statements.
- Comments made by KPMG on the effectiveness of the operation of the risk management and internal control systems from its observations, while undertaking the statutory audit.
- Assurance statements, detailing internal and external assurance activities, in support of key regulatory submissions.

Read more about significant issues considered by the audit committee on pages 125 to 126

Read more about relations with banks and credit investors on page 111

Financial oversight responsibilities of the board continued

Going concern and long-term viability

The board, following the review by the audit committee, concluded that it was appropriate to adopt the going concern basis of accounting (see page 186). Similarly, in accordance with the principles of the code, the board concluded, following the recommendation from the audit committee, that it was appropriate to provide the long-term viability statement based on an assessment period of seven years. Assurance supporting these statements was provided by the review of: the group's key financial measures and contingent liabilities; the key credit financial ratios; and the group's liquidity and ongoing ability to meet its financial covenants. As part of the assurance process, the board also took into account the principal risks and uncertainties facing the company, and the actions taken to mitigate those risks, and include emerging and more topical risks.

These principal risks are detailed on pages 54 to 56, and the risk management processes and structures used to monitor and manage them on pages 44, 51 to 54 and 57 to 61. Biannually, the board receives a report detailing management's assessment of the most significant risks facing the company. The report gives an indication of the level of exposure, subject to the mitigating controls in place, for the risk profile of the group, while also highlighting the reputational and customer service impact. This provides the board with information in two categories: group-wide business risks; and operational risks. The board also receives information during the year from the treasury committee (to which the board has delegated matters of a treasury nature – see page 136), including such matters as liquidity policy, the group's capital funding requirements and interest rate management.

Long-term viability statement

The directors have assessed the viability of the group, taking account of the group's current position, the potential impact of the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. This assessment has been performed in the context of the group's prospects as considered over the longer term. Based on this viability assessment, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the seven-year period to March 2031.

Basis of assessment

This viability statement is based on the fundamental assumption that the current regulatory and statutory framework, and interpretation thereof, does not substantively change. The long-term planning detailed on pages 32 to 33 assesses the group's prospects and establishes its strategy over a 25-year time horizon consistent with its rolling 25-year licence and its published long-term strategy. This provides a framework for the group's strategic planning process, and underpins our business model set out on pages 18 to 95.

In order to achieve this aim and promote the sustainability and resilience of the business, due consideration is given to the management of risks over the long term that could impact on the business model, future performance, credit ratings, solvency and liquidity of the group. Specifically, risks associated with current levels of economic uncertainty and climate change have been incorporated into the baseline position and factored into the various scenarios modelled as part of the group's assessment. An overview of our risk management approach that supports the group's long-term planning and prospects, together with the principal risks and uncertainties facing the business, can be found on pages 54 to 56. This approach considers the full range of categories of risk that could impact the company, such as financial, operational and regulatory risks. In addition, consideration is given to the adequacy of workforce policies and practices, all liabilities including pension liabilities, any exposure to revenue variations, and expectations of future performance taking account of past performance in delivering for customers.

Within the context of this long-term planning and management of risks, the group's principal business operates within five-year regulatory price control cycles. Medium-term planning considers the current price control period, over which there is typically a high degree of certainty, and looks beyond this in order to facilitate smooth transitions between price control periods. This results in the board concluding that a recurring period of seven years is an appropriate period over which to perform a robust assessment of the group's long-term viability.

Viability assessment: resilience of the group

The viability assessment is based upon the group's medium-term business planning process, which sits within the overarching strategic planning process and considers:

- the group's policy of maintaining debt to regulatory capital value (RCV) of between 55 per cent and 65 per cent, which is consistent with a robust capital structure and strong solvency position, and which in turn supports the group's current credit ratings for its principal subsidiary United Utilities Water Limited of A3/BBB+/A- with Moody's, S&P and Fitch respectively;
- the group's pension schemes being fully funded on a low dependency basis, with around two thirds of the liabilities hedged through buy-in contracts and the remaining liabilities fully hedged for interest rate and inflation risk;
- the group's policy of maintaining a robust liquidity position, with liquidity to cover expected cash outflows for the next 15–24 months, and flexibility to exceed the upper end of the liquidity range in periods of greater uncertainty. At March 2024, the group had £780 million of available liquidity covering expected cash outflows through to March 2026 and providing a significant buffer to absorb short-term cash flow impacts; and
- the current regulatory framework within which the group operates, which provides a high degree of cash flow certainty over the regulatory period and the broader regulatory protections outlined below.

From a regulatory perspective, the group benefits from a rolling 25-year licence and a regulatory regime in which regulators – including the economic regulator, Ofwat – are required to have regard to the principles of best regulatory practice. These include that regulation should be carried out in a way that is transparent, accountable, proportionate, consistent and targeted. Ofwat's primary duties provide that it should protect consumers' interests, by promoting effective competition wherever appropriate; secure that the company properly carries out its statutory functions; secure that the company can finance the proper carrying out of these functions – in particular through securing reasonable returns on capital; and secure that water and wastewater supply systems have long-term resilience and that the company takes steps to meet long-term demands for water supplies and wastewater services.

In addition, from an economic perspective, given the market structure of water and wastewater services, threats to the group's viability from risks such as reduced market share, substitution of services and reduced demand are low compared to those faced by many other industries.

The factors set out in this section underpin the expectation of the company's ability to maintain access to equity and debt capital to the extent necessary to maintain the company's capital structure and liquidity policies, which in turn provide the capital buffer and cash liquidity considered appropriate to mitigate the potential realisation of the principal risks facing the business.

Viability assessment: resilience to principal risks facing the business

The directors have assessed the group's viability based on the resilience of the group and its ability to absorb a number of 'severe but plausible' scenarios, derived from the principal risks facing the group, as set out on pages 54 to 56. The baseline plan, against which the viability assessment has been performed, reflects that inflation is expected to fall to more normal levels from 2024/25 onwards. This baseline plan is then subject to further stress scenarios and reverse stress testing that takes into account the potential impact of the group's principal risks. Such risks include: environmental risks such as the occurrence of extreme weather events and other impacts of climate change, further details of which are included in the group's TCFD disclosures, which are integrated throughout the annual report as set out in the non-financial and sustainability statement on page 03; political and regulatory risks; the risk of critical asset failure; significant cyber security breaches; current economic uncertainties including high levels of inflation and a squeeze on the cost of living impacting the group's customer base; and the potential for a restriction to the availability of financing resulting from a capital markets crisis.

The scenarios considered are underpinned by the group's established risk management processes, taking in the most significant event-based risks with a greater than ten per cent (one in ten) cumulative likelihood of occurrence. Risks associated with current economic conditions are reflected within the baseline position, with potential downside risks (most notably in relation to bad debt and inflation volatility) covered by the individual scenarios modelled, and collectively within a combined scenario.

Based on these risks, the following six largest impacting scenarios were identified and applied as downside stress scenarios to the group's baseline plan.

Scenario modelled	Link to risk factors
Scenario 1: Totex £400m one-off impact in 2024/25	Broadly representing the largest 'severe but plausible' risk, which is a critical asset failure, all assumed to be operating costs
Scenario 2: Totex underperformance of 8% (circa £150–circa £350m) per annum for 2024/25–2030/31	Representing more than the cumulative total expected NPV totex impact of the remaining top ten 'severe but plausible' risks (including environmental, cyber security and network failure risks)
Scenario 3: CPIH inflation of 1.0% below baseline plan for 2024/25–2026/27	Broadly consistent with quantum of inflation impacts modelled within top ten 'severe but plausible' risks
Scenario 4: An increase in bad debt of £15m per annum from 2024/25 to 2030/31	Aligned to internal risk factor on debt collection
Scenario 5: Additional ODI penalty of circa £85m per annum	Assumes mid-point of UUW's baseline and PR19 final determination P90 ODI position
Scenario 6: Debt refinanced as it matures, with new debt financed at 1.0% above the forward projections of interest rates 2024/25–2030/31	Representing more than top ten 'severe but plausible' risk on credit ratings as well as high impact/low likelihood risk on financial outperformance
Scenario 7: Combined scenario – 50% of scenarios 2–6	50% of scenarios 2–6

Example mitigations (of which none are required to remain viable under the scenarios modelled):

- Reduction in discretionary totex spend
- Capital programme deferral
- Closing out of derivative asset position
- Restriction of dividend

All of which are considered to be within the control of management. In addition to these, it is considered that the following mitigating actions could also be implemented:

- Issuing of new finance
- Raising of additional equity

The assessment has considered the impact of these scenarios on the group's business model, future performance, credit ratings, solvency and liquidity over the course of the viability assessment period. This assessment has demonstrated the group's ability to absorb the impact of all severe but plausible scenarios modelled.

The most extreme of the severe but plausible scenarios modelled, without any mitigating action, resulted in the group retaining investment grade credit ratings and liquidity of more than one year. Mitigating actions would be taken to maintain financial debt covenants to avoid a projected breach isolated to 2030/31, based on the most extreme of the severe but plausible scenarios modelled.

Viability assessment: reverse stress testing

As part of the assessment, reverse stress testing of two extreme theoretical scenarios focusing on totex overspend and persisting low inflation have been performed to understand the extent to which the group could further absorb financial stress before it reaches a sub-investment grade credit rating. This reverse stress testing demonstrated that these extreme conditions would have to be significantly outside what would be considered 'severe but plausible' scenarios before the group's long-term viability would be at risk.

Viability assessment: key mitigating actions

In the event of more extreme but low likelihood scenarios occurring, there are a number of key mitigations available to the group, the effectiveness of which are underpinned by the strength of the group's capital solvency position.

As well as the protections that exist from the regulatory environment within which the group operates, a number of actions are available to mitigate more severe scenarios, including those outlined in the above table.

Governance

The analysis underpinning this assessment has been through a robust internal review process, which has included scrutiny and challenge from the audit committee and board, and has been reviewed by the group's external auditor, KPMG, as part of their normal audit procedures.

Going concern

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation note to the accounts.

Audit committee report

Members

Doug Webb
Chair of the audit committee

Liam Butterworth
Kath Cates

Quick facts

- Doug Webb has chaired the committee since July 2021. He is a chartered accountant and is considered by the board to have recent and relevant financial experience, having served as chief financial officer of a number of listed FTSE companies. He retired from his most recent executive role at Meggitt PLC in 2018.
- All members of the committee are independent non-executive directors and the board is satisfied that the committee as a whole has competence relevant to the sector. Attendance at audit committee meetings is set out on page 108, and the relevant directors' biographies can be found on pages 100 to 103.
- Other regular attendees at meetings at the invitation of the committee include the CEO, the CFO, the company secretary, the head of audit and risk, the group controller, and representatives from the statutory auditor, KPMG LLP (KPMG). None of these attendees are members of the committee.
- The representatives from KPMG and the head of audit and risk each have time with the committee and the company secretary to raise freely any concerns they may have without management being present.
- The chair of the committee has regular one-to-one meetings with the CFO, the head of audit and risk and the KPMG audit engagement partner.
- The committee is authorised to seek outside legal or other independent professional advice as it sees fit, but has not done so during the year.

Quick links

Terms of reference: unitedutilities.com/corporate-governance

Dear shareholder

The committee welcomed the Government's announcement in October 2023, that it was withdrawing draft regulations that would have introduced new reporting requirements on risk and dividend affordability and increased the administrative and reporting burden for companies. The committee will consider management's recommendations in relation to risk management and internal control as set out in provision 29 in the version of the code published by the FRC in January 2024. Notwithstanding the withdrawal of the draft regulations, management will retain use of the audit and assurance policy, as described on page 133, as providing a useful framework for tailoring appropriate levels of assurance.

Operational risk

In June 2023, the final effluent pipe, buried 9.5 metres below ground at Fleetwood Wastewater Treatment Works, ruptured. The immediate solution was the construction of a temporary two-kilometre bypass pipe and installation of pumping equipment to enable the continued operation of the wastewater treatment works, albeit in the short term at a reduced capacity. As a result, considerable volumes of wastewater needed to be transported to other treatment works in the Fylde area. The cost of the repair of the pipe, and secondary breach, which occurred during reliability testing and other mitigating actions, was £37.6 million. The committee considered and agreed with management's judgement to treat the expenditure as an adjusting item in arriving at underlying operating profit. This was on the basis that the rupture of the underground pipeline was a material asset failure (resulting in significant infrastructure renewal expenditure) rather than a business-as-usual item.

The committee has carefully considered the risks around bad debt, given the ongoing cost-of-living pressures on customers. The committee challenged management's updated approach to calculate expected credit losses for household receivables, including the removal of the provisioning overlay that had been included to address the unexpected event that was the COVID-19 pandemic. Cost pressures in the company's supply chain have impacted the costs of the capital programme. The committee considered the group's fixed asset capitalisation policy and management's approach to identifying expenditure as enhancement or maintenance spend, particularly given the impact of inflation.

Year-end timetable

During the year, in collaboration with KPMG, management re-phased the corporate reporting timetable. Some work was accelerated to facilitate an improved working relationship between the external reporting team and the auditor, with the intention of increasing the efficiency of the process and enabling the KPMG team to undertake their audit work in a timely manner, meet audit standards and maintain their usual rigorous approach. As set out in the code, one of the main roles of the committee includes monitoring the integrity of financial statements and the audit process, so the committee were keen to ensure that following revision to the year-end timetable, key review points were achievable.

Audit quality

At the half and full year, the committee received feedback from KPMG on its areas of focus during its review and audit work respectively, highlighting those areas where KPMG had challenged management's views and management's view of the quantum of the bad debt provision that was required. Management's view was considered to be prudent.

The committee considered the FRC's 2022/23 Audit Quality Inspection and Supervision Results, and in particular, the outcome relating to KPMG noting a decrease to 74 per cent of the proportion of audits assessed as requiring no more than limited improvements compared to the prior year 2021/22 inspection where the same measure was 84 per cent. The report was discussed with KPMG at the meeting of the committee held in September 2023. Additionally, the committee was apprised of KPMG's audit quality framework processes, including an outline of the challenge process undertaken by the independent reviewing partner assigned to the audit known as the 'engagement quality control reviewer' (the EQCR). The committee was reminded of the outcome of the work of the ECQR for the year ended 31 March 2023.

At each of the scheduled committee meetings, management presents an updated view of the significant issues and areas over which it has exercised its judgement (see pages 125 to 126) following discussion between management and the auditor, many of which correspond with KPMG's key audit matters (see pages 174 to 176). KPMG are present at these meetings where they have the opportunity to critique management's judgements and contribute to the debate, thereby providing an opportunity for the committee to challenge the views of management and the auditor on their assessments. These discussions provide an opportunity for the committee members, drawing on their own experience, to informally assess the degree of professional scepticism applied by the auditor. The committee has time set aside during its meetings to meet with the auditor without management being present in order that they can speak freely and raise any concerns and to ensure the committee is kept fully informed.

Taking into account the findings of assessment of the 31 March 2023 audit presented to the committee in September 2023, the committee concluded that the statutory audit process for 2023 had been effective.

Internal audit quality

In accordance with the group's own internal audit quality assurance and improvement programme, a qualified independent third party is required to conduct an evaluation of the internal audit team's work every five years. Such an assessment is also required to conform to the Institute of Internal Auditors' (IIA) international standards, and should be conducted by a professional services firm. The previous external assessment was completed in March 2019. A review was conducted during the year by BDO. The committee considered the results of the external reviewer, and was satisfied that the work of the department conformed to IIA standards and that the limited opportunities for improvement were being appropriately considered. More information can be found on page 133.

Governance

The outcome of the triennial external evaluation of the committee, conducted by Independent Audit Limited, can be found on page 117.

The committee is intent on complying with applicable regulations and best practice. The committee has taken into account the requirements of the FRC's Audit Committees and the External Audit: Minimum Standard, as applicable.

As chair of the committee, I am available to engage with shareholders and would welcome any comments or feedback you may have on the report which follows or the work of the committee. I intend to be present at the AGM in July 2024, and representatives from KPMG will also be in attendance.

This report was approved by the committee at its meeting held on 10 May 2024.

Doug Webb
Chair of the audit committee

Main responsibilities

- Make a recommendation to the board for the appointment or reappointment of the auditor, and to be responsible for the tender of the audit from time to time and to agree the fees paid to the auditor.
- Establish policies for the provision of any non-audit services by the auditor.
- Challenge the auditor on the scope and the results of the annual audit and report to the board on the effectiveness of the audit process and how the independence and objectivity of the auditor has been safeguarded.
- Review the half-year and annual financial statements and any announcements relating to financial performance, including reporting to the board on the significant issues proposed by management, and in particular those challenged by the committee in relation to the financial statements and how these were addressed.
- Approve the scope, remit and effectiveness of the internal audit function and the group's internal control and risk management systems.
- Review the group's procedures for reporting fraud and other inappropriate behaviour, and receive reports relating thereto.
- Report to the board on how it has discharged its responsibilities.
- Apply the principles of the code and report against the provisions.

Read more about accounting policies on page 186

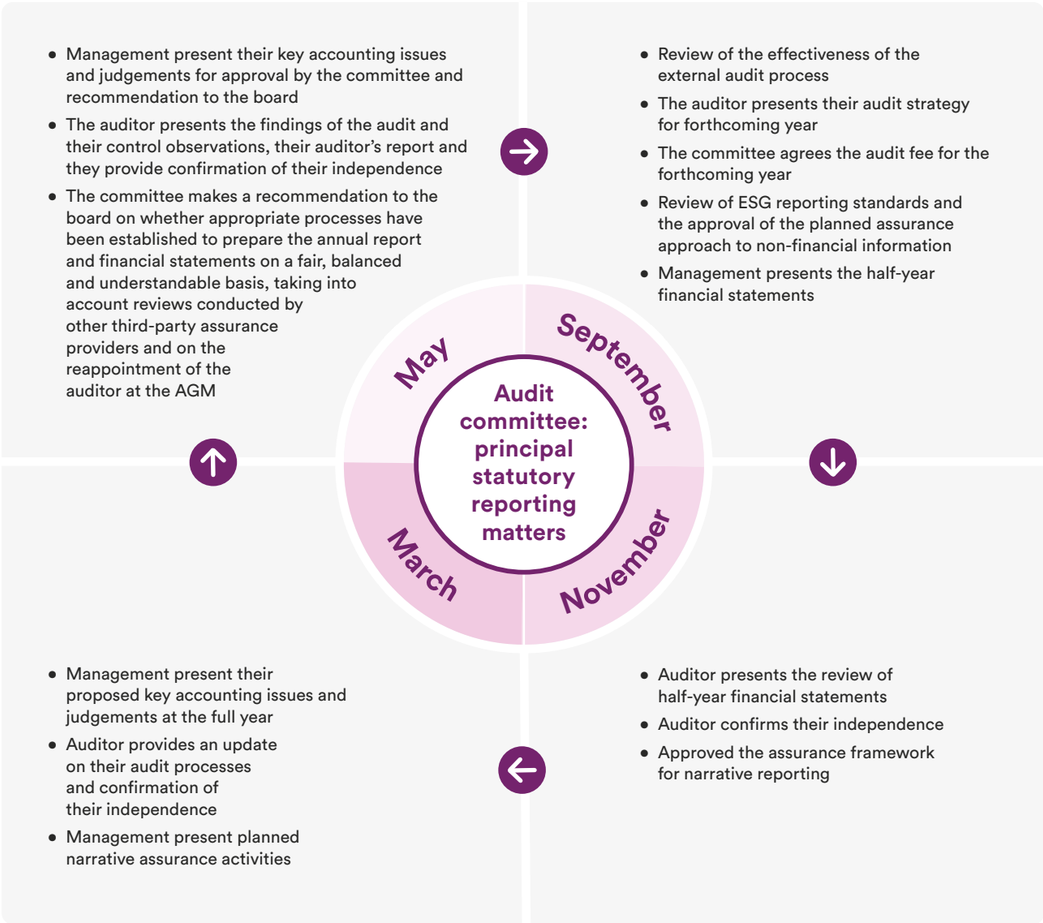
Read more about climate risk identification on page 58

Audit committee report continued

Business on the committee's agenda during the year

The committee has an extensive agenda of items of business focusing on the audit, assurance and risk processes within the business, which it deals with in conjunction with senior management, the auditor, the internal audit function and the financial reporting team. The committee's role is to ensure that management's disclosures reflect the supporting detail provided to the committee or challenge them to explain and justify their interpretation and, if necessary, re-present the information. The committee reports its findings and makes recommendations to the board accordingly. The committee is supported in this role by using the expertise of the statutory auditor, who, in the course of the audit, considers whether the financial statements have been prepared in accordance with IFRS and whether adequate accounting records have been kept. In doing so it ensures that high standards of financial governance, in line with the regulatory framework along with market practice for audit committees going forward, are maintained. Furthermore, the company's own internal audit team contributes to the assurance process by reviewing compliance with internal processes. The committee's financial reporting cycle, which starts each year in September, is shown below. There were four meetings of the committee held during the year, the committee intends to continue to hold the two meetings in September and March virtually. Items of business considered by the committee are set out on pages 127 to 128.

Audit committee financial reporting cycle



Significant issues considered by the committee in relation to the financial statements

Management presents its updated view of the significant issues whereby it has exercised its professional judgement to each meeting of the committee, thereby providing an opportunity for oversight and for the committee to challenge management's views. Additionally, KPMG receive this information in advance of, and are present at, the committee meetings, providing KPMG with the opportunity to contribute to the discussion both with management present, and privately with only the committee members present.

Material and/or judgemental areas of the financial statements

Significant issues considered	How these were addressed by the committee
Revenue recognition and allowance for doubtful receivables (See pages 187 to 189, 198, 223 and 225) – due to the nature of the group's business, the extent to which revenue is recognised and expected credit losses are recognised in relation to doubtful customer debts is an area of considerable judgement and estimation. This has particularly been the case in recent years (including in the current year) due to high levels of economic uncertainty and increases in the cost of living, which is expected to impact on the ability of some customers to pay their bills as they become due.	• The committee reviewed the approach taken by management in estimating expected credit losses relating to household debt, taking into account estimates of the impact of cash collection risk associated with premises registered as void and recognising that there continues to be significant uncertainty associated with how cost-of-living challenges are impacting, and may continue to impact, customers into the future. The committee critiqued management's decision to revisit the provisioning rates applied in estimating expected credit losses so as to better align with cash collection experience in recent years, and to release most of the provisioning overlay that has been applied in recent years to take account of uncertainty associated firstly with the COVID-19 pandemic, and then latterly with cost-of-living challenges. The committee found management's approach to be appropriate and concurred with management's view that recalibrating the provisioning rates would reduce the requirement for judgemental overlays to be applied going forward. • The committee reviewed the group's revenue recognition policy, particularly in light of a higher level of billing of premises registered as void during the year, and challenged whether the criteria for de-recognising revenue relating to amounts billed to customers remains appropriate. Having considered the impact of the de-recognition criteria as applied to the billing of void properties, the committee satisfied itself that no change in the revenue recognition policy is required at the present time, but noted the increased level of challenge in recovering this debt compared with the remainder of the group's customer base. • The committee considered the adequacy of the group's provisions for credit notes that may need issuing in respect of amounts incorrectly billed, focusing particularly on non-household customers where legacy data issues since the non-household market opened to competition have resulted in allowances being processed going back a number of years. The committee satisfied itself with the approach adopted by management for providing for future allowances, and noted that the value of these should reduce over time as data for more recent periods should not be subject to the same legacy issues as earlier periods.
Capitalisation of fixed assets (See pages 188, 196 to 197, and 224 to 225) – fixed assets represents a subjective area, particularly in relation to costs permitted for capitalisation and depreciation policy and the identification of abortive costs and asset write-downs.	• The committee considered management's updates on key issues and judgements associated with the capitalisation and measurement of fixed assets most pertinent for the year ended 31 March 2024, and was satisfied that appropriate processes and controls are in place to ensure that assets are capitalised and begin depreciating in a timely manner, and reviewed for indicators that their carrying amount may not be fully recoverable. • The committee sought to understand the nature of asset write-downs in the year based on routine and scheduled reviews, including the extent to which climate-related factors may impact carrying amounts. • The committee assessed the reasonableness of the group's capitalisation and depreciation policies (including useful economic life review of asset) and, having also considered the work performed by KPMG in this area, deemed this to be appropriate.
Retirement benefits (See pages 187, 199 to 200, 216 to 221 and 226 to 227) – the group's defined benefit retirement schemes represent an area of considerable judgement, the performance and position of which is highly sensitive to the assumptions made. The group employs the services of an external actuary to determine the calculation of the net retirement benefit surplus and determine the appropriate assumptions to make.	• Having sought from management an understanding of the IAS 19 accounting impact of the partial buy-in transaction that was entered into during the year, which de-risks a significant portion of scheme liabilities, the committee was satisfied that it is appropriate for the associated asset loss to be recognised in other comprehensive income rather than in profit or loss as it does not represent a settlement of scheme liabilities. • Given that the partial buy-in was funded out of scheme assets, the committee challenged management on how the fair value of the remaining scheme assets, including the bulk annuity policies purchased, was arrived at. The committee expressed particular interest in this given the higher proportion of 'Level 3' pension assets (i.e. those for which a price is not observable in the market) in the schemes' portfolios relative to previous years. The committee was satisfied with management's explanation that the fair value of bulk annuity policies would be pegged to the present value of the insured scheme liabilities. For the remaining Level 3 assets, which comprise investments in private debt funds, the committee challenged management as to how it could satisfy itself that the latest valuations performed by the investment managers, which tend to be provided on a lag of several months, remained valid at 31 March. The committee was pleased to observe that retrospective checks performed by management over adjustments made to the valuations indicated that the approach of checking against relevant proxy indices confirmed that the approach taken is reasonable. • The committee sought to understand changes in financial and demographic assumptions underpinning the valuation of defined benefit obligations, and was satisfied that the methodology used for determining financial assumptions was appropriate and consistent with prior years. For demographic assumptions, the committee sought further understanding of a change in the weighting placed on 2022 experience and concurred with management's view, based on discussions with the group's corporate actuary, that this was appropriate.

Audit committee report continued

Significant issues considered	How these were addressed by the committee
Derivative financial instruments (See pages 188, 206 to 215 and 226 to 227) – the group has a significant value of swap instruments, the valuation of which is based upon models that require certain judgements and assumptions to be made. Management perform periodic checks to ensure that the model-derived valuations agree back to third-party valuations and KPMG check a sample against their own valuation models.	• The committee noted that the periodic checks performed by management had been completed at the year-end reporting date, and that KPMG had undertaken their testing and challenged management as to certain inputs in respect of the fair value measurement of cross currency swaps, resulting in the valuation approach used being further refined. • The committee specifically sought to understand the accounting implications of a bond buy-back executed towards the end of the financial year, and was satisfied that the close out of the same amount of associated swaps on the same date was accounted for appropriately, and in accordance with the rebalancing permitted by IFRS 9, which allows hedge accounting to be continued.
Provisions and contingent liabilities (See pages 201 and 204) – the group provides for contractual, legal and environmental claims brought against it based on management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims. Judgement is also required in determining when contingent liabilities exist that require disclosure in the financial statements.	• The committee assessed and challenged the appropriateness of the basis on which provisions are recognised, particularly noting the significant public, political and regulatory focus on environmental prosecutions that has continued through the year, and concurred with management's assessment that, based on current experience and benchmarking of prosecutions brought against other companies in the sector during the year, the provisions recorded at the reporting date reflect the best estimate of potential financial outflow in this regard. • The committee considered the reasonableness of disclosures made in respect of contingent liabilities, challenging management as to whether any provision should be recognised in the financial statements for cases in which contingent liabilities disclosures are made. Particular focus was given to the collective action claim against a number of water and wastewater companies, including United Utilities Water Limited, that was initiated during the year. The committee concluded that the recognition criteria had not been met and, therefore, that disclosure as contingent liabilities, rather than the recognition of provisions, was the most appropriate approach.
Recoverability of United Utilities Group PLC's (parent company) investment in United Utilities PLC (See pages 197 and 225) – the parent company's investment in United Utilities PLC makes up 98% of the company's total assets and is therefore highly material in the context of the parent company's statement of financial position. Management assess the recoverability of this investment periodically to ensure that its carrying value continues to be supported.	• The committee sought to understand management's approach to assessing recoverability, and concluded that management's assessment that an equity value based on the RCV of the group's regulated business, United Utilities Water Limited (UUW), is a reasonable basis for valuing United Utilities PLC given UUW's importance to the United Utilities PLC group.

Other matters considered	How these were addressed by the committee
Accounting for uncertain tax positions (See pages 192 to 195 and 223 to 224) – assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law and the result of negotiations with, and enquiries from, tax authorities.	• The committee considered management's accounting treatment of uncertain elements of ongoing enquiries from the tax authorities. Recognising that where enquiries remain ongoing and that elements of claims can be subject to judgement in interpreting and applying the relevant tax legislation, the committee challenged management as to how IFRIC 23 'Uncertainty over Income Tax Treatments' had been applied, and was reassured that management had made appropriate judgements in estimating the most likely amount at which the claims would settle.

Business on the committee's agenda during the year

Actions	Outcomes	Cross reference
Annual and half-year reporting		
Reviewed, discussed and challenged the re-phased reporting timetable at the beginning of the financial reporting process.	A re-phased reporting timetable was implemented.	See page 122
Reviewed, discussed and challenged the financial reporting team's reports on the financial statements, management's significant accounting judgements, the policies being applied both at the half and full year, and how the statutory audit contributed to the integrity of the year-end financial reporting.	The committee challenged management on a number of its judgements including the bad debt provision and fixed asset capitalisation policy and sought detailed explanations of its interpretation. The committee was satisfied with the explanations provided by management. Recommendations were made to the board, supporting the approval of the financial statements.	See page 125
Reviewed and challenged the regulatory reporting process relating to the annual performance report (APR) for UUW, including the assurance provided by the technical auditor, as required to be submitted to Ofwat, and noted the differences between the regulatory and statutory accounts.	The committee met with the technical auditor to provide an opportunity for challenge by the committee whose overview contributes to the assurance process of the regulatory reporting prior to the approval of the APR by the UUW board.	–
Assessed management's presentation of APMs to enable comparability with other companies.	The committee concurred with management's approach that the APMs as defined were satisfactory enabling comparability with other companies.	See page 96
Reviewed and challenged the proposed audit strategy for the 2023/24 statutory audit, including the level of materiality applied by KPMG, audit reports from KPMG on the financial statements and the areas of particular focus for the 2023/24 audit, as well as the re-phasing of the audit timetable.	The committee monitored progress made by the statutory audit team against the agreed plan, and challenged the auditor in the resolution of any issues as they arose. The committee reviewed and discussed the control observations set out in KPMG's auditor's report.	See pages 174 to 176
Reviewed and challenged the basis of preparation of the financial statements as a going concern and KPMG's associated control observations as reported to the committee.	A recommendation was made to the board to support the going concern statement.	See page 121 and 186
Reviewed and challenged the long-term viability statement proposed by management and reasons why a seven-year assessment period was appropriate.	The committee challenged management that the length of the period was appropriate, particularly in light of the assessment timeframes used by peer companies and the longer period used for the AMP8 submission. The committee was satisfied with management's preference to continue to provide a statement with greater certainty over a shorter period of time.	See page 120
Assessed control observations made by KPMG and reviewed and challenged management's progress to address points raised.	The committee was satisfied that management was taking appropriate action to enhance controls based on KPMG's observations, which were not considered to represent significant weaknesses in the group's overall control environment.	See pages 174 to 176
Reviewed the results of the committee's assessment of the effectiveness of the 2022/23 audit.	The committee concluded that the audit was effective and a recommendation was made to the board on the reappointment of KPMG as the auditor for the year ending 31 March 2025 at the forthcoming annual general meeting.	See page 130
Reviewed whether the company's position and prospects as presented in the 31 March 2024 integrated annual report and financial statements were considered to be a fair, balanced and understandable assessment of the company's position and prospects.	The committee was satisfied that processes had been followed to provide support to the board to enable it to state that the 31 March 2024 integrated annual report and financial statements was a fair, balanced and understandable assessment of the company's position and prospects.	See pages 118 and 168
Reviewed the non-audit services and related fees provided by the auditor for 2023/24 and the policy on non-audit services provided by the auditor for 2024/25.	The committee approved the non-audit services and related fees provided by KPMG for 2023/24 and concluded that no changes were required to the policy for non-audit services provided by the auditor.	See page 132
Negotiated and agreed the statutory audit fee for the year ended 31 March 2024.	The committee approved the fee for the 2023/24 audit.	See pages 131 and 191
Considered management's proposal to apply the assurance framework to various narrative reporting sections within the 2023/24 integrated annual report encompassing the TCFD report, the energy and carbon report, the financial oversight responsibilities of the board and the remuneration committee report.	The committee endorsed the application of the assurance framework to various narrative sections within the integrated annual report that were identified by the framework as being of higher risk of misstatement/error and would benefit from independent third-party assurance, with such assurance being applied on a limited basis.	See page 133

Audit committee report continued

Actions	Outcomes	Cross reference
Risk management and internal control		
Reviewed the effectiveness of the risk management and internal control systems.	Recommendation made to the board that the risk management and internal control systems operated effectively.	See pages 119 and 134
Considered changes to internal control weaknesses brought to the attention of the committee by KPMG.	Challenged management to resolve any issues relating to internal controls and risk management systems.	See page 135
A deep-dive session was held on the internal assurance team responsible for providing second line assurance of operational control processes.	A summary of the internal assurance plan covering operational matters was reviewed by the committee.	–
Monitored fraud reporting.	Reviewed the company's anti-fraud policies and processes and alleged incidents of fraud and the outcome of their investigation.	See page 135
Biannual oversight and monitoring of compliance with the group's anti-bribery policy.	Reviewed compliance with the company's ongoing anti-bribery programme.	See page 135
Approved the strategic internal audit planning approach on the work of the internal audit function from the head of audit and risk.	Monitored the implementation of the 2022/23 internal audit plan. Reviewed findings of specific internal audit and implementation of any resulting actions by management.	See page 134
Considered the issues and findings brought to the committee's attention by the internal audit team, with special attention given to any audit graded amber or red.	The committee was satisfied that management had resolved, or was in the process of resolving, any outstanding issues or concerns in relation to matters scrutinised by the internal audit team.	See page 134
Reviewed the quality and effectiveness of internal audit and the effectiveness of the current co-source arrangements.	The committee reviewed the process of assessment of internal audit and made certain recommendations for enhancement, further to which it was concluded that the internal audit team, supported by the PwC co-source resource, was effective.	See page 134
Reviewed and challenged the strategic internal audit planning approach and internal audit plan for 2024/25.	Approved the internal audit plan for 2024/25.	See page 134
Governance		
Review of the committee's terms of reference.	No changes were made to the committee's terms of reference during the year.	–
Reviewed the conclusions of the committee's annual evaluation. The evaluation was externally facilitated by Independent Audit Limited. The review explored the effectiveness of: the committee's composition, meetings and time management; committee processes and support; and the areas of work of the committee and priorities for change.	All elements of the self-assessment reviewed indicated the committee was working well. There was felt to be benefit in developing all members of the committee's understanding of the risk and assurance framework and how the assurance function within internal audit worked together. The board considered the results of the review of the committee and concluded that the committee continued to be effective.	See page 117

Audit quality

Additional audit quality processes and interventions
Since 2021, KPMG have employed a number of additional processes as part of its action plan to enhance audit quality. The committee and KPMG regularly discuss audit quality, with the committee gaining increased insight into KPMG's internal quality reviews through its sharing of work done for other clients. As part of its review of the 2022/23 audit in July 2023, the committee reviewed the effectiveness of these processes and interactions as set out below, concluding they were effective.

The processes and interventions included:

- providing sight of their interim control findings to the committee early in the audit process and sharing their knowledge and best practice recommendations;
- improving communication and sharing of information and insight between the external and internal audit teams by implementing regular discussion sessions prior to the scheduled committee meetings;
- raising audit points in a more timely manner with the financial reporting team during the audit process by holding regular discussions with the external audit team and financial reporting team;
- enhanced visibility of the key challenges and findings of the second-line of defence review performed by another team independent of the audit team, and of the independent KPMG partner's review of the audit;
- greater use of technical specialists; and
- providing the details of the independent partner's review (the ECQR) of the audit to the committee as part of the year-end sign off processes.

How we assessed whether 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy'.

Objective

In accordance with the code, one of the main roles of the committee should be to 'monitor the integrity of the financial statements', furthermore, it is responsible for making a recommendation to the board on whether 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy'.

Actions

- Reviewed early versions of the annual report at various stages during the drafting process to ensure that the key messages were aligned with the company's position, performance and strategy and the financial performance of the business as understood by the committee.
- Reviewed significant issues identified by management and whether the same were aligned with the key audit matters identified by the auditor.
- Reviewed comments provided by the member of the executive team with extensive knowledge of the business who reviewed the draft annual report ensuring the messaging was fair and balanced, and did not just focus on, or over emphasise, the positives.
- Reviewed the third-party 'limited assurance' provided in relation to the reporting against the TCFD recommendations (see the index on page 03) and the remuneration committee report (see page 140).
- Received updates on the calculation of underlying operating profit measures as one of the principal alternative performance measures (APMs) used by management, a full guide to APMs can be found on page 96.
- Reviewed regulatory key performance indicators and commitments, some of which are assured by KPMG as part of their role as auditor of UUW's annual performance, along with Jacobs the technical auditor of the UUW annual performance report.
- Took into account reporting by KPMG (under ISA (UK) 720) of any material inconsistencies between the 'other information' and 'statutory other information' presented in the annual report (i.e. in the strategic report, the directors' report and the corporate governance statement), and the financial statements, taking into account the auditor's knowledge obtained in the audit, or the auditor's understanding of the legal and regulatory requirements applicable to the 'other information' and 'statutory other information'. The TCFD and Streamlined Energy and Carbon Reporting (SECR) disclosures are deemed to be 'other information' as they are included in the company's strategic report, as they are important to the company. Other assurance of the TCFD and SECR disclosures (see pages 03 and 75 respectively) is undertaken both by third parties and the internal audit team.
- Considered whether the key events and issues that had occurred and been reported to the board during the year, both good and bad, had been adequately referenced or reflected within the integrated annual report.

Outcome

The committee concluded that processes had been followed to provide support to the board to enable it to state that 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy' (see page 168).

Read more about our key resources on page 20
Read more about our financial performance on page 90

Audit committee report continued

How we assessed the effectiveness of the statutory audit process

The committee, on behalf of the board, is responsible for the relationship with KPMG, the group's statutory auditor, and part of that role is to examine the effectiveness of the statutory audit process. Audit quality is regarded by the committee as the principal requirement of the annual audit process.

Professional scepticism

KPMG present the strategy and scope of the audit for the forthcoming financial year at the meeting of the committee held in September. Through their risk assessment and planning procedures, and in their professional judgement, KPMG identify to the committee any area that requires special audit attention due to its risk and the potential magnitude of misstatement through error or fraud including:

- The 'key audit matters' as included in the auditor's report (see pages 174 to 176). KPMG undertake testing of the key audit matters rather than relying on the group's internal controls. KPMG has increased the volume of journal entries it tested to address fraud risk. Some testing would be conducted by technical experts e.g. the valuation of retirement benefit obligations would be tested by KPMG's actuarial specialists. KPMG report against their audit scope at subsequent committee meetings, providing an opportunity for the committee to monitor progress, question and challenge both KPMG and management;
- Throughout the year, management presents its up-to-date view of the key accounting issues and its resulting judgements to the committee. In response, KPMG informs the committee, and having robustly considered alternative judgements, whether, in its professional view, the judgements management proposes, or has taken, are appropriate. A number of these issues manifest themselves as the significant issues considered by the committee in relation to the financial statements (see pages 125 to 126); and
- At the year end, KPMG report all identified significant control deficiencies and whether they have been resolved by management along with any significant difficulties or issues that were encountered or discussed with management during the audit.

Private sessions between the committee and KPMG's representatives are held regularly without management being present in order to encourage open and transparent feedback by both parties on any matter and provide the committee with an opportunity to obtain greater insight on the extent to which KPMG has challenged management's analysis and presentation of information.

KPMG presented its audit quality framework to the committee, which had been developed to ensure that its employees concentrate on the fundamental skills and behaviours required to deliver an appropriate and independent audit opinion. As in previous years, the committee considered the FRC's 2022/23 Audit Quality Inspection and Supervision Results (see page 123).

The committee provides its view to the board on the outcome of the statutory audit, and how the statutory audit contributed to the integrity of the financial reporting process. The independent nature and financial expertise of committee members further contributes to the integrity of the process.

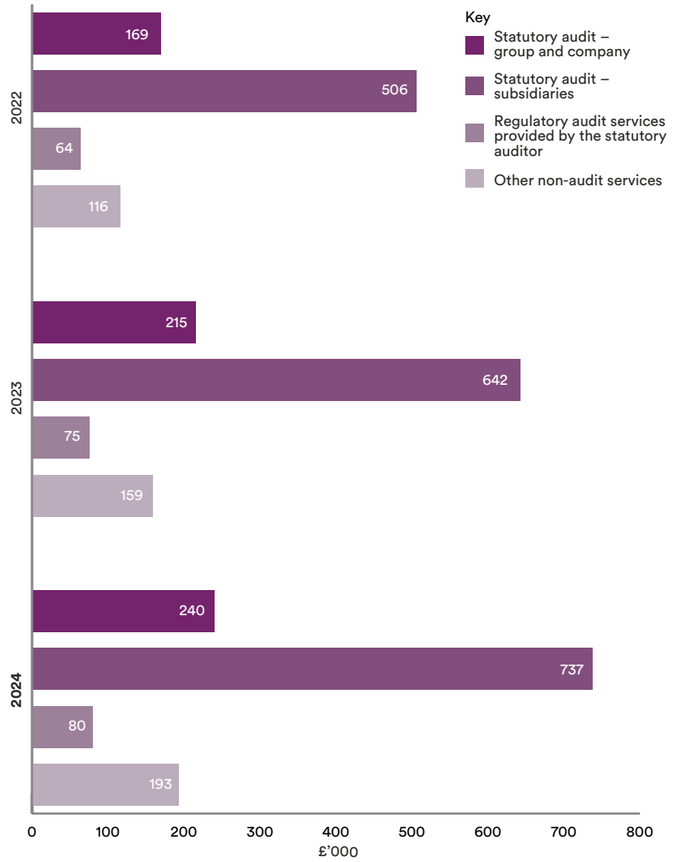
On completion of the annual audit process, the views of those involved in the audit on how well KPMG performed the audit were sought. All members of the committee, key members of the senior management team and those who regularly provide input into the audit committee or have regular contact with the auditor, completed a feedback questionnaire, thereby ensuring a wide range of views were taken into account. The questionnaire reviewing the 2023 audit process was issued in July 2023.

Views of the respondents were sought in terms of:

- the robustness of the external audit process and degree of challenge to matters of significant audit risk and areas of management subjectivity;
- whether the scope of the audit and the planning process were appropriate for the delivery of an effective and efficient audit;
- the quality of the delivery of the audit and whether planned quality improvements had been delivered and whether the committee had insight into the auditor's internal quality procedures;
- the expertise of the audit team conducting the audit and their understanding of the company's business risks to assess if there was an impact on the audit;
- whether the auditor made appropriate use of the work of the internal audit team;
- that the degree of professional scepticism applied by the auditor was appropriate;
- the appropriateness of the communication between the committee and the auditor in terms of technical issues;
- the quality of the service provided by the auditor;
- their views on the quality of the interaction between the audit engagement partner, the audit senior manager and the company;
- whether the audit process had been kept on schedule; and
- whether the statutory audit contributed to the integrity of the group's financial reporting.

The feedback was collated and presented to the committee's meeting in September 2023. The committee noted KPMG's audit quality interventions now embedded in the company's audit (see page 129). The committee concluded that the statutory audit process and services provided by KPMG were satisfactory and effective, with additional measures for further enhancement encouraged by the committee.

Statutory auditor's fees



Audit committee report continued

How we assessed the independence of the statutory auditor

There are two aspects to auditor independence that the committee monitors to ensure that the auditor remains independent of the company.

First, the committee takes into account the information and assurances provided by the auditor confirming that all its partners and staff involved with the audit are independent of any links to United Utilities. KPMG confirmed that all its partners and staff complied with their ethics and independence policies and procedures, which are fully consistent with the FRC's Ethical Standard, including that none of its employees working on our audit hold any shares in United Utilities Group PLC. KPMG is required to provide a written disclosure at the planning stage of the audit in the form of an independence confirmation letter. Their letter discloses matters relating to their independence and objectivity, including any relationships that may reasonably be thought to have an impact on its independence and the integrity and objectivity of the audit engagement partner and the audit staff. The audit engagement partner must change every five years and other senior audit staff rotate at regular intervals.

Secondly, the committee develops and recommends to the board the company's policy on non-audit services and associated fees that are paid to KPMG. In accordance with the FRC's Revised Ethical Standard (2019), an auditor is only permitted to provide certain non-audit services to public interest entities (i.e. United Utilities Group PLC) that are closely linked to the audit itself, or that are required by law or regulation, as such services could impede their independence.

Permitted non-audit services fees paid to the statutory auditor are subject to a fee cap of no more than 70 per cent of the average annual statutory audit fee for the three preceding consecutive financial periods. The 70 per cent non-audit services fee cap has been applied to the group for the year ended 31 March 2024, with fees for non-audit services representing 26.5 per cent of the average audit fees on which the cap is based (as shown in the table below). Permitted services (which remain subject to the 70 per cent cap, and excludes the regulatory audit) can be approved by the CFO up to £10,000 per item. Individual items in excess of £10,000 require the approval of the committee.

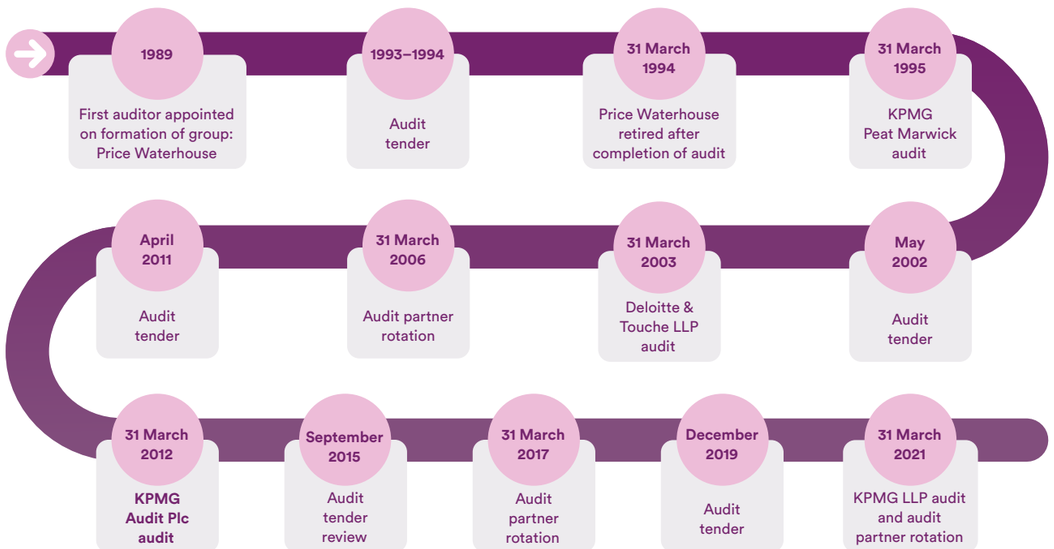
Financial year	Audit fee
2020/21[1]	£678,000
2021/22	£675,000
2022/23	£857,000
Average	**£736,000**
2023/24 non-audit fees	£195,000
2023/24 non-audit fees as per cent of average audit fees (three year rolling average)	**26.5%**

[1] Included £100,000 relating to audit of COVID-19 judgements in 2019/20 that were not captured within the reported audit fee for that year due to the additional fee not having been agreed at the point the financial statements were signed off.

Auditor provided permitted services include the non-audit fees paid to the statutory auditor for: the interim review; the regulatory audit; agreed-upon procedures for regulatory reporting; limited assurance work relating to the group's sustainable financing framework; the Euro Medium Term Note Programme; and Law Debenture Trust compliance work. Fees for non-audit services paid to KPMG include the cost of the UUW regulatory assurance work, which is separate to the regulatory audit. While this work could be performed by a different firm, the information is in fact more granular breakdowns of data that form part of the statutory audit, and by KPMG undertaking the work it reduces duplication and saves considerable cost.

Taking into account our findings in relation to the effectiveness of the audit process, and in relation to the independence of KPMG, the committee was satisfied that KPMG continues to be independent, and free from any conflicting interest with the group.

Rotation of external auditor to the group



Internal audit external quality assessment

During the year, BDO were engaged to conduct an assessment of the quality and effectiveness of the internal audit function, which, in accordance with the requirements of the Institute of Internal Auditors (IIAs) international standards, should be undertaken by an external assessor at least every five years. Prior to this, the last review was undertaken in 2019.

The review examined the function's compliance with IIAs internal audit standards, audit quality, and application of its methodology, undertook a gap analysis against new internal audit standards, and benchmarked against other FTSE100s' internal audit functions.

The outcome of the review was presented to the committee in March 2024. BDO's review concluded that the group's internal audit function was fit for purpose and was operating efficiently and effectively, in line with good practice. The group's internal audit function was attributed with the International Professional Practices Framework's highest grading of 'generally conforms' and an improvement from the 2019 EQA, which was graded in the category below of 'partially conforms'. A number of opportunities for improvement were identified including recommendations relating to the use of data analytics and the use of PwC as the current co-source partner.

Read more about our planning horizons on page 32

Read our directors' responsibility statement on page 168

Statutory auditor reappointment for the year ending 31 March 2025

The 2023/24 year-end audit has been KPMG's thirteenth consecutive year in office as auditor; they were reappointed after the committee conducted a formal tender process in December 2019 and as reported by the committee in the 2020 annual report. Prior to this, a formal tender was last undertaken in 2011, and resulted in the appointment of KPMG, who thereafter presented their report to shareholders for the year ended 31 March 2012.

The diagram on page 132 shows the historical tendering and rotation of the role of statutory auditor. The company, as a public interest entity, is required to conduct a competitive tender process every ten years, and rotate auditors after 20 years at most, as a result, KPMG can remain as auditor until the completion of the 31 March 2031 audit. The audit engagement partner rotates at least every five years, the 2023/24 audit has been the fourth year for Ian Griffiths in the role. Preparations are being made for the next partner rotation, when the committee intends to assess the need and timing of the next audit tender.

United Utilities has complied fully with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 March 2024.

At its meeting on 10 May 2024, the committee recommended to the board that KPMG be proposed for reappointment for the year ending 31 March 2025 at the forthcoming AGM in July 2024. As a matter of good practice, the committee continually keeps the performance of the auditor under review and there are no contractual obligations that restrict the committee's choice of auditor; the recommendation is free from third-party influence, and no auditor liability agreement has been entered into.

Audit and assurance policy

The group has in place an audit and assurance policy. As part of the policy, an assurance framework has been devised, providing a standardised approach to identify the risk associated with the narrative disclosures in the integrated annual report and as a means of applying an appropriate level of assurance. In summary, our assurance framework sets out the well established 'three lines of assurance' approach:

- First line of assurance – management establish the day-to-day business operational and control processes, and is accountable for effective risk management and control activity, and provides management assurance;
- Second line of assurance – second line functions provide policy, direction and frameworks as well monitoring of the first line activities to assure compliance; and
- Third line of assurance – our internal audit team and specialist external auditors review the effectiveness of risk and control activities as well as providing assurance in respect of company disclosures.

As the level of risk increases, the governance and assurance applied to the reporting of data also increases, with material risks escalated to the board, thereby ensuring that the management, control and reporting of any risks, and resulting actions identified through the process, are proportionate to the level of risk. The approach is broadly consistent with that used for the regulatory reporting of UUW, and has been implemented in identifying the proposed levels of assurance for the integrated annual report for 31 March 2024.

Going concern and long-term viability

The committee challenged and scrutinised management's detailed assessment of the group's long-term viability and its ability to continue as a going concern, taking into account the risks facing the business, and its ability to withstand a number of severe but reasonable scenarios. The committee approved the long-term viability statement set out on page 120.

Audit committee report continued

Internal controls and risk management systems

The main features of the group's internal controls and risk management systems are summarised below:

Internal audit function

The internal audit function is a key element of the group's corporate governance framework. Its role is to provide independent and objective assurance, advice and insight on governance, risk management and internal control to the audit committee, the board and to senior management. It supports the organisation's vision and objectives by evaluating and assessing the effectiveness of risk management systems, business policies and processes, systems and key internal controls. In addition to reviewing the effectiveness of these areas, and reporting on aspects of the group's compliance with them, internal audit makes recommendations to address any key issues and improve processes and, as such, provides an indication of the behaviours being exhibited by colleagues in the areas under review. Once any recommendations are agreed with management, the internal audit function monitors completion of associated actions and reports to the committee on progress made at every meeting.

A five-year strategic audit planning approach is applied. This facilitates an efficient deployment of internal audit resource in providing assurance coverage over time across the whole business, as well as greater variation in the nature, depth and breadth of audit activities. This strategic approach supports the annual audit plan, which is then endorsed by management, and which the committee reviews, challenges and approves. The plan focuses the team's work on those areas of greatest risk to the business. Building on the strategic planning approach, the development of the plan considers risk assessments, issues raised by management, areas of business and regulatory change, prior audit findings and the cyclical review programme.

The internal audit plan covers a broad spectrum of activities and includes a mix of annual reviews, cyclical reviews and specific management requests. The areas covered by the plan for 2024/25 include:

- Regulatory compliance, submissions and reporting;
- Compliance with environmental regulations;
- Core operational activities and resilience;
- Customer, including billing;
- Systems, data and security;
- Programme activity, including readiness for the AMP8 capital programme; and
- Compliance with statutory and corporate reporting requirements.

The purpose, scope and authority of internal audit is defined within its charter, which is approved annually by the audit committee. As set out in the charter, internal audit perform their work in accordance with the mandatory aspects of the International Professional Practice Framework of the Chartered Institute of Internal Auditors, and with integrity (honestly, diligently and responsibly) and objectively (without conflicts of interest).

Internal audit, led by the head of audit and risk, covers the group's principal activities and reports to the committee, and functionally to the CFO, both of whom review the head of audit's annual personal objectives. The head of audit and risk attends all scheduled meetings of the audit committee, and has the opportunity to raise any matters with the committee members at these meetings without the presence of management. He is also in regular contact with the chair of the committee outside of committee meetings.

The in-house team is expanded as and when required with additional resource and skills co-sourced from external providers ensuring that the internal audit function has sufficient resources and expertise to deliver the annual audit plan. The committee keeps the relationship with co-source providers under review to ensure the independence of the internal audit function is maintained and there is a documented process to manage possible conflicts of interest with the co-sourced resource. Ensuring that any co-source resource remains independent in the course of its work is crucial to the integrity of its work. Following a competitive tender process, PwC was last re-appointed as co-source resource provider during 2020/21.

The internal audit function liaises with the statutory auditor, discussing relevant aspects of their respective activities, which ultimately supports the assurance provided to the audit committee and board.

Assessing the effectiveness of the internal audit function

The effectiveness of the internal audit function's work is continually monitored using a variety of inputs, including the ongoing audit reports received, the audit committee's interaction with the head of audit and risk, a biannual review of the department's internal quality assurance report, a quarterly summary dashboard providing a snapshot of the progress against the internal audit plan tabled at each committee meeting as well as any other periodic quality reporting requested.

An annual stakeholder survey in the form of a feedback questionnaire is circulated to committee members, senior management and other managers who have regular contact with the internal audit function, including representatives from the auditor KPMG and the co-source audit provider PwC. The responses were anonymous to encourage open and honest feedback, and were consistently favourable, as were previous surveys.

Taking all these elements into account, including the internal audit external quality assessment conducted in the year (see opposite) the committee concluded that the internal audit function was an effective provider of assurance over the organisation's risks and controls and appropriate resources were available as required.

Risk management systems

The group designs its risk management activities to manage rather than eliminate the risk of failure to achieve its strategic objectives.

The committee receives updates and reports from the head of audit and risk on key activities relating to the company's risk management systems and processes at every meeting. These are then reported to the board, as appropriate. A diagram and explanation of the risk management governance and reporting process can be found on page 44. The CFO has executive responsibility for risk management and is supported in this role by the head of audit and risk, and the corporate risk manager and his team. The group audit and risk board (GARB) meets quarterly and reviews the governance processes and the effectiveness and performance of these processes along with the identification of emerging trends and themes within, and across, the business. The work of the GARB then feeds into the information and assurance processes of the audit committee and into the board's assessment of risk exposures and the strategies to manage these risks.

Supplementing the more detailed ongoing risk management activities within each business area, the biannual business risk assessment process seeks to identify how well risk management is embedded across the different teams in the business. The business risk assessment process involves a high-level review of the effectiveness of the controls that the business has in place to mitigate risks relating to activities in each business area, while identifying new and emerging risks and generally facilitating improvements in the way risks are managed.

The outcome of the business risk assessment process is communicated to the executive team and the board. This then forms the basis of the determination of the most significant risks that the company faces, which are then subject to review and challenge by the board. The group utilises risk management software in order to maintain an up-to-date view of the assessment and management of risk. The maturity of the risk management framework and its application across the business is assessed on an annual basis against a defined maturity model. This assessment provides an objective appraisal of the degree of maturity in how the risk management system is being applied against the key elements of ISO 31000:2018 Risk Management Standard. The results of the maturity assessment are reported to the GARB, along with a road-map of activity to achieve a target level of maturity.

An external assessment of the risk management framework last took place in 2017/18.

Internal controls

The committee reviews the group's internal control systems and receives updates on the findings of internal audit's investigations at every meeting, prior to reporting any significant matters to the board. Internal control systems are part of our business-as-usual activities and are documented in the company's internal control manual, which covers financial, operational and compliance controls and processes. During the year, work has been undertaken by management to better evidence the operation of existing internal controls. Internal control systems over financial reporting are the responsibility of the CFO, with the support of the GARB, the financial control team and the internal audit team, although the head of audit and risk and his team are directly accountable to the audit committee.

Confirmation that the controls and processes are being adhered to throughout the business is the responsibility of managers, but is continually tested by the work of the internal audit team as part of its annual plan of work, which the committee approves each year as well as aspects being tested by other internal assurance providers. Compliance with the internal control system is monitored annually by the completion of a self-assessment checklist by senior managers in consultation with their teams. The results are then reviewed and audited on a sample basis by the internal audit team and reported to the committee.

In 2021/22 an independent review of the maturity of the group's internal control framework over financial reporting was conducted in light of the BEIS consultation, and the expected evolution of the UK internal control requirements, in general terms but also more specifically in relation to controls over financial reporting. The findings of the independent review were that: there was a high level of coverage of the financial statement line items in both the consolidated statement of comprehensive income and the balance sheet; risk and control matrices were in operation; and the fundamental building blocks underpinning an internal control framework over financial reporting were in place. A number of enhancements were recommended in relation to IT controls supporting the financial reporting controls. A working group was established to implement these recommendations, with good progress being made against 'no regrets' actions.

The committee considered the revised 2024 code and steps proposed for compliance ahead of the 31 March 2025 year end.

Anti-fraud and anti-bribery

The audit committee is responsible for reviewing the group's procedures for detecting fraud, and the systems and controls for preventing other inappropriate behaviour. In the first instance of an incident being reported, a summary of the allegations is passed to the fraud and whistleblowing committee (consisting of the company secretary, the people director, the regulation and compliance director, the commercial, engineering and capital delivery director, the head of people services and the head of internal audit and risk) to decide on the appropriate course of action and investigation and by whom.

During the year, the audit committee was kept fully apprised in regular updates on the progress and findings of investigations of cases of alleged fraud and any remedial actions taken. Following the enactment of the Economic Crime and Corporate Transparency Act 2023 (the ECCT Act), the fraud risk assessment was updated to incorporate all the fraud offences included in the ECCT Act. Once guidance relating to the ECCT Act is published, the group's related anti-fraud policies and processes will be reviewed and updated as appropriate.

In line with the group's anti-fraud culture and zero-tolerance attitude towards fraud, a cross-business fraud risk assessment is carried out through the security steering group to identify and understand potential threats, optimise the group's response and mitigation, and ensure consistency across the business.

An external review of the group's fraud risk management framework was last undertaken in 2021/22. The review assessed the maturity of the framework and sought to identify any enhancements required given the evolving nature of business processes and the working environment. An action plan to strengthen the approach to fraud risk assessment was implemented, overseen by the security steering group, with the final report presented to the committee in March 2022. During 2022/23, internal audit reviewed the design effectiveness of controls for the most significant fraud risks in each business area – no further control weaknesses, gaps or effectiveness issues were identified as a result of the review.

The company has an anti-bribery policy to help prevent bribery being committed on its behalf, which all colleagues must follow, and processes in place to monitor compliance with the policy. Colleagues in certain roles are required to complete anti-bribery training materials. As part of the anti-bribery programme, colleagues must comply with the group's hospitality policy. The hospitality policy permits colleagues to accept proportionate and reasonable hospitality for legitimate business purposes only and all hospitality (and gifts) offered and accepted has to be logged, and approved when accepted. Colleagues and representatives of the group's suppliers must comply with the group's responsible sourcing principles and United Supply Chain approach. The group will not tolerate corruption, bribery and anti-competitive actions. Suppliers are expected to comply with applicable laws and regulations, and in particular never to offer or accept any undue payment or other consideration, directly or indirectly, for the purposes of inducing any person or entity to act contrary to their prescribed duties.

As part of the internal control self-assessment checklist (part of the group's internal control processes), senior managers in consultation with their teams are required to confirm, among other things, that they have complied with the group's anti-bribery and hospitality policies. The anti-bribery programme is monitored and reviewed biannually by the committee.

Read more about delivering on our purpose on page 19

Read more about our AMP8 business plan on page 24

Treasury committee report

Members

Doug Webb
Chair of the treasury committee

Phil Aspin
Brendan Murphy

Quick facts

- The committee meets three times a year.
- The committee operates under terms of reference and delegated authorities approved by the board.
- The company secretary attends all meetings of the committee.
- The treasurer is a member of the committee.
- The members of the committee participated in the external evaluation undertaken by Independent Audit Limited in December 2023. The review of the responses indicated that the committee was effective and its members had the appropriate skills and experience to fulfil the committee's responsibilities.

Main responsibilities

- Review of the group's treasury policies in relation to: financing; liquidity; hedging of market risks (interest rates, inflation, currency and electricity); financial counterparty credit risk; credit ratings; and capital structure.
- Execution of the financing plan and evaluation of funding opportunities.
- Liquidity management and review of forecasts.
- Execution of hedging transactions and programmes in relation to the management of market risks in accordance with treasury policy parameters.
- Developments in relation to the credit ratings agencies.
- Credit investor relations.
- Banking relationships.
- Treasury delegated authorities, internal controls and governance.
- Reporting to the board on matters relating to the group's treasury activities, including board approval of the annual treasury update and associated financing plan and board delegated authorities.

Dear shareholder

During the year, with the board's delegated authority, the committee oversaw the successful execution of the group's funding programme. Approximately £1.3 billion of new term funding was raised, excluding the group's second sustainable public bond issue, a £300m 15.5-year maturity priced in March and issued in April 2023.

During the year, the committee has assessed potential AMP8 funding requirements alongside the development and submission of UUW's PR24 business plan and associated plans for a significant increase in investment. Consequently, FY23/24 has been a very active funding year compared with previous years as the committee and the board are keen to ensure that the group is well advanced in its preparations to deliver the AMP8 investment programme.

Of the £1.3 billion of new financing raised, £650 million has come from the sterling public bond market, including the group's third sustainable public bond, a £350 million 13-year maturity issued in June 2023, along with a new £250 million 22-year bond issued in January 2024.

Mindful that while the sterling market has been very supportive of the group over many years, the committee has also been evaluating opportunities to broaden credit investor diversification via access to other debt markets. This resulted in the group returning to the euro public bond market for the first time in almost 20 years, issuing in February 2024 the group's fourth sustainable bond, a €650 million long ten-year maturity that attracted an investor order book of around €2.5 billion, following a two-day virtual investor roadshow.

The committee has continued to monitor financial market conditions closely as central banks continued tightening monetary policy in the first half of the year in response to high inflation, amidst heightened geopolitical tensions, and more volatile markets.

The continuation of our funding programme has positioned the group well, with projected AMP7 financing requirements fully covered and us now making inroads into AMP8 financing. The committee also completed a 'deep dive' review of the group's counterparty credit risk policy.

The committee also oversaw the group executing its first public liability management transaction in March 2024, with a partial buyback of a £450 million bond that matures in February 2025. Just over £110 million of the bond was bought back via a fixed spread public tender offer.

Last year, the committee oversaw the development of replacement fallback provisions (applicable upon cessation of, or fundamental changes to, the UK Retail Prices Index (RPI)), in response to proposed changes to RPI that are expected to be implemented by the UK Statistics Authority in 2030, which are intended to more closely align RPI with the calculation of the Consumer Prices Index including owner occupier housing costs (CPIH).

The group continues to engage with existing RPI-linked noteholders to discuss the new fallback and potentially amend the terms and conditions of certain notes to adopt the new fallback, in order to reduce the risk of the cessation of, or a fundamental change to, RPI resulting in redemption of existing RPI-linked notes at their indexed par value.

The group has access to debt capital markets via its EMTN Programme or by putting bespoke documentation in place. The EMTN Programme, in conjunction with our sustainable finance framework, launched in November 2020, is expected to continue to be the primary vehicle for the group accessing funding in the debt capital markets. In July 2022, the group published its third sustainable finance framework allocations and impact report. Details of the group's engagement with banks and credit investors can be found on page 111.

Doug Webb
Chair of the treasury committee

Quick links

Terms of reference: **unitedutilities.com/corporate-governance**

Compliance committee report

Members

Alison Goligher
Chair of the compliance committee

Doug Webb
Louise Beardmore
James Bullock

Quick facts

- The committee comprises three directors, two of whom must be independent non-executive directors and one of whom is appointed as chair.
- The company secretary attends all meetings of the committee.
- The regulation and compliance director is a member of the committee.
- A minimum of two meetings are held each year. The inaugural meeting was held in April 2023, with a total of four meetings held during the year.

Main responsibilities

- Review of key UUW regulatory submissions and underlying governance policies.
- Review compliance with areas of legislation or regulation as the committee sees fit.
- Be kept abreast of changing regulatory or legislative requirements.
- Oversee the structure and processes of interactions with UUW's regulators.

Dear shareholder

The committee's duties are focused on providing oversight and challenge of UUW's regulatory submissions.

Annual business

Annual regulatory submissions to Ofwat considered by the committee include the annual performance report and regulatory accounts submitted in July of each year, and the charges and tariffs submission at the turn of the year.

Ofwat requires water companies to publish an annual performance report (APR) to demonstrate compliance with their individual price controls that Ofwat has set for each of them. These reports are published on the United Utilities' website.

As part of the APR publication, the board must provide supporting board assurance statements – first, a statement demonstrating the board has met Ofwat's Board Leadership, Transparency and Governance principles, and secondly, a risk and compliance statement. The risk and compliance statement confirms that the company:

- has understood and met all of its statutory, licence and regulatory obligations and has taken steps to meet customer expectations;
- has satisfied itself that it has sufficient processes and internal control systems to meet its obligations;
- has appropriate systems and processes to allow it to identify, manage, mitigate and review its risks; and
- has confidence that the data and information contained in the submission is accurate and complete.

Identified departures from compliance are set out in the accompanying 'Table of Departures'.

The committee reviewed the proposed approach for the production and assurance of the APR at its meeting in April 2023, challenging management and making a number of recommendations to enhance the assurance framework. It reviewed the APR and board assurance statements at its meeting in June 2023 including the Table of Departures, and recommended the same to the UUW board for approval and for submission to Ofwat in July 2023.

The regulatory accounts, which are produced in accordance with Ofwat's regulatory accounting guidelines (and which define the treatment of certain items e.g. revenue and interest), are submitted to Ofwat in July alongside the APR, were reviewed and recommended to the UUW board for approval.

Charges and tariffs

As required by Ofwat, the board approves the publication of UUW's charges and tariffs each year. In April 2023, the committee reviewed the planned governance arrangements, and the indicative charges and tariffs proposals for 2024 in September 2023.

Looking to the future

The committee spent considerable time in its review of the approach to assurance for its AMP8 business plan, challenging management and making a number of recommendations for change. This provided comfort and confidence to the board in making its eventual decision to approve the plan's board assurance statement on submission in October 2023. Similarly, the committee reviewed the assurance approach to give comfort to the board supporting the submission of the Drainage Water Management Plan (DWMP) to Defra in May 2023. The DWMP assesses the effects of the expected future pressures on UUW's wastewater systems over the short, medium and long term (25 years) and the mitigating actions and interventions that can be implemented to maintain or enhance wastewater services. Both are key regulatory submissions and provide a framework for UUW's work in the region now and in the long term.

Other matters considered by the committee during the year included: reviewing the company's process to assess assurance risk, considering more detailed reviews on the approach to assurance in areas considered to be high risk such as storm overflow spill reporting, and leakage and per capita consumption data. The committee made a number of recommendations to management to enhance the clarity of the reporting.

Alison Goligher
Chair of the compliance committee

Quick links

Terms of reference: **unitedutilities.com/corporate-governance**

ESG committee report

Members

Paulette Rowe
Chair of the ESG committee

Alison Goligher
Liam Butterworth

Michael Lewis
Louise Beardmore

Quick facts

- The committee comprises five directors appointed by the board, four of whom are independent non-executive directors.
- The company secretary, the corporate affairs director, the people director, and the investor relations and clean energy strategy director attend all meetings of the committee.
- Senior operational directors attend the committee to report on the environmental, social and governance aspects of particular topics and initiatives.
- The committee has power delegated to it from the board in relation to environmental, social and governance matters.

Quick links

Terms of reference: unitedutilities.com/corporate-governance

Dear shareholder

I am pleased to introduce this report on the activities of the ESG committee in 2023/24. We have seen another year where environmental, social and governance matters continue to grow in importance to our stakeholders. The committee recognises the rapid developments in ESG expectations, from our investors, customers and other stakeholders, and is committed to ensuring the skills, knowledge and experience of its members stay ahead of the pace of change.

This year, I will be stepping down from my role as chair of the committee, with Liam Butterworth to be taking over. I wish Liam all the best in continuing to drive improvements in the company's ESG performance. I am also delighted to welcome Michael Lewis and Clare Hayward as members of the committee. They bring with them a wealth of experience in ESG, including Michael's role as a member the Natural Environment Research Council. In addition, this year, the CEO, the asset management director and I have gained Chapter Zero membership to continuously develop our subject matter expertise on ESG issues.

This year, we have also established the ESG leadership group as a principal management committee at United Utilities, for leaders from across the business to manage the material ESG issues we face. This has further strengthened our governance over ESG, with this group feeding directly into the topics we discuss at committee meetings.

Storm overflows and their impact on river water quality have continued to be a high priority with this topic dominating the group board agenda. The coverage of this topic at our group board has allowed space on the committee's agenda for regular items on carbon and renewables, affordability and vulnerability, and people, diversity and inclusion. These four topic areas will continue to feature regularly on the committee agenda into 2024/25.

River water quality and overflows

Alongside updates on the Better Rivers programme at the group board, the committee also had updates on the Better Rivers engagement pledges where the company is making good progress. This topic will continue to be regularly discussed at both the group board and the committee.

Carbon and renewables

An annual strategic review of the company's approach to net zero was presented, including progress updates on the six carbon pledges. The committee requested a further agenda item on scope 3 emissions science-based targets, noting the challenges faced on scope 3 emissions across the wider economy. Core to meeting the science-based targets is the company's AMP8 business plan and associated net zero plans. These also directly link to the six carbon pledges which were presented by the asset management director. The committee also discussed the company's approach to renewables as a key element of its net zero approach.

Affordability and vulnerability

Affordability and vulnerability are highly important issues in the North West, and as such, the committee continues to focus on this topic, as it has in previous years. The committee agenda has an item every six months on lower income groups. Complementary to this, the customer director presented an item on the range of offerings available for vulnerable customers. Another area of work supporting affordability of customers' bills was the company's smart metering trials, the committee noting the importance of smart metering to support other targets, such as per capita consumption.

People, diversity and inclusion

The ESG committee had two agenda items on equity, diversity and inclusion (EDI) in the year. The people director presented the company approach and targets on EDI, before returning to the committee later in the year with the EDI annual report. Part of the EDI annual report is the gender pay report, which had been a standalone item at the committee. On behalf of the group board, the ESG committee also discussed an item on corporate culture and its alignment with business purpose, strategy and values.

Other items

The committee had regular items on stakeholder engagement, which covered topics at the top of stakeholders' priorities, such as the changing ministerial landscape, rivers and environmental performance across the sector, land management and the company business plan. There were also items on community investment, trends in the ESG landscape and on the company's plans for adaptation to climate change.

Paulette Rowe
Chair of the ESG committee

Looking to the next year, the ESG committee will:

- Continue to look for opportunities to build on and develop our ESG subject matter expertise;
- Review ESG rating performance and the dashboard tracking the company's efforts to support customers on low incomes;
- On behalf of group board, review progress and issues arising from the Colleague Voice panel and the company's approach to culture;
- Continue to examine the interaction between purpose, ESG and reputation, and review the approach to stakeholder engagement and the management of reputational risks;
- Oversee matters of general governance; and
- Undertake matters of committee governance such as reviewing its rolling calendar of agenda items, the annual committee evaluation and examination of the committee's terms of reference.

Main responsibilities

- Consider and recommend to the group board the broad approach to environmental, social and governance matters taking into account the company's desired ESG positioning;
- Keep under review the group's approach to environmental, social and governance matters and ensure it is aligned with the group strategy including the company purpose, strategy and values;
- Review environmental, social and governance issues and objectives material to the group's stakeholders and identify and monitor the extent to which they are reflected in group strategies, plans and policies;
- Monitor and review the status of the company's reputation and examine the contribution of the group's corporate responsibility activities toward protecting and enhancing its reputation;
- Monitor and review compliance with the group board's approach to environmental, social and governance matters and scrutinise the effectiveness of the delivery of the ESG commitments;
- Develop and recommend to the group board ESG targets and key performance indicators and receive and review reports on progress towards the achievement of such targets and indicators; and
- Review all approved specific giving where the aggregate financial contribution exceeds £100,000 over the period of the proposed funding and to review all community giving expenditure annually.

Read more about how our purpose links to ESG on page 31

Read more about how we are working to improve river health on page 13

Remuneration committee report

Members

Kath Cates
Chair of the remuneration committee

Doug Webb
Alison Goligher

Quick facts

- The code requires that 'the board should establish a remuneration committee of at least three independent non-executive directors'.
- By invitation of the committee, meetings are attended by the Chair, the CEO, the company secretary, the people director, the head of reward and the external adviser to the committee.
- Our current remuneration policy was approved by shareholders at the 2022 AGM.
- The remuneration report sets out how the remuneration policy was applied in 2023/24 and how we intend to apply it in 2024/25.
- Certain sections of the remuneration report are audited. The unaudited sections of the remuneration report, including the annual statement from the remuneration committee chair have been subject to external assurance by the remuneration committee's independent adviser, Ellason LLP. The engagement was performed as a limited assurance engagement in accordance with the requirements of the International Standard on Assurance Engagements (ISAE) 3000 revised. Ellason's full assurance statement is available at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

Read our **at a glance summary: executive directors' remuneration** on pages 142 to 145

Read our **annual report on remuneration** on pages 146 to 157

Read our **directors' remuneration policy** on pages 158 to 162

Quick links

Terms of reference: **unitedutilities.com/corporate-governance**

Annual statement from the remuneration committee chair

Our executive pay arrangements are aligned to our purpose, strategy and values, incentivising delivery for customers and the environment, and the creation of long-term value.

Dear shareholder

It has been another very busy year for the company. Whilst the submission of the high quality and ambitious business plan for the 2025-30 period (AMP8) was a key priority for the executive team, it was of course also important to continue delivering for customers and the environment right now. Despite the challenging weather conditions we are on track to return to a 4 star rating for 2023 under the EA's Environmental Performance Assessment, and have seen many other aspects of strong performance across a number of our commitments in areas such as customer service, affordability support, leakage, and water quality, as well as ranking highly in a range of ESG indices. See the strategic report for further details.

Understandably, the water sector has continued to be subject to significant scrutiny during the year, with storm overflows and pollution remaining clear areas of interest for customers and wider society. Everyone wants to see environmental performance improve, including those working in the water sector. We recognise that executive pay forms part of the debate, including amongst regulators and politicians. It is essential that we have remuneration arrangements that enable us to attract and retain the best talent to deliver the transformation and scale of change required. In addition, we need to restore public confidence and trust in the sector and are committed to having executive pay arrangements that demonstrate legitimacy and transparency, and reflect the expectations of our regulators. The measures and targets agreed by the committee for the 2023/24 annual bonus reflected our commitment to tackling storm overflows activations and improve river quality, with the introduction of a new spill reduction measure and the overall weighting of measures related to pollution being increased compared to the previous year. As was the case last year, the performance-related pay outcomes that the executive directors will receive in respect of this year will not be paid for by customers.

The committee has a robust track record of making sure that executive pay outcomes are aligned with the interests of all our stakeholders. The majority of our performance-related pay is linked to measures with a clear customer and/or environmental link, with 75 per cent of the annual bonus and 50 per cent of our Long Term Plan (LTP) being based on stretching targets related to our delivery for customers, and at least 30 per cent of overall performance-related pay being based on environmental performance. Governance mechanisms are in place that enable the committee to reduce, withhold, remove, or clawback performance pay in certain circumstances, and we provide clear, transparent and comprehensive disclosures about our executive remuneration and approach.

Delivering a stronger, greener and healthier North West

We continue to focus on delivering great service. Supporting customers with affordability and vulnerability concerns remains a crucial area of focus, with performance exceeding our targets in these areas. Our efforts to improve water quality via our Water Quality First programme were recognised by the Drinking Water Inspectorate (DWI) and resulted in us receiving the Drinking Water Initiative of the Year in the 2023 Water Industry Awards. We met our regulatory leakage target for the 18th consecutive year, and in the latest Customer Service Index were ranked as the top water and sewerage company in England and Wales, retaining our top five position amongst the 31 utility companies.

We met our target of monitoring 100 per cent of our overflows before the end of 2023 and have made great progress on projects to reduce spills at some of our highest spilling sites. However, 2023 saw exceptional levels of rainfall, with parts of our region experiencing rainfall up to a third higher than the long-run average, which regrettably resulted in increased instances of flooding and storm overflow spills.

For colleagues, in addition to the agreed pay increase for 2023/24 we immediately implemented the latest Living Wage increase for eligible colleagues in November 2023 (around six months sooner than our Living Wage accreditation required),and launched a number of new wellbeing benefits. Our focus on wellbeing resulted in the company being awarded the National Workplace Wellbeing Charter again, demonstrating our commitment to proactively championing a healthy workplace. We were also delighted to be named as Water Industry Skills Employer of the Year 2023.

Remuneration during 2023/24

Fixed pay
Louise Beardmore was appointed as CEO in April 2023, with no further salary increase being awarded to her during the year. Phil Aspin's performance was strong and justified an increase in his salary, although the committee decided that this would be limited to 4.1 percent rather than aligned with the workforce rate of 7.5 per cent. The pension arrangements for both executive directors are aligned with the company's approach for other colleagues.

2023/24 annual bonus
As noted earlier, the measures and targets for the 2023/24 annual bonus included a new spill reduction measure and increased weighting on environmental measures. A consistent bonus scorecard applied throughout the company, to ensure a shared focus on stretching delivery for customers and the environment.

The challenging weather conditions during the year severely hampered performance in some areas, and the stretching nature of the targets set meant that the threshold level of performance was not achieved for some bonus measures, including the new measure related to spills. As shown on page 146 the formulaic bonus outcome was 51.8 per cent. As always, the committee also undertook an assessment to determine whether the formulaic outcome of the bonus scorecard was aligned with overall performance and the experience of stakeholders, including customers and the environment. A key consideration in our assessment this year was the operational incident in June 2023 arising from a fractured outlet pipe at our Fleetwood Wastewater Treatment Works.

The significant effort and commitment made by the executive team and other colleagues across the company to recover services to the area and minimise the impact of the incident was commendable. Nevertheless, the committee determined that in consideration of the level of disruption caused in the local community and the adverse impact on many stakeholders, including shareholders, it was appropriate to apply discretion to the executive directors' bonuses and decided to reduce the outcomes by 5 per cent of maximum i.e. taking them from 51.8 per cent to 46.8 per cent. This means that the value of bonuses received by the executive directors are around 10 per cent less than they would have received if a reduction had not been applied. See page 146 for further details.

2021 Long Term Plan (LTP)
LTP awards granted in June 2021 were based 50 per cent on a basket of customer and environmental measures and 50 per cent on return on regulated equity (RoRE). The basket comprised ten metrics selected to reflect customer priorities, demonstrate our focus on customer delivery and environmental performance, and recognise stakeholder expectations with regard to ESG matters.

Performance against many of the LTP measures has also been strong, as shown on page 147. The estimated vesting outcome is 79.1 per cent but the final outcome for some of the measures in the basket will not be known until all relevant information is available, expected in summer 2024. We will provide an update in next year's report if the eventual outcome is different to this estimate.

The committee believes that the overall LTP outcome fairly reflects the underlying performance of the company and the experience of stakeholders over the period so is not currently minded to exercise any discretion in respect of the vesting of these awards, and noting that discretion has already been applied to the executive directors' bonus outcomes. Phil Aspin's award will vest after the completion of a holding period taking the overall vesting period to five years from the grant date. Louise Beardmore was granted her award prior to her appointment as an executive director, so her award will be treated according to its original terms with no holding period applying, and she will be required to hold the shares vesting (net of tax) as she continues to build her shareholding.

Looking ahead

Executive director salaries will be increased by 5 per cent with effect from 1 July 2024, which is less than the workforce increase for 2024/25. No changes are expected to pension provisions or benefits in the year.

For 2024/25, the maximum bonus opportunity will remain at 130 per cent of base salary for both executive directors, and they will each receive a 2024 LTP award of 130 per cent of salary. Recognising the importance of the environment over 30 per cent of performance-related pay measures will be attributed to serious pollution performance, storm overflows and other aspects of environmental performance.

During the year the committee engaged with our largest shareholders regarding the next directors' remuneration policy, to begin considering any changes that would make sure our policy for the 2025–30 period is well-aligned with the AMP 8 business plan and Ofwat's expectations in relation to executive remuneration. The feedback we received from shareholders about the proposed changes was supportive, but having further considered the current political and regulatory context, including the focus on executive pay in the UK water sector, we have decided to pause our review for the time being and to revert to our normal policy renewal cycle i.e. bring our next policy for shareholder approval at the 2025 AGM. We currently expect to re-engage with shareholders again towards the end of 2024.

I hope that you find this report a clear account of the committee's decisions for the year and would be happy to answer any questions you may have at the upcoming AGM.

This report has been approved by the board and is signed on its behalf by:

Kath Cates
Chair of the remuneration committee

At a glance summary: executive directors' remuneration

Aligning our remuneration approach to business strategy

Our remuneration approach is aligned to our purpose, values and strategy, thereby incentivising delivery for customers and the environment, and the creation of long-term value for all of our stakeholders.

Our purpose is to provide great water for a stronger, greener, healthier North West

Our strategic priorities

Our purpose is implemented throughout our strategy

- Improve our rivers
- Create a greener future
- Deliver great service for all our customers
- Provide a safe and great place to work
- Spend customers' money wisely
- Contribute to our communities

Stakeholders

Delivering for all our stakeholders

- Communities
- Colleagues
- Environment
- Customers
- Suppliers
- Investors

Our remuneration approach supports our business and people strategy and reflects the views of different stakeholders.

There are three key principles of our approach to executive remuneration:

1. **Align** to our purpose, values and strategy
2. **Incentivise delivery** for customers and the environment
3. **Create long-term value** for all of our stakeholders

Our incentive framework in 2023/24 was designed to align with our business strategy and delivers for each of our stakeholder groups.

Our annual bonus and Long Term Plan (LTP) are closely aligned to our strategic priorities and with delivery for our stakeholders. They each demonstrate a clear focus on customers and the environment.

Element	Why it's important to our remuneration approach	Link to strategic priorities	Link to different stakeholders
2023/24 annual bonus			
Underlying operating profit	Underlying operating profit is a key measure of shareholder value.		
Customer service in year • C-MeX ranking • Water quality contacts (appearance)	By using Ofwat's measure of customer experience alongside a measure that focuses on reducing the number of complaints made by customers, executive directors are incentivised to deliver the best service to customers. Ofwat can apply financial incentives or penalties depending on our customer service performance. Customers expect the water that comes out of their tap to be clear, and when it is discoloured it can affect public confidence in the water supply. This measure helps drive improvements in this aspect of our performance.		
Maintaining and enhancing outcomes for customers and the environment • Better Rivers commitments: percentage reduction of reported storm overflow activations • Better Rivers commitments: percentage of 2023/24 programme milestones delivered • Outcome delivery incentive (ODI) composite • Capital programme delivery incentive (CPDi)	Improving river health in the North West is a priority for our customers and other stakeholders. The use of bonus measures relating to our Better Rivers commitments means our executive directors are incentivised to deliver our ambitious plans. The ODI composite measure includes a range of customer and environmental commitments. It is based on the outperformance payments earned and financial penalties incurred by the company based on its delivery of the performance targets embedded in the AMP7 final determination. The performance targets and the financial incentives associated with them are determined by Ofwat in the expectation that achieving them means that stretching outcomes have been delivered for customers and the environment. Bonus awards are only made where the value of these payments exceeds a predetermined level, which the committee sets relative to the AMP7 determination. Non-delivery of our performance commitments can result in financial penalties being applied, which reduces the likelihood of this target being achieved. The CPDi measure incentivises the executive directors to keep tight control of our capital programmes to ensure we can provide a reliable and environmentally conscious service to our customers.		
Compulsory deferral of bonus	Requiring executive directors to defer part of their bonus into shares provides reassurance that the company is being run in the longer-term interests of shareholders, customers and the environment, including beyond the annual bonus period. It also reassures shareholders and customers that some/all of the deferred bonus could ultimately be withheld if during the deferral period this is deemed necessary.		
2021 Long Term Plan (LTP)			
Return on Regulated Equity (RoRE)	RoRE is a key regulatory measure of performance against the final determination. Outperformance will result in an increase to RoRE, which should translate into higher returns for shareholders through share price performance. Outperformance also benefits customers and the environment through strong delivery against stretching performance commitments, efficiencies in the capital investment programme and lower long-term financing costs.		
Basket of customer and environmental measures	The basket is made up of specific performance commitments embedded in the AMP7 final determination, focusing on areas that customers have identified via our research as being most important to them. Strong delivery of the commitments benefits our customers, communities and the environment, and can result in outperformance payments from Ofwat, which is positive for shareholders.		
Additional holding period (so the overall vesting and holding period is at least five years)	Requiring the executive directors to wait a further period after the performance outcome of their award is known ensures continued longer-term alignment with shareholder interests and delivery for stakeholders, including customers and the environment. It also reassures shareholders and customers that some/all of the LTP outcome could ultimately be withheld if during the holding period this is deemed necessary.		
Key governance mechanisms			
Discretion over outcomes	The committee retains discretion to override formulaic outcomes (including reducing down to zero) in both schemes to ensure that they are appropriate and reflective of overall performance, over the life of the policy (taking into account any evolution of the strategic goals for the company and to reflect customer and regulatory priorities).		
Withholding and recovery provisions	Bonuses and shares under the DBP and LTP are subject to withholding (malus) and recovery (clawback) provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.		
Shareholding guidelines	It is important that each executive director builds and maintains a significant shareholding in shares of the company to provide alignment with shareholder interests (during and after employment) and as a demonstration that the company is being run for the long-term benefit of all its stakeholders, including customers and the environment.		

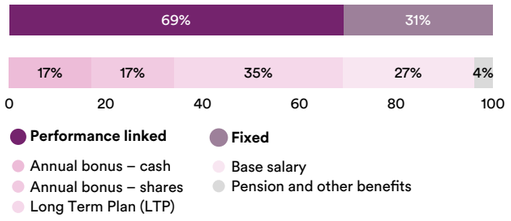
At a glance summary: executive directors' remuneration continued

Executive directors' remuneration policy

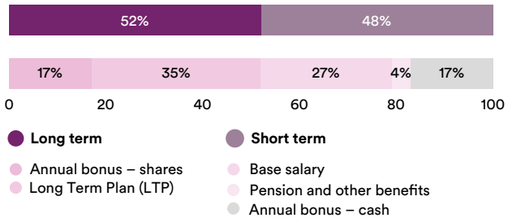
Elements of executive directors' pay

A significant proportion of executive directors' pay is performance-related, long term and remains 'at risk' (i.e. subject to withholding and recovery provisions for a period over which the committee can withhold vesting or recover sums paid):

Performance-related vs fixed (%)[1]



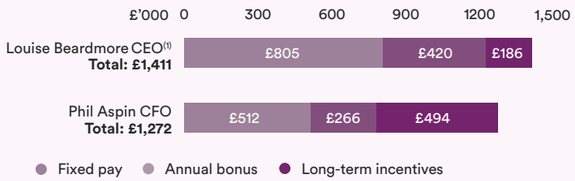
Long term vs short term (%)[1]



[1] Based on maximum payout scenario for executive directors in line with the current remuneration policy, assuming the maximum award level of 130 per cent of salary for the Long Term Plan (LTP).

Single total figure of remuneration for executive directors for 2023/24

Fixed pay comprises base salary, benefits and pension. Further information on the single figure of remuneration can be seen on page 146.

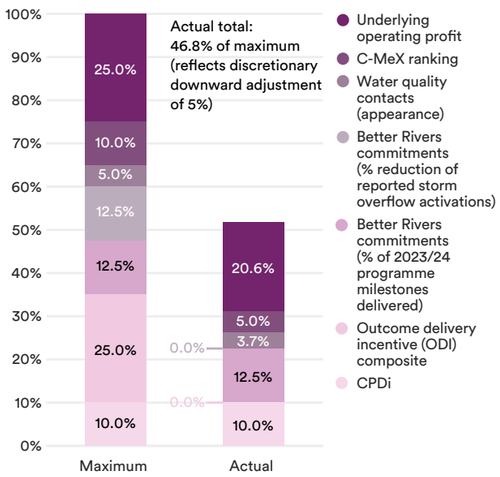


[1] For Louise Beardmore, the LTP relates to an award granted prior to her appointment in her current role.

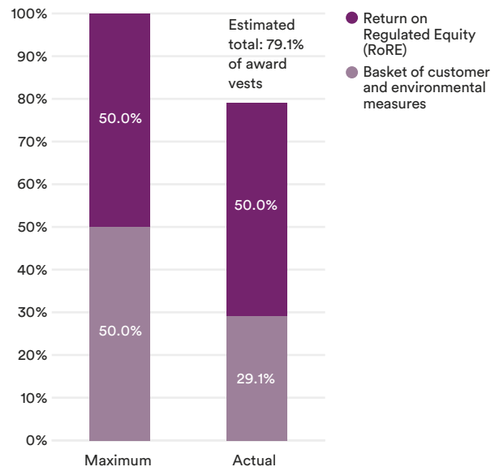
Annual bonus and Long Term Plan (LTP) outcomes

The charts below show the results of the performance against targets for the annual bonus and LTP. Further information about the annual bonus is shown on page 146 and about the LTP on page 147.

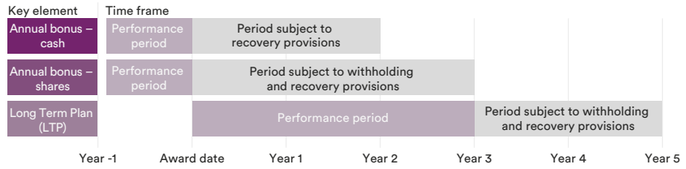
2023/24 Annual bonus outcome



Estimated 2021 Long Term Plan (LTP) outcome



Pay at risk



Further details on what triggers the withholding and recovery provisions can be found on page 159.

Implementation of directors' remuneration policy in 2023/24

The table below summarises the implementation of the directors' remuneration policy for executive directors in 2023/24. For further details see the annual report on remuneration on pages 146 to 157.

Key element	Implementation of policy in 2023/24
Base salary	• Having been set at its current level of £690,000 on 1 April 2023 when she became CEO, Louise Beardmore's salary was not increased in September 2023. • Having considered his good performance and the positioning of his overall reward package within the external market, Phil Aspin received a salary increase of circa 4.1 per cent from 1 September 2023. This was less than the increase of 7.5 per cent paid to the wider workforce.
Benefits and pension	• Market competitive benefits package including a green travel allowance of £14,000; health, life cover and income protection; and reimbursement of taxable expenses. • The pension arrangements for the executive directors are the same as those available to the wider workforce. Louise Beardmore has a combination of a cash pension allowance and a contribution into the pension scheme such that the cost to the company is broadly the same as 12 per cent of base salary. Phil Aspin has a cash pension allowance of 12 per cent of base salary.
Annual bonus	• Maximum opportunity of 130 per cent of base salary. • 2023/24 annual bonus outcome of 46.8 per cent. • 50 per cent of 2023/24 annual bonus deferred for three years. • Withholding and recovery provisions apply.
Long Term Plan	• Award of 130 per cent of base salary. • Estimated long-term incentive vesting of 79.1 per cent for the performance period 1 April 2021 to 31 March 2024. The award for Phil Aspin will vest after an additional holding period, which ends no earlier than five years from the date of grant. The award for Louise Beardmore was granted prior to her appointment as an executive director and will vest when the performance conditions have been confirmed in the summer of 2024. She will be required to hold the vested shares in line with the shareholding guidelines. • Withholding and recovery provisions apply.
Shareholding guidelines	• Louise Beardmore and Phil Aspin are building their respective shareholdings and are expected to reach the minimum guidelines within five years of their respective appointments. Post-employment shareholding requirements apply. See page 153 for further details.

Key:

- At or above stretch target
- Between threshold and stretch targets
- Below threshold target

[1] For the purpose of annual bonus, underlying operating profit excludes infrastructure renewals expenditure and property trading.

[2] Average RoRE compared to average allowed RoRE over 2021/22, 2022/23 and 2023/24.

[3] Total of the overall 2021 LTP outcome arising from performance in relation to the basket of customer and environmental measures. See page 147.

Aligning pay with performance

See pages 146 to 147 for details

Annual bonus – year ended 31 March 2024

Underlying operating profit[1]

£711.3m

C-MeX ranking versus the other water companies

6th out of 17

Water quality contacts (appearance)

5,428

Better Rivers commitments (percentage reduction of reported storm overflow activations)

0%

Better Rivers commitments (percentage of 2023/24 programme milestones delivered)

100%

Outcome delivery incentive (ODI) composite

£32.2m

Capital programme delivery incentive (CPDi)

98.0%

Long Term Plan – three years ended 31 March 2024

Return on regulated equity (RoRE)[2]

+9.09%

Basket of customer and environmental measures[3]

29.1%

Annual report on remuneration

Single total figure of remuneration for executive directors (audited information)

Year ended 31 March	Fixed pay: Base salary £'000 2024	2023	Pension £'000 2024	2023	Benefits £'000 2024	2023	Subtotal £'000 2024	2023	Variable pay: Annual bonus £'000 2024	2023	Long-term incentives £'000 2024[1]	2023[2]	Subtotal £'000 2024	2023	Total £'000 2024	2023
Louise Beardmore[3]	690	390	86	48	29	20	805	458	420	210	186	165	606	375	1,411	833
Phil Aspin	438	419	53	50	21	20	512	489	266	226	494	477	761	703	1,272	1,192

(1) This relates to the Long Term Plan (LTP) award granted in June 2021. The amount is estimated as the vesting percentage for the half relating to the basket of customer and environmental measures will not be known until later in 2024. The value of LTP awards has been calculated using an average share price over the three-month period from 1 January 2024 to 31 March 2024 of 1,041.79 pence per share.

(2) This relates to the Long Term Plan (LTP) award granted in November 2020. The figure stated in last year's report was estimated. Whilst the EA EPA rating was subsequently confirmed as 3 star this did not change the vesting outcome, which was confirmed at 68.8 per cent. The award for Phil Aspin will not vest until the end of an additional holding period. Dividend equivalents accrued to 31 March 2024 have been added, and the value of the award has been calculated using an average share price over the three-month period from 1 January 2024 to 31 March 2024 of 1,041.79 pence per share. The award for Louise Beardmore was granted prior to her appointment to the board so no holding period applied, and for the purpose of this table the value of the award has been calculated using the share price on the vesting date of 968.40 pence per share.

(3) Salary, benefits, pension and annual bonus figures in 2024 for Louise Beardmore reflect her appointment as CEO from 1 April 2023. For 2023 they reflect part-year earnings and are for the period from 1 May 2022 when she was first appointed to the board, as CEO designate.

Annual bonus

Annual bonus in respect of the financial year ended 31 March 2024 (audited information)

The performance measures, targets and outcomes in respect of the executive directors' annual bonus for the year ended 31 March 2024 are set out below. The table on page 143 summarises how the performance measures are linked to our business strategy, including delivery for customers and the environment. As outlined in the Chair's statement (page 141), when determining bonus outcomes the committee considered various aspects of overall company performance, including the disruption caused by the fractured outlet pipe at our Fleetwood Wastewater Treatment Works and decided to exercise downward discretion on the bonus outcomes as shown in the table below.

Measure	% weighting of measure	Threshold (25% vesting)	Target (50% vesting)	Stretch (100% vesting)	Actual	Vesting as a % of maximum	Outcome
Underlying operating profit[1]	25.0%	£670.2m	£695.2m	£720.2m	£711.3m	82.2%	20.6%
Customer service in year							
C-MeX ranking out of the 17 water companies	10.0%	n/a	6th	5th	6th	50.0%	5.0%
Water quality contacts (appearance)	5.0%	5,800	5,550	5,300	5,428	74.4%	3.7%
Maintaining and enhancing outcomes for customers and the environment							
Better Rivers commitments:							
• % reduction of reported stormflow activations	12.5%	8.0%	10.0%	12.0%	0.0%	0.0%	0.0%
• % of 2023/24 programme milestones delivered	12.5%	90.0%	95.0%	100%	100%	100%	12.5%
Outcome delivery incentive (ODI) composite[2]	25.0%	£41.0m	£53.0m	£65.0m	£32.2m	0.0%	0.0%
Capital programme delivery incentive (CPDi)[3]	10.0%	85.0%	90.0%	95.0%	98.0%	100%	10.0%
Total:							
Overall outcome (% of maximum)							51.8%
Committee discretion exercised (% downward adjustment)							5.0%
Adjusted outcome (% of maximum)							46.8%
Maximum award (% of salary)							130%
Actual award (% of salary)							60.8%

	Louise Beardmore	Phil Aspin
Actual award (£'000 – shown in single figure table)[4]	420	266

(1) The underlying operating profit figure for bonus purposes is based on the underlying operating profit on page 92 and excludes infrastructure renewals expenditure and property trading.

(2) The outcome of the ODI composite measure has been subject to independent external assurance.

(3) CPDi is an internal measure that measures the extent to which we deliver our capital projects on time, to budget and to the required quality standard. It is expressed as a percentage, with a higher percentage representing better performance.

(4) 50 per cent of the annual bonus will be deferred for three years.

Long-term incentives

2021 Long Term Plan (LTP) awards with a performance period ended 31 March 2024 (audited information)

The 2021 LTP awards were granted in June 2021. Performance against many of the measures has been strong as detailed in the strategic report, and as outlined in the Chair's statement (pages 140 to 141). The final outcome for some measures will not be confirmed until summer 2024, so the values of the awards are estimated and will be restated if necessary in next year's report.

Measure	% weighting of measure	Achieved[1]: Threshold (25% vesting)	Achieved[1]: Stretch (100% vesting)	Actual	Vesting as a % of maximum	Outcome
Return on Regulated Equity (RoRE)						
Average RoRE compared to the average allowed return set by the regulator across the three-year performance period	50.0%	Equal to the average of Ofwat's allowed RoRE over the three financial years of the performance period	1.5% (or more) above the average of Ofwat's allowed RoRE over the three financial years of the performance period	Average RoRE of 9.09% was 5.12% above the average allowed return	100%	50.0%
Basket of customer and environmental measures[2]						
C-MeX ranking out of all of the other water companies[3]	5.0%	Ranked 8th	Ranked 4th (or better)	6th position	62.5%	3.1%
Water poverty[3]	5.0%	64,300 customers have been lifted out of water poverty	83,900 (or more) customers have been lifted out of water poverty	84,060	100%	5.0%
Priority Services[3]	5.0%	No threshold target. Stretch target must be achieved for any vesting on this measure	6.3% (or more) of our customers are listed on the Priority Services Register	12.4%	100%	5.0%
Sewer flooding incidents[3]	5.0%	A combined total of 26.38 sewer flooding incidents per 10,000 connected properties	A combined total of 19.89 (or fewer) sewer flooding incidents per 10,000 connected properties	24.81	43.1%	2.2%
Pollution incidents[4]	5.0%	22.40 pollution incidents per 10,000km of our wastewater network	12.21 (or fewer) pollution incidents per 10,000km of our wastewater network	27.93	0.0%	0.0%
Treatment works compliance[4]	5.0%	97.90% compliance	99.00% (or greater) compliance	98.97%	98.0%	4.9%
Water quality contacts[4]	5.0%	13.5 customer contacts per 10,000 customers	12.0 (or fewer) customer contacts per 10,000 customers	13.2	40.0%	2.0%
Leakage[3]	5.0%	A three-year average of 97.7 megalitres of leakage per 10,000km of our water network per day	A three-year average of 94.3 megalitres (or less) of leakage per 10,000km of our water network per day	97.1	38.2%	1.9%
Compliance risk index (CRI)[4]	5.0%	CRI score of 3.27	CRI score of 2.00 (or less)	Estimate: 6.0	0.0%	0.0%
The Environment Agency's Environmental Performance Assessment (EPA) rating[5]	5.0%	3 star rating	4 star rating	Estimate: 4 star rating	100%	5.0%

Overall underpin

Overall vesting is subject to the committee being satisfied that the company's outcome performance on these measures is consistent with underlying business performance and that the company's dividend policy has been delivered in respect of each financial year of the performance period.

✓ Assumed met.

Details of the committee's preliminary assessment on the alignment of the vesting outcome to the underlying performance of the business is set out in the introductory statement from the Chair of the committee. The committee will make a final assessment of the company's performance once the outcome of the basket of customer and environmental measures is known.

Estimated vesting (% of award)	79.1%

	Louise Beardmore	Phil Aspin
Number of shares granted	19,943	52,910
Number of dividend equivalent shares	2,665	7,076
Number of shares before performance conditions applied	22,608	59,986
Estimated number of shares after performance conditions applied	17,882	47,448
Three-month average share price at end of performance period (pence)[6]	1,041.79	1,041.79
Estimated value at end of performance period (£'000 – shown in single figure table)[7]	186	494

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.

(2) Measures based on the performance commitment definitions as per the AMP7 final determination.

(3) Outcome based on performance in the financial year ending 31 March 2024 as published in our own and/or the other water companies' annual performance reports for 2023/24.

(4) Outcome based on performance in the calendar year ending 31 December 2023 as published in our own annual performance report for 2023/24.

(5) Outcome based on performance in the calendar year ending 31 December 2023 as published in the Environment Agency's published report in 2024.

(6) Average share price over the three-month period from 1 January 2024 to 31 March 2024.

(7) 5.66 per cent of the value vesting is attributable to share price appreciation, which equates to £10,643 for Louise Beardmore and £28,239 for Phil Aspin.

Annual report on remuneration continued

Deferred Bonus Plan awards made in the year ended 31 March 2024 (audited information)
Bonuses are earned by reference to performance in the financial year and paid in June following the end of the financial year.

For executive directors, 50 per cent of any bonus is deferred, typically into shares under the Deferred Bonus Plan. These awards vest after three years and are subject to withholding provisions. There are no service or additional performance conditions attached.

The table below provides details of share awards made on 16 June 2023 to the executive directors in respect of deferred share bonus payments for the 2022/23 financial year.

Executive director	Type of award	Basis of award	Number of shares	Face value of award[1] (£'000)	End of deferral period
Louise Beardmore	Conditional shares	49.6% of bonus[2]	10,454	£108	16.6.2026
Phil Aspin	Conditional shares	50% of bonus	10,883	£113	16.6.2026

(1) The face value has been calculated using the closing share price on 15 June 2023 (the dealing day prior to the date of grant), which was 1,036.75 pence per share.

(2) The Deferred Bonus Plan award for Louise Beardmore was in respect of the bonus she earned in 2022/23, which includes one month in her previous role i.e. prior to her appointment to the board, and in which a 40 per cent deferral requirement applied. This amount is not included in the single figure table on page 146.

2023 LTP awards with a performance period ending 31 March 2026 (audited information)
The table below provides details of share awards made to executive directors on 15 December 2023 in respect of the 2023 LTP:

Executive director	Type of award	Basis of award	Face value of award (£'000)[1]	Number of shares under award	% vesting at threshold	End of performance period[2]
Louise Beardmore	Conditional shares	130% of salary	£897	80,847	25%	31.3.2026
Phil Aspin	Conditional shares	130% of salary	£578	52,140	25%	31.3.2026

(1) Face value calculated using closing share price on 14 December 2023 (the dealing day prior to the date of grant), which was 1,109.50 pence per share.

(2) An additional holding period applies after the end of the performance period such that the overall vesting period is at least five years.

As per the Policy, the structure of the 2023 LTP awards for the three-year performance period were 50 per cent related to return on regulated equity (RoRE) and 50 per cent related to a basket of customer and environmental measures.

While LTP awards are normally issued in June/July each year, noting the complexities (and potential risks) of setting measures and targets while the AMP8 business plan was still under development, the committee agreed to use its discretion to defer the setting of measures and targets until after finalising the business plan to ensure they were aligned with the plan. Details about the measures, targets and underpins are shown in the table below.

	Targets[1]		
Measure	Threshold (25% vesting)	Stretch (100% vesting)	Weighting
Return on Regulated Equity (RoRE)			
RoRE	1.00% above the average of Ofwat's allowed RoRE over the three years of the performance period	2.75% (or more) above the average of Ofwat's allowed RoRE over the three years of the performance period	50.0%
Basket of customer and environmental measures[2]			
Average number of spills[3]	Average of 27.51 spills per overflow across the performance period	Average of 26.20 (or fewer) spills per overflow across the performance period	10.0%
Environment Agency EPA rating[4]	3 star rating	4 star rating	10.0%
Leakage[5]	A three-year average of 92.40 megalitres of leakage per 10,000km of our water network per day	A three-year average of 88.00 (or fewer) megalitres of leakage per 10,000km of our water network per day	10.0%
Priority Services[5]	15.2% of our customers are listed on the Priority Services Register	16.0% (or more) of our customers are listed on the Priority Services Register	10.0%
Carbon reduction[5]	23.0% of the energy used by UUG is generated from low-carbon sources	25.0% (or more) of the energy used by UUG is generated from low-carbon sources	10.0%
Total			100%

Overall underpin
Overall vesting is subject to the committee being satisfied that the company's performance on these measures is consistent with underlying business performance and that the company's dividend policy has been delivered in respect of each financial year of the performance period.

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.

(2) The basket of customer and environmental measures will be based on the performance commitment definitions as per the AMP8 final determination. The Committee has reserved the discretion to review and amend the targets set in respect of the Spills, Leakage and Priority Services measures on Ofwat's publication of the final determination.

(3) Based on performance in respect of the calendar year ending 31 December 2025 as published in our Annual Performance Report for 2025/26.

(4) Based on performance in respect of the calendar year ending 31 December 2025 as published in the Environment Agency's published report in 2026.

(5) Based on performance in respect of the financial year ending 31 March 2026 as published in the UUG Annual Report and Accounts and/or UUW Annual Performance Report for 2025/26.

Performance-related pay in 2024/25

The performance measures used in our performance-related pay schemes during 2024/25 will remain closely aligned with our strategic priorities, and focused on delivery for our stakeholders. As in recent years, across both of our incentive schemes there will be a material weighting linked to delivery for customers, and at least 30 per cent will be based on measures which relate to our environmental performance, as a further demonstration of our ongoing commitment to improving performance in this important area.

As always, the committee has the discretion to override formulaic incentive outcomes by exercising discretion on outcomes if deemed necessary, including by taking account of overall performance through our various stakeholder lenses. Any performance-related pay outcomes that the executive directors receive in respect of the year will not be paid for by customers.

Annual bonus for 2024/25
The maximum bonus opportunity for the year commencing 1 April 2024 will be unchanged at 130 per cent of base salary. As is outlined on pages to 142 to 143, the measures used in our annual bonus arrangements for executive directors already demonstrate significant alignment to stakeholder interests, but for 2024/25 we have decided to introduce two new measures as summarised below:

Measure	Why it's being introduced
Serious pollution incidents	Protecting and improving the environment is a priority for the company, and minimising the extent to which our operations might cause pollution is a crucial part of this. Having listened to feedback from regulators and other stakeholders we have decided to introduce this new measure which is based on the number of serious pollution incidents that occur during the year.
Delivery of our Health and Safety improvement plan	We are committed to improving health and safety performance, and driving a safety and a more caring culture to ensure our people get home safe and well. This new measure is based on the delivery of our health and safety improvement programme, which is comprised of three key pillars: personal safety; process safety; and occupational health and wellbeing.

The table below summarises the measures, weightings and targets for the 2024/25 bonus. As in recent years, 75 per cent of the annual bonus is based on delivery for customers, and almost half of the overall bonus (around 47 per cent) is based on measures linked to reducing pollution, spills, or other aspects of environmental performance. Targets that are considered commercially sensitive will be disclosed retrospectively in the 2024/25 annual report on remuneration.

	Targets				
Measure	Threshold (25% vesting)	Target (50% vesting)	Stretch (100% vesting)	Weighting (% of award)	Link to stakeholders
Underlying operating profit[1]	Commercially sensitive			25.0%	
Reducing pollution and enhancing outcomes for customers and the environment					
Environmental, water and customer delivery incentives[2]	Commercially sensitive			25.0%	
Serious pollution incidents[3]	2	1	0	10.0%	
Better Rivers commitments:					
• reduction of reported storm overflow activations[4]	2,000 fewer spills	6,000 fewer spills	10,000 fewer spills	7.5%	
• % of 2024/25 programme milestones delivered	90.0%	95.0%	100%	7.5%	
Capital programme delivery incentive (CPDi)[5]	90.0%	93.0%	96.0%	10.0%	
Improving customer service and water quality					
C-MeX ranking out of the 17 water companies	7th	6th	5th	5.0%	
Water quality contacts (due to appearance)	5,400	5,200	5,000	5.0%	
Looking after our people					
Delivery of health and safety improvement programme	90.0%	95.0%	100%	5.0%	
Total				100%	

(1) Underlying operating profit for bonus purposes excludes infrastructure renewals expenditure and property trading.

(2) Around half of this measure is related to environmental performance.

(3) The number of category 1 or 2 incidents occurring during calendar year 2024 using the Environment Agency's definitions. When assessing the outcome the committee will consider the context of any incident, including the likely cause and extent to which the company was responsible for its occurrence.

(4) Based on performance during calendar year 2024 compared to 2023.

(5) CPDi is an internal measure assessing the extent to which we deliver capital projects on time, to budget and to the required quality standard. A higher percentage represents better performance. Around 90 per cent of the measure is related to environmental performance.

In line with policy, the executive directors will be required to defer at least 50 per cent of any bonus received into shares and these only become available after a period of three years. This provides the committee with time to consider and respond appropriately to any matters that were not known at the end of the relevant performance period but become apparent during the deferral period. This could include the use of the withholding and recovery provisions.

2024 LTP awards with a performance period ending 31 March 2027
Consistent with the approach since 2020, the awards will be based on Return on Regulated Equity and a basket of customer and environmental measures, with each component being equally weighted at 50 per cent. The award level for executive directors will remain unchanged at 130 per cent of base salary and the performance period for the awards will be 1 April 2024 to 31 March 2027.

As we await the publication of Ofwat's draft determination on the company's draft business plan for the next regulatory period, the committee has decided to wait until later in the summer to grant the awards to so that the precise measures and stretching targets can be well-aligned with the proposed plan. We will publish details of the measures and targets at the point of grant, and currently expect at least 30 per cent of the overall award to relate to environmental performance, including measures that are within the scope of our key regulators.

Annual report on remuneration continued

Supporting our colleagues' wellbeing

In recognition of the ongoing challenging financial environment, the company has continued to take action to support colleagues. Noting that the lowest paid have particularly struggled, in November 2023 we increased the pay rates of around 190 colleagues in relation to the new real Living Wage rates that had been announced in October. While all living wage accredited employers had until May 2024 to implement the new rates we decided to pay the improved rates as early as possible.

Continuing with the theme of supporting the lowest paid, our 2023/24 pay settlement meant that around 5,100 collectively bargained colleagues received salary increases worth 7.5 per cent or £1,800 (whichever was more) from 1 April 2023, plus a one-off lump sum of £1,000. The company also extended this lump sum payment to around 950 colleagues (excluding executives and senior leaders) who were not covered by the collectively bargained pay arrangements.

During the year, new benefits were introduced to further support the wellbeing of our colleagues, and align with our equity, diversity and inclusion ambitions. These include a Virtual GP service, a menopause support app, and access to discounted gym memberships.

The company provides holistic wellbeing support to colleagues, encouraging them to make use of the great range of benefits, tools and resources that are available. Some examples are shown below.

Physical health	• Our new Virtual GP service enables colleagues to get advice from a GP quickly and conveniently • Our new menopause support app provides useful information and guidance to any colleague impacted by the menopause, whether personally or a family member • All colleagues can now access discounted gym memberships at locations convenient to them • All colleagues have been able to claim back the cost of a flu vaccination • Members of our colleague healthcare scheme can claim back the cost of everyday healthcare items and this year we have increased the value of funding available for consultations and operations
Financial wellbeing	• Money management tips and tools help colleagues manage their money better, including the option to borrow responsibly in appropriate circumstances, alongside financial planning courses to suit colleagues at different stages of their careers • Our discounts platform helps colleagues save money on everyday living costs
Mental health	• All colleagues have access to our employee assistance programme • We have a network of mental health first aiders providing support across the company • We have developed a partnership with Andy's Man Club, a charity providing mental health and suicide prevention support across the UK

The committee is always mindful of the alignment of executive pay arrangements with those of the wider workforce, and as is demonstrated in the table on page 151 there is a high level of alignment and consistency of approach.

When reviewing salaries and assessing incentive outcomes for the executives, the committee takes account of how those elements of remuneration have been (or will be) applied across the wider workforce in respect of the same periods. At each of its meetings, the committee receives an update on notable matters affecting pay and benefits among the wider workforce since its previous meeting, and at least annually the committee formally reviews and discusses a report detailing all elements of the pay and benefits framework that applies to the workforce.

The committee has mechanisms through which it hears from and engages with the workforce on executive pay. As a member of the committee, insights related to remuneration that arise via Alison Goligher in her role as designated non-executive director for workforce engagement can be quickly and appropriately considered, and a formal report is presented to the committee at least annually. In the last year, Alison has hosted three sessions with the Colleague Voice panel, providing valuable opportunities for open discussions and feedback on a variety of topics including remuneration. See page 109 for further details. During the year, on invitation from Alison, the head of reward engaged with the panel to provide an overview of relevant corporate governance and reporting requirements, summarise our executive remuneration approach and the role of the committee in setting executive remuneration, and discuss the alignment of our executive pay approach with the arrangements that apply across the wider workforce.

Cascade of remuneration through the organisation

Consistent with best practice, the remuneration committee spends considerable time on matters relating to remuneration arrangements in the wider organisation. Details of pay trends for the wider colleague base provide important context when making decisions regarding remuneration for the executive directors as well as ensuring that consistent approaches are being adopted across the organisation.

The table below summarises how remuneration compares across the different groups of colleagues throughout the company.

Colleague group (number of colleagues currently covered)	Element of pay	Policy	Implementation
Colleagues at all levels (around 6,200)	Salary	We want to attract and retain colleagues of the experience and quality required to deliver the company's strategy. Salaries are reviewed annually, with executive directors normally receiving a salary increase no greater than the increase awarded to the general workforce.	In 2023, the base salary increase for colleagues was 7.5 per cent or £1,800, whichever was worth more. As a real Living Wage accredited employer, all our colleagues (except those on a training scheme such as apprentices) receive at least the voluntary real Living Wage rate.
	Health and wellbeing benefits	We want to create an environment that promotes healthy behaviours and ensure that colleagues have access to early and effective treatment, advice and information to improve their health and wellbeing.	Colleagues at all levels are eligible for company-funded healthcare, an enhanced company sick pay scheme, and have access to a virtual GP service. A medical advice and information service (Best Doctors) is available for all colleagues and their families. All colleagues have free 24/7 access to our employee assistance programme, which provides counselling and support to them and their households. All colleagues can access discounted gym membership and we have recently introduced a menopause support app. We have around 380 trained mental health first aiders who can listen to, and signpost colleagues to, relevant support services, and a similar number of wellbeing champions who help promote our wellbeing campaigns. Financial wellbeing is a key focus, with financial education tools and awareness courses available for all colleagues covering a broad range of money management topics such as financial planning, managing debt and pensions.
	Flexible benefits	All colleagues have access to a variety of additional voluntary benefits to suit their lifestyle, including environmental benefits such as our electric car scheme and the opportunity to buy or sell annual leave. Colleagues can choose from a range of deals and discounts all year round, and can donate to their chosen charities directly from their pay if they want to.	Around half of the workforce take up at least one of our flexible benefit options.
	Pension	Almost all colleagues participate in our company pension arrangements, which have received the 'Pension Quality Mark Plus' accreditation in recognition of their high quality.	The company doubles any personal pension contributions made, up to a maximum of 14 per cent of salary. As part of the pension scheme colleagues receive company-funded life assurance and income protection.
	ShareBuy	Any colleague can become a shareholder in our company and share in our success by participating in our ShareBuy scheme. For every five shares purchased under the scheme, the company gives another one free.	Around half of the workforce participate in our ShareBuy scheme.
	Annual bonus – cash	Our bonus scheme provides a strong alignment to strategy throughout the organisation, with the same bonus scorecard applying at all levels.	Colleagues at all levels participate in the annual bonus scheme, receiving financial rewards based on the performance of the company and/or their personal contribution. Specific weightings and awards vary by level.
CEO, CFO and executives (11)	Annual bonus – deferred shares	Deferral of part of bonus into shares aligns the interests of executives and shareholders.	Each of the executive directors and executives is required to defer a proportion of their bonus into shares for three years.
CEO, CFO, executives and other senior leaders (around 60)	Long Term Plan (LTP)	To incentivise long-term value creation and alignment with the long-term interests of shareholders, customers, and other stakeholders.	Executives and other senior leaders may be invited to participate in the LTP. Performance conditions are the same for all participants but award sizes vary.
CEO, CFO and executives (11)	Shareholding guidelines	The committee believes that it is important for each executive to build and maintain a significant investment in shares of the company to provide alignment with shareholder interests.	All executives are subject to shareholding guidelines, aligning their interests with those of shareholders.

Annual report on remuneration continued

CEO pay ratios

The table below sets out the ratio of the CEO's pay to that of the 25th percentile (P25), median (P50) and 75th percentile (P75) full- time equivalent colleagues. The ratios have been calculated in accordance with option A as set out in the regulations. This is considered to be the most accurate methodology and uses the same calculation basis as required for the CEO's total remuneration as shown in the single figure table on page 146.

- We identified all colleagues who received base salary during the year and who were still employed on 31 March 2024.
- The calculations were carried out using their total pay and benefits received in respect of the year ended 31 March 2024, including bonuses earned by reference to performance in the financial year and paid in June following the end of the financial year.
- 'Base salary' includes standby pay, shift pay, overtime and on-call allowances.
- For colleagues who were employed on a part-time basis, or who were not employed for the full year, their remuneration has been annualised to reflect the full-time equivalent.
- No other estimates or adjustments have been used in the calculations and no other remuneration items have been omitted.

	Financial year				
	2023/24	2022/23	2021/22	2020/21	2019/20
Methodology used	A	A	A	A	A
CEO	Louise Beardmore	Steve Mogford	Steve Mogford	Steve Mogford	Steve Mogford
Average number of colleagues	6,169	6,171	5,866	5,570	5,461
Ratio of CEO single figure total remuneration:[1]					
– To colleague at the 25th percentile	36:1	64:1	95:1	98:1	87:1
– To colleague at the 50th percentile	27:1	48:1	71:1	73:1	66:1
– To colleague at the 75th percentile	21:1	38:1	56:1	58:1	53:1
Ratio of CEO base salary plus annual bonus:					
– To colleague at the 25th percentile	32:1	38:1	44:1	52:1	47:1
– To colleague at the 50th percentile	26:1	28:1	37:1	38:1	37:1
– To colleague at the 75th percentile	20:1	23:1	30:1	30:1	31:1
Ratio of CEO base salary:					
– To colleague at the 25th percentile	21:1	26:1	24:1	26:1	26:1
– To colleague at the 50th percentile	17:1	18:1	20:1	19:1	20:1
– To colleague at the 75th percentile	13:1	15:1	17:1	15:1	17:1
Additional details					
CEO total single figure (£'000)	1,411	2,321	3,276	3,381	2,925
CEO base salary plus annual bonus (£'000)	1,110	1,216	1,511	1,560	1,476
CEO base salary (£'000)	690	791	784	736	769
Colleagues total pay and benefits (£'000)					
– at the 25th percentile	39	37	35	34	33
– at the 50th percentile	53	49	46	46	44
– at the 75th percentile	66	61	59	58	56
Colleagues base salary plus annual bonus (£'000)					
– at the 25th percentile	34	32	34	30	32
– at the 50th percentile	43	44	41	42	40
– at the 75th percentile	55	53	51	52	48
Colleagues base salary (£'000)					
– at the 25th percentile	33	31	32	29	30
– at the 50th percentile	41	43	39	39	38
– at the 75th percentile	53	52	47	50	44

(1) The figures for 2022/23 have been restated to reflect the final vesting outcome, additional dividend equivalents and updated share price for Steve Mogford's 2020 LTP. The figures for 2021/22 have also been restated to reflect additional dividend equivalents for his 2019 LTP using the average share price over the three-month period from 1 January 2024 to 31 March 2024.

Along with the ratios comparing total remuneration, the committee keeps under review the ratios for salary and salary plus annual bonus, and tracks how these change over time. With a significant proportion of the remuneration of the CEO linked to company performance and share price movements over the longer term, it is expected that the headline ratios will depend primarily on the Long Term Plan (LTP) outcome, and, accordingly, may fluctuate from year to year. Participation in the LTP is currently limited to around 60 executives and senior leaders, with none of the individuals identified as P25, P50 and P75 in this group. On the other hand, colleagues at all levels participate in the annual bonus scheme, and so the committee considers this ratio as well as the ratio comparing only salary, to provide helpful additional context.

This year, the pay ratio of CEO single figure total remuneration has reduced at all data points (P25, P50 and P75). This is as expected, given that it is the first year in which the figures relate to Louise Beardmore whose overall remuneration package as CEO was set at a lower level than that of her predecessor, Steve Mogford. The committee observes a similar picture across most of the other reported ratios, which is to be expected given the alignment of our remuneration approach across the workforce. The committee will continue to consider the pay ratios in the context of other important metrics such as the gender pay gap and colleague engagement levels.

Relative importance of spend on pay

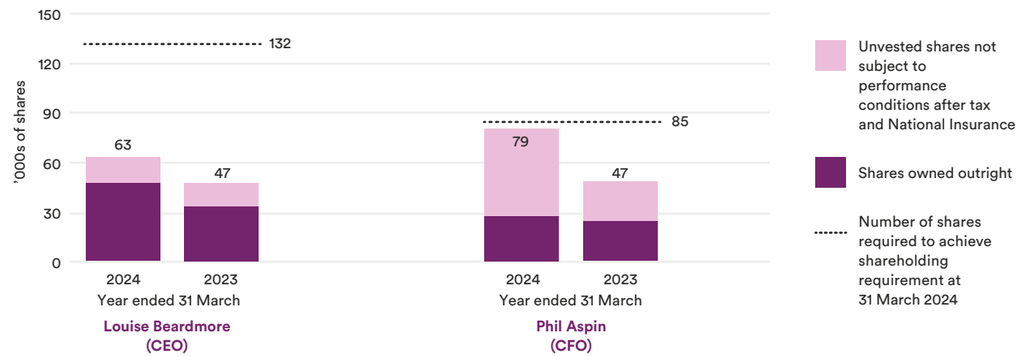
The table below shows the relative importance of spend on pay compared to distributions to shareholders.

	2022/23 £m	2023/24 £m	% change
Dividends paid to shareholders	301	320	6.2%
Colleague costs[1]	342	370	7.9%

(1) Colleague costs includes wages and salaries, social security costs, and post-employment benefits.

Executive directors' shareholding (audited information)

Details of beneficial interests in the company's ordinary shares as at 31 March 2024 held by each of the executive directors and their connected persons are set out in the charts below along with progress against the target shareholding requirement level. Louise Beardmore's target shareholding changed on her appointment to CEO on 1 April 2023 and is now 200 per cent of her current salary. She is expected to reach that by 1 April 2028 (within five years of her appointment as CEO). Phil Aspin is expected to reach the minimum guideline by 24 July 2025 (within five years of his appointment as CFO).



Further details of the executive directors' shareholdings and share plan interests are given in the table below and in appendix 2 on page 163.

Director	Share-holding require-ment (% of salary)	Number of shares required to meet share-holding require-ment[1]	Number of shares owned outright (including connected persons)		Unvested shares not subject to performance conditions[2]		Total shares counting towards shareholding requirements[3]		Share-holding as % of base salary at 31 March	Share-holding require-ment met at 31 March	Unvested shares subject to performance conditions[4]	
			2024	2023	2024	2023	2024	2023	2024[1]	2024	2024	2023
Louise Beardmore[5]	200%	132,463	47,073	33,180	29,355	26,201	62,648	47,083	95%	No	159,445	97,872
Phil Aspin[5]	200%	85,429	26,591	23,570	99,236	44,787	79,203	47,323	185%	No	165,479	171,132

(1) Share price used is the average share price over the three months from 1 January 2024 to 31 March 2024 (1,041.8 pence per share).

(2) Unvested shares subject to no further performance conditions such as matching shares under the ShareBuy scheme. Includes shares subject only to withholding provisions such as Deferred Bonus Plan shares in the three-year deferral period and Long Term Plan shares in the applicable holding period.

(3) Includes unvested shares not subject to performance conditions (net of tax and National Insurance), plus the number of shares owned outright.

(4) Includes unvested shares under the Long Term Plan.

(5) In the period 1 April 2024 to 14 May 2024, additional shares were acquired by Louise Beardmore (29 shares) and Phil Aspin (29 shares) in respect of their monthly contributions to the all-employee ShareBuy scheme. Matching shares vest one year after grant provided the colleague remains employed.

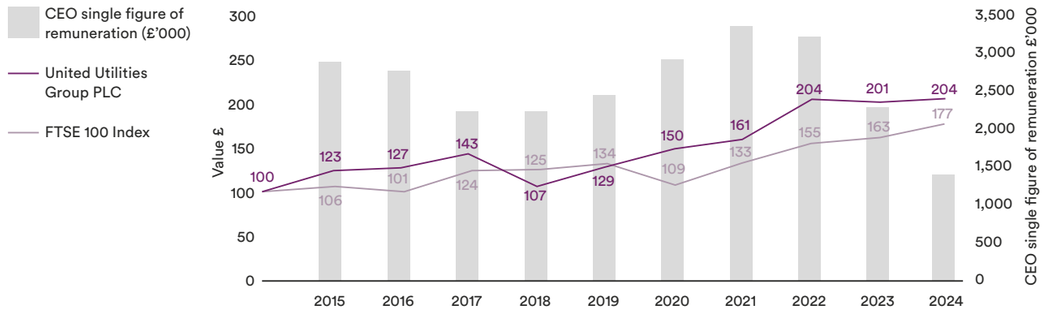
Annual report on remuneration continued

Other information

Company performance and CEO remuneration comparison

The total shareholder return (TSR) chart below illustrates the company's performance against the FTSE 100 over the past ten years. The FTSE 100 is an appropriate comparator as the company is a member of the FTSE 100 and it is a widely published benchmark for this purpose. The chart shows the growth in the value of a hypothetical £100 holding invested in the company over the ten-year period.

The chart also shows the CEO's single total figure remuneration over the ten years ended 31 March 2024 for comparison. The table below the TSR chart shows the remuneration data for the CEO over the same period.



Year ended 31 March	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CEO	Steve Mogford									Louise Beardmore
CEO single figure of remuneration (£'000)	2,884	2,760[1]	2,233	2,221	2,448	2,925	3,381	3,276[2]	2,321[3]	1,411
Annual bonus payment (% of maximum)	77.4	54.5	83.7	74.9	79.0	70.7	81.8	71.3	41.4	46.8
LTP vesting (% of maximum)[4]	97.5	33.6	54.5	55.4	64.4	87.3	97.9	100	68.8[3]	79.1[5]

(1) This includes the payout from the 2013 Long Term Plan (LTP) as well as £1.028 million in respect of Steve Mogford's one-off Matched Share Investment Scheme that ended on 5 January 2016 (vested at 100 per cent).

(2) The payout from the 2019 LTP, which will vest on 28 June 2024 after the end of a two-year holding period, has been updated to reflect the additional dividends accruing on this award and the average share price over the three-month period from 1 January 2024 to 31 March 2024 of 1,041.79 pence per share.

(3) The payout and vesting percentage for the 2020 LTP have been restated to reflect the additional dividend equivalents accruing on the award, the final vesting outcome and updated share price. See page 146 for further details.

(4) For performance periods ended on 31 March, unless otherwise stated.

(5) The 2021 Long Term Plan amount vesting percentage is estimated. See page 147 for further details.

Exit payments and payments to former directors made in the year (audited information)

There have been no exit payments or payments to former directors in respect of their roles as directors during the year ended 31 March 2024 other than the vesting of legacy share awards (see page 163).

External appointments

Phil Aspin was a board member of the UK Endorsement Board and chair of the organisation's Rate-regulated Activities Advisory Group during the year ended 31 March 2024, for which he received and retained an annual fee of around £21,000.

Non-executive directors

Single total figure of remuneration for non-executive directors (audited information)

	Salary/fees £'000		Taxable benefits £'000		Total £'000	
Year ended 31 March	2024	2023	2024	2023	2024	2023
Sir David Higgins	321	311	–	1	321	312
Liam Butterworth	73	71	1	1	74	72
Kath Cates[1]	87	80	1	1	88	81
Alison Goligher[2]	91	85	–	–	91	85
Michael Lewis[3]	67	n/a	–	n/a	67	n/a
Paulette Rowe[4]	86	79	–	1	86	80
Doug Webb	90	87	1	1	91	88

(1) Kath Cates was appointed as chair of the remuneration committee with effect from 22 July 2022 and received the applicable additional fee from that date.

(2) Alison Goligher became the senior independent non-executive director on 22 July 2022, and was appointed as chair of the compliance committee on 25 April 2023. She receives the applicable fees for these additional duties.

(3) Michael Lewis joined the board on 1 May 2023.

(4) Paulette Rowe was appointed as chair of the ESG committee with effect from 22 July 2022 and received the applicable additional fee from that date.

Fees

Non-executive director base fees were reviewed and increased with effect from 1 September 2023 as shown below. Base fees and additional fees for the senior independent non-executive director and the chairs of committees were increased by 3.0 per cent, which was less than the 7.5 per cent increase applying to the general workforce in 2023. Additional fees for the senior independent non-executive director and the chairs of committees were also increased by 3.0 per cent. The additional fee for the ESG committee chair was increased by more than 3.0 per cent to recognise the increasing stakeholder focus on ESG matters and a new fee has been introduced for chairing the new compliance committee. See page 89 for further details about the compliance committee.

	Fees £'000	
Role	1 Sept 2023	1 Sept 2022
Base fee: Chair[1]	324.7	315.2
Base fee: other non-executive directors[2]	73.9	71.7
Senior independent non-executive director[2]	14.3	13.9
Chair of audit and treasury committees[2]	17.0	16.5
Chair of remuneration committee[2]	14.3	13.9
Chair of ESG committee[2]	14.3	12.4
Chair of compliance committee[2]	6.0	n/a

(1) Approved by the remuneration committee.

(2) Approved by a separate committee of the board.

Non-executive directors' shareholdings (audited information)

Details of beneficial interests in the company's ordinary shares as at 31 March 2024 held by each of the non-executive directors and their connected persons are set out in the table below.

Non-executive directors	Date first appointed to the board	Number of shares owned outright (including connected persons) at 31 March 2024[1]
Sir David Higgins	13.5.19	3,000
Liam Butterworth	1.1.22	3,000
Kath Cates	1.9.20	2,135
Alison Goligher	1.8.16	6,000
Michael Lewis	1.5.23	3,000
Paulette Rowe	1.7.17	3,000
Doug Webb	1.9.20	10,200

(1) From 1 April 2024 to 14 May 2024 there have been no movements in the shareholdings of the non-executive directors.

Change in board member and colleague remuneration

	Salary/total fees %				Benefits %				Bonus %			
Year ended 31 March	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020
Executive directors												
Louise Beardmore[1]	62.4	n/a	n/a	n/a	34.9	n/a	n/a	n/a	83.5	n/a	n/a	n/a
Phil Aspin	4.4	3.6	1.2	n/a	3.7	(6.3)	67.3	n/a	18.0	(50.1)	6.4	n/a
Non-executive directors[2]												
Sir David Higgins	3.0	2.6	6.5	111.1	(37.9)	(55.6)	1,555.9	(96.6)	n/a	n/a	n/a	n/a
Liam Butterworth	3.0	2.6[3]	n/a	n/a	66.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kath Cates	8.3[4]	16.5[4]	6.5	n/a	66.2	(59.4)	1,555.9	n/a	n/a	n/a	n/a	n/a
Alison Goligher	7.2[5]	2.5	11.5[6]	9.4	0	(100.0)	708.6	(81.0)	n/a	n/a	n/a	n/a
Michael Lewis[7]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paulette Rowe	9.0[8]	15.0[8]	6.5	(4.2)	(100)	(23.7)	782.1	(95.2)	n/a	n/a	n/a	n/a
Doug Webb	3.1	8.8[9]	23.6	n/a	66.2	(55.7)	1,418.0	n/a	n/a	n/a	n/a	n/a
All colleagues	9.4	6.6	3.7	4.1	12.0	4.1	5.0	6.9	11.4	(27.3)	11.6	13.6

(1) The significant year-on-year changes for Louise Beardmore are because 2024 reflects her remuneration package as CEO whereas 2023 reflects her lower remuneration package as CEO designate.

(2) Calculated using the fees and taxable benefits shown in the table on page 154.

(3) Liam Butterworth joined the board on 1 January 2022. To enable a meaningful year-on-year comparison his fees reflect hypothetical full-year earnings in 2021/22 and 2022/23 respectively.

(4) The year-on-year fee changes for Kath Cates reflect her appointment as remuneration committee chair with the associated fee effective from 22 July 2022.

(5) The year-on-year fee changes for Alison Goligher reflects her appointment as compliance committee chair with the associated fee during the year.

(6) The fee increase for Alison Goligher reflects her appointment as remuneration committee chair with the associated fee effective from 24 July 2020. Alison stepped down as remuneration committee chair and became the senior independent NED with the associated fee effective from 22 July 2022.

(7) Michael Lewis was appointed to the board on 1 May 2023 so no year-on-year comparison is possible.

(8) The fee increase for Paulette Rowe reflects her appointment as ESG committee chair with the associated fee effective from 22 July 2022. The ESG committee chair fee was increased during 2023 as stated above.

(9) The fee increase for Doug Webb reflects his role as chair of audit and treasury committees for the full year, whereas in the prior year he was only chair for part of the year and so did not receive an additional fee.

Annual report on remuneration continued

The remuneration committee

Main responsibilities of the committee

- Determining and recommending to the board the policy for executive director remuneration, having reviewed and taken into account workforce remuneration and related policies and the alignment of incentives and reward with our purpose, values and culture;
- Setting the individual employment and remuneration terms for executive directors and other senior executives, including: recruitment and severance terms, bonus plans and targets, and the achievement of performance against targets, including consideration and use of discretion as appropriate;
- Approving the general employment and remuneration terms for selected senior colleagues;
- Setting the remuneration of the Chair of the company;
- Proposing all new long-term incentive schemes for approval of the board, and for recommendation by the board to shareholders; and
- Assisting the board in reporting to shareholders and undertaking appropriate discussions as necessary with institutional shareholders on aspects of executive remuneration.

The committee's terms of reference were last reviewed in November 2023 and are available on our website **corporate.unitedutilities.com/corporate-governance**

Composition of the remuneration committee during the year ended 31 March 2024

Member	Member since
Kath Cates (chair since 22.7.22)	1.9.20
Alison Goligher	1.8.16
Doug Webb	23.7.21

The committee's members have no personal financial interest in the company other than as shareholders and the fees paid to them as non-executive directors.

Activities of the remuneration committee over the past year

The committee met five times in the year ended 31 March 2024 and carried out a number of key activities:

- Approved the 2022/23 directors' remuneration report;
- Consulted with shareholders and other stakeholders on potential changes to the directors' remuneration policy;
- Wrote to major shareholders following the publication of the company's 2023 annual report and reviewed the feedback received;
- Reviewed the pay comparator group;
- Determined the remuneration arrangements for departing and new executives falling under the remit of the committee;
- Reviewed the base salaries of executive directors and other members of the executive team;
- Reviewed the base fee for the Chair;
- Assessed the achievement of targets for the 2022/23 annual bonus scheme, set the targets for the 2023/24 annual bonus scheme and reviewed progress against the targets;
- Assessed the achievement of targets for the Long Term Plan (LTP) awards made in 2020, reviewed progress against the targets for the 2021 and 2022 LTP awards, and set the measures and targets for the 2023 LTP awards;
- Reviewed and approved awards made under the annual bonus, Deferred Bonus Plan (DBP) and LTP;
- Monitored progress against shareholding guidelines for executive directors and other members of the executive team;
- Reviewed the committee's performance during the period;
- Considered the remuneration arrangements of the wider workforce and their alignment with those of the executives, alongside feedback received from the workforce via Alison Goligher in her role as the non-executive director for workforce engagement;
- Reviewed the executive remuneration-related parts of the company's business plan submission to the regulator;
- Considered governance developments and market trends in executive remuneration, including in the wider utilities sector; and
- Noted progress on the company's gender pay gap reporting.

Support to the remuneration committee

By invitation of the committee, meetings are attended by the Chair, the CEO, the company secretary (who acts as secretary to the committee) and the people director, who are consulted on matters discussed by the committee, unless those matters relate to their own remuneration. Advice or information is also sought from the head of reward or other colleagues where the committee feels that such additional contributions will assist the decision-making process.

The committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers.

During the year, the committee was assisted in its work by independent external remuneration advisers, Ellason, who were appointed by the Committee in January 2021. During the year ended 31 March 2024, they provided advice on remuneration matters including analysis of the remuneration policy and regular market and best practice updates, In addition, other services provided include advice and benchmarking on non-executive director and senior leader remuneration, advice on the company's share schemes and assurance work on the remuneration report for the audit committee. Fees on a time/cost basis for the advice provided during the year were £74,000 as set out in the terms and conditions in the relevant engagement letter.

Ellason are signatories to the Remuneration Consultant Group's Code of Conduct, which sets out guidelines to ensure that any advice is independent and free of undue influence (which can be found at **remunerationconsultantsgroup.com**). None of the individual directors have a personal connection with Ellason. The committee is satisfied that the advice it receives is objective and independent and confirms that Ellason do not have any connection with the company that may impair their independence.

In addition, during the year, the law firm Eversheds Sutherland provided advice to the company in relation to the company's share schemes.

Compliance with the UK Corporate Governance Code

Code principle – remuneration

The following section summarises how our shareholder-approved remuneration policy fulfils the relevant principles and provisions of the 2018 UK Corporate Governance Code.

Clarity

The committee is committed to providing transparent disclosures to all stakeholders about executive remuneration arrangements and, to this end, the directors' remuneration report sets out the remuneration arrangements for the executive directors in a clear and transparent way. At least annually engagement with the Colleague Voice panel takes place about our executive remuneration approach. Our AGM allows shareholders to ask any questions on the remuneration arrangements, and we welcome any queries on remuneration practices from shareholders throughout the year.

Predictability

Payouts under the annual bonus and Long Term Plan (LTP) schemes are dependent on the performance of the company over the short and long term, and a significant proportion of executive director remuneration is performance related. These schemes have strict maximum opportunities, with the potential value at threshold, target and maximum performance scenarios provided in the directors' remuneration report.

Simplicity

Our remuneration arrangements for executive directors, as well as those throughout the group, are simple in nature and understood by all participants, having been operated in a similar manner for a number of years. Executive directors receive fixed pay (salary, benefits, pension), and participate in a single short-term incentive (the annual bonus) and a single long-term incentive (the LTP).

Risk

The committee has designed incentive arrangements that do not encourage inappropriate risk taking. The committee retains overarching discretion in both the annual bonus and LTP schemes to adjust payouts where the formulaic outcomes are not considered reflective of underlying business performance and individual contributions. Robust withholding and recovery provisions apply to variable incentives.

Proportionality

Payments from variable incentive schemes require strong performance against challenging conditions over the short and longer term. Performance conditions have been selected to support group strategy and consist of both financial and non-financial metrics.

The committee retains discretion to override formulaic outcomes in both schemes to ensure that they are appropriate and reflective of overall performance.

Alignment to culture

Performance measures used in our variable incentive schemes are selected to be consistent with the company's purpose, values and strategy, with a strong emphasis on delivering for our customers and encouraging innovation to provide a great and resilient service at the most efficient cost. The use of annual bonus deferral, LTP holding periods and our shareholding requirements promotes integrity and provides a clear link to the ongoing performance of the group and ensure alignment with shareholders, which continues after employment.

2023 AGM: Statement of voting

At the last annual general meeting on 21 July 2023, votes on the 2023/24 directors' remuneration report (other than the part containing the directors' remuneration policy) were cast as follows:

Resolution	Votes for	Votes against	Votes withheld (abstentions)	Total votes cast
Approval of the directors' remuneration report (other than the part containing the directors' remuneration policy)	506,921,228 (98.74%)	6,479,091 (1.26%)	3,523,554	513,400,319

At the annual general meeting on 22 July 2022, votes on the directors' remuneration policy were cast as follows:

Resolution	Votes for	Votes against	Votes withheld (abstentions)	Total votes cast
Approval of the directors' remuneration policy	498,652,274 (99.02%)	4,941,551 (0.98%)	203,755	503,593,825

The directors' remuneration report was approved by the board of directors on 14 May 2024 and signed on its behalf by:

Kath Cates
Chair of the remuneration committee

Directors' remuneration policy

Appendix 1: Directors' remuneration policy

The appendix to the directors' remuneration report sets out an abridged version of the directors' remuneration policy for the company, which was approved by shareholders at the AGM on 22 July 2022. The policy took effect from the date of approval and will be reviewed and renewed no later than the 2025 AGM.

In the interests of clarity, this abridged report includes some minor annotations to show, where appropriate, how the policy will be implemented in 2024/25. A full version of the shareholder approved policy can be found in the annual report and financial statements for the year ended 31 March 2022.

Overview of remuneration policy

The company's remuneration arrangements are designed to promote the long-term success of the company. The company does not pay more than is necessary for this purpose. The committee recognises that the company operates in the North West of England in a regulated environment and, therefore, needs to ensure that the structure of executive remuneration reflects both the practices of the markets in which its executives operate, and stakeholder expectations of how the company should be run.

The committee monitors the remuneration arrangements to ensure that there is an appropriate balance between risk and reward and that the long-term performance of the business is not compromised by the pursuit of short-term value. There is a strong direct link between incentives and the company's strategy, and if the strategy is delivered within an acceptable level of risk, senior executives will be rewarded through the annual bonus and long-term incentives. If it is not delivered, then a significant part of their potential remuneration will not be paid.

The committee also understands that listening to the views of the company's key stakeholders plays a vital role in formulating and implementing a successful remuneration policy over the long term. The committee thus actively seeks the views of shareholders and other key stakeholders to inform the development of the remuneration policy, particularly where any changes to policy are envisaged. Account is taken of colleague views when consulting on the policy, typically via the colleague voice panel. Additionally, the company carries out annual colleague engagement surveys and regular discussion takes place with union representatives on matters of pay and remuneration for colleagues covered by collective bargaining or consultation arrangements, all of which can provide insight that is of value to the committee. The general base salary increase and broader remuneration arrangements, including pension provision, for the wider colleague population are considered by the committee when determining remuneration policy for the executive directors. As outlined on page 150 processes are in place for the committee to regularly review and consider any remuneration-related matters that may arise from the activities undertaken by the board to take account of the 'colleague voice'.

Policy table for directors

Base salary

Purpose and link to strategy: To attract and retain executives of the experience and quality required to deliver the company's strategy.

Operation	Maximum opportunity
Normally reviewed annually, typically effective 1 September. Significant increases in salary should only take place infrequently, for example where there has been a material increase in: • the size of the individual's role; • the size of the company (through mergers and acquisitions); or • the pay market for directly comparable companies (for example, companies of a similar size and complexity). On recruitment or promotion to executive director, the committee will take into account previous remuneration, and pay levels for comparable companies, when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent.	Current salary levels are shown in the annual report on remuneration. Executive directors will normally receive a salary increase that is generally no greater than the increase awarded to the general workforce, unless one or more of the conditions outlined under 'Operation' is met. Where the committee has set the salary of a new hire at a discount to the market level initially, a series of planned increases can be implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance. **Performance measures** None.

Pension

Purpose and link to strategy: To provide a level of benefits that allow for personal retirement planning.

Operation	Maximum opportunity
Executive directors are offered the choice of: • a company contribution into a defined contribution pension scheme; • a cash allowance in lieu of pension; or • a combination of a company contribution into a defined contribution pension scheme and a cash allowance.	The maximum opportunity is aligned to the approach available to the wider workforce, currently: • up to 14 per cent of salary into a defined contribution scheme; • cash allowance of broadly equivalent cost to the company (up to 14 per cent of salary less employer National Insurance contributions at the prevailing rate, i.e. up to 12 per cent of base salary for 2024/25); or • a combination of both such that the cost to the company is broadly the same. **Performance measures** None.

Benefits

Purpose and link to strategy: To provide market competitive benefits to help recruit and retain high-calibre executives.

Operation	Maximum opportunity
Provision of benefits such as: • health benefits; • green travel allowance; • relocation assistance; • life assurance; • group income protection; • all-employee share schemes (e.g. opportunity to join the ShareBuy scheme); • travel; and • communication costs. Any reasonable business-related expenses can be reimbursed (and any tax thereon met if determined to be a taxable benefit). Executives will be eligible for any other benefits that are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the committee decides payment of such benefits is appropriate and in line with emerging market practice.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not predetermined. **Performance measures** None.

Annual bonus

Purpose and link to strategy: To incentivise performance against selected financial and operational KPIs that are directly linked to business strategy. Deferral of part of bonus into shares aligns the interests of executive directors and shareholders.

Operation	Maximum opportunity
A maximum of 50 per cent of bonus awarded paid as cash. A minimum of 50 per cent of bonus awarded deferred into company shares under the Deferred Bonus Plan (DBP) for a period of at least three years. Dividends or dividend equivalents accrue during the DBP deferral period and are paid upon vesting. Not pensionable. Bonuses and DBP shares are subject to withholding and recovery provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.	Maximum award level of up to 130 per cent of salary, for the achievement of stretching performance objectives. **Performance measures** Payments predominantly based on financial and operational performance, with the possibility of a minority to be based on achievement of personal objectives if determined by the committee. Targets and weightings set by reference to the company's financial and operating plans. Bonus outcomes are subject to the committee being satisfied that the company's performance on the measures is consistent with underlying business performance and individual contributions. The committee will exercise discretion on bonus outcomes if it deems necessary. 100 per cent of maximum bonus potential for stretch performance; up to 50 per cent of maximum for target performance; and up to 25 per cent of maximum for threshold performance. No payout for below-threshold performance.

Long Term Plan (LTP)

Purpose and link to strategy: To incentivise long-term value creation and alignment with the long-term interests of shareholders, customers, and other stakeholders.

Operation	Maximum opportunity
Awards under the Long Term Plan are rights to receive company shares, subject to certain performance conditions. Each award is measured over at least a three-year performance period. An additional holding period applies after the end of the three-year performance period so that the total vesting and holding period is at least five years. Dividends or dividend equivalents accrue until awards are released to participants, to the extent that such awards vest for performance. Shares under the LTP are subject to withholding and recovery provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.	The normal maximum award level will be up to 130 per cent of salary per annum. The overall policy limit is 200 per cent of salary. It is not currently anticipated that awards above the normal level will be made to executive directors and any such increase on an ongoing basis will be subject to prior consultation with major shareholders. **Performance measures** The two performance conditions are Return on Regulated Equity and a basket of customer measures. The weighting of each of these two components is 50 per cent. Any vesting is subject to the delivery of the dividend policy applicable to each year of the respective performance period, and the committee being satisfied that the company's performance on these measures is consistent with underlying business performance. The committee will exercise discretion on LTP outcomes if it deems it necessary. The committee has discretion to set alternative performance measures and/or weightings for future awards but will consult with major shareholders before making any material changes to the currently applied measures and/or weightings. 100 per cent of awards vest for stretch performance and up to 25 per cent of awards vest for threshold performance. No awards vest for below-threshold performance.

Directors' remuneration policy continued

Shareholding requirements

Purpose and link to strategy: The committee believes that it is important for each executive director to build and maintain a significant investment in shares of the company to provide alignment with shareholder interests during and after employment.

Operation	Maximum opportunity
Executive directors are expected to reach a shareholding requirement of 200 per cent of salary, normally within five years of appointment. The following post-employment shareholding requirements apply in the event of an executive director leaving the company: • Executive directors must continue to hold the lower of 200 per cent of salary in shares or their shareholding on departure, for two years after ceasing employment with the group. • Executive directors must retain shares vesting (net of tax) from all share awards (including in-flight awards) if not doing so would take their shareholding below the requirement. Nominee accounts are used to enable the post-employment shareholding requirements to be robustly enforced.	None. **Performance measures** None.

Non-executive directors' fees and benefits

Purpose and link to strategy: To attract non-executive directors with a broad range of experience and skills to oversee the development and implementation of our strategy.

Operation	Maximum opportunity
The remuneration policy for the non-executive directors (with the exception of the Chair) is set by a separate committee of the board. The policy for the Chair is determined by the remuneration committee (of which the Chair is not a member). Fees are reviewed annually taking into account the salary increase for the general workforce and the levels of fees paid by companies of a similar size and complexity. Any changes are normally effective from 1 September. Additional fees are paid in relation to extra responsibilities undertaken, such as chairing certain board sub-committees, and to the senior independent non-executive director. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for non-executive directors, the board may pay extra fees on a pro rata basis to recognise the additional workload. No eligibility for bonuses, long-term incentive plans, pension schemes, healthcare arrangements or colleague share schemes. The company repays any reasonable expenses that a non-executive director incurs in carrying out their duties as a director, including travel, hospitality-related and other modest benefits and any tax liabilities thereon, if appropriate.	Current fee levels are shown in the annual report on remuneration. The value of benefits may vary from year to year, according to the cost to the company. **Performance measures** Non-executive directors are not eligible to participate in any performance-related arrangements.

Notes to the policy table

Selection of performance measures and targets

Performance measures for the annual bonus are selected annually to align with the company's key strategic goals for the year and reflect financial, operational and personal objectives. 'Target' performance is typically set in line with the business plan for the year, following rigorous debate and approval of the plan by the board. Threshold to stretch targets are then typically set based on a sliding scale on the basis of relevant commercial factors.

Only modest rewards are available for delivering threshold performance levels, with rewards at stretch normally requiring substantial outperformance of the business plan. Details of the measures used for the annual bonus and Long Term Plan (LTP) are given in the annual report on remuneration.

The policy provides for committee discretion to alter the LTP measures and weightings to ensure they continue to facilitate an appropriate measurement of performance over the life of the policy (taking into account any evolution of the strategic goals of the company). LTP targets are set taking into account a number of factors, including reference to market practice, the company business plan and analysts' forecasts where relevant. The LTP will only vest in full if stretching business performance is achieved.

Annual bonus and long-term incentives – flexibility, discretion and judgement

The committee will operate the company's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards.

These include making awards and setting performance criteria each year, dealing with leavers, and adjustments to awards and performance criteria following acquisitions, disposals, changes in share capital and to take account of the impact of other merger and acquisition activity.

The committee retains discretion within the policy to adjust the targets, set different measures and/or alter weightings for the annual bonus and long-term incentive plans, pay dividend equivalents on vested shares up to the date those shares can first reasonably be exercised and, in exceptional circumstances, under the rules of the annual bonus and long-term incentive plans to adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if an external benchmark or measure is no longer available). All assessments of performance are ultimately subject to the committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the annual remuneration report.

All historic awards that were granted under any current or previous bonus or share schemes operated by the company and remain outstanding remain eligible to vest based on their original award terms.

Alignment of executive director remuneration with the wider workforce

The remuneration approach is consistently applied at levels below the executive directors. Key features include:

- market competitive levels of remuneration, incentives and benefits to attract and retain colleagues;
- colleagues at all levels participate in a bonus scheme with the same corporate performance measures as for executive directors; and
- all colleagues have the opportunity to participate in the HMRC-approved share incentive plan, ShareBuy.

At senior levels, remuneration is increasingly long term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration.

Scenarios for total remuneration

The charts below show the illustrative pay-outs under the remuneration policy for each current executive director under four different scenarios.

Notes on the scenario methodology:

- 'Fixed' is base salary effective 31 March 2024 plus the value of pension and benefits as shown in the single total figure of remuneration table for 2023/24;
- 'Target' performance is the level of performance required for the annual bonus and Long Term Plan to pay out at 50 per cent of maximum;
- 'Maximum' performance would result in 100 per cent vesting of the annual bonus and Long Term Plan (i.e. 260 per cent of salary in total);
- 'Maximum performance plus 50 per cent share price growth' shows maximum performance plus the impact on the Long Term Plan of a hypothetical 50 per cent increase in the share price;
- Annual bonus includes amounts compulsorily deferred into shares;
- Long Term Plan is measured at face value, i.e. no assumption for dividends or changes in share price (except in the fourth scenario); and
- Amounts relating to all-colleague share schemes have, for simplicity, been excluded from the charts.

Directors' remuneration policy continued

External directorships

The company recognises that its executive directors may be invited to become non-executive directors of other companies outside the company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the company. Any external appointments are subject to board approval (which would not be given if the proposed appointment was with a competing company, would lead to a material conflict of interest or could have a detrimental effect on a director's performance). Directors will be allowed to retain any fees received in respect of such appointments.

Service contracts and letters of appointment

Copies of executive directors' service contracts and non-executive directors' letters of appointment are available for inspection at the company's registered office during normal hours of business and will be available at the company's AGM. Copies of non-executive directors' letters of appointment can also be viewed on the company's website.

The notice period in the service contracts for executive directors' appointed on or after 1 May 2022 is one year. For executive directors appointed prior to 1 May 2022, the notice period is up to one year when terminated by the company and at least six months' notice when terminated by the director. The policy on payments for loss of office is set out in the next section.

The Chair and other non-executive directors have letters of appointment rather than service contracts. Their appointments may be terminated without compensation at any time. All non-executive directors are subject to re-election at each AGM.

Date of service contracts

Executive directors	Date of current service contract
Louise Beardmore	1.4.23
Phil Aspin	24.7.20

Approach to recruitment remuneration

The remuneration package for a new executive director would be set in accordance with the terms of the company's approved directors' remuneration policy in force at the time of appointment. Full details about our approach to recruitment remuneration is set out in the 2022 annual report.

Payment for loss of office

The circumstances of the termination, including the individual's performance and an individual's duty and opportunity to mitigate losses, are taken into account in every case. Our policy is to stop or reduce compensatory payments to former executive directors to the extent that they receive remuneration from other employment during the compensation period. A robust line on reducing compensation is applied and payments to departing colleagues may be phased to mitigate loss. Full details of the approach to payment for loss of office and change of control is set out in the 2022 annual report.

Appendix 2: Executive directors' share plan interests

1 April 2023 to 31 March 2024 (audited information)

	Award date	Awards held at 1 April 2023	Awards granted in year	Vested in year	Lapsed/ forfeited in year	Notional dividends accrued in year[1]	Awards held at 31 March 2024[1]
Louise Beardmore							
Shares not subject to performance conditions at 31 March 2024							
DBP	16.6.20	8,601	–	8,601	–	–	0
DBP	16.6.21	8,512	–	–	–	395	8,907
DBP	16.6.22	9,053	–	–	–	420	9,473
DBP[2]	16.6.23	–	10,454	–	–	486	10,940
LTP	30.11.20	23,975	–	16,997	7,708	730	–
ShareBuy matching shares[3]	1.4.23 to 31.3.24	35	35	35	–	–	35
Subtotal		50,176	10,489	25,633	7,708	2,031	29,355
Shares subject to performance conditions at 31 March 2024							
LTP	30.6.21	21,603	–	–	–	1,005	22,608
LTP	29.7.22	52,294	–	–	–	2,434	54,728
LTP[4]	15.12.23	–	80,847	–	–	1,262	82,109
Subtotal		73,897	80,847	0	0	4,701	159,445
Total		124,073	91,336	25,633	7,708	6,732	188,800
Phil Aspin							
Shares not subject to performance conditions at 31 March 2024							
DBP	16.6.20	4,612	–	4,612	–	–	0
DBP	16.6.21	17,598	–	–	–	819	18,417
DBP	16.6.22	22,543	–	–	–	1,049	23,592
DBP[2]	16.6.23	–	10,883	–	–	506	11,389
LTP	30.11.20	63,613	–	–	20,452	2,642	45,803
ShareBuy matching shares[3]	1.4.23 to 31.3.24	34	35	34	–	–	35
Subtotal		108,400	10,918	4,646	20,452	5,016	99,236
Shares subject to performance conditions at 31 March 2024							
LTP	30.6.21	57,317	–	–	–	2,669	59,986
LTP	29.7.22	50,202	–	–	–	2,337	52,539
LTP[4]	15.12.23	–	52,140	–	–	814	52,954
Subtotal		107,519	52,140	0	0	5,820	165,479
Total		215,919	63,058	4,646	20,452	10,836	264,715

(1) Note that these are subject to performance conditions where applicable.

(2) See page 148 for further details.

(3) Under ShareBuy, matching shares vest provided the colleague remains employed by the company one year after grant. During the year, Louise Beardmore purchased 175 partnership shares and was awarded 35 matching shares (at an average share price of 1,045.57 pence per share). Phil Aspin purchased 175 partnership shares and was awarded 35 matching shares (at an average share price of 1,045.76 pence per share).

(4) See page 148 for further details.

Vesting of legacy share awards for former directors

Steve Mogford retired from the board and left the company in March 2023. In line with policy he retained a number of awards under the DBP, and as a 'good leaver', the LTP. On 1 April 2023, 152,768 shares arising from his 2018 LTP vested. On 16 June 2023, 43,938 shares arising from his 2020 DBP vested.

Dilution limits

Awards granted under the company's share plans are satisfied by market purchased shares bought on behalf of the company by United Utilities Employee Share Trust immediately prior to the vesting of a share plan. The company does not make regular purchases of shares into the Trust nor employ a share purchase hedging strategy, and shares are bought to satisfy the vesting of share plans.

The rules of the Deferred Bonus Plan do not permit awards to be satisfied by newly issued shares and must be satisfied by market purchased shares. The rules of the Long Term Plan permit the awards to be satisfied by newly issued shares but the company has decided to satisfy awards by market purchased shares.

Should the company's method of satisfying share plan vestings change (i.e. issuing new shares) then the company would monitor the number of shares issued and their impact on dilution limits set by the Investment Association in respect of all share plans (ten per cent in any rolling ten-year period) and executive share plans (five per cent in any rolling ten-year period). No treasury shares were held or utilised in the year ended 31 March 2024.

UK tax policies and objectives

Consistent with our wider business objectives, we are committed to acting in a responsible manner in relation to our tax affairs.

Our tax policies and objectives, which are approved by the board on an annual basis, ensure that we:

- only engage in reasonable tax planning aligned with our commercial activities and we always comply with what we believe to be both the letter and the spirit of the law;
- do not engage in marketed, artificial or abusive tax avoidance;
- do not use tax havens for tax avoidance purposes, including not taking advantage of any related secrecy rules that can apply to tax havens;
- are committed to an open, transparent and professional relationship with HMRC based on mutual trust and collaborative working; and
- maintain a robust governance and risk management framework to ensure that these policies and objectives are fully complied with and applied at all levels.

We expect to fully adhere to the HMRC framework for co-operative compliance.

Our Chief Financial Officer (CFO) has responsibility for tax governance with oversight from the board. The CFO is supported by a specialist team of tax professionals with many years of tax experience within the water sector and led by the head of tax.

The head of tax has day-to-day responsibility for managing the group's tax affairs and engages regularly with key stakeholders from around the group in ensuring that tax risk is proactively managed. Where appropriate, she will also engage with both external advisers and HMRC to provide additional required certainty with the aim of ensuring that any residual risk is typically low. All significant tax issues are reported to the board regularly.

Consistent with the group's general risk management framework, all tax risks are assessed for the likelihood of occurrence and the negative financial or reputational impact on the group and its objectives, should the event occur. In any given period, the key tax risk is likely to be the introduction of unexpected legislative or tax practice changes that lead to increased cash outflow which has not been reflected in the current regulatory settlement. The group is committed to actively engaging with relevant authorities in order to manage any such risk.

In any given year, the group's effective cash tax rate on underlying profits may fluctuate from the standard UK rate mainly due to the available tax deductions on capital investment. These deductions are achieved as a result of utilising tax incentives, which have been explicitly put in place by successive governments precisely to encourage such investment. This reflects responsible corporate behaviour in relation to tax. Under the regulatory framework the group operates within, the majority of any benefit from reduced tax payments will typically not be retained by the group but will pass to customers; reducing their bills.

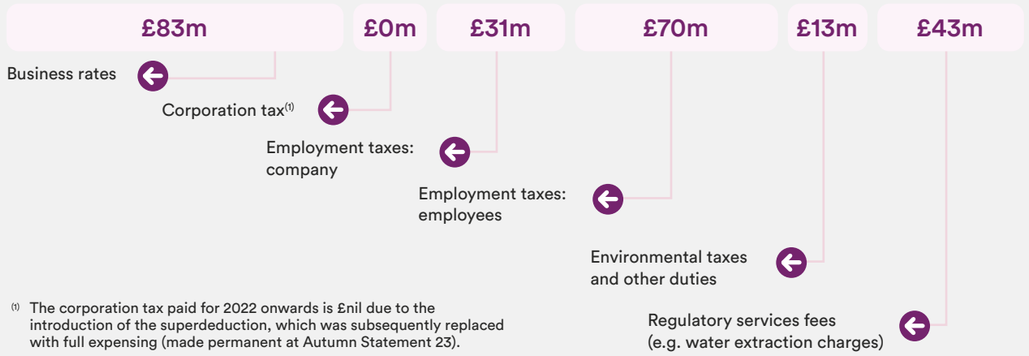
The group's principal subsidiary, United Utilities Water Limited (UUW), operates solely in the UK and its customers are based here. In addition, all of the group's profits are taxable in the UK.

Every year, the group pays significant contributions to the public finances on its own behalf as well as collecting and paying further amounts for its 6,181 strong workforce. Details of the total payments for 2024 of around £240 million are set out below.

Taxes/contributions to public finances for 2024

Total taxes and contributions to public finances

£240m



[1] The corporation tax paid for 2022 onwards is £nil due to the introduction of the superdeduction, which was subsequently replaced with full expensing (made permanent at Autumn Statement 23).

The above tax policy disclosure meets the group's statutory requirement under Paragraph 16(2) of Schedule 19 of Finance Act 2016 to publish its UK tax strategy for the year ended 31 March 2024.

See our website for our latest separate annual tax report, which includes further details in relation to the following key areas:

- How much tax we pay;
- How we ensure that we pay the right tax at the right time; and
- How we ensure that our tax affairs are transparent for all our stakeholders.

Recognising the group's ongoing commitment to paying its fair share of tax and acting in an open and transparent manner in relation to its tax affairs, we were delighted to have retained the Fair Tax Mark independent certification for a fifth year.

Fair Tax accredited

Directors' report

The directors present their management report, including the strategic report, on pages 01 to 97 and the audited financial statements of United Utilities Group PLC (the company) and its subsidiaries (together referred to as the group) for the year ended 31 March 2024.

Business model	A description of the company's business model can be found within the strategic report on pages 18 to 97.
Dividends	The directors are recommending a final dividend of 33.19 pence per ordinary share for the year ended 31 March 2024, which, together with the interim dividend of 16.59 pence, gives a total dividend for the year of 49.78 pence per ordinary share (the interim and final dividends paid in respect of the 2022/23 financial year were 15.17 pence and 30.34 pence per ordinary share respectively). Subject to approval by our shareholders at our AGM, the final dividend will be paid on 1 August 2024 to shareholders on the register at the close of business on 21 June 2024.
Directors	The names of our directors who served during the financial year ended 31 March 2024 can be found on pages 100 to 103 and on page 108.
Reappointment	Our articles of association provide that our directors must retire at every annual general meeting following their last election or reappointment by our shareholders, which is consistent with the recommendation contained within the 2018 UK Corporate Governance Code (the code) that all directors should be subject to annual election by shareholders. This has been the case at all the AGMs since 2011. Information regarding the appointment of our directors is included in our corporate governance report on pages 99 to 136.
Interests	Details of the interests in the company's shares held by our directors and persons connected with them are set out in our directors' remuneration report on pages 140 to 163, which is hereby incorporated by reference into this directors' report.
Corporate governance statement	The corporate governance report on pages 99 to 163 is hereby incorporated by reference into this directors' report and includes details of our application of the principles and reporting against the provisions of the code. Our statement includes a description of the main features of our internal control and risk management systems in relation to the financial reporting process and forms part of this directors' report. A copy of the 2018 version of the code, as applicable to the company for the year ended 31 March 2024, can be found at the Financial Reporting Council's website **frc.org.uk**. Copies of the matters reserved for the board and the terms of reference for each of the main board committees can be found on our website.
Share capital	At 31 March 2024, the issued share capital of the company was £499,819,926 divided into 681,888,418 ordinary shares of 5 pence each and 273,956,180 deferred shares of 170 pence each. Details of our share capital and movements in our issued share capital are shown in note 21 to the financial statements on page 203. The ordinary shares represented 71.3 per cent and the deferred shares represented 28.7 per cent respectively of the shares in issue as at 31 March 2024. All our ordinary shares have the same rights, including the rights to one vote at any of our general meetings, to an equal proportion of any dividends we declare and pay, and to an equal amount of any surplus assets, which are distributed in the event of a winding-up. Our deferred shares convey no right to income, no right to vote and no appreciable right to participate in any surplus capital in the event of a winding-up. The rights attaching to our shares in the company are provided by our articles of association, which may be amended or replaced by means of a special resolution of the company in general meeting. The company renews annually its power to issue and buy back shares at our AGM and such resolutions will be proposed at our 2024 AGM. Our directors' powers are conferred on them by UK legislation and by the company's articles. At the AGM of the company held on 21 July 2023, the directors were authorised to issue relevant securities up to an aggregate nominal amount of £11,364,806 and were empowered to allot equity securities for cash on a non-pre-emptive basis to an aggregate nominal amount of £3,409,442.
Voting	Electronic and paper proxy appointment and voting instructions must be received by our registrar, Equiniti, no less than 48 hours before a general meeting and when calculating this period, the directors can decide not to take account of any part of a day that is not a working day.
Transfers	There are no restrictions on the transfer of our ordinary shares in the company, nor any limitations on the holding of our shares in the company, save: (i) where the company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Companies Act 2006; or (ii) where their holder is precluded from exercising voting rights by the Financial Conduct Authority's Listing Rules or the City Code on Takeovers and Mergers. There are no agreements known to us between holders of securities that may result in restrictions on the transfer of securities or on voting rights. All our issued shares are fully paid.
Major shareholdings	At 15 May 2024, our directors had been notified of the following interests in the company's issued ordinary share capital in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority:

	Per cent of issued share capital	Direct or indirect nature of holding
Lazard Asset Management LLC	9.93	Indirect
BlackRock Inc.	9.96	Indirect

Purchase of own shares	At our AGM held on 21 July 2023, our shareholders authorised the company to purchase, in the market, up to 68,188,841 of our ordinary shares of 5 pence each. We did not purchase any shares under this authority during the year. We normally seek such an authority from our shareholders annually. At our 2024 AGM, we will again seek authority from our shareholders to purchase up to 68,188,841 of our ordinary shares of 5 pence each with such authority expiring at the end of our AGM held in 2025.
Change of control	As at 31 March 2024, Ocorian Corporate Services (UK) Limited was the trustee that administered our executive share plans and had the ability to exercise voting rights at its discretion, which related to shares that it held under the trust deed constituting the trust. In the event of a takeover offer, which could lead to a change of control of the company, the trustee must consult with the company before accepting the offer or voting in favour of the offer. Subject to that requirement, the trustee may take into account a prescribed list of interests and considerations prior to making a decision in relation to the offer, including the interests of the beneficiaries under the trust. In the event of a change of control, the participants in our all-employee share incentive plan (ShareBuy) would be able to direct the trustee of ShareBuy, Equiniti Share Plan Trustees Limited, how to act on their behalf.

Directors' report

Information required by UK Listing Rule 9.8.4	Details of the amount of interest capitalised by the group during the financial year can be found in note 7 to the financial statements on page 192. In line with current UK tax legislation, the amount is fully deductible against the group's corporation tax liability, resulting in tax relief of £20.3 million. There are no other disclosures to be made under Listing Rule 9.8.4.
Directors' indemnities and insurance	We have in place contractual entitlements for the directors of the company and of its subsidiaries to claim indemnification by the company in respect of certain liabilities that might be incurred by them in the course of their duties as directors. These arrangements, which constitute qualifying third-party indemnity provision and qualifying pension scheme indemnity provision, have been established in compliance with the relevant provisions of the Companies Act 2006 and have been in force throughout the financial year. They include provision for the company to fund the costs incurred by directors in defending certain claims against them in relation to their duties as directors of the company or its subsidiaries. The company maintains an appropriate level of directors' and officers' liability insurance.
Political donations	It is the company's policy position that we do not support any political party and do not make what are commonly regarded as donations to any political party or other political organisations. The wide definition of donations in the Political Parties, Elections and Referendums Act 2000, however, covers activities that form part of the necessary relationship between the group and our political stakeholders. This can include promoting United Utilities' activities at the main political parties' annual conferences, as well as occasional stakeholder engagement in Westminster. The group incurred expenditure of £8,091 (2022/23: £11,465; 2021/22 £15,834) as part of this process. At the 2023 AGM, an authority was taken to cover such expenditure. A similar resolution will be put to shareholders at the 2024 AGM to authorise the company and its subsidiaries to make such expenditure. Relationships with regional MPs are very important to United Utilities, and as the provider of an essential service to seven million people across the North West, customers do raise issues with their constituency MP. In 2023/24, we received 574 such MP contacts covering a wide range of topics, particularly as we face challenging times from an economic, environmental and social perspective. Our approach is to always have an open door policy with our MPs and members of their offices, to meet with us, visit our sites or land at any time. We are readily available to discuss topics, whether that is about service, climate change, environmental performance, flooding or quality, and regularly meet our MPs face to face. We engage regularly with the two devolved administrations in the North West – the Greater Manchester Combined Authority (GMCA) and the Liverpool City Region (LCR) – as well as the region's local authorities, on a range of topics of shared interest, such as tackling flooding risk, better managing rainfall, enhancing the North West's natural capital and helping customers who struggle to pay their bills. Our sponsorship of the All Party Political Groups for LCR helps bring MPs and peers of all parties together with key leaders to help maximise future investment in these area for the benefit of local communities. In addition, the company's activities to engage with political stakeholders on matters relevant to the water industry and its operating footprint of North West England extend to its membership of trade associations. This is described in the section below.
Trade associations	We are members of a small number of trade associations. Some have a national focus, such as Water UK, the representative body of the UK water industry and others focus on specific professions such as the 100 Group representing the views of the finance directors of FTSE 100 and large UK private companies and the GC100, the voice of general counsel and company secretaries in FTSE 100 companies. The company is a member of regional bodies, such as the North West Business Leadership Team, which encourages engagement across the public and private sectors. Our total contribution to these associations in 2023/24 was £394,507 (2022/23: £418,561; 2021/22: £408,441). Through Water UK, the company has supported efforts to interact with parliamentary bodies, such as Select Committees and Chairs of specific committees, to provide information on a range of topics. In the past year, we have worked closely with Water UK to share data on our storm overflow performance and what this means for river water quality in the North West. Through our membership of the North West Business Leadership Team, we have engaged with regional MPs and political stakeholders, such as local authorities and metro mayors, to explore how the business community can work more effectively with the public sector to drive economic growth in the region and tackle some of the North West's pressing social issues.
Colleagues	Our policies on employee consultation and on equal opportunities for all colleagues can be found on pages 21 and 42 to 43. Applicants with disabilities are given equal consideration in our application process, and disabled colleagues have equipment and working practices modified for them as far as possible and where it is safe and practical to do so. Importance is placed on strengthening colleagues' engagement (see page 78). The effect of our regard towards colleagues in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 47 to 48. Colleagues are encouraged to own shares in the company through the operation of an all-employee share incentive plan (ShareBuy). Information on our average number of employees during the year can be found in note 3 on page 190.
Environmental, social and community matters	Details of our approach, as a responsible business, is set out in the strategic report, in particular where we describe our approach to our purpose and strategic priorities on page 31, and our core values on page 46, and how we create value for stakeholders on page 06 to 07. Our approach to engagement with our environmental stakeholders and those in the communities we serve can be found on page 46. Further information is available on our website at **unitedutilities.com/corporate/responsibility** The effect of our regard towards the environment, social and community matters in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 47 to 48.
Customers and suppliers and key stakeholders	Our approach to engagement with customers, suppliers, regulators and other key stakeholders can be found on page 46. The effect of our regard towards customers, suppliers, regulators and other key stakeholders in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 47 to 48. Our United Supply Chain approach sets out how we work with our suppliers, which can be found on our website at **unitedutilities.com/corporate/about-us/governance/suppliers/delivering-value/united-supply-chain** We are a signatory to the Prompt Payment Code. We publish key statistics and other information on our payment practices in line with the Duty to Report on Payment Practices and Performance on the Department for Business, Energy & Industrial Strategy's website. Information is published on a six-monthly basis. For the six months to 31 March 2024, our average time taken to pay invoices was 11 days; in the previous six months it was 11 days.
Energy and carbon report	Our energy and carbon report can be found on page 75 and is hereby incorporated by reference into this directors' report.
Approach to technology development	We are committed to using innovative, cost effective and practical solutions for providing high-quality services and we recognise the importance of ensuring that we focus our investment on the development of technology and that we have the right skills to apply technology to achieve sustainable competitive advantage and we continue to be alert to emerging technological opportunities.
Financial instruments	Our risk management objectives and policies in relation to the use of financial instruments can be found in note A3 on page 208.
Slavery and human trafficking	Our statement can be found on our website at **unitedutilities.com/humanrights**
Events occurring after the reporting period	Details of events after the reporting period are included in note 24 on page 204.

Annual General Meeting

The 2024 annual general meeting (AGM) will be held on 19 July. Full details of the resolutions to be proposed to shareholders, and explanatory notes in respect of these resolutions, can be found in the notice of AGM. A copy can be found on our website.

At the 2024 AGM, resolutions will be proposed, among other matters: to receive the integrated annual report and financial statements; to approve the directors' remuneration report; to declare a final dividend; to approve the directors' general authority to allot shares; to grant the authority to issue shares without first applying statutory rights of pre-emption; to authorise the company to make market purchases of its own shares; to authorise the making of limited political donations by the company and its subsidiaries; and to enable the company to continue to hold general meetings on not less than 14 clear days' notice.

Information given to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of the auditor

The board is proposing that shareholders reappoint KPMG LLP as the company's auditor at the forthcoming AGM and authorises the audit committee of the board to set the auditor's remuneration.

Approved by the board on 15 May 2024 and signed on its behalf by:

Simon Gardiner
Company Secretary

Statement of directors' responsibilities in respect of the integrated annual report and the financial statements

The directors are responsible for preparing the integrated annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Approved by the board on 15 May 2024 and signed on its behalf by:

Sir David Higgins
Chair

Phil Aspin
Chief Financial Officer

Financials

Our robust balance sheet supports long-term resilience

Due to the regulatory framework within which we operate, the economic value of our activities is best measured through performance against our determination for AMP7, but our balance sheet strength does provide financial resilience, which is particularly important in times of economic turbulence.

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KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

1. Our opinion is unmodified

In our opinion:

- the financial statements of United Utilities Group PLC give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of United Utilities Group PLC ("the Company") for the year ended 31 March 2024 (FY24) included in the Integrated Annual Report, which comprise:

Group (United Utilities Group PLC and its subsidiaries)	Parent Company (United Utilities Group PLC)
Consolidated statement of comprehensive income	Company statement of financial position
Consolidated statement of financial position	Company statement of changes in equity
Consolidated statement of changes in equity	Company statement of cash flows
Consolidated statement of cash flows	Notes 1 to 24 and Appendices A1 to A7 to the Parent Company financial statements, including the accounting policies in note A6 and on pages 186 to 188.
Notes 1 to 24 and Appendices A1 to A7 to the Group financial statements, including the accounting policies in note A6 and on pages 186 to 188.	

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

Following our FY23 audit, and considering developments affecting the United Utilities Group since then, our assessment of risks and our view of how these impact the audit of the financial statements have been updated for the current year where needed.

The Group has been operating in a high inflationary environment, where customers (and household customers in particular) are experiencing increased costs of living. Recently, household customer cash collection rates have been below expectation, suggesting that customers may be struggling to pay bills.

The Group has updated provisioning rates in the year to more accurately reflect cash collection rates.

Considering these factors, there has been no change to our overall risk assessment for the Provisions for Household Customer Debt. It remains a Key Audit Matter (KAM).

The Group's capital programme has continued to be impacted by inflation, as general contracting costs have increased beyond that expected at the start of the current 5-year regulatory period. This could increase the incentive to treat operating costs as capital items. Our overall risk assessment for the capitalisation of costs KAM has not changed; in line with prior year our selection of projects to test considered those that could be more susceptible to judgement.

There was no change to our risk assessment or approach in relation to the valuation of retirement benefit obligations and recoverability of the Parent Company's investments.

Key Audit Matters	Vs FY23	Item
Provisions for household customer debt	◀ ▶	4.1
Capitalisation of costs relating to the capital programme	◀ ▶	4.2
Valuation of retirement benefit obligations	◀ ▶	4.3
Recoverability of parent company's investment in United Utilities PLC	◀ ▶	4.4

2. Overview of our audit

Audit committee interaction

During the year, the AC met four times. KPMG are invited to attend all AC meetings and are provided with an opportunity to meet with the AC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the AC in section 4, including matters that required particular judgement for each.

The matters included in the Audit committee report on pages 125 to 126 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY24 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 March 2012. The period of total uninterrupted engagement is for the 13 financial years ended 31 March 2024.

The Group engagement partner is required to rotate every 5 years. As these are the fourth set of the Group's financial statements signed by Ian Griffiths, he will be required to rotate after the FY25 audit.

Total audit fee	£962k
Audit-related fees (including interim review)	£91k
Other services	£165k
Non-audit fee as a % of total audit and audit-related fee %	15.7%
Date first appointed	22 July 2011
Uninterrupted audit tenure	13 years
Next financial period which requires a tender	2032
Tenure of group engagement partner	4 years

Materiality
(Item 6 below)

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

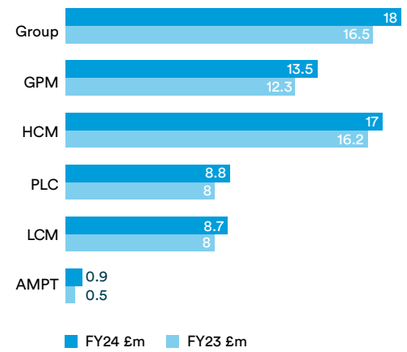
We have determined overall materiality for the Group financial statements as a whole at £18.0m (FY23: £16.5m) and for the Parent Company financial statements as a whole at £8.8m (FY23: £8.0m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY23, we determined materiality with reference to a range of metrics due to the fact that United Utilities faces increased finance costs, as a result of the current high-inflationary environment, which causes profit before tax to decline. As such, Group materiality is based on revenues, total assets and operating profit, of which it represents 0.9%, 0.1% and 3.7% (FY23: 0.9%, 0.1% and 3.7%) respectively.

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.1% (FY23: 0.1%).

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PLC	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

2. Overview of our audit

Group scope
(Item 7 below)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and the type of procedures to be performed at these components. The work on all components (2023: All components) including the audit of the parent company, was performed by the Group team.

Of the Group's 23 (FY23: 23) reporting components, we subjected 4 (2023: 4) to full scope audits for group purposes and 0 (FY23: 0) to specified risk-focused audit procedures.

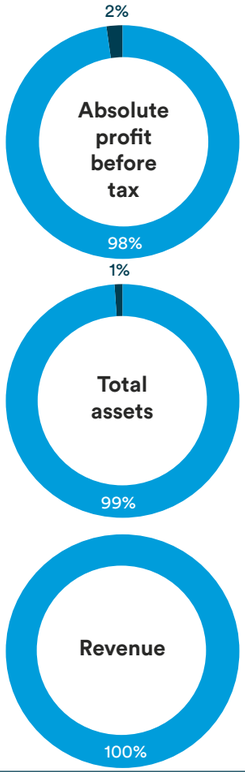
The components within the scope of our work accounted for the percentages illustrated opposite. For the FY24 audit, components within scope of our work accounted for 98% of absolute profit before tax, 99% of total assets and 100% of revenue (FY23: 99% of absolute profit before tax, 100% of total assets and 100% of revenue).

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Full scope audits
Remaining components

Coverage of group financial statements



The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

The Group has set out its climate targets in line with limiting global warming to 1.5°C and to be climate net zero by 2050. The majority of the Group's carbon emissions are from the burning of fossil fuels, fuels used for transport and the grid electricity purchased. The Group continues to develop its assessment of climate change. Climate change matters impact the Group in a variety of ways including opportunities and risks relating to renewable energy sources and extreme weather events. Further information is provided on pages 68 to 77. While the Group has set out its targets, it is continually developing its assessment of the impact of climate change on capital expenditure, the cost base, and impacts on cash flows. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, including an evaluation of critical accounting estimates and judgements. The Group concluded that this did not have a material effect on the consolidated financial statements, as described on page 188.

As part of our audit, we have made enquiries of directors and operational managers to understand the extent of the potential impact of climate change risks on the Group's financial statements, including their assessment of critical accounting estimates and judgements, and the effect on our audit. We have performed a risk assessment to evaluate the potential impact, including the estimates made regarding useful economic lives of property, plant and equipment, and the valuation of certain unquoted pension assets.

We held discussions with our own climate change professionals to challenge our risk assessment. Considering, the expected remaining useful lives of property, plant and equipment, and the nature of unquoted pension assets, we assessed that there is not a significant impact on our audit for this financial year. There was no significant impact of climate change on our key audit matters.

We have read the Group's disclosure of climate related information in the front half of the Integrated annual report as set out on pages 68 to 77 and considered consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period related to a one off total expenditure impact.

We considered whether the risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in the basis of preparation section of the accounting policies note to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in this note to be acceptable; and
- The related statement under the Listing Rules set out on page 120 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the long-term viability statement on pages 120 to 121 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement set out on pages 120 to 121 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

- The related statement under the Listing Rules set out on page 120 is materially consistent with the financial statements and our audit knowledge;
- We have nothing material to add or draw attention to in relation to these disclosures; and
- We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

4. Key Audit Matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Provisions for household customer debt (group)

Financial statement elements	FY24	FY23	Our assessment of risk vs FY23	Our results
Provisions for household customer debt	**£80.7m**	£81.5m	◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to provisions against household customer debt compared to FY23	**FY24: Acceptable** FY23: Acceptable

Description of the Key Audit Matter

At each balance sheet date assumptions involving a high degree of estimation uncertainty are required to assess the recoverability of trade receivables. Key assumptions (as outlined in the accounting policies on page 187) include current and forecast cash collection rates.

As part of our risk assessment, we determined that the recoverability of trade receivables has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. There is a risk of management bias in the selection of assumptions upon which estimates are based.

Our response to the risk

We performed the tests below rather than seeking to rely on the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Methodology choice:** challenging the Group on the appropriateness of the selection of updated provisioning rates in place for calculating the provision and assessing the appropriateness of the customer debt provisioning policy based on historical cash collections, credits, re-bills and write-off information, and estimates of future economic scenarios and their impact on credit losses;
- **Recalculation:** performing a recalculation of the provision, and verifying cash collections in the billing system;
- **Sensitivity analysis:** considering the sensitivity of future performance compared to historic cash collection rates; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures of its customer debt provisioning policy, including the estimation uncertainty of the doubtful debts provision.

Communications with United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- The appropriateness of the selected updated provisioning rates used in deriving the household customer debt provision.
- Our approach to the audit of provisions for household customer debt.
- Our conclusions on the appropriateness of key assumptions used.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the key assumptions.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the valuation of provisions for customer debt in particular, the selection of key assumptions used in the valuation (the period of historical cash collections, the risk associated with the impact of the increasing cost of living experienced by customers and the risk associated with collections from void properties).

Our results

Based on the risk identified and the procedures that we performed, we found the provisions for household customer debt and the related disclosures to be acceptable (FY23: acceptable).

Further information in the Integrated Annual Report and Accounts: See the Audit Committee report on page 125for details on how the Audit Committee considered provisions against household customer debt as an area of significant attention, pages 187 and 225 for the accounting policy on provisions against household customer debt, and page 198 for the financial disclosures.

4.2 Capitalisation of costs relating to the capital programme (group)

Financial statement elements	FY24	FY23	Our assessment of risk vs FY23	Our results
Property, plant and equipment additions	**£892.5m**	£866.9m	◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to the capitalisation of costs relating to the capital programme compared to FY23	**FY24: Acceptable** FY23: Acceptable

Description of the Key Audit Matter

The Group has a substantial capital programme which has been agreed with the Water Services Regulation Authority (Ofwat) and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets.

The determination of in year project costs as capital or operating expenditure is inherently judgemental, particularly, for certain projects where projects contain both capital and operating expenditure elements and therefore has the opportunity for manipulation. Under IAS 16 expenditure is capitalised when it is probable that the future economic benefits associated with the item will flow to the entity and where such expenditure enhances or increases the capacity of the network. We determined that the costs capitalised has a high degree of judgement, with the potential for any misstatement to be greater than our materiality for the financial statements as a whole.

Our response to the risk

We performed the detailed tests below rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

Our procedures to address the risk included:

- **Accounting analysis:** assessed the group's capitalisation policy for compliance with relevant accounting standards;
- **Tests of detail:** critically assessed the capital nature of a sample of projects against the capitalisation policy focusing on new projects approved, project overspend, forecast cost to complete; and
- **Assessing transparency:** assessed the adequacy of the group's disclosures of its capitalisation policy including the judgement involved in assessing expenditure as capital.

Communications with United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of capitalisation of costs relating to the capital programme.
- The results of our procedures.
- The adequacy of the disclosures.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the capitalisation rates applied to capital projects, where projects have an element of both capital and operating expenditure elements.

Our results

Based on the risk identified and the procedures that we performed, we found the capitalisation of costs relating to the capital programme and the related disclosures to be acceptable (FY23: acceptable).

Further information in the Integrated Annual Report and Accounts: See the Audit Committee report on page 125 for details on how the Audit Committee considered the capitalisation of costs relating to the capital programme as an area of significant attention, pages 188 and 224 to 225 for the accounting policy on the capitalisation of costs relating to the capital programme, and pages 196 to 197 for the financial disclosures.

4.3 Valuation of retirement benefit obligations (group)

Financial statement elements	FY24	FY23	Our assessment of risk vs FY23	Our results
Retirement benefit obligation	**£2,284.4m**	£2,330.5m	◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to the valuation of retirement benefit obligations compared to FY23	**FY24: Acceptable** FY23: Acceptable

Description of the Key Audit Matter

The valuation of the retirement benefit obligations depends on a number of estimates, including the discount rates used to calculate the current value of the future payments to pensioners, the rate of inflation that must be incorporated in the estimate of the future pension payments, and the life expectancy of pension scheme members.

There is a considerable amount of estimation uncertainty involved in setting the above assumptions and a small change in the assumptions and estimates may have a significant impact on the retirement benefit obligations.

The effect of these matters is that, as part of our risk assessment, we determined that the gross defined benefit pension obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response to the risk

We performed the tests below rather than seeking to rely on the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Methodology assessment:** using our internal actuarial specialists to consider and assess critically the methodologies applied.
- **DBO assumption:** benchmarking the key assumptions applied in determining the Group's defined benefit obligations, being the discount rate, inflation rate and mortality/life expectancy. This includes a comparison of these key assumptions against externally derived data.
- **Assessing external actuary's credentials:** evaluating the competence and independence of the external actuaries who are engaged by the Company to estimate the pension scheme obligations for the purpose of the financial statements.
- **Assessing transparency:** considering the adequacy of the Group's disclosure in respect of retirement benefits, in particular the gross defined benefit obligation and the assumptions used and sensitivities disclosed, which are set out in notes 14 and A4 to the financial statements.

KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

4. Key Audit Matters continued

Communications with United Utilities Group PLC's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the valuation of retirement benefit obligations, including the involvement of our actuarial specialists.
- Our conclusions on the appropriateness of key assumptions used.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the key assumptions.

Areas of particular auditor judgement
We identified the following as the area of particular auditor judgement:

- The appropriateness of the valuation of retirement benefit obligations and in particular, the selection of key assumptions used in the valuation (the discount rate, the inflation rate and the mortality rate).

Our results
Based on the risk identified and procedures performed, we found the valuation of the retirement benefit obligations to be acceptable (FY23: acceptable).

Further information in the Integrated Annual Report and Accounts: See the Audit Committee report on page 125 for details on how the Audit Committee considered the valuation of retirement benefit obligations as an area of significant attention, pages 187 and 226 to 227 for the accounting policy on the valuation of retirement benefit obligations, and pages 199 and 216 to 221 for the financial disclosures.

4.4 Recoverability of parent company's investment in United Utilities PLC (parent company)

Financial statement elements	FY24	FY23	Our assessment of risk vs FY23	Our results
Investment in United Utilities PLC	£6,326.8m	£6,326.8m	◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to the recoverability of the parent company's investment in United Utilities PLC compared to FY23	**FY24: Acceptable** FY23: Acceptable

Description of the Key Audit Matter
The carrying amount of the parent company's investment in United Utilities PLC represents 98% (FY23: 98%) of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

Our response to the risk
We performed the tests below rather than seeking to rely on any of the company's controls because testing for recoverability through detailed testing is inherently the most effective means of obtaining audit evidence.

Our procedures to address the risk included:

- **Tests of detail:** comparing the carrying amount of the investment with the expected value of the business based on the regulatory capital value (a recognised method of valuation within the industry).

Communications with United Utilities Group PLC's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverability of the parent company's investment in United Utilities PLC.
- Our conclusions on the appropriateness of key assumptions used.
- The adequacy of the disclosures.

Areas of particular auditor judgement
We identified the following as the area of particular auditor judgement:

- The valuation of the regulatory capital value.

Our results

- Based on the risk identified and procedures performed, we concluded that the recognition of no impairment was appropriate (FY23: no impairment).

Further information in the Integrated Annual Report and Accounts: See the Audit Committee report on page 126 for details on how the Audit Committee considered the recoverability of the parent company's investment in United Utilities PLC as an area of significant attention, page 225 for the accounting policy on the recoverability of the parent company's investment in United Utilities PLC, and page 197 for the financial disclosures.

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: • Inquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud; • Using analytical procedures to identify any unusual or unexpected relationships; • Reading Board and Audit Committee minutes; and • Considering remuneration incentive schemes and performance targets for directors including Long Term Plan awards.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular: the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as provisions for household customer debt and capitalisation of costs relating to the capital programme. On this audit we do not believe there is a fraud risk related to revenue recognition streams because the low value, high volume nature of transactions reduces the opportunities for fraudulent activity.
Link to KAMS	Further detail in respect of the provisions for household customer debt and capitalisation of costs relating to the capital programme are set out in section 4 of this report.
Procedures to address fraud risks	We also performed procedures including: • Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals relating to revenue, cash and borrowings posted to unexpected or unrelated accounts, and journals posted between operating costs and property, plant and equipment by users we would not expect; and • Assessing significant accounting estimates and judgements for bias.

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/ regulation areas	The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Compliance with regulations imposed by Ofwat, Environment Agency, Competition law, Drinking Water Inspectorate, GDPR compliance, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Known actual or suspected matters or legislation of particular relevant	In relation to the Collective proceedings in the Competition Act Tribunal that were issued in December 2023, as discussed in the Material Litigation report and in note 22, we assessed disclosures against our understanding from legal correspondence and inquiries performed.
Significant actual or suspected breaches discussed with the audit committee	We discussed with the audit committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

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5. Our ability to detect irregularities, and our response continued

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£18.0m **(FY23: £16.5m)** **Materiality for the group financial statements as a whole**	**What we mean** A quantitative reference for the purpose of planning and performing our audit. **Basis for determining materiality and judgements applied** Materiality for the Group financial statements as a whole was set at £18.0m (FY23: £16.5m). Consistent with FY23, we determined materiality with reference to a range of metrics. United Utilities is facing rising finance costs, as a result of the current high-inflationary environment, which is causing profit before tax to decline. Materiality represents 0.9% of revenue, 0.1% of total assets and 3.7% of operating profit (FY23: 0.9% of revenue, 0.1% of total assets and 3.7% of operating profit). When using a benchmark of either revenue, total assets, or operating profit to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 0.5-1%, 0.5-1% and 3-5% respectively. Materiality for the Parent Company financial statements as a whole was set at £8.8m (FY23: £8.0m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.1% (FY23: 0.1%).
£13.5m **(FY23: £12.3m)** **Performance materiality**	**What we mean** Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. **Basis for determining performance materiality and judgements applied** We have considered performance materiality at a level of 75% (FY23: 75%) of materiality for United Utilities Group PLC Group financial statements as a whole to be appropriate. The Parent Company performance materiality was set at £6.6m (FY23: £6.0m), which equates to 75% (FY23: 75%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.
£0.9m **(FY23: £0.5m)** **Audit misstatement posting threshold**	**What we mean** This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to United Utilities Group PLC's Audit Committee. **Basis for determining the audit misstatement posting threshold and judgements applied** We set our audit misstatement posting threshold at 5.0% (FY23: 3.0%) of our materiality for the Group financial statements. The change in percentage brings the threshold in line with KPMG methodology. This was previously set at £0.5m as requested by the Audit Committee. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £18.0m (FY23: £16.5m) compares as follows to the main financial statement caption amounts:

	Total group revenue		Group operating profit before tax		Total group assets	
	FY24	FY23 (as previously stated)	**FY24**	FY23	**FY24**	FY23
Financial statement caption	**£1,949.5m**	£1,824.4m	**£480.2m**	£440.8m	**£15,653.4m**	£14,527.2m
Group materiality as % of caption	**0.92%**	0.90%	**3.75%**	3.74%	**0.11%**	0.11%

7. The scope of our audit

Group scope	**What we mean** How the Group audit team determined the procedures to be performed across the Group. The Group has 23 (FY23: 23) reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group financial statements as a whole. We determined individually financially significant components as those contributing at least 1% (FY23: 5%) of total assets or 1% (FY23: 1%) of total revenue or 1% (FY23: 3%) of total liabilities. We selected total assets, total revenue, and total liabilities because these are the most representative of the relative size of the components. We identified 4 (FY23: 4) components as individually financially significant components and performed full scope audits on these components. The number of components within the scope of our work and materiality applied are detailed below, with the prior year comparatives indicated in brackets

Scope	Number of components	Range of materiality applied
Full scope audit	4 (4)	£8.7m - £17.0m (£8.0m - £16.2m)

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these. The work on 4 of the 4 components (FY23: 4 of the 4 components), including the audit of the Parent Company, was performed by the Group team.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The components within the scope of our work accounted for the percentages illustrated in section 2 - Group Scope. In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

8. Other information in the annual report

The directors are responsible for the other information presented in the Integrated Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting
Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting
Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

Our responsibility
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the Integrated Annual Report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Integrated Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Integrated Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting
Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

KPMG LLP's Independent Auditor's Report

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7. The scope of our audit continued

Other matters on which we are required to report by exception

Our responsibility

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 168, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company'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 they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements..

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Griffiths
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE
15 May 2024

Consolidated statement of comprehensive income

for the year ended 31 March 2024

	Note	2024 £m	Re-presented[1] 2023 £m
Revenue	2	**1,949.5**	1,804.2
Other income		**18.8**	25.0
Staff costs	3	**(205.1)**	(192.2)
Other operating costs	4	**(602.4)**	(556.4)
Allowance for expected credit losses – trade and other receivables		**(22.0)**	(22.7)
Depreciation of property, plant and equipment		**(406.1)**	(385.5)
Amortisation of intangible assets		**(32.7)**	(38.1)
Infrastructure renewals expenditure		**(219.8)**	(193.5)
Total operating expenses		**(1,469.3)**	(1,363.4)
Operating profit		**480.2**	440.8
Investment income	5	**85.6**	47.0
Finance expense	6	**(389.3)**	(262.7)
Allowance for expected credit losses – loans to joint ventures	A5	**(2.4)**	–
Investment income and finance expense		**(306.1)**	(215.7)
Profit on disposal of subsidiary		**–**	31.2
Share of losses of joint venture	12	**(4.1)**	–
Profit before tax		**170.0**	256.3
Current tax credit	7	**5.8**	25.2
Deferred tax charge	7	**(48.9)**	(76.6)
Tax	7	**(43.1)**	(51.4)
Profit after tax		**126.9**	204.9
Other comprehensive income – items that may be reclassified to profit or loss in subsequent periods			
Cash flow hedges – effective portion of fair value movements		**(63.0)**	(50.6)
Tax on items that may be reclassified to profit or loss	7	**15.8**	12.7
Reclassification of items taken directly to equity		**1.8**	(36.6)
Tax reclassified to income statement	7	**(0.5)**	7.0
		(45.9)	(67.5)
Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement losses on defined benefit pension schemes		**(368.5)**	(445.3)
Change in credit assumptions for debt reported at fair value through profit or loss		**0.7**	4.8
Cost of hedging – cross-currency basis spread adjustment		**4.8**	6.3
Tax on items taken directly to equity	7	**151.1**	151.5
		(211.9)	(282.7)
Total comprehensive income		**(130.9)**	(145.3)
Earnings per share			
Basic	8	**18.6p**	30.0p
Diluted	8	**18.6p**	30.0p
Dividend per ordinary share	9	**49.78p**	45.51p

[1] The consolidated statement of comprehensive income for the year ended 31 March 2023 has been re-presented to reflect £20.2 million of income not derived from the output of the group's ordinary activities in Other income rather than in Revenue. These amounts were previously reported as £4.8 million and £1,824.4 million respectively. See note 2 for further details.

All of the results shown above relate to continuing operations.

The accompanying notes on pages 186 to 228 form part of these financial statements.

Consolidated and company statements of financial position

at 31 March 2024

	Note	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
ASSETS					
Non-current assets					
Property, plant and equipment	10	**13,044.3**	12,570.7	**–**	–
Intangible assets	11	**124.5**	142.3	**–**	–
Interests in joint ventures and other investments	12	**12.4**	16.5	**6,326.8**	6,326.8
Inventories – other		**–**	1.2	**–**	–
Trade and other receivables	13	**73.7**	75.7	**75.0**	75.0
Retirement benefit surplus	14	**268.0**	600.8	**–**	–
Derivative financial instruments	A3	**361.5**	428.6	**–**	–
		13,884.4	13,835.8	**6,401.8**	6,401.8
Current assets					
Inventories – properties held for resale		**3.0**	4.2	**–**	–
Inventories – other		**18.5**	8.9	**–**	–
Trade and other receivables	13	**226.8**	190.5	**61.0**	30.1
Current tax asset	7	**100.1**	98.9	**–**	–
Cash and cash equivalents	15	**1,399.3**	340.4	**–**	–
Derivative financial instruments	A3	**21.3**	48.5	**–**	–
		1,769.0	691.4	**61.0**	30.1
Total assets		**15,653.4**	14,527.2	**6,462.8**	6,431.9
LIABILITIES					
Non-current liabilities					
Trade and other payables	18	**(957.9)**	(892.4)	**–**	–
Borrowings	16	**(9,345.8)**	(8,259.0)	**(1,982.3)**	(1,864.8)
Deferred tax liabilities	7	**(1,930.6)**	(2,048.1)	**–**	–
Derivative financial instruments	A3	**(255.2)**	(243.1)	**–**	–
		(12,489.5)	(11,442.6)	**(1,982.3)**	(1,864.8)
Current liabilities					
Trade and other payables	18	**(413.3)**	(376.7)	**(5.0)**	(5.6)
Borrowings	16	**(655.6)**	(176.4)	**–**	–
Provisions	17	**(13.5)**	(13.1)	**–**	–
Derivative financial instruments	A3	**(25.4)**	(9.7)	**–**	–
		(1,107.8)	(575.9)	**(5.0)**	(5.6)
Total liabilities		**(13,597.3)**	(12,018.5)	**(1,987.3)**	(1,870.4)
Total net assets		**2,056.1**	2,508.7	**4,475.5**	4,561.5
EQUITY					
Share capital	21	**499.8**	499.8	**499.8**	499.8
Share premium account		**2.9**	2.9	**2.9**	2.9
Other reserves	20	**311.1**	353.4	**1,033.3**	1,033.3
Retained earnings		**1,242.3**	1,652.6	**2,939.5**	3,025.5
Shareholders' equity		**2,056.1**	2,508.7	**4,475.5**	4,561.5

The accompanying notes on pages 186 to 228 form part of these financial statements.

These financial statements for the group and United Utilities Group PLC (company number: 6559020) were approved by the board of directors on 15 May 2024 and signed on its behalf by:

Louise Beardmore
Chief Executive Officer

Phil Aspin
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2024

	Share capital £m	Share premium account £m	Other reserves[1] £m	Retained earnings £m	Total £m
At 1 April 2023	**499.8**	**2.9**	**353.4**	**1,652.6**	**2,508.7**
Profit after tax	**–**	**–**	**–**	**126.9**	**126.9**
Other comprehensive income					
Remeasurement losses on defined benefit pension schemes (see note 14)	**–**	**–**	**–**	**(368.5)**	**(368.5)**
Change in credit assumptions for debt reported at fair value through profit or loss	**–**	**–**	**–**	**0.7**	**0.7**
Cash flow hedges – effective portion of fair value movements	**–**	**–**	**(63.0)**	**–**	**(63.0)**
Cost of hedging – cross-currency basis spread adjustments	**–**	**–**	**4.8**	**–**	**4.8**
Tax on items recorded within other comprehensive income (see note 7)	**–**	**–**	**14.6**	**152.3**	**166.9**
Reclassification of items taken directly to equity	**–**	**–**	**1.8**	**–**	**1.8**
Tax reclassified to income statement (see note 7)	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Total comprehensive income	**–**	**–**	**(42.3)**	**(88.6)**	**(130.9)**
Dividends (see note 9)	**–**	**–**	**–**	**(320.0)**	**(320.0)**
Equity-settled share-based payments (see note 3)	**–**	**–**	**–**	**2.1**	**2.1**
Purchase of shares to satisfy exercise of share options	**–**	**–**	**–**	**(3.8)**	**(3.8)**
At 31 March 2024	**499.8**	**2.9**	**311.1**	**1,242.3**	**2,056.1**

	Share capital £m	Share premium account £m	Other reserves[1] £m	Retained earnings £m	Total £m
At 1 April 2022	499.8	2.9	416.2	2,038.5	2,957.4
Profit after tax	–	–	–	204.9	204.9
Other comprehensive income					
Remeasurement losses on defined benefit pension schemes (see note 14)	–	–	–	(445.3)	(445.3)
Change in credit assumptions for debt reported at fair value through profit or loss	–	–	–	4.8	4.8
Cash flow hedges - effective portion of fair value movements	–	–	(50.6)	–	(50.6)
Cost of hedging - cross-currency basis spread adjustments	–	–	6.3	–	6.3
Tax on items recorded within other comprehensive income (see note 7)	–	–	11.1	153.1	164.2
Reclassification of items taken directly to equity	–	–	(36.6)	–	(36.6)
Tax reclassified to income statement (see note 7)	–	–	7.0	–	7.0
Total comprehensive income	–	–	(62.8)	(82.5)	(145.3)
Dividends (see note 9)	–	–	–	(301.2)	(301.2)
Equity-settled share-based payments (see note 3)	–	–	–	4.6	4.6
Purchase of shares to satisfy exercise of share options	–	–	–	(6.8)	(6.8)
At 31 March 2023	499.8	2.9	353.4	1,652.6	2,508.7

[1] Other reserves comprise the group's cumulative exchange reserve, capital redemption reserve, merger reserve, cost of hedging reserve and cash flow hedging reserve. Further detail of movements in these reserves is included in note 20.

The accompanying notes on pages 186 to 228 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 March 2024

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2023	499.8	2.9	1,033.3	3,025.5	4,561.5
Profit after tax	–	–	–	235.7	235.7
Total comprehensive income	–	–	–	235.7	235.7
Dividends (see note 9)	–	–	–	(320.0)	(320.0)
Equity-settled share-based payments (see note 3)	–	–	–	2.1	2.1
Purchase of shares to satisfy exercise of share options	–	–	–	(3.8)	(3.8)
At 31 March 2024	499.8	2.9	1,033.3	2,939.5	4,475.5

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2022	499.8	2.9	1,033.3	3,073.0	4,609.0
Profit after tax	–	–	–	255.9	255.9
Total comprehensive income	–	–	–	255.9	255.9
Dividends (see note 9)	–	–	–	(301.2)	(301.2)
Equity-settled share-based payments (see note 3)	–	–	–	4.6	4.6
Purchase of shares to satisfy exercise of share options	–	–	–	(6.8)	(6.8)
At 31 March 2023	499.8	2.9	1,033.3	3,025.5	4,561.5

At 31 March 2024, 31 March 2023 and 31 March 2022, the company's entire retained earnings balance was distributable to shareholders.

The company's other reserves comprised a capital redemption reserve that arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009.

As permitted by section 408 of the Companies Act 2006, the company has not presented its own statement of comprehensive income. The result of the company for the financial year was a profit after tax of £235.7 million (2023: £255.9 million).

The accompanying notes on pages 186 to 228 form part of these financial statements.

Consolidated and company statements of cash flows

for the year ended 31 March 2024

	Note	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company Restated[1] 2023 £m
Operating activities					
Cash generated from operations	A1	865.4	883.1	308.1	306.5
Interest paid		(175.6)	(118.2)	–	(7.1)
Interest received and similar income		50.7	15.8	5.1	–
Tax paid		–	(10.8)	–	–
Tax received		4.6	17.6	10.6	8.6
Net cash generated from operating activities		745.1	787.5	323.8	308.0
Investing activities					
Purchase of property, plant and equipment	A1	(749.5)	(675.9)	–	–
Purchase of intangible assets	A1	(14.6)	(18.1)	–	–
Grants and contributions received	18	27.9	5.1	–	–
Proceeds from disposal of property, plant and equipment		4.8	–	–	–
Repayment of loans to joint ventures	A5	–	5.0	–	–
Proceeds from disposal of subsidiary		–	90.5	–	–
Net cash used in investing activities		(731.4)	(593.4)	–	–
Financing activities					
Proceeds from borrowings net of issuance costs		1,610.0	501.1	–	–
Repayment of borrowings		(248.5)	(278.1)	–	–
Dividends paid to equity holders of the company	9	(320.0)	(301.2)	(320.0)	(301.2)
Purchase of shares to satisfy exercise of share options		(3.8)	(6.8)	(3.8)	(6.8)
Net cash generated from/(used in) financing activities		1,037.7	(85.0)	(323.8)	(308.0)
Effects of exchange rate changes		–	(1.3)	–	–
Net increase in cash and cash equivalents		1,051.4	107.8	–	–
Cash and cash equivalents at beginning of the year		327.9	220.1	–	–
Cash and cash equivalents at end of the year	15	1,379.3	327.9	–	–

[1] The company cash flow statement has been restated to remove interest of £55.9 million on the intercompany loan with United Utilities PLC which was previously reflected within interest paid and proceeds from borrowings. Interest accrued on the intercompany loan is capitalised to the principal of the loan balance rather than settled as cash. Interest paid of £63.0 million as previously reported has now been restated to £7.1 million while proceeds from borrowing, which was previously £55.9 million, has been restated as nil. This has resulted in an increase in net cash generated from operations of £55.9 million and increase in net cash used in financing activities of the same amount.

The accompanying notes on pages 186 to 228 form part of these financial statements.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Further detail can be found in note A6.

Basis of preparation

The group and the parent company financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in accordance with the requirements of the Companies Act 2006. They have been prepared on the historical cost basis, except for the revaluation of financial instruments, accounting for the transfer of assets from customers, and the revaluation of infrastructure assets to fair value on transition to IFRS.

The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods presented. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results, ultimately, may differ from these estimates.

The financial statements have been prepared on the going concern basis as the directors have a reasonable expectation that the Group has adequate resources for a period of at least 12 months from the date of the approval of the financial statements and that there are no material uncertainties to disclose.

In assessing the appropriateness of the going concern basis of accounting, the directors have reviewed the resources available to the group in the form of cash and committed facilities as well as consideration of the group's capital adequacy, along with a baseline plan that incorporates latest views of the current economic climate. The directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, and the likely effectiveness of mitigating actions that the directors would consider undertaking. The baseline position has been subjected to a number of severe, but plausible, downside scenarios in order to assess the group's ability to operate within the amounts and terms (including relevant covenants) of existing facilities. These scenarios consider: the potential impacts of increased totex costs, including a significant one-off totex impact of £400 million arising in the assessment period; elevated levels of bad debt of £15 million per annum; outcome delivery incentive penalties equivalent to 1.0 per cent of RoRE per annum; and the impact of these factors materialising on a combined basis. Mitigating actions were considered to include deferral of capital expenditure; a reduction in other discretionary totex spend; the close out of derivative asset balances; and the deferral or suspension of dividend payments.

Consequently, the directors are satisfied that the group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and that the severe but plausible downside scenarios indicate that the Group will be able to operate within the amounts and terms (including relevant covenants) of existing facilities. The financial statements have, therefore, been prepared on a going concern basis.

Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the year ended 31 March 2024, that were relevant to the group or would have a material impact on the group's financial statements, or that were not early adopted in previous years.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' establishes new principles for the recognition, measurement, presentation, and disclosure of insurance and reinsurance contracts and is mandatory for annual reporting periods beginning on or after 1 January 2023. Management have assessed that adoption of the standard does not materially impact the financial statements of the Group.

Existing financial guarantees, being those issued by United Utilities PLC on certain external borrowings of its subsidiaries and those issued in support of Water Plus in respect of certain amounts owed to wholesalers, are outside of the scope of the standard on the basis that these have not previously been accounted for as insurance contracts and as such will continue to be measured in accordance with IFRS 9 'Financial Instruments'.

Future accounting developments

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying its accounting policies set out in note A6, the group is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the carrying amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. Changes to these estimates, judgements and assumptions could have a material effect on the financial statements.

On an ongoing basis, the group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. As estimates carry with them an inherent level of uncertainty, the group performs sensitivity analysis where this is practicable and where, in management's opinion, it provides useful and meaningful information. This sensitivity analysis is performed to understand a range of outcomes that could be considered reasonably possible based on experience and the facts and circumstances associated with individual areas of the financial statements that are subject to estimates. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

As part of the evaluation of critical accounting judgements and key sources of estimation uncertainty, the group has considered the implications of climate change on its operations and activities, further details of which are set out below.

The following paragraphs detail the critical accounting judgements and key sources of estimation uncertainty in the financial statements. In determining which of these are significant, the group has considered the extent to which the estimation gives rise to a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Considered in this context, the group considers the accounting estimates for retirement benefits and the useful economic lives of property, plant and equipment and intangible assets to be a significant area of estimation uncertainty in preparing the financial statements.

Retirement benefits

Accounting estimate* – The group operates two defined benefit pension schemes, which are independent of the group's finances. Actuarial valuations of the schemes are carried out as determined by the trustees at intervals of not more than three years. Profit before tax and net assets are affected by the actuarial assumptions used. The key assumptions include: discount rates, pay growth, mortality, and increases to pensions in payment and deferred pensions. It should be noted that actual rates may differ from the assumptions used due to changing market and economic conditions and longer or shorter lives of participants and, as such, this represents a key source of estimation uncertainty. Sensitivities in respect of the assumptions used during the year are disclosed in note A4.

Accounting estimate* – Included within the group's defined benefit pension scheme assets are assets with a fair value estimated to be £1,772.0 million (2023: £216.3 million) that are categorised as 'level 3' within the IFRS 13 'Fair value measurement' hierarchy, meaning that their value is not observable at 31 March 2024. This includes assets with an estimated fair value of £1,564.8 million relating to bulk annuity policies purchased in the year as part of a partial buy-in transaction, further detail of which is included in note A4, and £202.7 million of investments in private debt funds. The fair value of the bulk annuity assets is directly pegged to the present value of the defined benefit obligations that they insure, and therefore estimation of their fair value is inherently linked to the assumptions used in valuing the schemes' liabilities as set out above. Estimates of the fair value of the remaining 'level 3' assets, which now form a higher proportion of total scheme assets following the partial buy-in transaction, are based on valuations performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total asset balances, updated for any subsequent cash movements between the statement date and the year end reporting date.

Revenue recognition and allowance for doubtful receivables

Accounting judgement** – The group recognises revenue generally at the time of delivery and when collection of the resulting receivable has been deemed probable. In estimating the amount of revenue to recognise, where the group considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is deemed probable. There are two criteria whereby management does not recognise revenue for amounts which have been billed to those customers on the basis that collectability is not probable. These are as follows:

- The customer has not paid their bills for a period of at least two years; or
- The customer has paid their bills in the preceding two years but has previously had bills de-recognised and has more than their current year debt outstanding.

This two-criteria approach resulted in a £31.0 million (2023: £29.5 million) reduction in revenue compared with what would have been recognised had no adjustment been made for amounts where collectability is not probable. Had management made an alternative judgement that where customers have paid in the preceding two years, and have more than their current year debt outstanding, the recoverability of the entirety of their debt was deemed to be probable (i.e. the second criteria were disapplied), the required adjustment to revenue would have been £19.4 million (2023: £18.6 million) lower.

Accounting estimate** – At each reporting date, the company and each of its subsidiaries evaluate the estimated recoverability of trade receivables and record allowances for expected credit losses ('ECL') based on experience. Estimates associated with these allowances are based on, among other things, a consideration of how actual collection history might inform expected future recovery. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

At 31 March 2024, an allowance for expected credit losses relating to household customer debt of £80.7 million (2023: £81.5 million) was supported by a six-year cash collection projection. Based on a five-year or seven-year cash collection projection, the allowance for doubtful receivables would have increased by £0.3 million (2023: £2.2 million) or reduced by £0.2 million (2023: £0.2 million) respectively.

In determining the allowance for expected credit losses in respect of household customers, we have applied provisioning rates that are derived from historic experience of the recoverability of receivables, to the aged debt bandings to calculate the bad debt charge and the resultant ECL allowance. The adequacy of the ECL allowance is then evaluated using analysis against the average collection over the last three years, which is considered to give a reasonable forecast of cash collection for use in the forward-looking ECL assessment.

We have also considered the high level of uncertainty as to how economic conditions may impact the recoverability of household receivables for a significant proportion of the group's customer base. A range of scenarios have been used to inform a probability-based assessment of the allowance for expected credit losses. These take account of cash collection rates in the current year as well as recent years, incorporating the current economic uncertainty to provide a range of views as to how recoverability of household receivables may be impacted. This assessment resulted in the release of a significant portion of the management overlay, which had previously been recognised in light of the economic uncertainty arising initially from the onset of the COVID-19 pandemic, and which is described more fully within the Annual Report for the year ended 31 March 2020. This overlay was subsequently maintained to address the collection risk arising from recent cost-of-living pressures and the adverse impact on customer affordability. A review of cash collection performance in the current year has led to an increase in the modelled provisioning rates used in the year as this data is incorporated within the model, and we expect to use these revised rates going forward. The impact of cost-of-living pressures on the recoverability of household receivables, and the adequacy of our ECL allowance, will continue to be kept under review.

The revised provisioning rates, coupled with the release of a significant portion of the management overlay, supports a charge equivalent to around 1.6 per cent of household revenue recorded during the period, which is slightly lower than the position at 31 March 2023.

Had future cash collection been assessed based on the average cash collection rates for the current year only, the allowance for expected credit losses charged to the income statement would have remained at 1.6 per cent of household revenue with similar results based on using average cash collection from the last two years or the last four years. At 31 March 2024, a charge of 1.6 per cent is considered to be appropriate given prevailing levels of uncertainty and recognising the level of estimation uncertainty associated with the assumptions made in forecasting the year-end debt position upon which the allowance for expected credit losses is based.

Accounting estimate** – United Utilities Water Limited raises bills in accordance with its entitlement to receive revenue in line with the limits established by the periodic regulatory price review processes. For household water and wastewater customers with water meters, the receivable billed is dependent on the volume supplied, including the sales

value of an estimate of the units supplied between the dates of the last water meter reading and the billing date. Meters are read on a cyclical basis and the group recognises revenue for unbilled amounts based on estimated usage from the last billing through to each reporting date. The estimated usage is based on historical data, judgement and assumptions; actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to the estimates is determined.

Revenue recognised for unbilled amounts for these customers at 31 March 2024 was £156.4 million (2023: £141.0 million). Had actual consumption been 5 per cent higher or lower than the estimate of units supplied, this would have resulted in revenue recognised for unbilled amounts being £5.2million (2023: £4.7 million) higher or lower respectively. For customers who do not have a meter, the receivable billed and revenue recognised is dependent on the rateable value of the property as assessed by an independent rating officer.

Property, plant and equipment

Accounting judgement** – The group recognises property, plant and equipment ('PP&E') on its water and wastewater infrastructure assets where such expenditure enhances or increases the capacity and/or resilience of the network, whereas any expenditure classed as maintenance is expensed in the period as incurred. Determining enhancement from maintenance expenditure requires an accounting judgement, particularly when projects have both elements within them. Enhancement spend was 48 per cent of total spend in relation to infrastructure assets during the year. A change of +/- 5 per cent would have resulted in £21.0 million (2023: £12.5 million) less/ more expenditure being charged to the income statement during the period.

Accounting estimate* – The estimated useful economic lives of PP&E and intangible assets is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PP&E and intangibles investment to the group, variations between actual and estimated useful economic lives could impact operating results both positively and negatively. As such, this is a key source of estimation uncertainty. The depreciation and amortisation expense for the year was £438.8 million (2023: £423.6 million). A 10 per cent increase in average asset lives would have resulted in a £39.9 million (2023: £41.4 million) reduction in this figure and a 10 per cent decrease in average asset lives would have resulted in a £43.9 million (2023: £39.0 million) increase in this figure.

Derivative financial instruments

Accounting estimate** – The model used to arrive at the fair value the group's derivative financial instruments requires management to estimate future cash flows based on applicable interest rate curves. Projected cash flows are then discounted back using discount factors that are derived from the applicable interest rate curves adjusted for management's estimate of counterparty and own credit risk, where appropriate. Sensitivities relating to derivative financial instruments are included in note A3.

* Judgements/estimates that could reasonably give rise to a material adjustment to the carrying value of assets or liabilities in the next financial year.

**Other judgements/estimates considered less likely to give rise to a material adjustment to the carrying value of assets or liabilities in the next financial year.

Climate change

The group is continually developing its assessment of the impact that climate change has on the assets and liabilities recognised and presented in its financial statements.

The natural environment within which the group operates is constantly changing, and this influences how its water and wastewater services are to be delivered in the future. In addition, the group has embedded ambitious climate-related targets within its own operations, with this affecting the portfolio of assets required to deliver such services.

The impact of climate change, including adaptation to improve the group's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero, has been considered in the preparation of these financial statements and the measurement bases of the assets and liabilities across a number of areas, predominantly in respect of the valuation of the property, plant and equipment held by the group.

Asset life reviews are undertaken regularly for facilities impacted by climate change, environmental legislation or the group's decarbonisation measures. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be commercially obsolete or for which no further use is planned, in part as a result of the group's decarbonisation strategy. In recent years, this has resulted in material accelerations in respect of bioresources facilities impacted by changes in environmental legislative requirements. No further material accelerations were required in the current financial year, however this is subject to continuous assessment, particularly as environmental legislation continues to evolve.

The group is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency of which are expected to increase as the effects of climate change become more apparent. Following large-scale flooding, items are identified that have been damaged beyond repair and require immediate accounting write-downs. No such charges were required in the current financial year.

In addition to the risks posed by an increased likelihood of large-scale flooding events in future years, climate change also presents challenges relating to prolonged periods of hot and dry weather, the frequency of which is expected to increase. This could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment, or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

In recent years the group has sought to further enhance the accuracy of its useful life assessments through the introduction of more forward-looking information in asset life reviews. This includes the use of disposal data to identify trends that may inform the group's view of useful lives into the future. This information is used alongside other decommissioning data and data from strategic asset planning systems to inform useful asset lives.

The group mitigates the exposure that the carrying value of its asset base has to climate-related risks through strategic planning activities that incorporate defined climate scenarios, climate change mitigation pledges, and long-term climate projections. The group installs permanent flood defences and other resilience measures at the most vulnerable facilities to protect its assets. The group further mitigates the financial exposure arising from climate-related risks through the use of insurance policies, which insure against costs incurred as a result of major environmental incidents.

1 Segmental reporting

The board of directors of United Utilities Group PLC (the board) is provided with information on a single-segment basis for the purposes of assessing performance and allocating resources. The group's performance is measured against a range of financial and operational key performance indicators ('KPIs'), with operational KPIs aligned to the group's purpose and financial KPIs focused on profitability and financial sustainability. The board reviews revenue, operating profit and gearing, along with operational drivers at a consolidated level. In light of this, the group has a single segment for financial reporting purposes.

2 Revenue

The group's revenue arises from the provision of services within the United Kingdom.

	2024 £m	Re-presented[1] 2023 £m
Wholesale water charges	819.9	758.1
Wholesale wastewater charges	990.8	914.7
Household retail charges	93.1	83.0
Other[1]	45.7	48.4
	1,949.5	1,804.2

[1] Revenue for the year ended 31 March 2023 has been re-presented so as to include £20.2 million of income not derived from the output of the group's ordinary activities in other income rather than in revenue. This income, which had previously been included in the 'other' category in the above table, related to amounts receivable under government renewable energy schemes and the sale of energy generated to the grid, which is a by-product, rather than an output, of the group's ordinary activities. As such it does not meet the criteria to be recognised as revenue from contracts with customers in accordance with IFRS 15 and so has instead been reflected as other income in the consolidated statement of comprehensive income.

In accordance with IFRS 15, revenue has been disaggregated based on what is recognised in relation to the core services of supplying clean water and the removal and treatment of wastewater. Each of these services is deemed to give rise to a distinct performance obligation under the contract with customers, although following the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Other revenues comprise a number of smaller non-core income streams, including property sales and income from activities, typically performed opposite property developers, which impact the group's capital network assets. This includes diversion works to relocate water and wastewater assets, and activities that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

3 Directors and employees

Directors' remuneration

	2024 £m	2023 £m
Fees to non-executive directors	0.8	0.8
Salaries	1.1	1.6
Benefits	0.2	0.4
Bonus	0.4	0.6
Share-based payment charge	0.7	1.8
	3.2	5.2

Further information about the remuneration of individual directors and details of their pension arrangements are provided in the directors' remuneration report on pages 142 to 163.

Remuneration of key management personnel

	2024 £m	2023 £m
Salaries and short-term employee benefits	6.8	6.4
Share-based payment charge	1.8	3.4
	8.6	9.8

Key management personnel comprises all directors and certain senior managers who are members of the executive team.

3 Directors and employees continued

Staff costs (including directors)

Group	2024 £m	2023 £m
Wages and salaries[1]	341.8	317.4
Employee-related taxes and levies	32.5	30.7
Severance	1.4	(0.2)
Post-employment benefits:		
Defined benefit pension expenses (see note 14)	2.2	8.5
Defined contribution pension expense (see note 14)	32.4	29.2
	410.3	385.6
Charged to other areas including regulatory capital schemes	(205.2)	(193.4)
Staff costs	205.1	192.2

[1] Wages and salaries excluding non-permanent staff was £302.5 million (2023: £274.7 million)

Included within staff costs were net credits of £3.2 million (2023: £0.2 million) relating to restructuring costs.

The total expense included within staff costs in respect of equity-settled share-based payments was £2.1 million (2023: £4.6 million). The company operates several share option schemes, details of which are given on pages 147 to 148 and 159 to 160 in the Directors' remuneration report.

Average number of staff employed by the group during the year (full-time equivalent including directors):

	2024 number	2023 number
Average number of staff employed by the group during the year	6,035	5,975

Company

The company has no staff.

4 Other operating costs

	2024 £m	2023 £m
Power	164.3	130.8
Hired and contracted services	128.7	103.7
Materials	127.1	132.7
Property rates	82.0	87.1
Regulatory fees	39.3	36.7
Insurance	13.3	19.7
Loss on disposal of property, plant and equipment	6.7	4.2
Accrued innovation costs	6.0	6.1
Cost of properties disposed	–	1.4
Other expenses	35.0	34.0
	602.4	556.4

In June 2023, the group experienced a significant outfall pipe fracture at a major wastewater treatment works at Fleetwood, for which the remediation and associated activity resulted in costs of £37.6 million being incurred during the year. These costs have been presented as an adjusting item in arriving at the group's underlying operating profit position as included in its alternative performance measures.

The £37.6 million of costs is split into £23.6 million of operating costs included in the above total, and £14.0 million of infrastructure renewal expenditure. The majority of the £23.6 million of operating costs are reflected within hired and contracted services, including the cost of tankering to reduce the volume of sewage spills along the Fylde Coast while remediation activity was undertaken.

In addition to the costs relating to the incident at Fleetwood, other operating costs have increased compared with the same period in the prior year, predominantly due changes in energy prices, which have resulted in an increase in the group's power costs on a hedged basis.

Research and development expenditure for the year ended 31 March 2024, was £0.7 million (2023: £1.2 million). In addition, £6.0 million (2023: £6.1 million) of costs have been accrued during the year by United Utilities Water Limited in relation to the Innovation in Water Challenge scheme operated by Ofwat for AMP7. These expenses offset amounts recognised in revenue during each year intended to fund innovation projects across England and Wales as part of an industry-wide scheme to promote innovation in the sector. The amounts accrued will either be spent on innovation projects that the group successfully bids for, or will be transferred to other successful water companies in accordance with the scheme rules.

During the year, the group obtained the following services from its auditor:

	2024 £'000	2023 £'000
Audit services		
Statutory audit – group and company	240	215
Statutory audit – subsidiaries	737	642
	977	857
Non-audit services		
Regulatory audit services provided by the statutory auditor	80	75
Other non-audit services	193	159
Total audit and non-audit services	1,250	1,091

5 Investment income

	2024 £m	2023 £m
Interest receivable on short-term bank deposits held at amortised cost	49.1	11.5
Interest receivable on loans to joint ventures held at amortised cost (see note A5)	5.6	4.7
Net pension interest income (see note 14)	28.6	28.7
Other interest receivable	2.3	2.1
	85.6	47.0

6 Finance expense

	2024 £m	2023 £m
Interest payable		
Interest payable on borrowings held at amortised cost[1]	379.8	497.7
	379.8	497.7
Fair value losses/(gains) on debt and derivative instruments		
Fair value hedge relationships:		
Borrowings[2]	(5.1)	(213.1)
Designated swaps[2][3]	3.4	224.7
	(1.7)	11.6
Financial instruments at fair value through profit or loss:		
Borrowings designated at fair value through profit or loss[4]	(21.3)	(4.2)
Associated swaps	22.1	0.4
	0.8	(3.8)
Fixed interest rate swaps[5]	27.3	(146.0)
Net receipts on derivatives and debt under fair value option	(21.3)	(32.8)
Inflation swaps[5]	5.3	(62.2)
Other	(0.9)	(1.8)
	10.4	(242.8)
Net fair value losses/(gains) on debt and derivative instruments[6]	9.5	(235.0)
	389.3	262.7

Notes:

(1) Includes a £225.9 million (2023: £463.5 million) non-cash inflation uplift expense repayable on maturity in relation to the group's index-linked debt and £1.4 million (2023: £1.5 million) interest expense on lease liabilities, representing the unwinding of the discounting applied to future lease payments.

(2) Includes foreign exchange gain of £35.1 million (2023: £20.6 million loss). These gains/losses are largely offset by fair value losses/gains on derivatives.

(3) Under the provisions of IFRS 9 'Financial instruments', a £4.8 million gain (2023: £6.3 million gain) resulting from changes to the foreign currency basis spread are recognised in other comprehensive income rather than profit or loss as they relate to items designated in an accounting hedge relationship.

(4) Under the provisions of IFRS 9 'Financial instruments', a £0.7 million gain (2023: £4.8 million gain) due to changes in the group's own credit risk is recognised in other comprehensive income rather than within profit or loss.

(5) These swap contracts are not designated within an IFRS 9 hedge relationship and are classed as 'held for trading' under the accounting standard. These derivatives form economic hedges and, as such, management intends to hold these through to maturity.

(6) Includes £29.3 million (2023: £31.8 million) income due to net interest on derivatives and debt under fair value option and £25.9 million (2023: £56.2 million) expense due to non-cash inflation uplift on index-linked derivatives. Fair value movements excluding this income are deducted to reach underlying finance expense, which forms part of the group's alternative performance measures ('APMs') as set out on pages 96 to 97.

Interest payable is stated net of £81.0 million (2023: £127.5 million) borrowing costs capitalised in the cost of qualifying assets within property, plant and equipment and intangible assets during the year. This has been calculated by applying an average capitalisation rate of 6.1 per cent (2023: 7.9 per cent) to expenditure on such assets as prescribed by IAS 23 'Borrowing Costs'.

Underlying finance expense, which forms part of the group's APMs set out on pages 96 to 97, is calculated by adjusting net finance expense and investment income of £306.1 million (2023: £215.7 million) reported in the income statement to exclude the £9.5 million of fair value losses (2023: £235.0 million of fair value gains) in the above table, but include £29.3 million (2023: £31.8 million) income due to net interest on derivatives and debt under fair value option, and £25.9 million (2023: £56.2 million) expense due to non-cash inflation uplift on index-linked derivatives.

7 Tax

	2024 £m	2023 £m
Current tax		
UK corporation tax	–	–
Adjustments in respect of prior years	(5.8)	(25.2)
Total current tax credit for the year	(5.8)	(25.2)
Deferred tax		
Current year	44.3	44.1
Adjustments in respect of prior years	4.6	32.5
Total deferred tax charge for the year	48.9	76.6
Total tax charge for the year	43.1	51.4

The current tax 'adjustments in respect of prior years' of £5.8 million mainly relates to claims for research and development UK tax allowances on our innovation-related expenditure, in respect of multiple prior years. It reflects an additional claim submitted during the year, along with adjustments relating to ongoing enquiries from the tax authorities in relation to these claims.

The current tax 'adjustments in respect of prior years' of £25.2 million in the previous year is mainly due to the utilisation of losses that were previously being carried forward.

7 Tax continued

The table below reconciles the notional tax charge at the UK corporation tax rate to the total tax charge and total effective tax rate for the year:

	2024 £m	2024 %	2023 £m	2023 %
Profit before tax	170.0		256.3	
Tax at the UK corporation tax rate	42.5	25.0	48.7	19.0
Deferred tax rate adjustment	–	–	10.6	4.1
Adjustments in respect of prior years	(1.2)	(0.7)	7.3	2.8
Net income not taxable	1.8	1.1	(15.2)	(5.9)
Total tax charge and effective tax rate for the year	43.1	25.4	51.4	20.0

The deferred tax rate adjustment in the prior year reflects the fact that the deferred tax charge was at the future tax rate of 25 per cent, rather than the 19 per cent rate used previously.

The table below reconciles the notional tax charge at the UK corporation tax rate to the total current tax charge for the year.

	2024 £m	2023 £m
Profit before tax	170.0	256.3
Profit before tax multiplied by the standard rate of UK corporation tax of 25% (2023: 19%)	42.5	48.7
Relief for capital allowances in place of depreciation	(202.0)	(107.5)
Disallowances of depreciation charged in the accounts	94.6	69.8
Adjustments to tax charge in respect of prior years	(5.8)	(25.2)
Financial transactions timing differences	4.2	(48.9)
Pension timing differences	(9.2)	(6.0)
Relief for capitalised interest	(20.2)	(24.2)
Other timing differences	1.0	2.6
Joint ventures net losses	1.0	–
Profit on disposal of subsidiary	–	(5.9)
Income not taxable	(2.8)	(12.0)
Depreciation charged on non-qualifying assets	3.7	2.6
Current year tax losses carried forward	87.2	80.8
Current tax credit for the year	(5.8)	(25.2)

The group's current tax charge is typically lower than the UK headline rate of 25 per cent, primarily due to a range of adjustments that are simply timing differences between recognition of the income or expense in the accounts and in the related tax computations submitted to HMRC. These include deductions in relation to capital spend, pension timing differences, unrealised profits or losses in relation to financing and related treasury derivatives and capitalised interest.

The current year net timing differences in relation to capital spend, i.e. capital allowances less depreciation, was higher in the current and prior year mainly due to the temporary super-deductions introduced in 2021 and 'first-year allowances' introduced in March 2023.

The group undertakes and invests in Research & Development ('R&D') upon which accelerated capital allowances are expected to be available. The extent to which R&D allowances are available on any given asset is dependent on the specific fact pattern of the asset and project. Reaching agreement with tax authorities as to the amount of R&D allowances can take a number of years, and judgment is required in estimating the amount of R&D allowances likely to be received following the conclusion of these processes. The adjustments to the tax charge in respect of prior years of £5.8 million mainly relate to the ongoing enquiries from the tax authorities in relation to our claims for R&D allowances between 2019 and 2021 on our innovation-related expenditure. The group believes that it has made appropriate provision for periods that are currently still under enquiry and yet to be agreed with tax authorities, and that the carrying amount of the relevant tax assets reflect management's estimate of the most likely amount that will be received. The £25.2 million in the prior year mainly relates to the utilisation of tax losses that were previously being carried forward.

The year-on-year movement in financial transactions timing differences is sensitive to fair value movements on treasury derivatives and can, therefore, fluctuate significantly from year to year.

The relief for capitalised interest relates to amounts that are immediately deductible under the UK tax rules notwithstanding the amounts being capitalised for accounting purposes. The year-on-year amount will depend on the amount capitalised.

Other timing differences includes a range of small value items where there is a timing difference between the accounting and tax recognition.

The decrease in income not taxable in the current year is mainly due to the additional 30 per cent element of the temporary capital allowances super-deductions included in the prior year, which is not applicable in the current year.

Depreciation charged on non-qualifying assets relates to accounting depreciation where there is no corresponding tax deduction.

7 Tax continued

Current year tax losses have arisen mainly as a result of the availability of tax relief available on capital spend. These losses will be carried forward to be utilised against future taxable profits.

Pillar Two

In line with the recent enactment of the Pillar Two income taxes legislation in the UK, which came into effect on 1 January 2024, the group has assessed its potential exposure. This legislation mandates a top-up tax for entities with an effective tax rate below the 15 per cent threshold. The first accounting period for the group to which the Pillar Two legislation will apply is the year to 31 March 2025.

As of 31 March 2024, the only jurisdiction in which the group has a potential Pillar Two exposure is the UK. The entire UK profits of the group will be within the scope of Pillar Two. However, from preliminary calculations, we expect that the effective rate of all our group entities will exceed the 15% tax rate benchmark and management are not currently aware of any circumstances in which this may change. Therefore, the group does not expect a potential exposure to Pillar Two top-up taxes.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 23 May 2023 and 27 June 2023, respectively, the IASB and AASB issued amendments to IAS 12 'Income taxes' introducing a mandatory temporary exception to the requirements of IAS 12, under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The group applied the temporary exception at 31 March 2024.

Tax on items recorded within other comprehensive income	2024 £m	2023 £m
Deferred tax		
On remeasurement losses on defined benefit pension schemes	**(152.2)**	(152.8)
On net fair value losses on credit assumptions for debt reported at fair value through profit and loss and cost of hedging	**(13.9)**	(19.1)
Share-based payments	**(0.3)**	0.7
Total tax charge on items recorded within other comprehensive income	**(166.4)**	(171.2)

The tax adjustments taken to other comprehensive income primarily relate to remeasurement movements on the group's defined benefit pension schemes. Management consider that the most likely method of realisation would be through a refund, which would be taxed at the rate applicable to refunds from a trust (currently 25 per cent reduced from 35 per cent in the prior year).

Current tax asset

Group	Total £m
At 1 April 2022	74.4
Charged to the income statement	–
Adjustments in respect of prior years	25.2
Transfer from amounts owed by related parties	6.1
Payments/(receipts)	(6.8)
At 31 March 2023	**98.9**
Charged to the income statement	**–**
Adjustments in respect of prior years	**5.8**
Payments/(receipts)	**(4.6)**
At 31 March 2024	**100.1**

The current tax asset recognised in the statement of financial position reflects the amount of tax expected to be recoverable based on judgements made regarding the application of tax law, and the current status of negotiations with, and enquiries from, tax authorities.

Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the group, and the movements thereon, during the current and prior year:

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 April 2022	1,790.6	355.8	1.7	2,148.1
Charged to the income statement	78.7	7.3	(9.4)	76.6
Credited to other comprehensive income	–	(152.8)	(18.4)	(171.2)
Disposal of deferred tax liability	(5.4)	–	–	(5.4)
At 31 March 2023	**1,863.9**	**210.3**	**(26.1)**	**2,048.1**
Charged to the income statement	**144.8**	**8.9**	**(104.8)**	**48.9**
Credited to other comprehensive income	**–**	**(152.2)**	**(14.2)**	**(166.4)**
At 31 March 2024	**2,008.7**	**67.0**	**(145.1)**	**1,930.6**

7 Tax continued

Certain deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

The accelerated tax depreciation represents the difference between capital allowances and accounting depreciation on the group's property, plant and equipment. Capital allowances are tax reliefs provided in law and spread the tax relief due over a pre-determined standard number of years. This contrasts with the accounting treatment, where the expenditure is treated as an asset with the cost being depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially. Due to the group's continued significant annual capital expenditure, the deductions for capital allowances are expected to exceed depreciation for the medium term and continue to impact future corporation tax payments.

Given the fully funded nature of the group's defined benefit pension schemes, the retirement benefit obligations primarily relates to deferred taxation on the pensions schemes surplus position. This amount is significantly impacted by financial market conditions and long-term inflation expectations, and therefore it is difficult to forecast future movements. However, these movements have no impact on medium-term future corporation tax payments as they only impact year-on-year deferred tax movement.

Deferred tax on retirement benefit obligations can also arise where there are year-on-year differences between the contributions paid and the associated amounts charged to the profit and loss account. However, given the fully funded nature of our pension schemes, any such deferred tax movements, together with the associated impact on future corporation tax payments, is not expected to be significant for the medium term.

Included in the credit to other comprehensive income of £166.4 million is a credit of £60.1 million reflecting a change in the rate at which tax would be payable on an authorised surplus payment in respect of the group's retirement benefit surplus, from 35 per cent to 25 per cent in the year.

The other short-term temporary differences of £145.1 million includes £211.2 million relating to tax losses that have been carried forward, where permitted under HMRC rules, to be utilised in future periods. This includes £87.2 million (2023: £108.9 million) of current year tax losses carried forward. Also included are other short-term timing differences in relation to the year-on-year movement in financial transactions which are sensitive to fair value movement on treasury derivatives, and can therefore fluctuate significantly from year to year. However, these fair value movements have no impact on future corporation tax payments as they only impact the year-on-year deferred tax movement.

Company

The company had no deferred tax assets or liabilities at 31 March 2024 or 31 March 2023.

8 Earnings per share

	2024 £m	2023 £m
Profit after tax attributable to equity holders of the company - continuing operations	**126.9**	204.9

	2024 pence	2023 pence
Earnings per share		
Basic	**18.6**	30.0
Diluted	**18.6**	30.0

Basic earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 681.9 million being the weighted average number of shares in issue during the year (2023: 681.9 million). Diluted earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 683.5 million, being the weighted average number of shares in issue during the year, including dilutive shares (2023: 684.1 million).

The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations represents those ordinary shares deemed to have been issued for no consideration on the conversion of all potential dilutive ordinary shares in accordance with IAS 33 'Earnings Per Share'. Potential dilutive ordinary shares comprise outstanding share options awarded to directors and certain employees (see note 3).

The weighted average number of shares can be reconciled to the weighted average number of shares, including dilutive shares, as follows:

	2024 million	2023 million
Average number of ordinary shares – basic	**681.9**	681.9
Effect of potential dilutive ordinary share options	**1.6**	2.2
Average number of ordinary shares – diluted	**683.5**	684.1

9 Dividends

	2024 £m	2023 £m
Amounts recognised as distributions to equity holders of the company in the year comprise:		
Ordinary shares		
Final dividend for the year ended 31 March 2023 at 30.34 pence per share (2022: 29.00 pence)	**206.9**	197.8
Interim dividend for the year ended 31 March 2024 at 16.59 pence per share (2023: 15.17 pence)	**113.1**	103.4
	320.0	301.2
Proposed final dividend for the year ended 31 March 2024 at 33.19 pence per share (2023: 30.34 pence)	**226.3**	206.9

The proposed final dividends for the years ended 31 March 2024 and 31 March 2023, were subject to approval by equity holders of United Utilities Group PLC as at the reporting dates and, hence, have not been included as liabilities in the consolidated financial statements at 31 March 2024 and 31 March 2023.

10 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	2024 £m	2023 £m
Property, plant and equipment – owned	**12,986.7**	12,513.8
Right-of-use assets – leased	**57.6**	56.9
Net book value	**13,044.3**	12,570.7

Property, plant and equipment – owned

Group	Land and buildings £m	Infra-structure assets £m	Operational assets £m	Fixtures, fittings, tools and equipment £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2022	372.3	6,031.3	8,361.7	513.7	1,639.9	16,918.9
Additions	1.1	88.7	243.5	2.9	530.7	866.9
Transfers	1.3	129.1	99.0	7.1	(222.6)	13.9
Disposals	(7.2)	(10.7)	(199.7)	(19.1)	–	(236.7)
At 31 March 2023	367.5	6,238.4	8,504.5	504.6	1,948.0	17,563.0
Additions	**2.1**	**79.6**	**224.2**	**6.1**	**580.5**	**892.5**
Transfers	**16.8**	**469.8**	**423.7**	**21.9**	**(938.3)**	**(6.1)**
Disposals	**(7.1)**	**(0.1)**	**(59.0)**	**(87.3)**	**–**	**(153.5)**
At 31 March 2024	**379.3**	**6,787.7**	**9,093.4**	**445.3**	**1,590.2**	**18,295.9**
Accumulated depreciation						
At 1 April 2022	137.1	522.3	3,758.1	413.7	–	4,831.2
Charge for the year	8.5	47.9	305.5	21.6	–	383.5
Transfers	–	0.4	2.9	–	–	3.3
Disposals	(6.8)	(10.6)	(132.8)	(18.6)	–	(168.8)
At 31 March 2023	138.8	560.0	3,933.7	416.7	–	5,049.2
Charge for the year	**8.4**	**49.2**	**325.4**	**21.3**	**–**	**404.3**
Transfers	**(0.5)**	**(0.1)**	**(0.8)**	**–**	**–**	**(1.4)**
Disposals	**(2.7)**	**–**	**(53.4)**	**(86.8)**	**–**	**(142.9)**
At 31 March 2024	**144.0**	**609.1**	**4,204.9**	**351.2**	**–**	**5,309.2**
Net book value at 31 March 2023	228.7	5,678.4	4,570.8	87.9	1,948.0	12,513.8
Net book value at 31 March 2024	**235.3**	**6,178.6**	**4,888.5**	**94.1**	**1,590.2**	**12,986.7**

At 31 March 2024, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £327.0 million (2023: £322.6 million). In addition to these commitments, the group has long-term expenditure plans, which include investments to achieve improvements in performance required by regulators and to provide for future growth.

Following a review of inventories carried out during the year ended 31 March 2023, the group opted to reclassify spare parts previously recognised within inventories to property, plant and equipment in order to better reflect the expected consumption pattern of these items. This resulted in £14.6 million being transferred to property, plant and equipment (cost) and £3.3 million being transferred to accumulated depreciation at 31 March 2023, with any spare part additions being recognised directly in property, plant and equipment during the year ended 31 March 2024.

10 Property, plant and equipment continued

Following a review of the presentation of government grants related to assets during the year, the group has elected to deduct the value of grants received in arriving at the carrying value of related assets on the basis that this provides a better representation of the substance of these transactions. This has resulted in £6.1 million of grants related to assets received in previous years being deducted from the assets' carrying values, net of £1.4 million of amortisation of these grants that has already been recognised in profit and loss. These amounts are reflected in the transfers lines in the previous table. During the year ended 31 March 2024, government grants of £1.9 million related to assets were received. These have been reflected in the additions line in the previous table as a deduction in arriving at the carrying value of the related assets.

Company

The company had no property, plant and equipment or contractual commitments for the acquisition of property, plant and equipment at 31 March 2024 or 31 March 2023.

11 Intangible assets

Group	Total £m
Cost	
At 1 April 2022	432.9
Additions	19.0
Transfers	0.6
Disposals	–
At 31 March 2023	452.5
Additions	**15.9**
Transfers	**–**
Disposals	**(79.3)**
At 31 March 2024	**389.1**
Accumulated amortisation	
At 1 April 2022	272.1
Charge for the year	38.1
Transfers	–
Disposals	–
At 31 March 2023	310.2
Charge for the year	**32.7**
Transfers	**–**
Disposals	**(78.3)**
At 31 March 2024	**264.6**
Net book value at 31 March 2023	142.3
Net book value at 31 March 2024	**124.5**

The group's intangible assets relate mainly to computer software.

At 31 March 2024, the group had entered into contractual commitments for the acquisition of intangible assets amounting to £1.1 million (2023: £2.8 million).

Company

The company had no intangible assets or contractual commitments for the acquisition of intangible assets at 31 March 2024 or 31 March 2023.

12 Interests in joint ventures and other investments

	2024 £m	2023 £m
Joint ventures at the start of the period	**16.5**	16.5
Share of losses of joint ventures	**(4.1)**	–
Joint ventures at the end of the period	**12.4**	16.5

The group's interests in joint ventures mainly comprises its 50 per cent interest in Water Plus Group Limited ('Water Plus'), which is jointly owned and controlled by the group and Severn Trent PLC under a joint venture agreement.

The group's total share of Water Plus losses for the year was £4.1 million (2023: nil share of profits or losses), all of which is recognised in the income statement.

Details of transactions between the group and its joint ventures are disclosed in note A5.

Company

At 31 March 2024, the company's investments related solely to its investments in United Utilities PLC, which was recorded at a cost of £6,326.8 million (2023: £6,326.8 million).

13 Trade and other receivables

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Trade receivables	61.0	47.8	–	–
Amounts owed by subsidiary undertakings	–	–	136.0	105.1
Amounts owed by related parties (see note A5)	100.8	102.2	–	–
Other debtors and prepayments	62.1	43.1	–	–
Accrued income	76.6	73.1	–	–
	300.5	266.2	136.0	105.1

The majority of accrued income arises from timing differences between the billing cycle and the usage of water by customers. They therefore typically reverse in subsequent months, with all amounts held in relation to these contract assets at the beginning of the reporting period having subsequently reversed into the income statement during the year.

At 31 March 2024, the group had £73.7 million (2023: £75.7 million) of trade and other receivables classified as non-current, all of which was owed by related parties.

The carrying amounts of trade and other receivables approximate to their fair value at 31 March 2024 and 31 March 2023.

Trade receivables do not carry interest and are stated net of allowances for bad and doubtful receivables, an analysis of which is as follows:

Group	2024 £m	2023 £m
At the start of the year	85.7	84.6
Amounts charged to operating expenses	22.0	22.7
Trade receivables written off	(22.8)	(21.0)
Amounts charged to deferred grants and contributions	(0.5)	(0.6)
At the end of the year	84.4	85.7

Amounts charged to deferred income relate to amounts invoiced for which revenue has not yet been recognised in the income statement.

At each reporting date, the group evaluates the recoverability of trade receivables and records allowances for expected credit losses, which are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considers past events, current conditions and forecasts of future conditions.

At 31 March 2024 and 31 March 2023, the group had no trade receivables that were past due and not individually impaired.

The following table provides information regarding the ageing of net trade receivables that were past due and individually impaired:

At 31 March 2024	Aged less than one year £m	Aged between one year and two years £m	Aged greater than two years £m	Carrying value £m
Gross trade receivables	66.7	27.2	51.4	145.3
Allowance for expected credit losses	(20.7)	(12.7)	(51.0)	(84.4)
Net trade receivables	46.0	14.5	0.4	60.9

At 31 March 2023	Aged less than one year £m	Aged between one year and two years £m	Aged greater than two years £m	Carrying value £m
Gross trade receivables	51.6	31.8	50.1	133.5
Allowance for expected credit losses	(20.2)	(16.7)	(48.8)	(85.7)
Net trade receivables	31.4	15.1	1.3	47.8

At 31 March 2024, the group had £0.1 million (2023: £0.3 million) of trade receivables that were not past due.

At 31 March 2024 and 31 March 2023, the group had no accrued income that was past due. In instances where the collection of consideration is not considered probable at the point services are delivered, no accrued income is recognised, as the criteria to recognise revenue in accordance with IFRS 15 has not been met.

Company

At 31 March 2024 and 31 March 2023, the company had no trade receivables that were past due. Of the £136.0 million (2023: £105.1 million) owed by subsidiaries, £75.0 million (2023: £75.0 million) was classified as non-current at the reporting date.

The carrying amount of trade and other receivables approximates to their fair value at 31 March 2024 and 31 March 2023.

14 Retirement benefits

The group participates in two major funded defined benefit pension schemes in the United Kingdom – the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC group of the Electricity Supply Pension Scheme ('ESPS') – as well as a defined contribution scheme, which is part of the UUPS, and a series of historic unfunded, unregistered retirement benefit schemes operated for the benefit of certain former employees.

Both defined benefit schemes are closed to new employees, and since 1 April 2018 the majority of active members in the defined benefit section of the UUPS have been part of a hybrid section comprising both defined benefit and defined contribution elements in order to reduce the overall costs and risk to the group resulting from increases in future service costs, while balancing the interests of employees by maintaining an element of defined benefit pension provision.

Information about the pension arrangements for executive directors is contained in the directors' remuneration report.

Defined benefit schemes

As similar financial and demographic assumptions are used in accounting for both of the group's defined benefit pension schemes, and given they have similar risk profiles, the information below and further detail provided in note A4 is presented on an aggregated basis unless otherwise stated.

The net pension income before tax recognised in the income statement in respect of the defined benefit pension schemes is summarised as follows:

Group	2024 £m	2023 £m
Current service cost	2.8	6.0
Past service cost	(4.6)	–
Administrative expenses	4.0	2.5
Pension expense charged to operating profit	2.2	8.5
Net pension interest income credited to investment income (see note 5)	(28.6)	(28.7)
Net pension income credited to the income statement before tax	(26.4)	(20.2)

Defined benefit pension costs excluding curtailments/settlements included within employee benefit expense were £2.2 million (2023: £8.5 million) comprising current service costs and administrative expenses, partially offset by a past service credit of £4.6 million (2023: £nil) relating to the release of historic accrued defined benefit pension augmentations that are no longer required. Total post-employment benefits expense excluding curtailments/settlements charged to operating profit of £34.6 million (2023: £37.7 million) comprise the defined benefit costs described above of £2.2 million (2023: £8.5 million) and defined contribution costs of £32.4 million (2023: £29.2 million) (see note 3).

The reconciliation of the opening and closing net pension surplus included in the statement of financial position is as follows:

Group	2024 £m	2023 £m
At the start of the year	600.8	1,016.8
Income recognised in the income statement	26.4	20.2
Contributions	9.3	9.1
Remeasurement losses gross of tax	(368.5)	(445.3)
At the end of the year	268.0	600.8

Included in the contributions paid of £9.3 million (2023: £9.1 million), which are included as cash outflows in arriving at net cash generated from operations in the consolidated statement of cash flows, are payments in relation to historic unfunded, unregistered retirement benefit schemes of £0.7 million (2023: £0.6 million), and administration expenses of £4.0 million (2023: £2.5 million). Contributions in relation to current service cost fell to £2.8 million (2023: £6.0 million).

Remeasurement gains and losses are recognised directly in the statement of comprehensive income.

Group	2024 £m	2023 £m
The return on plan assets, excluding amounts included in interest	(402.7)	(1,087.8)
Actuarial gains arising from changes in financial assumptions	52.7	950.0
Actuarial gains/(losses) arising from changes in demographic assumptions	49.2	(60.7)
Actuarial losses arising from experience	(67.7)	(246.8)
Remeasurement losses on defined benefit pension schemes	(368.5)	(445.3)

Deferred tax on the movement in the defined benefit surplus during the year has been recognised at a rate of 25 per cent, being the rate applicable to refunds from a trust, reflecting the most likely method by which the defined benefit surplus would be realised (see note 7).

14 Retirement benefits continued

For more information in relation to the group's defined benefit pension schemes, including changes in financial and demographic assumptions, see note A4.

Defined contribution schemes

During the year, the group made £32.4 million (2023: £29.2 million) of contributions to defined contribution schemes, which are included in employee benefits expense in the consolidated income statement (see note 3), and as cash outflows in arriving at net cash generated from operating activities in the consolidated statement of cash flows.

Company

The company did not participate in any of the group's pension schemes during the years ended 31 March 2024 and 31 March 2023.

15 Cash and cash equivalents

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Cash at bank and in hand	**3.7**	2.6	**–**	–
Short-term bank deposits	**1,395.6**	337.8	**–**	–
Cash and short-term deposits	**1,399.3**	340.4	**–**	–
Book overdrafts (included in borrowings – see note 16)	**(20.0)**	(12.5)	**–**	–
Cash and cash equivalents in the statement of cash flows	**1,379.3**	327.9	**–**	–

Cash and short-term deposits include cash at bank and in hand, deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and have a maturity of three months or less. The carrying amounts of cash and cash equivalents approximate their fair value.

Book overdrafts, which result from normal cash management practices, represent the value of cheques issued and payments initiated that had not cleared as at the reporting date.

16 Borrowings

Group	**2024 £m**	2023 £m
Non-current liabilities		
Bonds	**7,598.2**	6,378.8
Bank and other term borrowings	**1,691.4**	1,825.0
Lease obligations	**56.2**	55.2
	9,345.8	8,259.0
Current liabilities		
Bonds	**328.4**	–
Bank and other term borrowings	**304.2**	160.8
Book overdrafts (see note 15)	**20.0**	12.5
Lease obligations	**3.0**	3.1
	655.6	176.4
	10,001.4	8,435.4

Company	**2024 £m**	2023 £m
Non-current liabilities		
Amounts owed to subsidiary undertakings	**1,982.3**	1,864.8
	1,982.3	1,864.8

Amounts owed to subsidiary undertakings relate to an intercompany loan from United Utilities PLC to the company, which bears interest calculated with reference to the Bank of England base rate plus a credit margin, and is repayable with 12 months' notice upon written request by a director of either party, with the repayment date not falling less than 366 days after the date of the request.

For further details of the principal economic terms and conditions of outstanding borrowings and the maturity profile of lease liabilities recognised at the balance sheet date, see note 19.

Borrowings are unsecured and are measured at amortised cost. The carrying amounts of borrowings approximate their fair value.

17 Provisions

Group	**Severance £m**	**Other £m**	**Total £m**
At 1 April 2022	1.2	12.3	13.5
(Credited)/charged to the income statement	(0.3)	0.8	0.5
Utilised in the year	(0.5)	(0.4)	(0.9)
At 31 March 2023	0.4	12.7	13.1
Charged to the income statement	**1.5**	**2.8**	**4.3**
Utilised in the year	**(1.4)**	**(2.5)**	**(3.9)**
At 31 March 2024	**0.5**	**13.0**	**13.5**

The group had no provisions classed as non-current at 31 March 2024 or 31 March 2023.

The severance provision as at 31 March 2024 and 31 March 2023 relates to severance costs as a result of group reorganisation.

Other provisions principally relate to contractual, legal and environmental claims against the group and represent management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims.

Company

The company had no provisions at 31 March 2024 or 31 March 2023.

18 Trade and other payables

	Group		Company	
Non-current	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Deferred grants and contributions	**937.7**	873.3	**–**	–
Other creditors	**20.2**	19.1	**–**	–
	957.9	892.4	**–**	–

	Group		Company	
Current	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Trade payables	**23.4**	26.4	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**0.9**	2.0
Other tax and social security	**7.5**	6.9	**–**	–
Deferred grants and contributions	**17.8**	16.6	**–**	–
Accruals and other creditors	**315.4**	272.8	**4.1**	3.6
Deferred income	**49.2**	54.0	**–**	–
	413.3	376.7	**5.0**	5.6

The average credit period taken for trade purchases is 11 days (2023: 11 days).

The carrying amounts of trade and other payables approximates to their fair value at 31 March 2024 and 31 March 2023.

The majority of deferred income balances comprise timing differences between customer payments, the billing cycle, and the usage of water by customers. They therefore typically reverse in subsequent months, with all amounts held in relation to these contract liabilities at the beginning of the reporting period having subsequently reversed into the income statement during the year.

Deferred grants and contributions

Group	**2024 £m**	2023 £m
At the start of the year	**889.9**	834.2
Amounts capitalised during the year	**25.9**	5.4
Transfers of assets from customers	**61.3**	66.2
Transfer of government grants related to assets	**(4.7)**	–
Credited to the income statement – revenue	**(17.4)**	(16.2)
Credited to the income statement – other operating expenses	**–**	(0.3)
Credited to allowance for bad and doubtful receivables	**0.5**	0.6
At the end of the year	**955.5**	889.9

During the year, the unamortised value of government grants related to assets has been transferred to property, plant and equipment and deducted in arriving at the carrying value of related assets. See note 10 for further detail.

19 Leases

In order to carry out its activities, the group enters into leases of assets from time to time, typically in relation to items such as land, buildings, vehicles, and equipment. Due to the nature of the group's operations, many of the group's leases have extremely long terms, with leases ranging from one year to 999 years. The group does not typically enter into lease contracts with a duration of less than 12 months, and no material costs were incurred during the year for short-term leases.

During the year, the group has entered into leases of computer equipment for which the underlying assets are of low value, and therefore qualify for the recognition exemption available under IFRS 16 'Leases', which the group has elected to apply. The expense related to these low-value assets incurred in the year totals £0.6 million (2023: £nil).

As at 31 March 2024, the group's statement of financial position included right-of-use assets with a net book value of £57.6 million (2023: £56.9 million) and lease liabilities with a total value of £59.2 million (2023: £58.3 million). These balances are analysed further below.

Right-of-use assets

As shown in note 10, the carrying amount of right-of-use assets at the year ended 31 March 2024 is presented in the following asset classes.

	2024 £m	2023 £m
Land and buildings	52.0	51.2
Operational assets	5.4	5.5
Fixtures, fittings, tools, and equipment	0.2	0.2
Total carrying amount of right-of-use assets	**57.6**	56.9

Additions to right-of-use assets were £2.6 million (2023: £1.0 million). Disposals were £1.0 million (2023: £2.5 million).

The depreciation charge recognised in relation to right-of-use assets, which is included within the group's operating profit, was as follows:

	2024 £m	2023 £m
Land and buildings	1.2	1.4
Operational assets	0.6	0.6
Fixtures, fittings, tools, and equipment	–	–
Total depreciation of right-of-use assets	**1.8**	2.0

Lease liabilities

As set out in note 16, lease liabilities at the year ended 31 March 2024 of £59.2 million (2023: £58.3 million) is split between £56.2 million (2023: £55.2 million) presented as non-current liabilities and £3.0 million (2023: £3.1 million) presented as current liabilities.

The maturity profile of lease liabilities recognised at the balance sheet date is:

	2024 £m	2023 £m
Less than 1 year	3.0	3.2
1 to 5 years	8.6	9.0
5 to 10 years	7.9	7.8
10 to 25 years	26.0	25.0
25 to 50 years	43.2	41.3
50 to 100 years	85.0	81.5
100 to 500 years	108.6	105.3
Longer than 500 years	3.5	3.2
Total undiscounted cash payments	**285.8**	276.3
Effect of discounting	(226.6)	(218.0)
Present value of cash payments	**59.2**	58.3

Interest recognised in relation to lease liabilities for the year ended 31 March 2024, and included within the group's finance expenses, was £1.4 million (2023: £1.5 million).

The total cash outflow for leases for the year ended 31 March 2024 was £2.9 million (2023: £3.3 million); of this, £1.4 million was payment of interest (2023: £1.5 million) and £1.5 million payment of principal (2023: £1.8 million). Payment of interest forms part of cash flows from operating activities and payment of principal is included within repayment of borrowings, which forms part of cash flows from financing activities in the group's statement of cash flows.

20 Other reserves

Group	Capital redemption reserve £m	Merger reserve £m	Cost of hedging reserve £m	Cash flow hedging reserve £m	Total £m
At 1 April 2022	1,033.3	(703.6)	0.4	86.1	416.2
Changes in fair value recognised in other comprehensive income	–	–	6.3	(50.6)	(44.3)
Amounts reclassified from other comprehensive income to profit or loss	–	–	–	(36.6)	(36.6)
Tax on hedge effectiveness taken directly to equity	–	–	(1.6)	12.7	11.1
Tax on reclassification to consolidated income statement	–	–	–	7.0	7.0
At 31 March 2023	1,033.3	(703.6)	5.1	18.6	353.4
At 1 April 2023	1,033.3	(703.6)	5.1	18.6	353.4
Changes in fair value recognised in other comprehensive income	–	–	4.8	(63.0)	(58.2)
Amounts reclassified from other comprehensive income to profit or loss	–	–	–	1.8	1.8
Tax on hedge effectiveness taken directly to equity	–	–	(1.2)	15.8	14.6
Tax on reclassification to consolidated income statement	–	–	–	(0.5)	(0.5)
At 31 March 2024	**1,033.3**	**(703.6)**	**8.7**	**(27.3)**	**311.1**

The capital redemption reserve arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009. The merger reserve arose in the same year on consolidation and represents the capital adjustment to reserves required to effect the reverse acquisition.

The group recognises the cost of hedging reserve as a component of equity. This reserve reflects accumulated fair value movements on cross-currency swaps resulting from changes in the foreign currency basis spread, which represents a liquidity charge inherent in foreign exchange contracts for exchanging currencies and is excluded from the designation of cross-currency swaps as hedging instruments.

The group designates a number of swaps hedging non-financial risks in cash flow hedge relationships to give a more representative view of operating costs. Fair value movements relating to the effective part of these swaps are recognised in other comprehensive income and accumulated in the cash flow hedging reserve.

Company

The company's other reserves at 31 March 2024, 31 March 2023 and 1 April 2022, were comprised entirely of a £1,033.3 million capital redemption reserve that arose as a result of a return of capital to shareholders following the acquisition of United Utilities PLC by the company in the year ended 31 March 2009.

21 Share capital

Group and company	2024 million	2024 £m	2023 million	2023 £m
Issued, called up and fully paid				
Ordinary shares of 5.0 pence each	681.9	34.1	681.9	34.1
Deferred shares of 170.0 pence each	274.0	465.7	274.0	465.7
	955.9	499.8	955.9	499.8

Details of the voting rights of each category of shares can be found within the directors' report on page 165.

The 170.0 pence deferred shares were created to facilitate a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009 (see company statement of changes in equity on page 184), and represent the amount of a special dividend paid on B shares at that time. The deferred shares convey no right to income, no right to vote and no appreciable right to participate in any surplus capital in the event of a winding up.

22 Contingent liabilities

Since 2016, the group has received indications from a number of property search companies ('PSCs') that they intend to claim compensation for amounts paid in respect of CON29DW water and drainage search reports, which they allege should have been provided to them either free of charge or for a nominal fee in accordance with the Environmental Information Regulations. In April 2020, a group of over 100 PSCs, comprising companies within the groups that had previously issued notice of intended claims, served proceedings on all of the water and sewerage undertakers in England and Wales, including UUW, for an unspecified amount of compensation. The litigation is being dealt with on a phased basis, with questions on whether the requested information falls within EIR being decided first (Phase 1). The trial of Phase 1 was concluded in December 2023, and UUW is awaiting the judgement, which is likely to be due at the end of spring 2024. Regardless of the outcome of the initial phase, no damages would be assessed or awarded until later phases in the litigation. However, based on the information currently available, the likelihood of the claim's success is considered to be low, and any potential outflow is not expected to be material.

Collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against UUW and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative, Professor Carolyn Roberts. It is alleged that customers have collectively paid an overcharge for sewerage services during the claim period (which runs from 1 April 2020 and may continue into the early years of the 2025-30 regulatory price control period) as a result of UUW allegedly abusing a dominant position by allegedly providing misleading information to regulatory bodies. A hearing is currently scheduled for late September 2024 to deal with certification of the claim and any possible preliminary issue or strike out arguments in respect of the claim. UUW believes the claim is without merit and will defend it robustly. Similar claims have also been issued and served against five other water and wastewater companies.

23 Financial and other commitments

The group has credit support guarantees as well as general performance commitments and potential liabilities under contract that may give rise to financial outflow. The group has determined that the possibility of any outflow arising in respect of these potential liabilities is remote and, as such, there are no financial liabilities to be disclosed in this regard (2023: none).

At 31 March 2024, there were commitments for future capital expenditure and infrastructure renewals expenditure contracted, but not provided for, of £342.7 million (2023: £339.0 million).

	2024 £m	2023 £m
Property, plant and equipment	327.0	322.6
Intangible assets	1.1	2.8
Infrastructure renewals expenditure	14.6	13.6
Total commitments contracted but not provided for	**342.7**	339.0

The company has not entered into performance guarantees as at 31 March 2024 and 31 March 2023.

24 Events after the reporting period

There were no significant events after the reporting period requiring disclosure or any adjustments to the financial position, financial performance, or cash flows reported as at 31 March 2024.

A1 Consolidated statement of cash flows – further analysis

Cash generated from operations

	Group		Company	
	2024 £m	2023 £m	2024 £m	Restated[1] 2023 £m
Profit before tax	170.0	256.3	207.4	245.4
Adjustment for investment income and finance expense (see notes 5, 6 and A5)	306.1	215.7	113.0	55.9
Adjustment for share of losses of joint ventures (see note 12)	4.1	–	–	–
Profit on disposal of subsidiary	–	(31.2)	–	–
Operating profit	480.2	440.8	320.4	301.3
Adjustments for:				
Depreciation of property, plant and equipment (see notes 10 and 19)	406.1	385.5	–	–
Amortisation of intangible assets (see note 11)	32.7	38.1	–	–
Loss on disposal of property, plant and equipment (see note 4)	6.7	4.2	–	–
Amortisation of deferred grants and contributions (see note 18)	(17.4)	(16.2)	–	–
Equity-settled share-based payments charge (see note 3)	2.1	5.1	2.1	4.6
Pension contributions paid less pension expense charged to operating profit	(7.1)	0.4	–	–
Changes in working capital:				
(Increase)/Decrease in inventories	(7.2)	3.9	–	–
(Increase)/Decrease in trade and other receivables	(26.9)	27.2	(15.0)	0.4
(Decrease)/Increase in trade and other payables	(4.2)	(5.5)	0.6	0.2
Increase/(Decrease) in provisions (see note 17)	0.4	(0.4)	–	–
Cash generated from operations	**865.4**	883.1	**308.1**	306.5

(1) The company cash flow statement has been restated to present the equity-settled share-based payment charge of £4.6 million, which is incurred by the company and subsequently recharged to subsidiaries within the group, within the adjustments to operating profit. This charge was previously reported within the decrease in trade and other receivables. There has been no overall change to the cash generated from operations as a result of the restatement.

The group has received property, plant and equipment of £61.3 million (2023: £66.2 million) in exchange for the provision of future goods and services (see notes 18 and A6).

Reconciliation of fixed asset purchases to fixed asset additions

Owned property, plant and equipment[1]	2024 £m	2023 £m
Purchase of property, plant and equipment in statement of cash flows	749.5	675.9
Non-cash additions:		
Transfers of assets from customers (see note 18)	61.3	66.2
IAS 23 capitalised borrowing costs (see note 6)	79.7	126.0
Receipt of government grants related to assets (see notes 10 and A6)	(1.9)	–
Transfer of spare parts from inventories	–	(11.3)
Net book value transfers to intangible assets	–	0.6
Timing differences on cash paid[2]	3.9	9.5
Property, plant and equipment additions	**892.5**	866.9

Notes:

(1) This reconciliation relates to property, plant and equipment owned by the group and therefore excludes right-of-use assets recognised in accordance with IFRS 16 'Leases', for which cash flows relating to the associated lease liabilities are included within repayment of borrowings and interest paid in the statement of cash flows.

(2) Timing differences arise and reverse when additions are recognised in the statement of financial position in a different period to when cash payments for capital expenditure are made. Capital accruals recognised in relation to these timing differences are included in 'Accruals and other creditors' within trade and other payables (see note 18).

Intangible assets	2024 £m	2023 £m
Purchase of intangible assets in statement of cash flows	14.6	18.1
IAS 23 capitalised borrowing costs (see note 6)	1.3	1.5
Net book value transfers from property, plant and equipment	–	(0.6)
Intangible asset additions	15.9	19.0

A2 Net debt

Net debt comprises borrowings, net of cash and short-term deposits and derivatives hedging the financial risk associated with the group's borrowings[1]. As such, movements in net debt during the year are impacted by changes in liabilities from financing activities as detailed in the tables below. The tables below should be read in conjunction with the consolidated statement of cash flows.

	Borrowings			Derivatives					
	Bonds £m	Bank and other term borrowings £m	Lease liabilities £m	in a fair value hedge £m	at fair value through profit or loss £m	Total liabilities from financing activities £m	Cash and cash equivalents £m	Adjust-ments in calculating net debt[3] £m	Net debt £m
At 31 March 2023	(6,378.9)	(1,985.9)	(58.3)	(151.1)	349.8	(8,224.4)	327.9	(304.3)	(8,200.8)
Non-cash movements:									
Inflation uplift on index-linked debt	(178.2)	(47.7)	–	–	–	(225.9)	–	–	(225.9)
Fair value movements	(11.2)	3.3	–	1.5	(54.7)	(61.1)	–	6.7	(54.4)
Foreign exchange	26.6	8.6	–	–	–	35.2	–	–	35.2
Other	(4.3)	–	(3.8)	–	–	(8.1)	–	–	(8.1)
Cash flows used in financing activities:									
Receipts in respect of borrowing and derivatives[2]	(1,492.0)	(103.8)	–	(14.2)	–	(1,610.0)	1,610.0	–	–
Payments in respect of borrowings and derivatives[2]	111.4	129.9	1.5	5.7	–	248.5	(248.5)	–	–
Dividends paid	–	–	–	–	–	–	(320.0)	–	(320.0)
Exercise of share options – purchase of shares	–	–	–	–	–	–	(3.8)	–	(3.8)
Changes arising from financing activities	(1,547.7)	(9.7)	(2.3)	(7.0)	(54.7)	(1,621.4)	1,037.7	6.7	(577.0)
Cash flows used in investing activities	–	–	–	–	–	–	(731.4)	–	(731.4)
Cash flows generated from operating activities	–	–	1.4	–	–	1.4	745.1	–	746.5
At 31 March 2024	(7,926.6)	(1,995.6)	(59.2)	(158.1)	295.1	(9,844.4)	1,379.3	(297.6)	(8,762.7)

Notes:

(1) Derivatives held for the purpose of hedging commodity prices are excluded from net debt. At 31 March 2024, the group had net derivative liabilities of £34.8 million (2023: net derivative assets of £25.5 million) to hedge electricity prices. See note A3 for further details.

(2) Where derivatives are in an economic hedge of borrowings, derivative cash flows are shown net, with the net payment or receipt being reported against the underlying borrowing cash flow to provide a more faithful representation of the substance of the transaction.

(3) The fair value of the derivatives reported in financing liabilities that are not hedging specific debt instruments are removed in calculating the group's net debt position. These derivatives correspond to the group's fixed interest rate swaps and inflation swaps, neither of which are designated within an IFRS 9 hedging relationship and both of which are classified as 'held for trading' under the accounting standard. The fair value movements on those derivatives that are not excluded from the revised definition of net debt (being derivatives in fair value hedge relationships) are expected to be materially equal and opposite in value to the fair value movement included in borrowings, resulting in materially all fair value movements being excluded.

Fair value movements includes the indexation expense relating to the group's inflation swap portfolio of £111.3 million (2023: £85.3 million). The remaining fair value and foreign exchange movements in the year on the group's bond and bank borrowings are materially hedged by the fair value swap portfolio.

A2 Net debt continued

	Borrowings			Derivatives					
	Bonds £m	Bank and other term borrowings £m	Lease liabilities £m	in a fair value hedge £m	at fair value through profit or loss £m	Total liabilities from financing activities £m	Cash and cash equivalents £m	Adjust-ments in calculating net debt[2] £m	Net debt £m
At 31 March 2022	(6,168.4)	(1,729.9)	(60.9)	68.9	140.3	(7,750.0)	220.1	(40.1)	(7,570.0)
Non-cash movements:									
Inflation uplift on index-linked debt	(325.4)	(138.0)	–	–	–	(463.4)	–	–	(463.4)
Fair value movements	239.2	3.3	–	(220.1)	209.5	231.9	–	(264.2)	(32.3)
Foreign exchange	(22.3)	1.7	–	–	–	(20.6)	–	–	(20.6)
Other	1.1	0.3	(2.2)	–	–	(0.8)	–	–	(0.8)
Cash flows used in financing activities:									
Receipts in respect of borrowing and derivatives[1]	(103.1)	(398.0)	–	–	–	(501.1)	501.1	–	–
Payments in respect of borrowings and derivatives[1]	–	274.7	3.3	0.1	–	278.1	(278.1)	–	–
Dividends paid	–	–	–	–	–	–	(301.2)	–	(301.2)
Exercise of share options – purchase of shares	–	–	–	–	–	–	(6.8)	–	(6.8)
Changes arising from financing activities	(210.5)	(256.0)	1.1	(220.0)	209.5	(475.9)	(85.0)	(264.2)	(825.1)
Cash flows used in investing activities	–	–	–	–	–	–	(593.4)	–	(593.4)
Cash flows generated from operating activities	–	–	1.5	–	–	1.5	787.5	–	789.0
Effects of exchange rate changes	–	–	–	–	–	–	(1.3)	–	(1.3)
At 31 March 2023	(6,378.9)	(1,985.9)	(58.3)	(151.1)	349.8	(8,224.4)	327.9	(304.3)	(8,200.8)

Notes:

(1) Where derivatives are in an economic hedge of borrowings, derivative cash flows are shown netted with the net payment or receipt being reported against the underlying borrowing cash flow to provide a more faithful representation of the substance of the transaction.

(2) The fair value of the derivatives reported in financing liabilities that are not hedging specific debt instruments are removed in calculating the group's net debt position. These derivatives correspond to the group's fixed interest rate swaps and inflation swaps, neither of which are designated within an IFRS 9 hedging relationship and both of which are classified as 'held for trading' under the accounting standard. The fair value movements on those derivatives that are not excluded from the revised definition of net debt (being derivatives in fair value hedge relationships) are expected to be materially equal and opposite in value to the fair value movement included in borrowings, resulting in materially all fair value movements being excluded.

A3 Financial risk management

Risk management

The board is responsible for treasury strategy and governance, which is reviewed on an annual basis.

The treasury committee, a subcommittee of the board, has responsibility for setting and monitoring the group's adherence to treasury policies, along with oversight in relation to the activities of the treasury function.

Treasury policies cover the key financial risks: liquidity risk, credit risk, market risk (inflation, interest rate, electricity price and currency) and capital risk. As well as managing our exposure to these risks, these policies help the group maintain compliance with relevant financial covenants, which are in place primarily in relation to borrowings from the European Investment Bank ('EIB') and include interest cover and gearing metrics. These policies are reviewed by the treasury committee for approval on at least an annual basis, or following any major changes in treasury operations and/or financial market conditions.

Day-to-day responsibility for operational compliance with the treasury policies rests with the treasurer. An operational compliance report is provided monthly to the treasury committee, which details the status of the group's compliance with the treasury policies and highlights the level of risk against the appropriate risk limits in place.

The group's treasury function does not act as a profit centre and does not undertake any speculative trading activity.

Liquidity risk

The group looks to manage its liquidity risk by maintaining liquidity within a board-approved duration range. Liquidity is actively monitored by the group's treasury function and is reported monthly to the treasury committee through the operational compliance report.

At 31 March 2024, the group had £2,199.3 million (2023: £1,190.4 million) of available liquidity, which comprised £1,399.3 million (2023: £340.4 million) of cash and short-term deposits and £800.0 million (2023: £850.0 million) of undrawn committed borrowing facilities.

The group had available committed borrowing facilities as follows:

Group	2024 £m	2023 £m
Expiring within one year	50.0	150.0
Expiring after one year but in less than two years	200.0	50.0
Expiring after more than two years	550.0	650.0
Total borrowing facilities	800.0	850.0
Facilities drawn	–	–
Total borrowing facilities	800.0	850.0

These facilities are arranged on a bilateral rather than a syndicated basis, which spreads the maturities more evenly over a longer time period, thereby reducing the refinancing risk by providing several renewal points rather than a large single refinancing point.

Company

The company did not have any committed facilities available at 31 March 2024 or 31 March 2023.

Maturity analysis

Concentrations of risk may arise if large cash flows are concentrated within particular time periods. The maturity profile in the following table represents the forecast future contractual principal and interest cash flows in relation to the group's financial liabilities on an undiscounted basis. Derivative cash flows have been shown net where there is a contractual agreement to settle on a net basis; otherwise the cash flows are shown gross. This table does not include the impact of lease liabilities for which the maturity profile has been disclosed in note 19.

Group At 31 March 2024	Total[1] £m	Adjustment £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Bonds	15,285.6	–	571.3	383.6	233.6	665.4	651.3	12,780.4
Bank and other term borrowings	1,779.6	–	363.2	299.7	143.0	146.1	146.1	681.5
Adjustment to carrying value[2]	(7,123.1)	(7,123.1)	–	–	–	–	–	–
Borrowings	9,942.1	(7,123.1)	934.5	683.3	376.6	811.5	797.4	13,461.9
Derivatives:								
Payable	3,521.4	–	189.7	272.1	153.1	260.6	346.2	2,299.7
Receivable	(3,093.9)	–	(192.4)	(290.3)	(178.1)	(305.6)	(455.0)	(1,672.5)
Adjustment to carrying value[2]	(529.7)	(529.7)	–	–	–	–	–	–
Derivatives – net assets[3]	(102.2)	(529.7)	(2.7)	(18.2)	(25.0)	(45.0)	(108.8)	627.2

A3 Financial risk management continued

Group At 31 March 2023	Total[1] £m	Adjustment £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Bonds	12,650.3	–	166.7	617.9	306.7	155.8	591.3	10,811.9
Bank and other term borrowings	1,923.1	–	208.0	298.1	297.7	144.8	144.3	830.2
Adjustment to carrying value[2]	(6,196.4)	(6,196.4)	–	–	–	–	–	–
Borrowings	8,377.0	(6,196.4)	374.7	916.0	604.4	300.6	735.6	11,642.1
Derivatives:								
Payable	2,404.4	–	111.2	112.9	205.0	92.1	198.3	1,684.9
Receivable	(2,120.5)	–	(182.4)	(170.0)	(249.2)	(126.3)	(249.5)	(1,143.1)
Adjustment to carrying value[2]	(508.2)	(508.2)	–	–	–	–	–	–
Derivatives – net assets[3]	(224.3)	(508.2)	(71.2)	(57.1)	(44.2)	(34.2)	(51.2)	541.8

Notes:

(1) Forecast future cash flows are calculated, where applicable, using forward interest rates based on the interest environment at year-end and are therefore susceptible to changes in market conditions. For index-linked debt it has been assumed that RPI will be 3 per cent and CPI will be 2 per cent over the life of each instrument.

(2) The carrying value of debt is calculated following various methods in accordance with IFRS 9 'Financial Instruments' and therefore this adjustment reconciles the undiscounted forecast future cash flows to the carrying value of debt in the statement of financial position, excluding £59.2 million (2023: £58.3 million) of lease liabilities.

(3) The derivative balance includes swaps with a carrying value of £4.3 million (2023: £4.3 million) subject to optional break clauses that could be exercised within one year of the reporting date, and £24.7 million (2023: £39.6 million) subject to optional break clauses that could be exercised in later periods. At the reporting date, it was considered highly unlikely that these break clauses would be exercised and so cash flows that could arise from the exercise of these optional break clauses are not included in this table.

Company

The company has total borrowings of £1,982.3 million (2023: £1,864.8 million), all of which are payable in greater than one year.

Credit risk

Credit risk arises principally from trading (the supply of services to customers) and treasury activities (the depositing of cash and holding of derivative instruments). While the opening of the non-household retail market to competition from 1 April 2017 has impacted on the profile of the group's concentration of credit risk, as discussed further below, the group does not believe it is exposed to any material concentrations that could have an impact on its ability to continue as a going concern or its longer-term viability.

The group manages its risk from trading through the effective management of customer relationships. Concentrations of credit risk with respect to trade receivables from household customers are limited due to the customer base being comprised of a large number of unrelated households. However, collection can be challenging as the Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises, including domestic dwellings.

Credit risk from trading is concentrated in a small number of retailers to whom the group provides wholesale water and wastewater services. Retailers are licensed and monitored by Ofwat and as part of the regulations they must demonstrate that they have adequate resources available to supply services. The credit terms for the group's retail customers are set out in market codes.

As at 31 March 2024, Water Plus was the group's single largest debtor, with amounts outstanding in relation to wholesale services of £27.1 million (2023: £26.7 million). During the year, sales to Water Plus in relation to wholesale services were £334.4 million (2023: £335.1 million). Details of transactions with Water Plus can be found in note A5.

Under the group's revenue recognition policy, revenue is only recognised when collection of the resulting receivable is reasonably assured. Considering the above, the directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables (see note 13).

The group manages its credit risk from treasury activities by establishing a total credit limit by counterparty, which comprises a counterparty credit limit and an additional settlement limit to cover intra-day gross settlement of cash flows. In addition, potential derivative exposure limits are established to take account of potential future exposure that may arise under derivative transactions. These limits are calculated by reference to a measure of capital and credit ratings of the individual counterparties and are subject to a maximum single counterparty limit.

Credit limits are refreshed annually and reviewed in the event of any credit rating action. Additionally, a control mechanism to trigger a review of specific counterparty limits, irrespective of credit rating action, is in place. This entails daily monitoring of counterparty credit default swap levels and/or share price volatility. Credit exposure is monitored daily by the group's treasury function and is reported monthly to the treasury committee through the operational compliance report.

A3 Financial risk management continued

At 31 March 2024 and 31 March 2023, the maximum exposure to credit risk for the group and company is represented by the carrying amount of each financial asset in the statement of financial position:

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Cash and short-term deposits (see note 15)	**1,399.3**	340.4	**–**	–
Trade and other receivables (see note 13)	**300.5**	266.2	**136.0**	105.1
Derivative financial instruments	**382.8**	477.1	**–**	–
	2,082.6	1,083.7	**136.0**	105.1

The credit exposure on derivatives is disclosed gross of any collateral held. At 31 March 2024, the group held £37.8 million (2023: £45.8 million) as collateral in relation to derivative financial instruments.

Market risk

The group's exposure to market risk primarily results from its financing arrangements and the economic return that it is allowed on the regulatory capital value ('RCV').

The group uses a variety of financial instruments, including derivatives, to manage the exposure to these risks.

Inflation risk

The group earns an economic return on its RCV, comprising a real return through revenues and an inflation return as an uplift to its RCV.

For the 2020–2025 regulatory period, from 1 April 2020 the group's RCV is 50 per cent linked to RPI inflation and 50 per cent linked to CPIH inflation, with any new additions being added to the CPIH portion of the RCV.

The group's inflation hedging policy aims to have around half of the group's net debt in index-linked form (where it is economic to do so), by issuing index-linked debt and/or swapping a portion of nominal debt. This is currently weighted towards RPI-linked form, with circa 75 per cent of the hedge linked to RPI and circa 25 per cent linked to CPI and/or CPIH. These weightings are consistent with the prior financial year.

The group believes this is an appropriate inflation hedging policy, taking into account a balanced assessment of the following factors: economic hedge of United Utilities Water Limited's RCV and revenues; cash flow timing mismatch between allowed cost of debt and the group's incurred cost of debt; the inflation risk premium that is generally incorporated into nominal debt costs; income statement volatility; hedging costs; debt maturity profile mismatch risk; and index-linked hedging positioning relative to the water sector.

Inflation risk is reported monthly to the treasury committee in the operational compliance report.

The carrying value of index-linked debt held by the group, including the carrying value of the nominal debt swapped to CPI, was £4,564.4 million at 31 March 2024 (2023: £4,407.1 million).

Sensitivity analysis

The following table details the sensitivity of profit before tax to changes in the RPI and CPI on the group's index-linked borrowings. The sensitivity analysis has been based on the amount of index-linked debt held at the reporting date and, as such, is not indicative of the years then ended. In addition, it excludes the impact of inflation on revenues and other income statement costs as well as the hedging aspect of the group's regulatory assets and post-retirement obligations.

Group

Increase/(decrease) in profit before taxation and equity	**2024 £m**	2023 £m
1% increase in RPI/CPI	**(42.0)**	(40.1)
1% decrease in RPI/CPI	**42.0**	40.1

The sensitivity analysis assumes a 1 per cent change in RPI and CPI having a corresponding 1 per cent impact on this position over a 12-month period. It should be noted, however, that there is a time lag by which current RPI and CPI changes impact on the income statement, and the analysis does not incorporate this factor. The portfolio of index-linked debt is calculated on either a three- or eight-month lag basis. Therefore, at the reporting date, the index-linked interest and principal adjustments impacting the income statement are fixed and based on the annual RPI or CPI change either three or eight months earlier.

A3 Financial risk management continued

Company

The company had no material exposure to inflation risk at 31 March 2024 or 31 March 2023.

Interest rate risk

The group's policy is to structure debt in a way that best matches its underlying assets and cash flows. The group currently earns an economic return on its RCV, comprising a real return through revenues, determined by the real cost of capital fixed by the regulator for each five-year regulatory pricing period, and an inflation return as an uplift to its RCV.

From 1 April 2020, for the regulatory period to 2025, Ofwat has continued to set a fixed real cost of debt in relation to embedded debt (80 per cent of net debt), but has introduced a debt indexation mechanism in relation to new debt (20 per cent of net debt), where the allowed rate on new debt will vary in line with specific debt indices. The debt indexation mechanism will be settled as an end of regulatory period adjustment.

Where conventional long-term debt is raised in a fixed-rate form, to manage exposure to long-term interest rates, the debt is generally swapped at inception to create a floating rate liability for the term of the liability through the use of interest rate swaps. These instruments are typically designated within a fair value accounting hedge.

To manage the exposure to medium-term interest rates, the group fixes underlying interest rates on nominal debt out to ten years in advance on a reducing balance basis. As such, at the start of each regulatory period, a proportion of the projected nominal net debt representing new debt for that regulatory period, will remain floating until it is fixed via the above ten-year reducing balance basis, which should approximate Ofwat's new debt indexation mechanism.

This interest rate hedging policy dovetails with our inflation hedging policy should we need to swap a portion of nominal debt to real rate form to maintain our desired mix of nominal and index-linked debt.

The group seeks to manage its risk by maintaining its interest rate exposure within a board-approved range. Interest rate risk is reported to the treasury committee through the operational compliance report.

Sensitivity analysis

The following table details the sensitivity of the group's profit before tax and equity to changes in interest rates. The sensitivity analysis has been based on the amount of net debt and the interest rate hedge positions in place at the reporting date and, as such, is not indicative of the years then ended.

	Group		Company	
Increase/(decrease) in profit before tax and equity	**2024 £m**	2023 £m	**2024 £m**	2023 £m
1% increase in interest rate	**87.2**	91.0	**(19.8)**	(18.6)
1% decrease in interest rate	**(150.7)**	(120.1)	**19.8**	18.6

The sensitivity analysis assumes that both fair value hedges and borrowings designated at fair value through profit or loss are effectively hedged and it excludes the impact on post-retirement obligations. The exposure largely relates to fair value movements on the group's fixed interest rate swaps, which manage the exposure to medium-term interest rates. Those swaps are not included in hedge relationships.

Hedge accounting

Details regarding the interest rate swaps designated as hedging instruments to manage interest rate risk are summarised below:

At 31 March 2024	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
Notional principal amount £m	**339.9**	**–**	**400.0**	**1,675.0**
Average contracted fixed interest rate %	**1.0**	**–**	**3.7**	**2.5**

This table represents the derivatives that are held in fair value hedging relationships, with the weighted average net fixed rate receivable across both legs to the swap disclosed. The SONIA/LIBOR credit adjustment spread has been assumed to form part of the fixed rate element of the payable leg, which is to be netted off against the fixed rate receivable leg for the purposes of the rates shown here.

A3 Financial risk management continued

Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Accumulated fair value (gains)/losses on hedged items £m	Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2024[1] Hedged items £m	Hedged instruments £m	Hedge ineffectiveness recognised in the income statement £m
Interest rate risk on borrowings	1,764.9	(137.2)	(134.9)	28.3	(33.8)	(5.5)

Note:

[1] The change in fair value of the hedging instruments used to measure hedge ineffectiveness exclude interest accruals and credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

Currency risk

Currency exposure principally arises in respect of funding raised in foreign currencies. To manage exposure to currency rates, foreign currency debt is hedged into sterling through the use of cross-currency swaps and these are often designated within a fair value accounting hedge. The group seeks to manage its risk by maintaining currency exposure within board-approved limits. Currency risk in relation to foreign currency denominated financial instruments is reported monthly to the treasury committee through the operational compliance report. The group and company have no material net exposure to movements in currency rates.

Hedge accounting

Details regarding the interest rate swaps designated as hedging instruments to manage currency risk and interest rate risk are summarised below:

At 31 March 2024	1 year or less	1–2 years	2–5 years	Over 5 years
Notional principal amount £m	–	99.9	116.3	1,020.7
Average contracted fixed interest rate %	–	1.9	0.9	1.7

This table represents the derivatives that are held in fair value hedging relationships, with only the weighted average net receivable for the fixed interest rate elements of the swap disclosed. The SONIA/LIBOR credit adjustment spread has been assumed to form part of the fixed rate payable, which is to be netted off against the fixed rate receivable for the purposes of the rates shown here.

Further detail on the fair value hedging relationships is provided below:

Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Accumulated fair value (gains)/losses on hedged items £m	Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2024[1] Hedged items £m	Hedged instruments £m	Hedge ineffectiveness recognised in the income statement £m
Foreign currency and interest rate risk on borrowings	1,149.1	(37.9)	(14.7)	(30.4)	27.6	(2.8)

[1] The change in fair value of the hedging instruments used to measure hedge ineffectiveness exclude interest accruals and credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

A3 Financial risk management continued

Repricing analysis

The following tables categorise the group's borrowings, derivatives and cash deposits on the basis of when they reprice or, if earlier, mature. The repricing analysis demonstrates the group's exposure to floating interest rate risk.

Our largest concentration of floating interest rate risk is with index-linked instruments. This has been classified as repricing in one year or less due to the refixing of the interest charge with changes in RPI and CPI.

Group At 31 March 2024	Total £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Borrowings in fair value hedge relationships							
Fixed rate instruments	3,414.6	328.4	105.2	–	426.5	154.5	2,400.0
Effect of swaps	–	3,086.2	(105.2)	–	(426.5)	(154.5)	(2,400.0)
	3,414.6	3,414.6	–	–	–	–	–
Borrowings designated at fair value through profit or loss							
Fixed rate instruments	338.9	–	–	–	–	–	338.9
Effect of swaps	–	338.9	–	–	–	–	(338.9)
	338.9	338.9	–	–	–	–	–
Borrowings measured at amortised cost							
Fixed rate instruments	1,261.4	38.9	2.0	1.5	1.3	1.5	1,216.2
Floating rate instruments	907.0	907.0	–	–	–	–	–
Index-linked instruments	4,079.5	4,079.5	–	–	–	–	–
	6,247.9	5,025.4	2.0	1.5	1.3	1.5	1,216.2
Effect of fixed hedge for the term of the regulatory period	–	(2,328.9)	200.0	389.8	250.6	653.5	835.0
Total borrowings	10,001.4	6,450.0	202.0	391.3	251.9	655.0	2,051.2
Cash and short-term deposits	(1,399.3)	(1,399.3)	–	–	–	–	–
Net borrowings	8,602.1	5,050.7	202.0	391.3	251.9	655.0	2,051.2

Group At 31 March 2023	Total £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Borrowings in fair value hedge relationships							
Fixed rate instruments	2,332.3	–	427.8	108.0	–	431.9	1,364.6
Effect of swaps	–	2,332.3	(427.8)	(108.0)	–	(431.9)	(1,364.6)
	2,332.3	2,332.3	–	–	–	–	–
Borrowings designated at fair value through profit or loss							
Fixed rate instruments	361.0	–	–	–	–	–	361.0
Effect of swaps	–	361.0	–	–	–	–	(361.0)
	361.0	361.0	–	–	–	–	–
Borrowings measured at amortised cost							
Fixed rate instruments	970.4	46.8	1.2	1.5	2.7	1.7	916.5
Floating rate instruments	842.0	842.0	–	–	–	–	–
Index-linked instruments	3,929.7	3,929.7	–	–	–	–	–
	5,742.1	4,818.5	1.2	1.5	2.7	1.7	916.5
Effect of fixed hedge for the term of the regulatory period	–	(2,027.8)	200.0	200.0	389.8	99.5	1,138.5
Total borrowings	8,435.4	5,484.0	201.2	201.5	392.5	101.2	2,055.0
Cash and short-term deposits	(340.4)	(340.4)	–	–	–	–	–
Net borrowings	8,095.0	5,143.6	201.2	201.5	392.5	101.2	2,055.0

A3 Financial risk management continued

Company	2024 Total £m	2024 1 year or less £m	2023 Total £m	2023 1 year or less £m
Borrowings measured at amortised cost				
Floating rate instruments	**1,982.3**	**1,982.3**	1,864.8	1,864.8
Total borrowings	**1,982.3**	**1,982.3**	1,864.8	1,864.8

Electricity price risk

The group is allowed a fixed amount of revenue by the regulator, in real terms, to cover electricity costs for each five-year regulatory pricing period. To the extent that electricity prices remain floating over this period, this exposes the group to volatility in its operating cash flows. The group's policy, therefore, is to manage this risk by fixing a proportion of electricity commodity prices in a cost-effective manner. The group has fixed the price on a proportion of its anticipated net electricity usage out on a rolling four-year basis, partially through entering into electricity swap contracts.

Hedge accounting

Details of electricity swaps designated as hedging instruments to manage electricity price risk are summarised below:

	1 year or less	1–2 years	2–5 years	Over 5 years
Notional amount MWh	394,080	350,400	262,920	–
Average contracted fixed price £/MWh	80.80	138.24	115.87	–

Electricity swaps have been designated in cash flow hedge relationships. This means that only the impact of any hedging ineffectiveness is recognised through fair value in the income statement, with movements in the effective portion of the hedge being recognised in other comprehensive income.

Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Fair value (gains)/ losses used for calculating hedge ineffectiveness for the year ended 31 March 2024[1] £m	Hedge ineffectiveness recognised in the income statement £m	Cash flow hedge reserve excluding effects of tax £m	Amount reclassified from the cash flow hedge reserve to the income statement £m
Electricity price risk	102.2	(34.8)	63.1	–	(60.0)	1.8

[1] The change in fair value of the hedging instruments used to measure hedge ineffectiveness excludes credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

Capital risk management

The group's objective when managing capital is to maintain efficient access to debt capital markets throughout the economic cycle. The board therefore believes that it is appropriate to maintain RCV gearing, measured as group consolidated net debt (including certain derivatives) to regulatory capital value ('RCV') of UUW, within a target range of 55 per cent to 65 per cent. As at 31 March 2024, RCV gearing was within the range at 59 per cent (2023: 58 per cent).

Assuming no significant changes to existing rating agencies' methodologies or sector risk assessments, the group aims to maintain long-term issuer credit ratings for UUW of at least A3 with Moody's Investors Service (Moody's) and BBB+ with S&P Global Ratings (S&P) and a senior unsecured debt rating for UUW of at least A- with Fitch Ratings (Fitch). Debt issued by UUW's financing subsidiary, United Utilities Water Finance PLC, is guaranteed by UUW and is therefore rated in line with UUW. The group's gearing and credit rating targets are subject to periodic review.

To maintain its targeted credit ratings, the group needs to manage its capital structure with reference to the ratings methodology and measures used by Moody's, S&P and Fitch. The ratings methodology is normally based on a number of key ratios (such as RCV gearing, adjusted interest cover, post maintenance interest cover ('PMICR'), Funds from Operations ('FFO') to debt, and debt to EBITDA) and threshold levels as updated and published from time to time by Moody's, S&P and Fitch. The group looks to manage its risk by maintaining the relevant key financial ratios used by the credit ratings agencies to determine a corporate's credit rating, within the thresholds approved by the board. Capital risk is reported monthly to the treasury committee through the operational compliance report.

Further detail on the precise measures and methodologies used to assess water companies' credit ratings can be found in the methodology papers published by the rating agencies.

A3 Financial risk management continued

Fair values

The table below sets out the valuation basis of financial instruments held at fair value and financial instruments where fair value has been separately disclosed in the notes as the carrying value is not a reasonable approximation of fair value.

Group 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivative financial assets – fair value hedge	–	**74.7**	–	**74.7**
Derivative financial assets – held for trading[1]	–	**298.9**	–	**298.9**
Derivative financial assets – cash flow hedge	–	**9.2**	–	**9.2**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities – fair value hedge	–	**(232.2)**	–	**(232.2)**
Derivative financial liabilities – held for trading[1]	–	**(4.5)**	–	**(4.5)**
Derivative financial assets – cash flow hedge	–	**(43.9)**	–	**(43.9)**
Financial liabilities designated as fair value through profit or loss	–	**(338.9)**	–	**(338.9)**
Financial instruments for which fair value has been disclosed				
Financial liabilities in fair value hedge relationships	**(3,158.5)**	**(300.5)**	–	**(3,459.0)**
Other financial liabilities	**(2,573.4)**	**(3,212.1)**	–	**(5,785.5)**
	(5,731.9)	**(3,749.3)**	–	**(9,481.2)**

Group 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivative financial assets – fair value hedge	–	65.4	–	65.4
Derivative financial assets – held for trading[1]	–	352.0	–	352.0
Derivative financial assets – cash flow hedge	–	59.7	–	59.7
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities – fair value hedge	–	(215.3)	–	(215.3)
Derivative financial liabilities – held for trading[1]	–	(3.4)	–	(3.4)
Derivative financial assets – cash flow hedge	–	(34.1)	–	(34.1)
Financial liabilities designated as fair value through profit or loss	–	(361.0)	–	(361.0)
Financial instruments for which fair value has been disclosed				
Financial liabilities in fair value hedge relationships	(1,936.1)	(374.0)	–	(2,310.1)
Other financial liabilities	(2,541.3)	(2,858.5)	–	(5,399.8)
	(4,477.4)	(3,369.2)	–	(7,846.6)

[1] These derivatives form economic hedges and, as such, management intends to hold these through to maturity. Derivatives forming an economic hedge of the currency exposure on borrowings included in these balances were £110.9 million (2023: £133.9 million).

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable).

The group has calculated fair values using quoted prices where an active market exists, which has resulted in £5,731.9 million (2023: £4,477.4 million) of 'Level 1' fair value measurements. In the absence of an appropriate quoted price, the group has applied discounted cash flow valuation models utilising market available data in line with prior years. The £1,254.5 million increase (2023: £113.0 million decrease) in Level 1 fair value measurements primarily reflects the debt issuances in the year.

During the year, changes in the fair value of financial liabilities designated at fair value through profit or loss resulted in a £22.0 million loss (2023: £20.6 million loss). Included within this was a £0.7 million gain (2023: £4.7 million gain) attributable to changes in own credit risk, recognised in other comprehensive income. The cumulative amount due to changes in credit spread was £35.9 million profit (2023: £35.2 million profit). The carrying amount is £112.8 million (2023: £134.9 million) higher than the amount contracted to settle on maturity.

Company

The company does not hold any financial instruments that are measured subsequent to initial recognition at fair value or where fair value has been separately disclosed in the notes as the carrying value is not a reasonable approximation of fair value.

A4 Retirement benefits

Defined benefit schemes

Under the group's defined benefit pension schemes – the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC group of the Electricity Supply Pension Scheme ('ESPS') – members are entitled to annual pensions on retirement. Benefits are payable on death and following other events such as withdrawing from active service. No other post-retirement benefits are provided to these members.

The assets of these schemes are held in trust funds independent of the group's finances. The trustees are composed of representatives of both the employer and employees, who are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy with regards to the assets plus the day-to-day administration of the benefits.

On 5 July 2023, the group supported the trustees of the two pension schemes in completing a circa £1.8 billion bulk annuity purchase, representing an insurance policy partial 'buy-in'. Under a partial 'buy-in', an insurance company covers a portion of a scheme's liabilities with an insurance policy held by the scheme. This insurance asset is held by the pension scheme and matches a portion of the scheme's liabilities with an insurer and hedges risks associated with those liabilities. A 'partial' buy-in covers a portion of a scheme's liabilities and works as a near-perfect economic hedge, removing interest rate, inflation and longevity risks for the portion of members' liabilities that are secured with the insurer. For ESPS, the buy-in was estimated to cover circa 93 per cent of pensioner liabilities, and for UUPS circa 80 per cent of deferred and pensioner members, as at the date of the transaction on a technical provisions basis – the split on an IAS 19 basis is expected to be broadly consistent. A buy-in is not a settlement and the liability is not derecognised as the group retains ultimate responsibility for funding the schemes. As the purchase of bulk annuity policies reflects an investment decision by the schemes' trustees, the impact of this transaction was to reduce the schemes' assets and record a re-measurement loss of circa £220 million, which is included in the overall £368.5 million remeasurement losses recognised in other comprehensive income in accordance with IAS 19; there was no impact on profit before tax.

As at 31 March, the total fair value of the schemes' assets, and the present value of the defined benefit obligations, and therefore the value of the net retirement benefit surplus included in the consolidated statement of financial position, was as follows:

Group	2024 £m	2023 £m
Total fair value of schemes' assets	**2,552.4**	2,931.3
Present value of defined benefit obligation	**(2,284.4)**	(2,330.5)
Net retirement benefit surplus	**268.0**	600.8

Estimated future benefits payable

The defined benefit obligation includes benefits for current employees, former employees and current pensioners as analysed in the table below:

Group	2024 £m	2023 £m
Total value of current employees' benefits	**272.1**	362.7
Deferred members' benefits	**441.4**	436.4
Pensioner members' benefits	**1,570.9**	1,531.4
Total defined benefit obligation	**2,284.4**	2,330.5

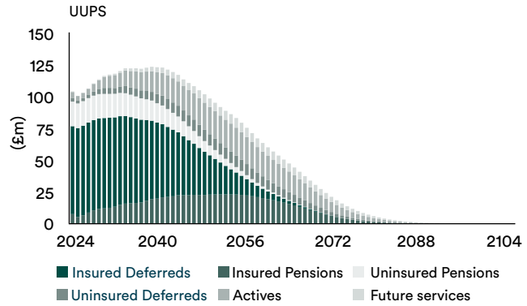
Movements in the present value of the defined benefit obligations are as follows:

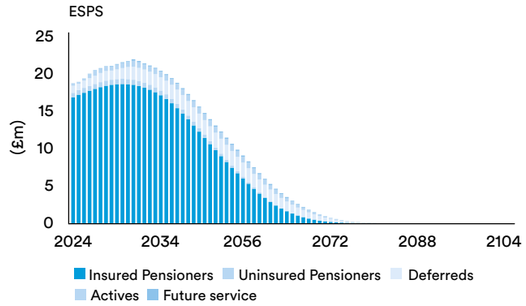
Group	2024 £m	2023 £m
At the start of the year	**(2,330.5)**	(3,018.9)
Interest cost on schemes' obligation	**(107.1)**	(82.7)
Actuarial gains arising from changes in financial assumptions	**52.7**	950.0
Actuarial gains/(losses) arising from changes in demographic assumptions	**49.2**	(60.7)
Actuarial losses arising from experience	**(67.7)**	(246.8)
Curtailments/settlements arising on reorganisation	**4.6**	–
Member contributions	**(2.4)**	(2.3)
Benefits paid	**119.6**	136.9
Current service cost	**(2.8)**	(6.0)
At the end of the year	**(2,284.4)**	(2,330.5)

The duration of the combined schemes is around 14 years. The schemes' duration is an indicator of the weighted-average time until benefit payments are settled, taking account of the split of the defined benefit obligation between current employees, deferred members and the current pensioners of the schemes.

A4 Retirement benefits continued

The estimated profile of cash flows out of the schemes as retirement benefits are paid is as follows:





Estimated future benefits payable

Under UK legislation there is a requirement that pension schemes are funded prudently, and that funding plans are agreed by pension scheme trustees. The defined benefit schemes are subject to funding valuations carried out by independent qualified actuaries, in conjunction with the schemes' trustees, on a triennial basis. These valuations inform the level of future contributions to be made by the group in order to ensure that the schemes are appropriately funded and therefore that benefits can be paid. The latest finalised funding valuation was carried out as at 31 March 2021, and determined that the schemes were fully funded on a low-dependency basis without any funding deficit that requires additional contributions from the company over and above those related to current service and expenses.

The schemes' funding plans are reviewed regularly, including between funding valuations. The group expects to make further contributions of £9.6 million in the year ending 31 March 2025, £8.5 million in respect of current service contributions and £1.1 million in respect of expenses. Annual contributions are expected to be broadly similar to this until at least the point at which the next triennial valuation (as at 31 March 2024), is finalised, which is expected to be towards the end of the year ending 31 March 2025. At this point, a detailed re-evaluation of the level of annual contributions, and the basis on which these are made, will take place.

The group and trustees have agreed long-term strategies for reducing investment risk in each scheme. This includes an asset-liability matching policy, which aims to reduce the volatility of the funding level of the pension plan by investing in assets, such as corporate bonds and gilts, supplemented by swap and gilt long-term hedges of interest and inflation rates, which perform in line with the liabilities to hedge against changes in interest and inflation rates. Both the UUPS and ESPS schemes are fully hedged for inflation exposure through external market swaps and gilts. Further details of the derivatives used in reducing investment risk are disclosed in the 'Schemes' assets' section of this appendix.

While longevity risk has reduced as a result of the partial buy-in transaction during the year, the group and trustees remain actively engaged in exploring further de-risking options that may be implemented in the future.

The basis on which scheme liabilities are valued for funding purposes differs from the basis required under IAS 19 'Employee Benefits', with liabilities on a funding basis being subject to assumptions at the valuation date that are not updated between revaluations. Funding deficits vary significantly from company to company, but neither the deficits, the assumptions on which they are based, the associated sensitivities, nor the risk exposures are disclosed by many companies and, therefore, meaningful cross-company comparisons are not possible. Conversely, scheme liabilities are valued on a consistent basis between companies under IAS 19 and are subject to assumptions and sensitivities that are required to be disclosed. Consequently, the relative economic positions of companies are comparable only on an IAS 19 basis, subject to normalisation of assumptions used between companies.

A retirement benefit surplus was recognised as an asset in the consolidated statement of financial position at both 31 March 2024 and 31 March 2023 as, under both the UUPS and ESPS scheme rules, the group has an unconditional right to a refund of the surplus assuming the gradual settlement of plan liabilities over time until all members have left the plans.

Impact on scheme risk management on IAS 19 disclosures

Under the prescribed IAS 19 basis, pension scheme liabilities are calculated based on current accrued benefits. Expected cash flows are projected forward allowing for RPI and CPI and the current member mortality assumptions. These projected cash flows are then discounted using a high-quality corporate bond rate, which comprises an underlying interest rate and a credit spread.

In July 2023, the trustees of the schemes entered into partial buy-in insurance contracts with L&G covering the liabilities for a significant proportion of the membership. The buy-in policies have been designed to match the benefits the schemes are required to pay in respect of the members covered under the contracts, and as a result have significantly reduced the schemes' exposure to changes in interest rates, inflation and demographic risks, although these risks remain given the buy-ins did not cover all the schemes' membership. As well as through the purchase of bulk annuity policies, the group has de-risked its pension schemes through hedging strategies applied to the underlying interest rate and future inflation. Both UUPS and ESPS fully hedge RPI inflation exposure along with underlying interest rates through external market swaps and gilts (including gilt repurchase instruments), the value of which is included in the schemes' assets (net of associated derivative liabilities).

A4 Retirement benefits continued

Consequently, the reported statement of financial position under IAS 19 for the uninsured portion of the schemes' liabilities remains volatile due to changes in credit spread and changes in mortality, neither of which have been hedged at the current time. Changes in credit spreads have not been hedged primarily due to difficulties in doing so over long durations. In contrast, the schemes' specific funding bases are unlikely to suffer from significant volatility due to credit spread, because a prudent, fixed credit spread assumption is applied. Changes in mortality have not been hedged due to this exposure being subject to lower volatility in the short term, though the group and scheme trustees are committed to exploring options to de-risk changes in mortality, or pension longevity, in future periods for the uninsured liabilities, as outlined above.

Pension benefits under the defined benefit element of the UUPS hybrid section, which represents a relatively small proportion of total defined benefit obligations, are linked to CPI rather than RPI.

In the year ended 31 March 2024, the discount rate increased by 0.1 per cent (2023: 1.9 per cent increase), which includes a 0.55 per cent increase in gilt yields over the year, offset by a 0.45 per cent reduction in credit spreads. The IAS 19 remeasurement loss of £368.5 million (2023: £445.3 million loss) reported in note 14 has largely resulted from the purchase of buy-in policies: a premium of circa £220 million was paid in excess of the present value of liabilities covered, which is reflective of the reduction in the schemes' risk profile. Further, as the schemes are more than 100 per cent hedged on an IAS 19 basis, this has resulted in a greater reduction of the schemes' assets than the defined benefit obligations as a result of yield rises.

The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions, and are therefore more than 100 per cent hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The narrowing in credit spreads during the year is accompanied by an RPI inflation assumption reduction of 0.15 per cent (2023: 0.35 per cent reduction). The impact of movements in credit spreads is less pronounced on a scheme funding basis compared with the remeasurement loss recognised on an IAS 19 accounting basis as the discount rate used for valuing obligations utilises a fixed credit spread assumption.

In the shorter term, recent high inflation has resulted in greater than expected pension increases, but longer-term expectations for inflation have fallen over the last 18 months.

Reporting and assumptions

The results of the latest funding valuation at 31 March 2021 have been used to inform the group's best estimate assumptions to use in calculating the defined benefit pension obligation reported on an IAS 19 basis at 31 March 2024. The results of the funding valuation have been adjusted to take account of experience over the period, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service costs, were measured using the projected unit credit method.

Under IAS 19, the fair value of the buy-in assets at the date of the transaction was considered to be equal to the IAS 19 value of the insured liabilities, and subsequently the fair value of the insurance assets is pegged to the present value of the liabilities being insured. The defined benefit obligation reflects cashflows calculated on a funding basis as at the buy-in transaction date split by insured and uninsured members for UUPS; for ESPS, existing cashflows based on the most recent funding valuation have been used, making broad allowance for the purchase of the buy-in policies at 5 July 2023 based on high-level information provided by the scheme actuary.

Member data used in arriving at the liability figure included within the overall IAS 19 surplus has been based on the finalised actuarial valuations as at 31 March 2021 for ESPS. For UUPS, as part of the approach for valuing insured liabilities, membership data has been updated as at 31 August 2022 for deferred and pensioner members (i.e. the same effective date as the membership data underlying the buy-in contract) and 31 August 2023 for active members (not included in the buy-in). As part of each actuarial valuation and, more frequently, as required by the trustees, member data is reassessed for completeness and accuracy and to ensure it reflects any relevant changes to benefits entitled by each member.

Financial assumptions

The main financial and demographic assumptions used by the actuary to calculate the defined benefit surplus of UUPS and ESPS are outlined below:

Group	2024 % p.a.	2023 % p.a.
Discount rate	**4.80**	4.70
Pension increases	**3.25**	3.40
Pensionable salary growth (pre-2018 service):		
ESPS	**3.25**	3.40
UUPS	**3.25**	3.40
Pensionable salary growth (post-2018 service):		
ESPS	**3.25**	3.40
UUPS	**2.80**	2.85
Price inflation – RPI	**3.25**	3.40
Price inflation – CPI	**2.80**	2.85

(1) The CPI price inflation assumption represents a single weighted average rate derived from an assumption of 2.35 per cent pre-2030 and 3.05 per cent post-2030 (31 March 2023: 2.50 per cent pre-2030 and 3.30 per cent post-2030).

A4 Retirement benefits continued

The discount rate is consistent with a high-quality corporate bond rate, with 4.30 per cent being equivalent to gilts plus 50 basis points (2023: 4.70 per cent being equivalent to gilts plus 95 basis points). The corporate bond population used in deriving this rate comprises those rated at least AA by one or more credit rating agencies.

In accordance with the scheme rules, pensionable salary growth is linked to RPI for UUPS for service pre-2018 and CPI for service post-2018, for ESPS the growth is linked to RPI.

Assumed pension increases are aligned to the RPI price inflation assumption as the vast majority of benefits across the schemes have a direct RPI linkage.

In accordance with plans put forward by the UK Statistics Authority ('UKSA') and backed by the Chancellor of the Exchequer, the Retail Prices Index ('RPI') and the Consumer Prices Index including owner occupier's housing costs ('CPIH') are expected to align from 2030. This compares with the current situation in which, absent these reforms, CPIH increases are broadly expected to average around 1 per cent below RPI in the long term (about the same as CPI). The alignment of RPI and CPIH could therefore have a significant impact on many pension schemes.

Demographic assumptions

In line with previous reporting periods, mortality assumptions continue to be based on the latest available Continuous Mortality Investigation's ('CMI') mortality tables. As at 31 March 2024, these assumptions are based on the CMI2022 base tables with a 1.25% per annum rate of improvement (2023: 1.25 per cent), and factoring in a w2022 weighting of 40 per cent (2023: w2021 weighting of 10 per cent) to take account of the continued increased mortality rates following the impact of the Covid-19 pandemic in the medium term, including pressures on the NHS and the high flu rate in 2022. A scaling factor of 109 per cent (2023: 109 per cent) and 115 per cent (2023: 115 per cent) for male pensioners and non-pensioners respectively and 110 per cent (2023: 110 per cent) and 111 per cent (2023: 111 per cent) for female pensioners and non-pensioners respectively, reflecting the profile of the membership. Compared against the base tables used for previous year-end mortality assumptions (CMI S3PA), the Core CMI2022 model sees a reduction in life expectancies resulting in a reduction in the defined benefit obligation of around 1-1.5 per cent. It should be noted, however, that post buy-in any changes in the life expectancy assumptions for insured members will be offset by a corresponding change in the value of the buy-in bulk annuity policies on an IAS 19 basis. As such, relative to prior years the statement of financial position is expected to be less sensitive to mortality assumptions going forward.

The current life expectancies at age 60 underlying the value of the accrued liabilities for the schemes are:

Group	2024 years	2023 years
Retired member – male	**25.5**	25.9
Non-retired member – male	**26.2**	26.6
Retired member – female	**27.6**	28.0
Non-retired member – female	**28.6**	29.1

Financial and demographic assumptions – further analysis

The assumptions used in measuring the group's defined benefit surplus reflect management's best estimates as at the reporting date. These estimates inherently involve judgement, and the measurement of the defined benefit surplus is sensitive to changes in these key assumptions.

Given the offsetting nature of the buy-in assets, the IAS19 surplus will be predominantly driven by the uninsured liabilities and residual invested assets going forward. As a result, sensitivities relative to the uninsured defined benefit obligation are provided alongside those applicable to the full defined benefit obligation in accordance with IAS 19. Sensitivity calculations allow for the specified movement in the relevant key assumption, while all other assumptions are held constant. This approach does not take into account the interrelationship between some of these assumptions or any hedging strategies adopted, however it demonstrates how reasonably possible changes could impact on the measurement of the defined benefit surplus. The schemes' hedging strategies are designed primarily to reduce the volatility on a technical provisions basis.

- Asset volatility – If the schemes' assets underperform relative to the discount rate used to calculate the schemes' liabilities, this will create a deficit. Under IAS19 the value of the buy-in assets is equal to the IAS19 value of the insured liabilities. The bulk annuity policies represent a significant proportion of total scheme assets, with the valuation of these assets pegged to the valuation of insured liabilities. As such, movements in asset values are offset by corresponding movements in the value of insured liabilities.
- Discount rate – At 31 March 2024, an increase/decrease in the discount rate of 0.25 per cent would have resulted in a £27.5/£29.0 million decrease/increase in the schemes' uninsured liabilities, and a £72.3/£76.2 million (2023: £78.2/£82.7 million) decrease/increase to the schemes' total liabilities. As long as credit spreads remain stable, however, this will be largely offset by an increase/decrease in the value of the schemes' bond holdings and other instruments designed to hedge this exposure. The discount rate is based on high-quality corporate bond yields of a similar duration to the schemes' liabilities. High quality corporate bonds are considered to be those that have a credit rating of AA or above with at least one rating agency. An alternative approach could be taken whereby only those bonds rated AA or higher by at least two rating agencies are used. While this alternative approach may provide additional comfort around the quality of these corporate bonds, management believes that the wider population of corporate bonds under a 'single agency' approach gives a more representative indication of high quality corporate bonds that are aligned to the schemes' liabilities, and therefore provides a more robust estimate.

A4 Retirement benefits continued

- Price inflation – At 31 March 2024, an increase/decrease in the inflation assumption of 0.25 per cent would have resulted in a £26.1/24.9 million increase/decrease in the schemes' uninsured liabilities, and a £67.1/£63.9 million (2023: £72.3/£69.5 million) increase/decrease to the schemes' total liabilities. A significant proportion of the schemes' benefit obligations are linked to inflation. However, nearly all of the schemes' liabilities were hedged for RPI in the external market at 31 March 2024, meaning that this sensitivity is likely to be insignificant as a result. The sensitivity to price inflation allows for the impact of changes to pensionable salary growth and pension increases, which are both assumed to be linked to price inflation. While inflation has been volatile in the near term, the value of the schemes' liabilities is based on inflation assumptions that reflect the full profile of the liabilities, in particular the long-term nature.
- Consistent with market practice, and reflecting the possibility that inflation may rise or fall more than expected in the future, in arriving at the company's best estimate for RPI, an inflation risk premium of 0.2 per cent (2023: 0.2 per cent) has been deducted from the breakeven inflation rate for the year ended 31 March 2024. The impact of this is a decrease in the defined benefit obligation of around £22.0 million and therefore an increase in the net defined benefit surplus compared with no inflation risk premium being deducted. There is no allowance for any further change in the inflation risk premium post-2030 as a result of RPI reform. A reduction in expected RPI will result in a reduction to the value of pension scheme liabilities; however, as our pension schemes are hedged for RPI inflation movements, this will result in a comparable reduction to the value of pension scheme assets.
- The assumption for CPI is set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences. For pre-2030 inflation this wedge has been estimated at 0.9 per cent per annum, reducing to 0.2 per cent per annum post-2030 given that RPI and CPI are expected to converge (2023: 0.1 per cent per annum). The impact of this reduction in the post-2030 wedge as a result of RPI reform is a circa £4.0 million increase to the defined benefit obligation and therefore a decrease in the net defined benefit surplus compared with the wedge remaining at 0.9 per cent per annum after 2030. The assumption for CPI is set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences. For pre-2030 inflation this wedge has been estimated at 0.9 per cent per annum, reducing to 0.2 per cent per annum post-2030 given that RPI and CPI are expected to converge.
- Mortality long-term improvement rate – At 31 March 2024, an increase in the mortality long-term improvement rate from 1.25 per cent to 1.50 per cent would have resulted in a £6.1 million increase in the schemes' uninsured liabilities, and a £15.7 million (2023: £16.5 million) increase to the schemes' total liabilities.
- Life expectancy – At 31 March 2024, an increase in the life expectancy assumption of one year would have resulted in a £23.7 million increase in the schemes' uninsured liabilities, and a £85.8 million (2023: £83.9 million) increase to the schemes' total liabilities. The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions.

Schemes' assets

At 31 March, the fair values of the schemes' assets recognised in the statement of financial position were as follows:

Group	Underlying assets £m	Fair value of derivatives £m	Combined £m	Schemes' assets %
At 31 March 2024				
Gilts	623.4	(200.9)	422.5	16.6
Bonds	285.8	0.5	286.3	11.2
Bulk annuity policies	1,564.8	–	1,564.8	61.3
Other	314.0	(35.2)	278.8	10.9
Total fair value of schemes' assets	2,788.0	(235.6)	2,552.4	100.0
At 31 March 2023				
Non-equity growth assets	278.2	–	278.2	9.5
Gilts	1,822.3	(886.9)	935.4	31.9
Bonds	1,211.2	(2.5)	1,208.7	41.2
Other	422.8	86.2	509.0	17.4
Total fair value of schemes' assets	3,734.5	(803.2)	2,931.3	100.0

Included within the group's defined benefit pension scheme assets are assets with a fair value estimated to be £1,772.0 million that are categorised as 'Level 3' assets within the IFRS 13 'Fair value measurement' hierarchy, meaning that the value of the assets is not observable at 31 March 2024. Of these, £1,564.8 million relates to bulk annuity policies purchased as part of the buy-in transaction and £207.2 million relates to unquoted senior private debt assets. Estimates of the fair value of these assets have been performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total Level 3 asset balance, updated for any subsequent cash movements between the statement date and the year-end reporting date.

The UUPS has entered into a variety of derivative transactions to change the return characteristics of the assets held to reduce undesirable market and liability risks. As such, the above breakdown separates the assets of the schemes to illustrate the underlying risk characteristics of the assets held.

The portfolio contains a proportion of assets set aside for collateral purposes linked to the derivative contracts held. The collateral portfolio, comprising cash and eligible securities readily convertible to cash, provides sufficient liquidity to manage exposure relating to the derivative transactions and is expected to achieve a return in excess of SONIA (Sterling Overnight Index Average). During the year ended 31 March 2024, no liquidity support or facilities were required by the company as a result of collateral calls.

A4 Retirement benefits continued

The derivative values in the table above represent the net market value of derivatives held within each of these asset categories as follows:

Group	2024 £m	2023 £m
Gilts		
Repurchase agreements	(200.9)	(886.9)
	(200.9)	(886.9)
Bonds – hedging non-sterling exposure back to sterling		
Currency forwards	0.5	13.8
Interest rate swaps	–	(16.3)
	0.5	(2.5)
Other – managing liability risks targeting a high level of interest rate and inflation hedging		
Interest rate swaps	(35.6)	(17.2)
RPI inflation swaps	0.4	(13.2)
Total return swaps	–	116.6
	(35.2)	86.2
Total fair value of derivatives	(235.6)	(803.2)

The derivatives shown in the tables only cover those expressly held for the purpose of reducing certain undesirable asset and liability risks as part of the liability driven investment strategies. The schemes invest in a number of other pooled funds that make use of derivatives. No allowance is made in the figures above for any derivatives held within these other pooled funds, as they are not held expressly for the purpose of managing risk. The total fair value of pooled funds held within the schemes' assets was £147.0 million (2023: £371.2 million).

The intention is that the schemes' assets provide a full economic hedge of interest rates and RPI inflation of the schemes' liabilities on a scheme funding basis. As the scheme funding basis is more prudent than the IAS 19 measurement basis for the defined benefit obligation, the schemes are more than 100 per cent hedged on an accounting basis. Movements in the fair value of the schemes' assets were as follows:

Group	2024 £m	2023 £m
At the start of the year	2,931.3	4,035.7
Interest income on schemes' assets	135.7	111.4
The return on plan assets, excluding amounts included in interest	(402.7)	(1,087.8)
Member contributions	2.4	2.3
Benefits paid	(119.6)	(136.9)
Administrative expenses	(4.0)	(2.5)
Company contributions	9.3	9.1
At the end of the year	2,552.4	2,931.3

The group's actual return on the schemes' assets was a loss of £267.0 million (2023: £976.4 million loss). In line with IAS19, the fair values of the buy-in assets have been set equal to the IAS19 present values of the insured liabilities. This is significantly less than the buy-in premium paid, which has led to a material loss on the schemes' assets. As at the risk transfer date (5 July 2023), we estimate that this reduced the IAS19 surplus by around £220 million. In addition, changes in financial conditions over the period have seen a fall in value of the Schemes' assets. The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions, and are therefore more than 100 per cent hedged on an IAS19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS19 liabilities.

The trustees of both the ESPS and UUPS schemes publish a statement of investment principles, available via the United Utilities corporate website. The statements set out the ESG principles, in particular climate risk, behind the choice of investments. UUPS also published its first TCFD report in October 2023 and ESPS has published a climate change report for 2023, both of which are available on the corporate website.

A5 Related party transactions

Group

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The related party transactions with the group's joint ventures and other related parties during the period, and amounts outstanding at the period-end date, were as follows:

	2024 £m	2023 £m
Sales of services	334.4	335.1
Charitable contributions advanced to related parties	0.2	0.2
Purchases of goods and services	–	1.3
Interest income and fees recognised on loans to related parties	5.6	4.7
Amounts owed by related parties	100.8	102.2
Amounts owed to related parties	–	–

Sales of services to related parties mainly represent non-household wholesale charges to Water Plus that were billed and accrued during the period. These transactions were on market credit terms in respect of non-household wholesale charges, which are governed by the wholesale charging rules issued by Ofwat.

Charitable contributions advanced to related parties during the year relate to amounts paid to Rivington Heritage Trust, a charitable company limited by guarantee for which United Utilities Water Limited is one of three guarantors.

Amounts owed by joint ventures, as recorded within trade and other receivables in the statement of financial position, were £100.8 million (2023: £102.2 million), comprising £27.1 million (2023: £26.7 million) of trade balances, which are unsecured and will be settled in accordance with normal credit terms, and £73.7 million (2023: £75.5 million) relating to loans.

Included within these loans receivable were the following amounts owed by Water Plus:

- £72.3 million (2023: £74.4 million) outstanding on a £95.0 million revolving credit facility provided by United Utilities PLC, with a maturity date of December 2026, bearing a floating rate interest rate of the Bank of England base rate plus a credit margin. This balance comprises £75.5 million outstanding, net of a £3.2 million allowance for expected credit losses (2023: £75.5 million net of a £1.1 million allowance for expected credit losses); and
- £1.4 million (2023: £1.4 million) receivable being the £11.3 million (2023: £11.0 million) fair value of amounts owed in relation to a £12.5 million unsecured loan note held by United Utilities PLC, with a maturity date of 28 March 2027, net of a £0.4 million (2023: £0.1 million) allowance for expected credit losses and £9.5 million of the group's share of joint venture losses relating to historic periods as the loan note is deemed to be part of the group's long-term interest in Water Plus. This is a zero coupon shareholder loan with a total amount outstanding at 31 March 2024 and 31 March 2023 of £12.5 million, comprising a £11.3 million (2023: £11.0 million) receivable representing the present value of the £12.5 million payable at maturity discounted using an appropriate market rate of interest at the inception of the loan, and £1.2 million (2023: £1.5 million) recorded as an equity contribution to Water Plus recognised within interests in joint ventures.

A further £0.1 million (2023: £0.1 million) of non-current receivables was owed by other related parties at 31 March 2024.

During the year, United Utilities PLC provided guarantees in support of Water Plus in respect of certain amounts owed to wholesalers. The aggregate limit of these guarantees was £48.9 million, of which £26.0 million related to guarantees to United Utilities Water Limited.

At 31 March 2024, amounts owed to related parties were £nil (2023: £nil).

Company

The parent company receives dividend income and pays and receives interest to and from subsidiary undertakings in the normal course of business. Total dividend income received during the year amounted to £320.0 million (2023: £301.2 million) and total net interest payable during the year was £112.9 million (2023: £55.8 million). Amounts outstanding at 31 March 2024 and 31 March 2023 between the parent company and subsidiary undertakings are disclosed in notes 13, 16 and 18.

At 31 March 2024 and 31 March 2023, no related party receivables and payables were secured and no guarantees were issued in respect thereof. Balances will be settled in accordance with normal credit terms. No allowance for doubtful receivables has been made for amounts owed by subsidiary undertakings as at 31 March 2024 and 31 March 2023.

A6 Accounting policies

Of the accounting policies outlined below, those deemed to be the most significant for the group are those that align with the critical accounting judgements and key sources of estimation uncertainty set out on pages 186 to 188.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and entities controlled by the company (its subsidiaries) and incorporate the results of its share of joint ventures using the equity method of accounting. The results of subsidiaries and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date control is obtained or until the date that control ceases, as appropriate.

Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group is exposed to, or has the rights to, variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. In the parent company accounts, investments are held at cost less provision for impairment.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Joint ventures are entities in which the group holds an interest on a long-term basis and which are jointly controlled with one or more parties under a contractual arrangement. The group's share of joint venture results is incorporated using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the group's share of the profit or loss of the joint venture.

Revenue recognition

Revenue from the sale of water, wastewater and other services represents the fair value of the consideration receivable in the ordinary course of business for the goods and services provided, exclusive of value added tax. Where relevant, this includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the period end.

There are two main areas of the group's activities considered to result in revenue being recognised:

- the provision of core water and wastewater services, accounting for more than 97 per cent of the group's revenue; and
- capital income streams relating to diversions work and activities, typically performed opposite property developers, that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

The provision of core water and wastewater services, which are deemed to be distinct performance obligations of the contract with customers, follow the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Revenue is generally recognised at the time of delivery, with consideration given as to whether collection of the full amount under the contract is considered probable. Should the group consider that the criteria for revenue recognition have not been met for a transaction, revenue recognition would be delayed until such time as collectability is reasonably assured.

Payments received in advance of revenue recognition are recorded as deferred income. This includes revenue in respect of connection activities, which itself reflects a distinct performance obligation. The revenue recognised in respect of these activities is released to the income statement over a period of 60 years, which is deemed to be the time over which the performance obligation for providing the connection is satisfied.

Operating profit

Operating profit is stated after charging operational expenses but before investment income and finance expense and before the share of profits or losses of joint ventures.

Borrowing costs and finance income

Except as noted below, all borrowing costs and finance income are recognised in the income statement on an accruals basis. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial fair value of that instrument. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset in accordance with IAS 23 'Borrowing Costs'.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law and the result of negotiations with, and enquiries from, tax authorities. A current tax provision is only recognised when the group has a present obligation resulting from a past event and it is probable that the group will be required to settle that obligation to a taxing authority.

The amount of current tax provisions or assets are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax

Current tax is based on the taxable profit for the period and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at each reporting date, and also includes any adjustment to tax payable in respect of previous years.

Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the tax is charged or credited within equity.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at each reporting date.

A6 Accounting policies
continued

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is charged or credited within equity.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. These deferred tax assets will be recovered against the deferred tax liabilities in relation to fixed assets that will reverse in the same periods.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Property, plant and equipment
Property, plant and equipment comprises water and wastewater infrastructure assets and overground assets.

The useful economic lives of these assets are primarily as follows:

- Water and wastewater infrastructure assets:
  - Impounding reservoirs 200 years;
  - Mains and raw water aqueducts 30 to 300 years;
  - Sewers and sludge pipelines 60 to 300 years;
  - Sea outfalls 75 years;
- Buildings 10 to 60 years;
- Operational assets 5 to 80 years; and
- Fixtures, fittings, tools and equipment 3 to 40 years.

Employee and other related costs incurred in implementing the capital schemes of the group are capitalised.

The group is required to evaluate the carrying values of property, plant and equipment for impairment whenever circumstances indicate, in management's view, that the carrying value of such assets may not be recoverable. An impairment review requires management to make uncertain estimates concerning the cash flows, growth rates and discount rates of the cash generating units under review.

Costs associated with a major inspection or overhaul of an asset or group of assets are capitalised within property, plant and equipment and depreciated over the period of time expected to elapse between major inspections or overhauls.

Water and wastewater infrastructure assets
Infrastructure assets comprise a network of water and wastewater pipes and systems. Expenditure on the infrastructure assets, including borrowing costs where applicable, relating to increases in capacity or enhancements to the resilience of functionality of the network, is treated as an addition. Amounts incurred in maintaining the operating capability of the network in accordance with defined standards of service are expensed in the year in which the expenditure is incurred. Infrastructure assets are depreciated by writing off their cost (or deemed cost for infrastructure assets held on transition to IFRS), less the estimated residual value, on a straight-line basis over their useful economic lives.

Other assets
All other property, plant and equipment is stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items, including relevant borrowing costs, where applicable, for qualifying assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost, less their estimated residual value, on a straight-line basis over their estimated useful economic lives, based on management's judgement and experience.

Depreciation methods, residual values and useful economic lives are reassessed annually and, if necessary, changes are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating costs.

Transfer of assets from customers and developers
Where the group receives from a customer or developer an item of property, plant and equipment (or cash to construct or acquire an item of property, plant and equipment) that the group must then use either to connect the customer to the network or to provide the customer with ongoing access to a supply of goods or services, or to do both, such items are capitalised at their fair value and included within property, plant and equipment, with a liability of the same amount credited to deferred grants and contributions. The assets are depreciated over their useful economic lives and the deferred contributions released to revenue over the 60 years, which is the estimated period over which an average connection through which the group provides water and wastewater services is expected to be operational. Where the receipt of property, plant and equipment is solely to connect the customer to the network, the deferred contribution is released immediately to revenue.

Assets transferred from customers or developers are accounted for at fair value. If no market exists for the assets, then incremental cash flows are used to arrive at fair value.

Government grants
Government grants (including those receivable from government agencies and local authorities) are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Where government grants relate to the acquisition or construction of assets, the group has elected to account for the grant by deducting the value of the grant from the asset's carrying amount. Other grants are typically recognised in other income in the period in which the conditions attached to them are fulfilled.

Intangible assets
Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful economic lives. The carrying amount is reduced by any provision for impairment where necessary.

Internal expenditure is capitalised as internally generated intangibles only if it meets the criteria set out in IAS 38 'Intangible Assets'.

Intangible assets, which relate primarily to computer software, are generally amortised over a period of three to ten years.

A6 Accounting policies
continued

The group expenses costs incurred in the implementation and ongoing operation of computing systems built and delivered on a 'software as a service' (SaaS) basis and hosted in an external cloud environment. These do not generally give rise to an identifiable intangible asset that the group controls. In limited circumstances, costs incurred in association with the implementation and customisation of a SaaS system may enhance the group's existing digital infrastructure and would be expected to generate broader future economic benefit. Where this results in an identifiable intangible asset that the group controls, the costs are capitalised in accordance with IAS 38 and are subsequently amortised over a period of generally three to ten years.

Impairment of assets
Where appropriate, assets are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use represents the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

The recoverable amount of investments in subsidiary companies is assessed using Level 2 fair value hierarchy techniques, with reference to the regulatory capital value ('RCV') of the regulated water and wastewater business where appropriate. This is used as a proxy in estimating the subsidiary's market value, with the RCV being a regulatory measure determined by Ofwat, based on the company's historic market value plus the value of accumulated capital investment assumed at each price review. The RCV used in this assessment is adjusted for actual spend.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses in respect of assets are recognised in the income statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Capitalisation of costs associated with regulatory price review programmes
As a regulated business, the group's principal subsidiary, United Utilities Water Limited, is required to submit business plans to its regulator, Ofwat, on a cyclical basis and covering a five-year period. The costs to develop these business plans, which can be significant, largely relate to the development of material capital programmes to be delivered over the next five-year price control period. As such, the majority of these costs are considered to be directly attributable to bringing capital solutions into working condition, giving rise to future economic benefit in the form of reduced project costs as the capital programme is delivered, and supporting the enhancement of the company's network as a whole. Such costs are therefore capitalised within property, plant and equipment where appropriate, and depreciated over a period of five years as the economic benefit is realised through the delivery of the capital programme.

Financial instruments
Financial assets and financial liabilities are recognised and derecognised in the group's statement of financial position on the trade date when the group becomes/ceases to be a party to the contractual provisions of the instrument.

Cash and short-term deposits
Cash and short-term deposits include cash at bank and in hand, deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash, have a maturity of three months or less from the date of acquisition and which are subject to an insignificant risk of change in value. In the consolidated statement of cash flows and related notes, cash and cash equivalents include cash and short-term deposits, net of book overdrafts.

Financial investments
Investments (other than interests in subsidiaries, joint ventures and fixed deposits) are initially measured at fair value, including transaction costs. Investments classified as financial assets measured at fair value through profit or loss ('FVPL') in accordance with IFRS 9 'Financial Instruments' are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised in the net profit or loss for the period. The business model employed in respect of financial assets is that of a hold-to-collect model.

Trade receivables
Trade receivables are initially measured at fair value on initial recognition. Trade receivables are held within a business model to collect contractual cash flows which comprise solely payments of principal and interest on the principal amount outstanding. After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. At each reporting date, the group evaluates the estimated recoverability of trade receivables and records allowances for expected credit losses. An allowance is recognised where there is objective evidence the group will be unable to collect all of the amount due. The receivable is recognised at the recoverable amount and the difference between the amortised cost and the recoverable amount is recorded as an expense within the profit and loss account.

The group estimates the expected credit loss on trade receivables applying the simplified approach as permitted under IFRS 9. For trade receivables that are assessed as not impaired individually, the expected credit loss is estimated based on the group's historical experience of cash collection and the incorporation of forward-looking information.

Trade payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments
Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Borrowings
The group's default treatment is that bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently measured at amortised cost applying the effective interest method. The difference between the net cash proceeds received at inception and the principal cash flows due at maturity is accrued over the term of the borrowing.

A6 Accounting policies
continued

The default treatment of measuring at amortised cost, while associated hedging derivatives are recognised at fair value, presents an accounting measurement mismatch that has the potential to introduce considerable volatility to both the income statement and the statement of financial position. Therefore, where feasible, the group takes advantage of the provisions under IFRS 9 'Financial Instruments' to make fair value adjustments to its borrowing instruments to reduce this volatility and better represent the economic hedges that exist between the group's borrowings and associated derivative contracts.

Where feasible, the group designates its financial instruments within fair value hedge relationships. To apply fair value hedge accounting, it must be demonstrated that there is an economic relationship between the borrowing instrument and the hedging derivative and that the designated hedge ratio is consistent with the group's risk management strategy.

Borrowings designated within a fair value hedge relationship
Where designated, bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently adjusted for any change in fair value attributable to the risk being hedged at each reporting date, with the change being charged or credited to finance expense in the income statement.

Hedge accounting is discontinued prospectively when the hedging instrument is sold, terminated or exercised, or where the hedge relationship no longer qualifies for hedge accounting.

Borrowings designated at fair value through profit or loss
Designation is made where the requirements to designate within a fair value hedge cannot be met at inception despite there being significant fair value offset between the borrowing and the hedging derivative. Where designated, bonds and loans are initially measured at fair value being the cash proceeds received and are subsequently measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement.

Under the provisions of IFRS 9 'Financial Instruments', changes in the group's own credit risk are recognised in other comprehensive income.

Derivative financial instruments
The group's default treatment is that derivative financial instruments are measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement. The group enters into financial derivatives contracts to manage its financial exposure to changes in market rates (see note A3)

Derivative financial instruments designated within a cash flow hedge relationship
Gains or losses resulting from the effective portion of the hedging instrument are recognised in other comprehensive income and in the cash flow hedge reserve with any remaining gains or losses recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item. At the maturity date, amounts paid/received are recognised against operating expenses in the income statement.

Upon discontinuation of a cash flow hedge, the amount accumulated in other comprehensive income remains in the cash flow hedge reserve if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to the income statement.

Derivatives and borrowings – valuation
Where an active market exists, designated borrowings and derivatives recorded at fair value are valued using quoted market prices. Otherwise, they are valued using a net present value valuation model. The model uses applicable interest rate curve data at each reporting date to determine any floating cash flows. Projected future cash flows associated with each financial instrument are discounted to the reporting date using discount factors derived from the applicable interest curves adjusted for counterparty credit risk where appropriate. Discounted foreign currency cash flows are converted into sterling at the spot exchange rate at each reporting date. Assumptions are made with regard to credit spreads based on indicative pricing data.

The valuation of debt designated in a fair value hedge relationship is calculated based on the risk being hedged as prescribed by IFRS 9 'Financial Instruments'. The group's policy is to hedge its exposure to changes in the applicable underlying interest rate and it is this portion of the cash flows that is included in the valuation model (excluding any applicable company credit risk spread).

The valuation of debt designated at fair value through the profit or loss incorporates an assumed credit risk spread in the applicable discount factor. Credit spreads are determined based on indicative pricing data.

Inventories
Inventories are stated at the lower of cost and net realisable value. For properties held for resale, cost includes the cost of acquiring and developing the sites, including borrowing costs where applicable.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Employee benefits
Retirement benefit obligations
The group operates two defined benefit pension schemes, which are independent of the group's finances, for its employees. Actuarial valuations to determine the funding of the schemes, along with future contribution rates, are carried out by the pension scheme actuary as directed by the trustees at intervals of not more than three years. In any intervening years, the trustees review the continuing appropriateness of the funding and contribution rates.

From a financial reporting perspective and in accordance with IAS 19 'Employee Benefits', defined benefit assets are measured at fair value, while liabilities are measured at present value using the projected unit credit method. The difference between the two amounts is recognised as a surplus or obligation in the statement of financial position. Where this difference results in a defined benefit surplus, this is recognised in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', on the basis that the group has an unconditional right to a refund of any surplus that may exist following the full settlement of plan liabilities in a single event.

The pension cost under IAS 19 is assessed in accordance with the advice of a firm of actuaries based on the latest actuarial valuation and assumptions determined by the actuary, which are used to estimate the present value of defined benefit obligations. The assumptions are based on information supplied to the actuary by the company, supplemented by discussions between the actuary and management. The assumptions are disclosed in note A4.

A6 Accounting policies
continued

The cost of providing pension benefits to employees relating to the current years' service (including curtailment gains and losses) is included within employee benefits expense, while the interest on the schemes' assets and liabilities is included within investment income and finance expense respectively. Remeasurement gains/losses on scheme assets and liabilities are presented in other comprehensive income.

In addition, the group operates a defined contribution pension section within the United Utilities Pension Scheme. Payments are charged as employee costs as they fall due. The group has no further payment obligations once the contributions have been paid.

Share-based compensation arrangements
The group operates equity-settled, share-based compensation plans, issued to certain employees. The equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a pro-rated basis over the vesting period, based on estimates of the number of options that are expected to vest and according to relevant measures of performance determining the number of shares awarded. The initial fair value of each award scheme is updated for each reporting period to account for lapsed shares and updated estimates of the performance measures. The group has the option to settle some of these equity-settled share-based payments in cash. At each reporting date, the group revises its estimate of the number of options that are expected to become exercisable, with the impact of any revision being recognised in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Expenditure that relates to an existing condition caused by past operations that does not contribute to current or future earnings is expensed.

Foreign currency translation
Transactions and balances
Transactions in foreign currencies are recorded at the exchange rates applicable on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange applicable on that date. Gains and losses arising on retranslation are included in net profit or loss for the period.

Exchange differences arising on investments in equity instruments classified as fair value through other comprehensive income are included in the gains or losses arising from changes in fair value, which are recognised directly in equity. To hedge its exposure to certain foreign exchange risks, the group enters into contracts for derivative instruments (see note A3).

Leases
At inception of a contract the group assesses whether a contract is, or contains, a lease. Where a lease is present, a right-of-use asset and lease liability is recognised at the commencement date. The lease liability is measured at the present value of future lease payments due over the term of the lease, with the right-of use asset recognised as property, plant and equipment at cost. This is generally equivalent to the initial measurement of the lease liability.

Lease payments are discounted using the group's incremental rate of borrowing if the interest rate implicit in the lease cannot be readily determined. For materially all of the group's leases, the group's incremental rate of borrowing is used. This rate is calculated using a number of inputs, being observable risk-free gilt rates, specific data based on bonds already in circulation for the relevant group company, as well as data from the wider utility sector. Further adjustments for payment profile and the term of the lease are made.

After the commencement date, the lease liability is increased for the accretion of interest (being the unwinding of the discounting applied to future lease payments) and reduced by lease payments made. In addition to this the carrying amount is updated to reflect any remeasurement or lease modifications. Remeasurements are typically required as a result of rent reviews or changes to the lease term. In these cases, a corresponding adjustment to the right-of-use asset is made.

Depreciation of right-of-use assets is charged on a straight-line basis over the term of the lease.

Where leases have a term of less than 12 months from the commencement date and do not have a purchase option, the group applies the short-term lease recognition exemption available under IFRS 16. The group applies the low value recognition exemption permitted by the standard to leases of assets with a value of less than £2,500. Payments for short-term and low-value leases are instead charged to operating costs on a straight-line basis over the period of the lease.

Statement of cash flows
Grants and contributions received
Where government grants are received as a contribution against qualifying fixed assets, and where transactions with customers – typically property developers – result in the expansion of the group's water and wastewater network (and therefore its fixed asset base), the relevant cash inflows are classified within investing activities in the period.

Interest payments and receipts
IFRS allows interest payments and interest receipts to be classified within operating activities or financing activities/investing activities. The group classifies interest payments and interest receipts within operating activities, with management viewing these in conjunction with other operating cash flows in assessing the ability of the group to maintain its operating capability.

Cash flows from derivatives
The cash flows from derivatives as a result of the group's hedging activities are presented together with the cash flows relating to the underlying hedged item to provide a more faithful representation of the substance of the transaction.

Taxes paid
Taxes paid by the group are presented as cash flows from operating activities. The group deems it impracticable to identify the tax cash flows with respect to individual transactions, which may themselves be presented in investing activities or financing activities, and instead present total tax cash flows as operating activities.

A7 Subsidiaries and other group undertakings

Details of the group's subsidiary undertakings, joint ventures and associates are set out below. Unless otherwise specified, the registered address for each entity is Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP, United Kingdom. For further details of joint ventures, see note 12.

	Class of share capital held	Proportion of share capital owned/voting rights %[1]	Nature of business
Subsidiary undertakings			
Great Britain			
Halkyn District Mines Drainage Company Limited	Ordinary	99.9	Dormant
Lingley Mere Management Company Limited	Ordinary	90.0	Property management
North West Water Limited	Ordinary	100	Dormant
United Utilities (Overseas Holdings) Limited	Ordinary	100	Dormant
United Utilities Energy Limited	Ordinary	100	Energy generation
United Utilities Healthcare Trustee Limited	Ordinary	100	Corporate trustee
United Utilities International Limited	Ordinary	100	Non-trading
United Utilities North West Limited	Ordinary	100	Holding company
United Utilities Pensions Trustees Limited	Ordinary	100	Corporate trustee
United Utilities PLC	Ordinary	100	Holding company
United Utilities Property Services Limited	Ordinary	100	Property management
United Utilities Total Solutions Limited	Ordinary	100	Non-trading
United Utilities Utility Solutions (Industrial) Limited	Ordinary	100	Holding company
United Utilities Water Finance PLC	Ordinary	100	Financing company
United Utilities Water Limited	Ordinary	100	Water and wastewater services
UU (ESPS) Pension Trustee Limited	Ordinary	100	Corporate trustee
UU Group Limited	Ordinary	100	Dormant
UU Secretariat Limited	Ordinary	100	Dormant
YCL Transport Limited	Ordinary	100	Non-trading
United Utilities Bioresources Limited	Ordinary	100	Wastewater services
Joint ventures			
All joint ventures are accounted for using the equity method and are strategic to the group's activities to varying degrees.			
Great Britain			
Lingley Mere Business Park Development Company Limited	Ordinary	50	Development company
Selectusonline Limited	Ordinary	16.7	Dormant
Water Plus Group Limited[2]	Ordinary	50	Holding company
Water Plus Limited[2]	Ordinary	50	Water and wastewater retail services
Water Plus Select Limited[2]	Ordinary	50	Water and wastewater retail services

(1) With the exception of United Utilities PLC, shares are held by subsidiary undertakings rather than directly by United Utilities Group PLC.

(2) Water Plus Limited and Water Plus Select Limited are wholly owned subsidiaries of Water Plus Group Limited. Registered address: South Court Riverside Park, Campbell Road, Stoke-on-Trent ST4 4DA, United Kingdom.

Five-year summary – unaudited

The financial summary (unaudited) set out below has been derived from the audited consolidated financial statements of United Utilities Group PLC for the five years ended 31 March 2024. Revenue has been re-presented for the years ended 31 March 2020 to 31 March 2023 so that they are presented on a consistent basis to the revenue presented for the year ended 31 March 2024. Further detail of the changes to how revenue has been re-presented can be found on page 189.

Year ended 31 March Continuing operations	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Revenue	**1,949.5**	1,804.2	1,844.3	1,794.6	1,846.8
Reported operating profit	**480.2**	440.8	610.0	602.1	630.3
Underlying operating profit	**517.8**	440.8	610.0	602.1	732.1
Reported profit before tax	**170.0**	256.3	439.9	551.0	303.2
Underlying profit/(loss) before tax	**220.5**	(34.3)	301.9	460.0	534.8
Reported profit/(loss) after tax	**126.9**	204.9	(56.8)	453.4	106.8
Underlying profit/(loss) after tax	**227.3**	(8.7)	367.0	383.0	486.3
Reported earnings per share (basic)	**18.6p**	30.0p	(8.3)p	66.5p	15.7p
Underlying earnings per share	**33.3p**	(1.3)p	53.8p	56.2p	71.3p
Dividend per ordinary share	**49.78p**	45.51p	43.50p	43.24p	42.60p
Non-current assets	**13,884.4**	13,835.8	13,823.2	13,166.2	13,215.7
Current assets	**1,769.0**	691.4	613.8	1,012.9	828.4
Total assets	**15,653.4**	14,527.2	14,437.0	14,179.1	14,044.1
Non-current liabilities	**(12,489.5)**	(11,442.6)	(10,791.0)	(10,152.6)	(9,877.3)
Current liabilities	**(1,107.8)**	(575.9)	(688.6)	(995.5)	(1,204.7)
Total liabilities	**(13,597.3)**	(12,018.5)	(11,479.6)	(11,148.1)	(11,082.0)
Total net assets and shareholders' equity	**2,056.1**	2,508.7	2,957.4	3,031.0	2,962.1
Net cash generated from operating activities	**745.1**	787.5	934.4	859.4	810.3
Net cash used in investing activities	**(731.4)**	(593.4)	(639.7)	(549.3)	(593.9)
Net cash generated from/(used in) financing activities	**1,037.7**	(85.0)	(809.7)	(89.7)	(27.8)
Effects of exchange rates	**–**	(1.3)	1.5	–	–
Net increase/(decrease) in cash and cash equivalents	**1,051.4**	107.8	(513.5)	220.4	188.6
Net debt	**8,762.7**	8,200.8	7,570.0	7,305.8	7,227.5
RCV gearing[1] (%)	**59%**	58%	59%	63%	61%

(1) Regulatory Capital Value ('RCV') gearing is calculated as group net debt (see note A2) adjusted for loan receivables from joint ventures, divided by the RCV (as adjusted for actual spend and timing difference) of United Utilities Water Limited, including the expected value of AMP7 ex-post adjustment mechanisms.

Shareholder information

Key dates

20 June 2024
Ex-dividend date for 2023/24 final dividend

21 June 2024
Record date for 2023/24 final dividend

11 July 2024
DRIP election date for 2023/24 final dividend

19 July 2024
Annual general meeting

1 August 2024
Payment of 2023/24 final dividend to shareholders

14 November 2024
Announcement of half year results for the six months ending 30 September 2024

19 December 2024
Ex-dividend date for 2024/25 interim dividend

20 December 2024
Record date for 2024/25 interim dividend

13 January 2025
DRIP election date for 2024/25 interim dividend

3 February 2025
Payment of 2024/25 interim dividend to shareholders

May 2025
Announce the final results for the 2024/25 financial year

June 2025
Publish the integrated annual report and financial statements for the year 2024/25

Make life easier and have your dividends paid straight into your bank account

- The dividend goes directly into your bank account and is available immediately;
- No need to pay dividend cheques into your bank account;
- No risk of losing cheques in the post;
- No risk of having to replace spoiled or out-of-date cheques; and
- It's cost-effective for your company.

To take advantage of this, please contact Equiniti via **shareview.co.uk** or complete the dividend mandate form you receive with your next dividend cheque.

When you have your dividend paid directly into your bank account, you'll receive one tax voucher each year. This will be issued with the interim dividend normally paid in February and will contain details of all the dividends paid in that tax year. If you'd like to receive a tax voucher with each dividend payment, please contact Equiniti.

Electronic communications

We're encouraging our shareholders to receive their shareholder information by email and via our website. Not only is this a quicker way for you to receive information, it helps us to be more sustainable by reducing paper and printing materials and lowering postage costs.

Registering for electronic shareholder communications is very straightforward, and is done online via **shareview.co.uk** which is a website provided by our registrar, Equiniti.

Log on to **shareview.co.uk** and you can:

- set up electronic shareholder communication;
- view your shareholdings;
- update your details if you change you address; and
- get your dividends paid directly into your bank account.

Please do not use any electronic address provided in this integrated annual report or in any related document to communicate with the company for any purposes other than those expressly stated.

Online annual report

Our integrated annual report is available online. View or download the full integrated annual report and financial statements from: **unitedutilities.annualreport2024.com**

Keeping you in the picture

You can find information about United Utilities quickly and easily on our website: **unitedutilities.com/corporate.** Here, the integrated annual and financial statements, responsible business performance, company announcements, the half-year and final results and presentations are published.

Registrar

The group's registrar, Equiniti, can be contacted on:

+44 (0)371 384 2041 (please use the code when calling from outside the UK) or for deaf and speech impaired customers, we welcome calls via Relay UK. Please see **www.relayuk.bt.com** for more information. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Equiniti's address is:
Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Equiniti offers a share dealing service by telephone: **0345 603 7037** and online: **shareview.co.uk/dealing**

Equiniti also offers a stocks and shares ISA for United Utilities shares: call **0345 300 0430** or go to: **shareview.co.uk/dealing**

Dividend history – pence per share

	2020	2021	2022	2023	2024
Interim	14.20	14.41	14.50	15.17	**16.59**
Final	28.40	28.83	29.00	30.34	**33.19**
Total ordinary	42.60	43.24	43.50	45.51	**49.78**

Warning to shareholders

Please be very wary of any unsolicited contact about your investments or offers of free company reports. It may be from an overseas 'broker' who could sell you worthless or high-risk shares. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. Further information and a list of unauthorised firms that have targeted UK investors is available from the Financial Conduct Authority at: **fca.org.uk/consumers/unauthorised-firms-individuals**

Important information

Cautionary statement:
The integrated annual report and financial statements (the annual report) contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. These forward-looking statements include, without limitation, any projections or guidance relating to the results of operations and financial conditions of the group as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and any strategic initiatives relating to the group, as well as discussions of our business plan and our assumptions, expectations, objectives and resilience with respect to climate scenarios. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast. Certain regulatory performance data contained in this annual report is subject to regulatory audit.

Terms used in this report:
Unless expressly stated otherwise, the 'group', 'United Utilities', 'UU' or 'the company' means United Utilities Group PLC and its subsidiary undertakings; the 'regulated business', 'regulated activities' or 'UUW' means the licensed water and wastewater activities undertaken by United Utilities Water Limited (formerly United Utilities Water PLC) in the North West of England.

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United Utilities

Water for the North West