

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