Contents

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.

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

Keep in touch with us

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 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

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.

* 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).

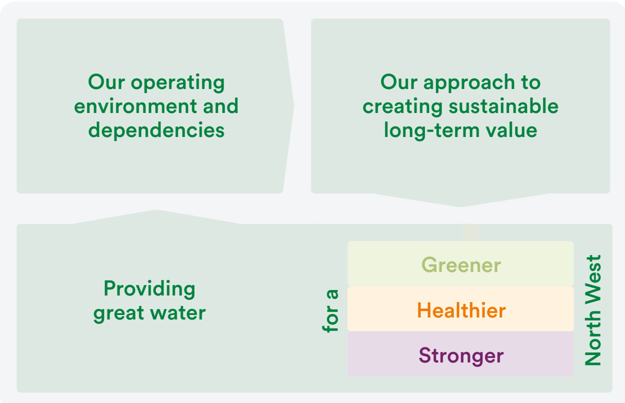
Customers | Environment | Communities | Colleagues | Suppliers | Investors

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.



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.

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.

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	Colleagues	Human rights	Social	Anti-corruption	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	Colleagues	Human rights	Social	Anti-corruption	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 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

SDG 1 No poverty

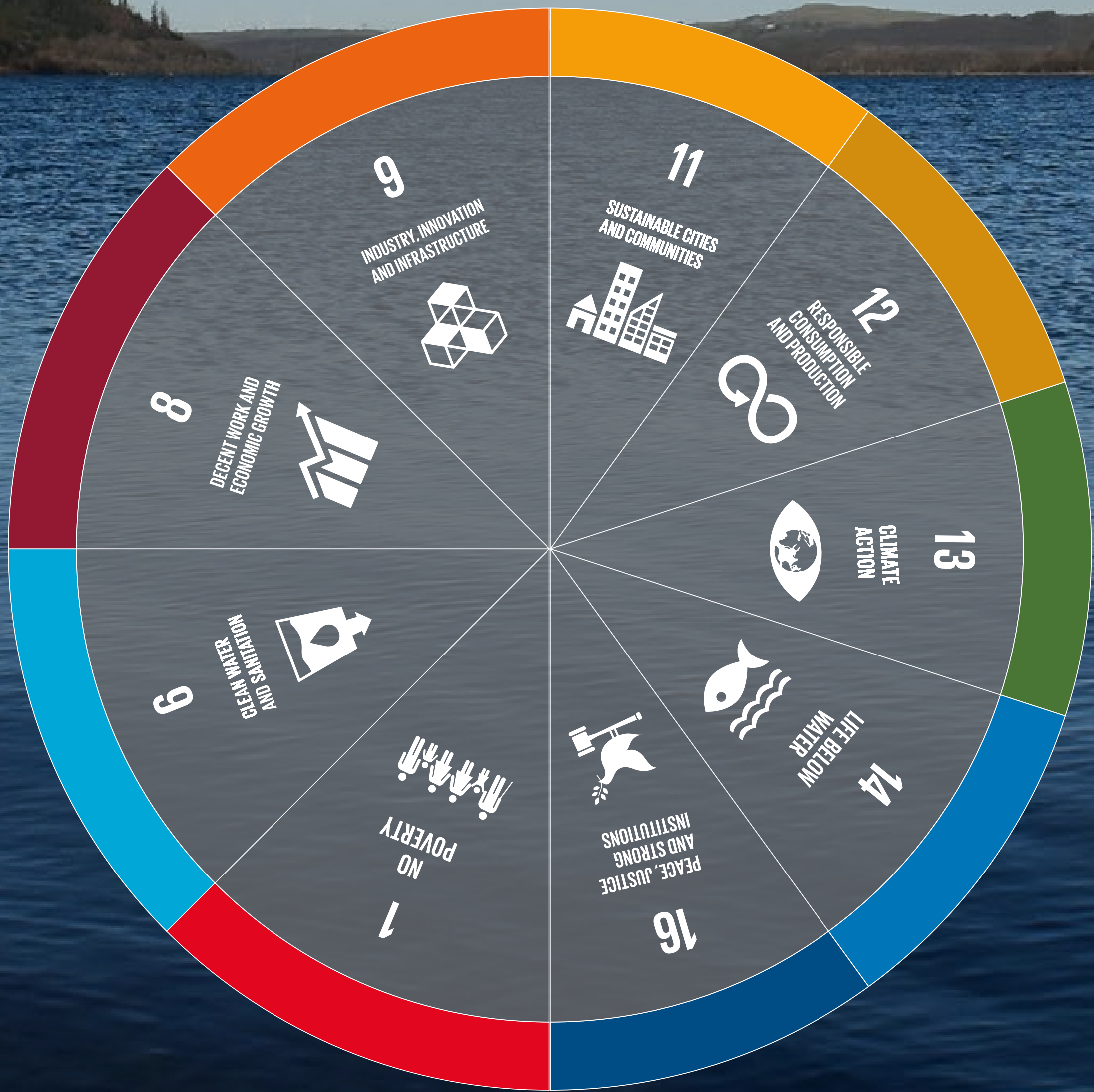
The North West contains more areas of extreme deprivation than any other region in England. We have a sector-leading package of affordability support, and have helped over 375,000 households since 2020. We are also strong supporters of the Consumer Council for Water's drive to implement a national social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



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

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

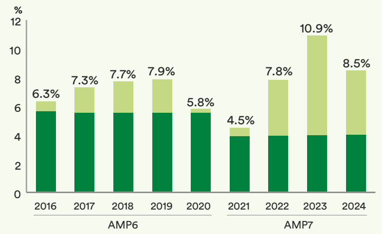
The vast majority of our activities sit within our regulated business, which provides essential water and wastewater services to more than seven million people. We are one of only three listed water companies in England and Wales and the second largest company in the industry.

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:

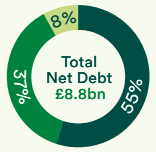
Strong balance sheet and measured approach to risk, giving us leading levels of financial resilience and flexibility

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



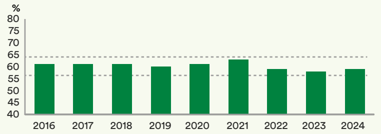
Key:
- Index-linked
- Fixed
- Floating

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)

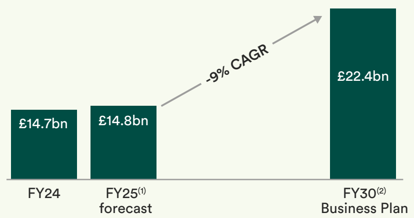
In October 2023, we submitted our business plan to Ofwat setting out our proposed investment and performance targets for AMP8.

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.

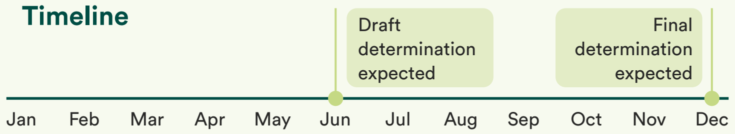
(2) Based on our AMP8 business plan submitted in October 2023. This is subject to change.

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

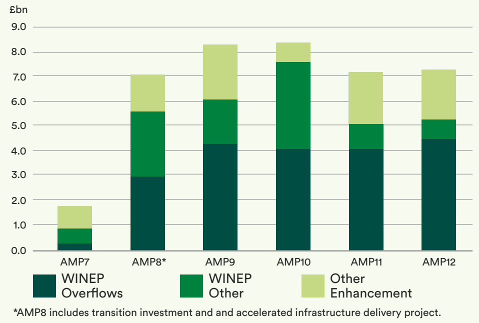
Our AMP8 business plan was built in the context of a long-term delivery strategy out to 2050, and our Water Resources Management Plan covers a 25-year period and considers consumption and climate forecasts out to 2080.

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
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
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

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.

- Value creation for multiple stakeholders
- Long-term planning horizons

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.

- Responsible, diverse and inclusive culture
- Holistic remuneration approach

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.

- Robust risk management framework
- Culture of innovation

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.

- 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

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

[1] 50 per cent company funded.

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

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

Water resources – sustainably sourcing water

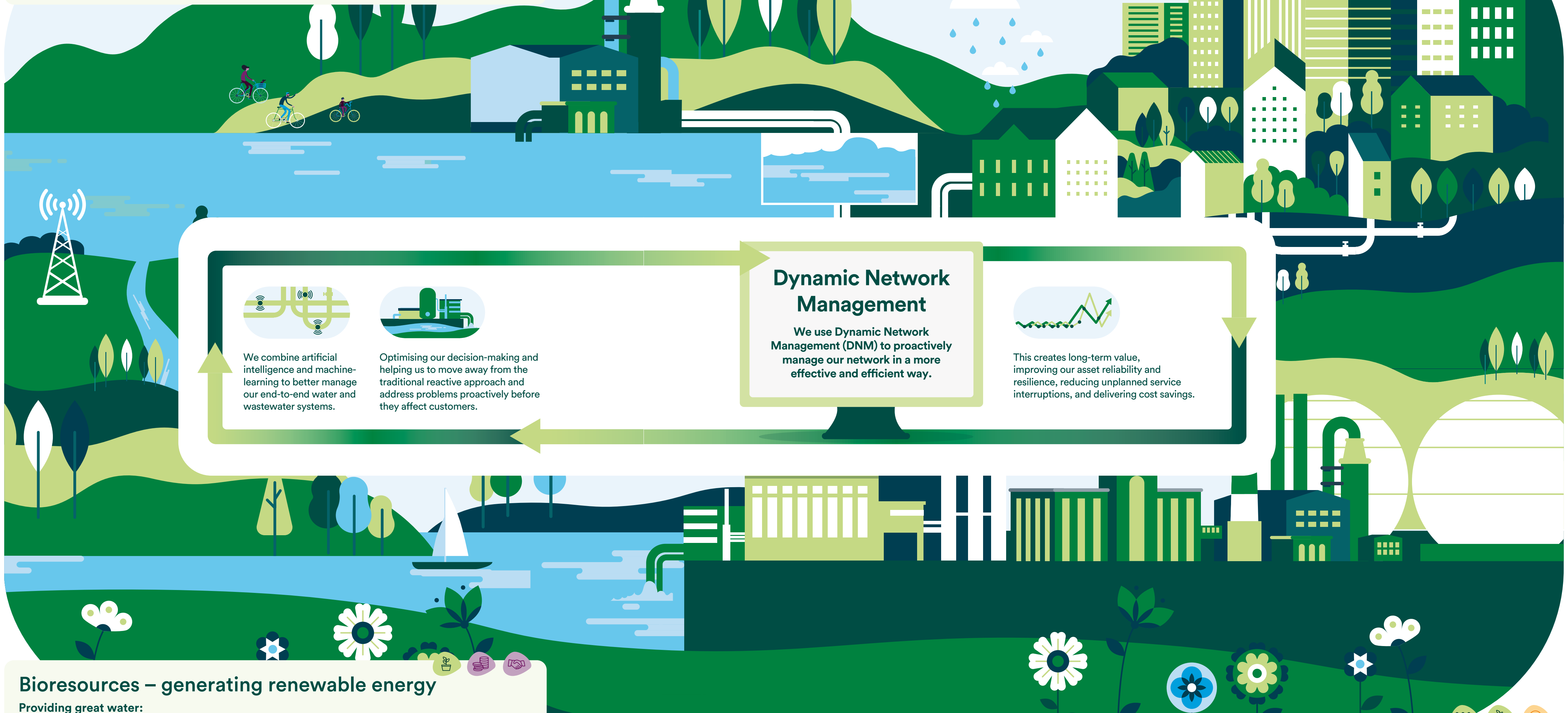
Providing great water:
We collect raw water from a variety of sources across the North West, including lakes, rivers and boreholes, but predominantly from open reservoirs. The biggest are Thirlmere and Haweswater in the Lake District National Park. We have more reservoirs than any other UK water company. 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.

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.

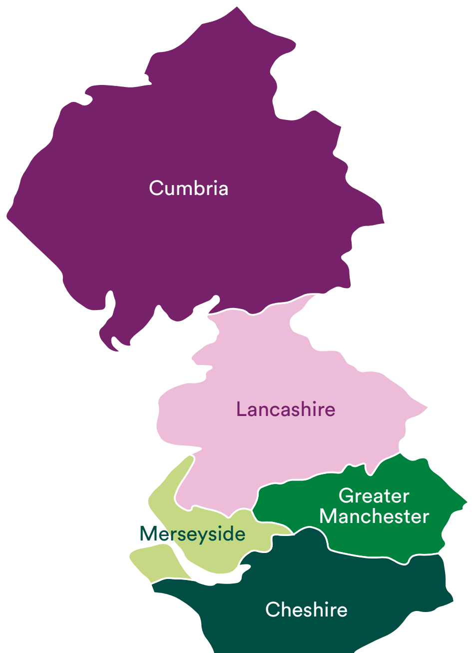
We've engaged with 95,000 people in Cumbria, Lancashire, Merseyside, Greater Manchester and Cheshire, shaping our plans for each county to address the things that they have told us matter most.

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.

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.

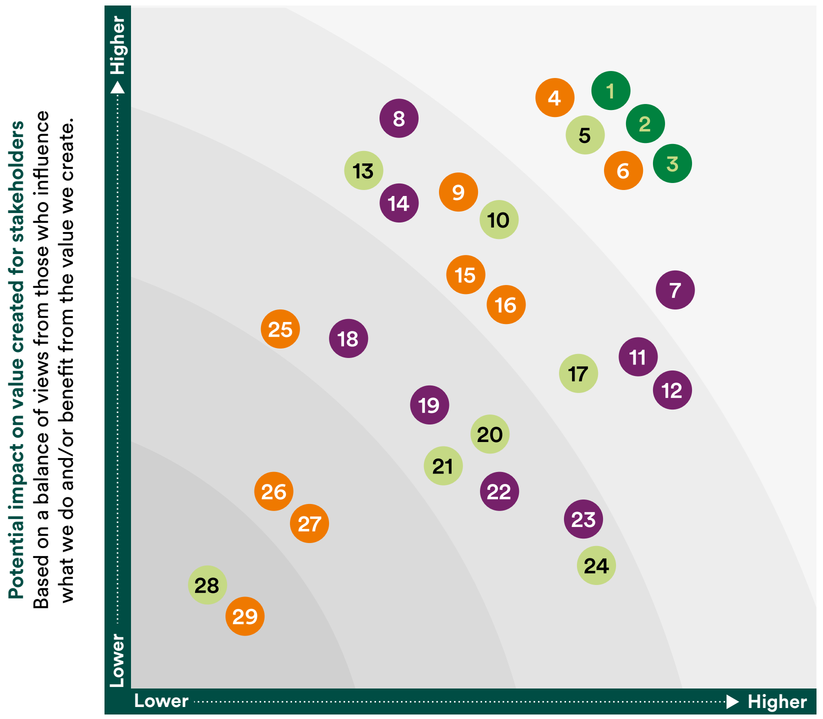
Key

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.



Potential to impact company value
Based on the potential effect on our ability to create financial and non-financial value over the short, medium and long term.

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

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

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

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

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

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	MT	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.

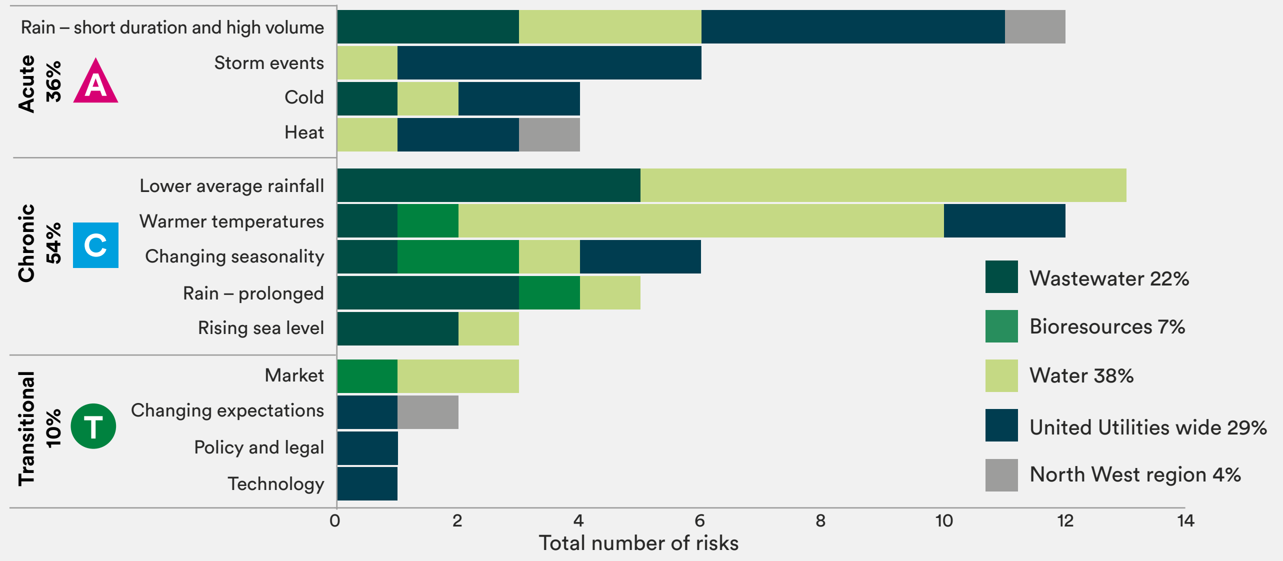
We manage 162 water reservoirs in the UK with around 93 per cent of our water sourced from surface water – lakes, reservoirs and rivers, rather than groundwater or aquifers. This means changing rainfall patterns also have a significant impact on our water operations. Projected warmer and drier weather 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 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 possible 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.

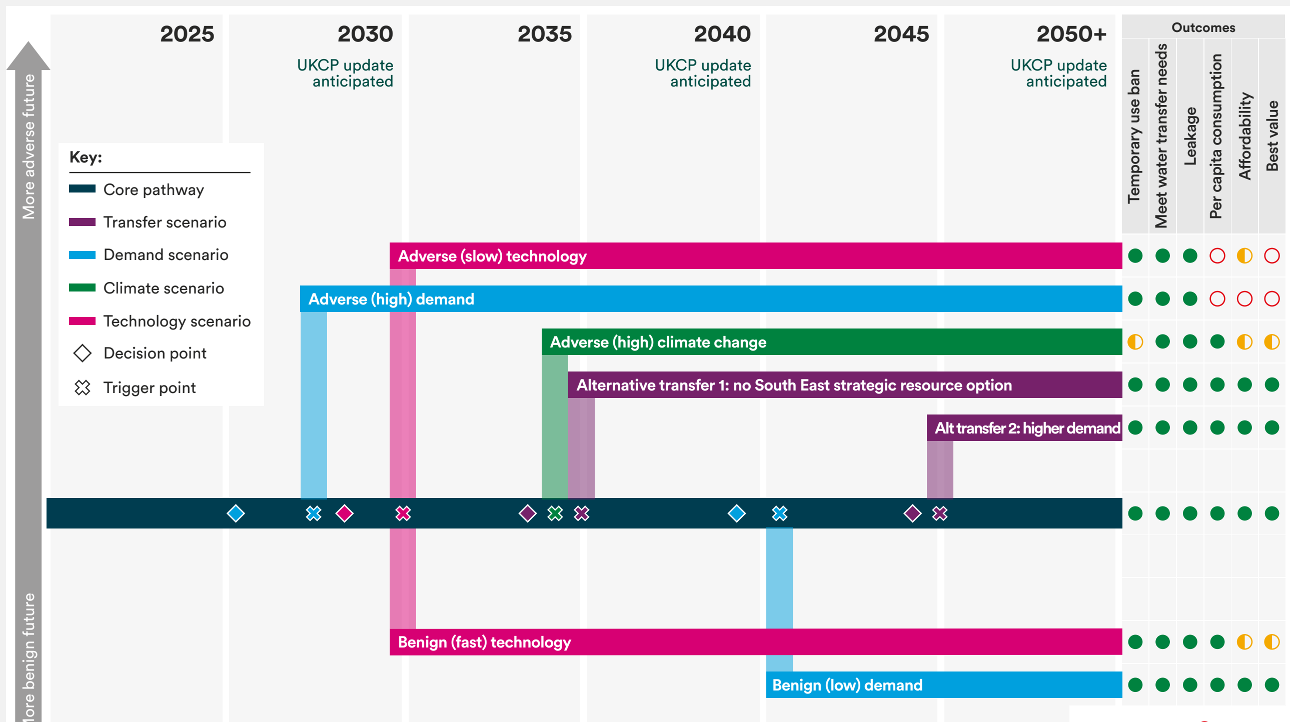
Read our three adaptation progress reports on our website at unitedutilities.com/corporate/responsibility/environment/climate-change

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.

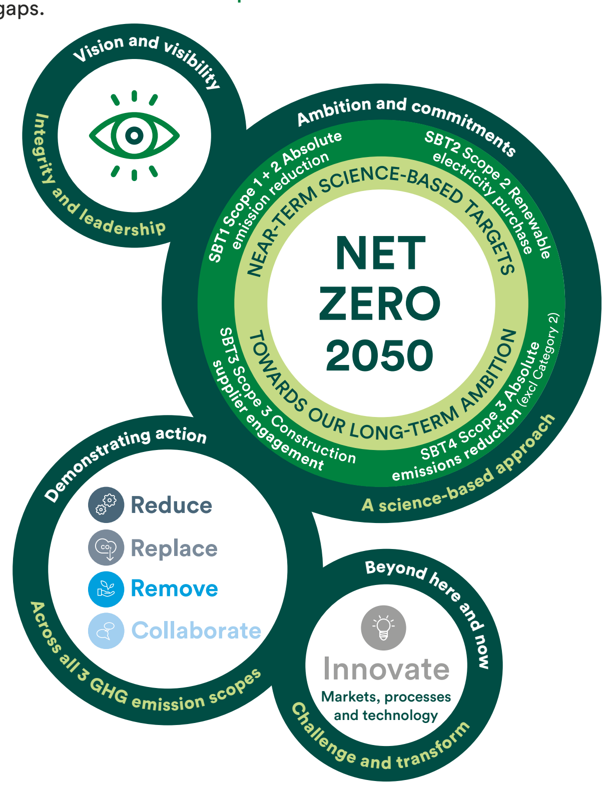
Our strategy pillar of 'beyond here and now' encourages us to reflect on the challenge to influence emissions beyond our current inventory and existing capabilities. To deliver our net zero transition plan we will challenge standards and engage with industry peers, our supply chain, and other partners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

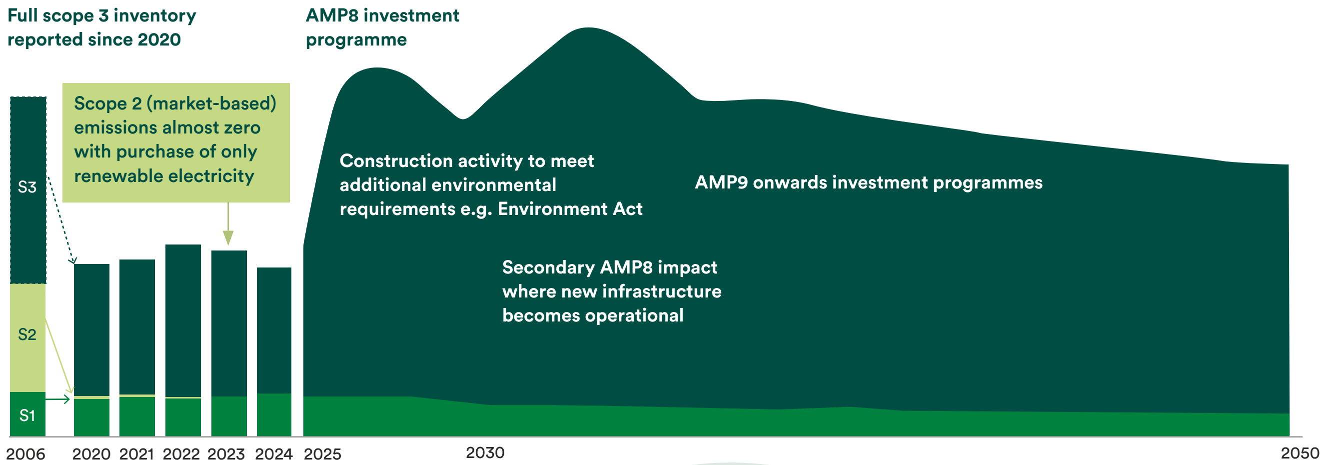
Our scope 2 emissions have reduced since we began to measure them in 2005/06 from 360 ktCO_2e to 261 ktCO_2e (location-based) and almost zero (market-based). This is a combination of the decarbonisation of the UK grid, restraining our energy use in the face of substantial growth pressures and our policy 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.

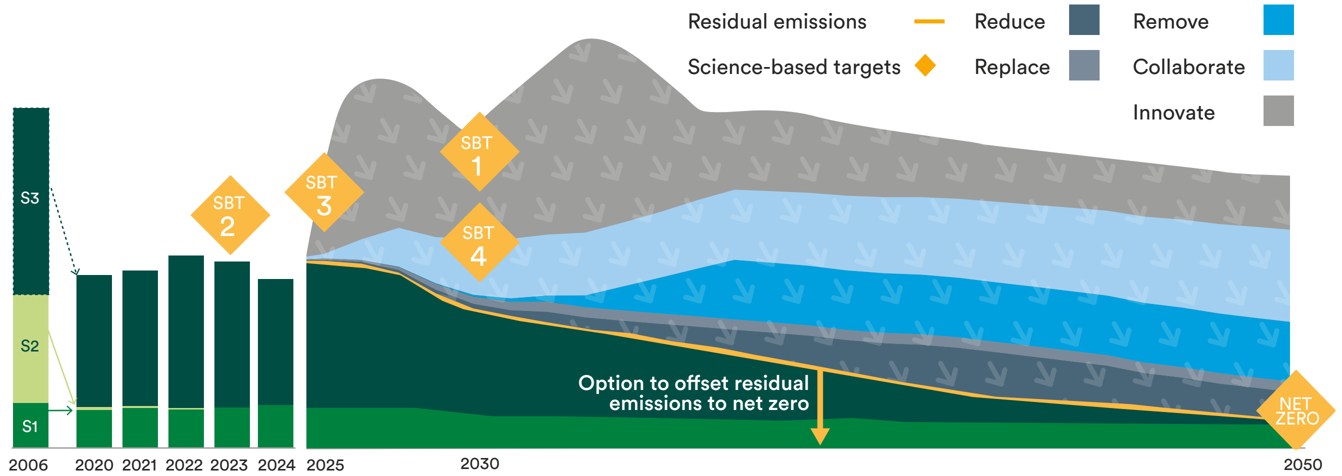


Action plan	Short term including recent progress	Medium term up to 2030	Long term to 2050 and beyond
Reduce consumption by careful use of resources.	• Colleague campaign 'Use Less, Save More' • Achieved ambitious targets for percentage of waste to beneficial reuse	• Optimise wastewater processes for 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.

Risk key: A Physical Acute C Physical Chronic T Transitional

Biome		Material risks
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.

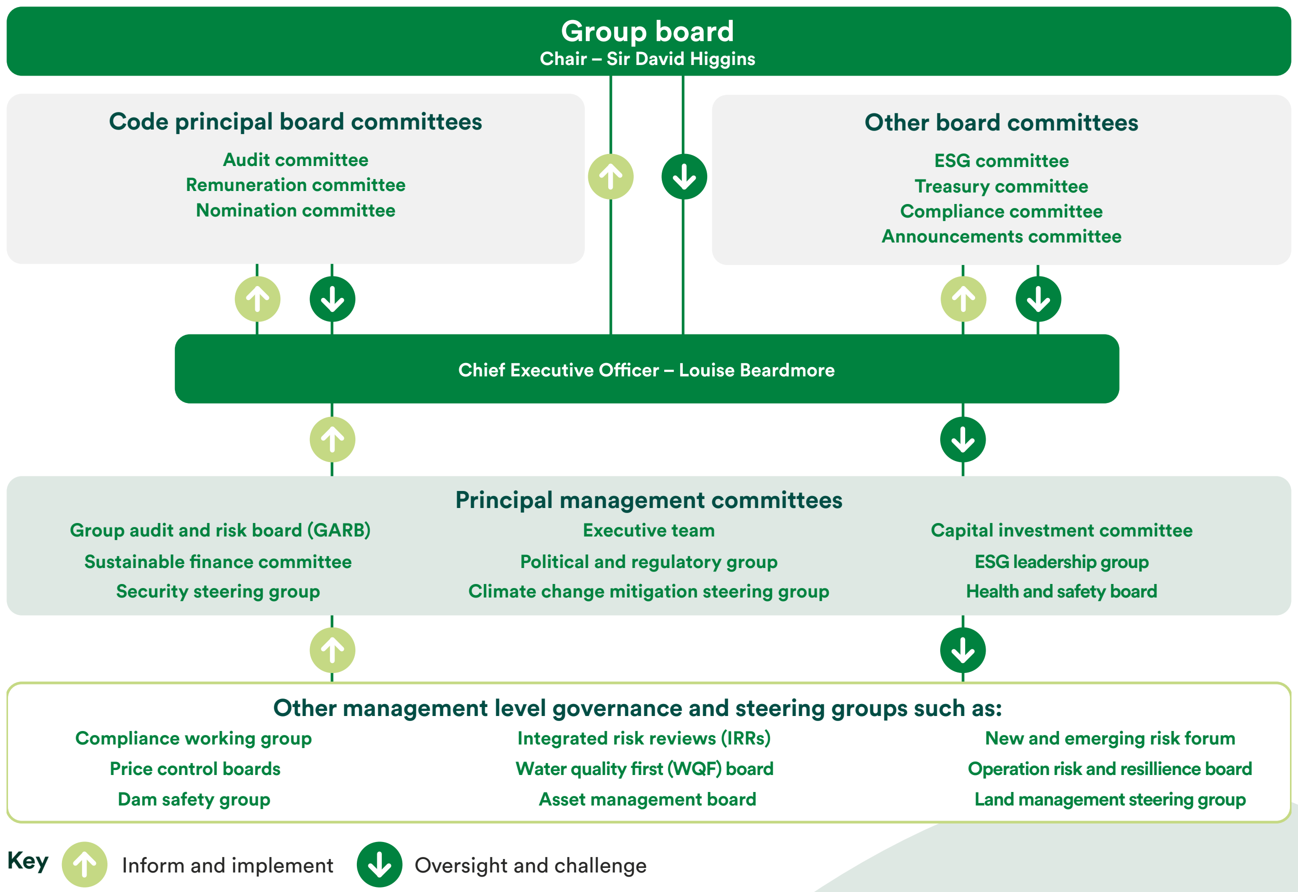
In this section you will find:

- 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

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

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



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.

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

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.

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

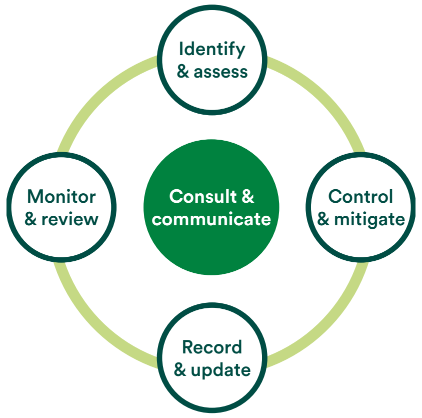
How we assess and manage risk

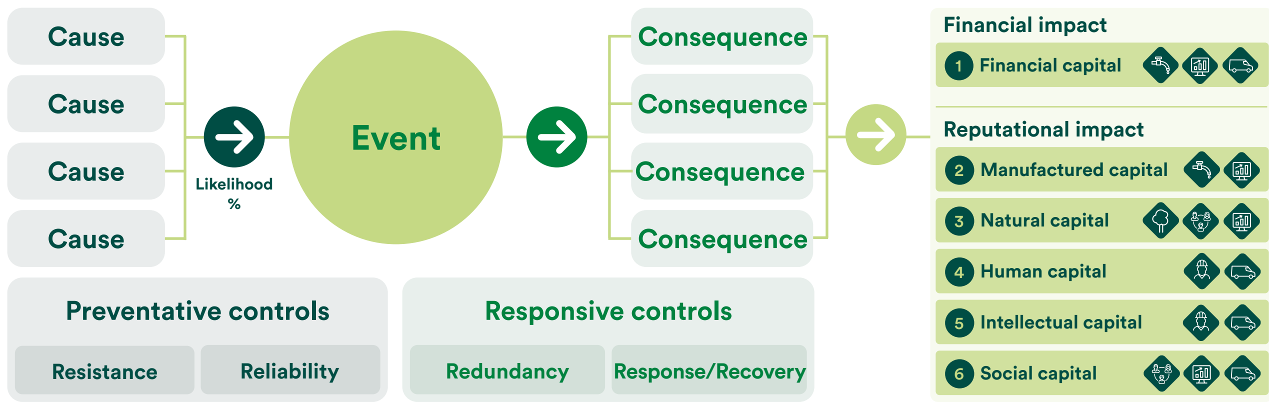
We have a number of mechanisms in place to identify risk, including: the inherent risk areas; the water cycle; cross-business horizon scanning forums; consultation with third parties; and comparison with national risk registers. Understanding the context of the risk is a fundamental part of the assessment, 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:

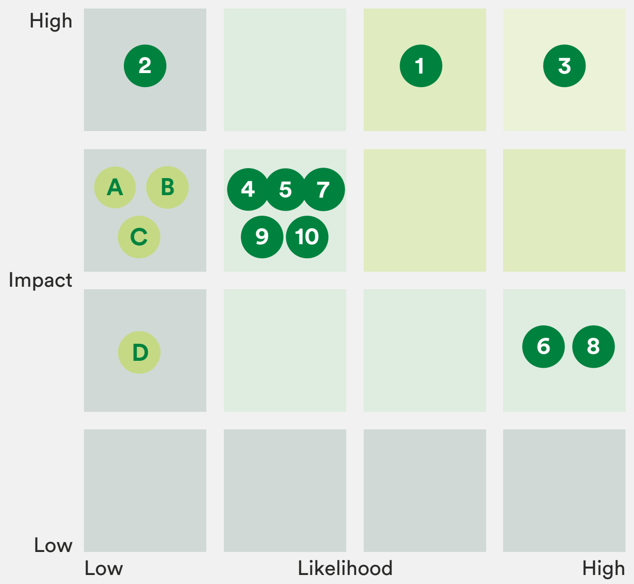
- **Environmental impact:** The potential impact to air, soil, water and biodiversity in the short and longer term, based on our assets, activities, carbon emissions and waste.
- **Investors:** The financial, ethical and environmental performance of our activity has implications for the value of investments 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.



- 1 Price Review 2024 outcome ↑
- 2 Failure of the Haweswater Aqueduct ↔
- 3 Recycling of biosolids to agriculture ↑
- 4 Credit rating ↑
- 5 Wastewater network failure ↔
- 6 Failure to treat sludge ↔
- 7 Cyber ↔
- 8 Failure to meet the totex efficiency challenge ↔
- 9 Water availability ↔
- 10 Capital delivery programme ↑
- A Dam failure ↑
- B Financial outperformance ↓
- C Terrorism ↔
- D Process safety ↔

Change in risk exposure over the year:
↓ Decreased
↔ Stable
↑ Increased

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.

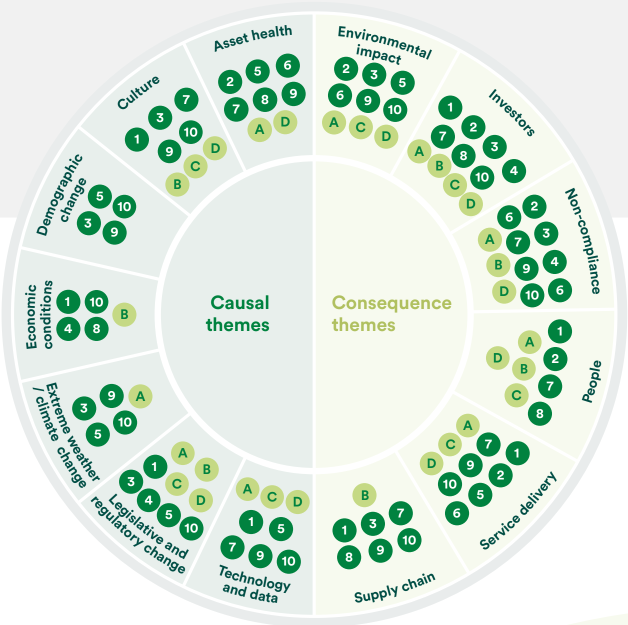
Assurance: Second line assurance is undertaken by both the assurance and health and safety teams, with third line assurance being undertaken through periodic internal audits. The Health and Safety Executive also carries out regulatory inspections.

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.

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.

How we identify, assess and manage material risks and opportunities affecting our ability to create a healthier North West continued

Healthier

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.

How we identify, assess and manage material risks and opportunities affecting our ability to create a stronger North West

Stronger

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**

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 than 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.

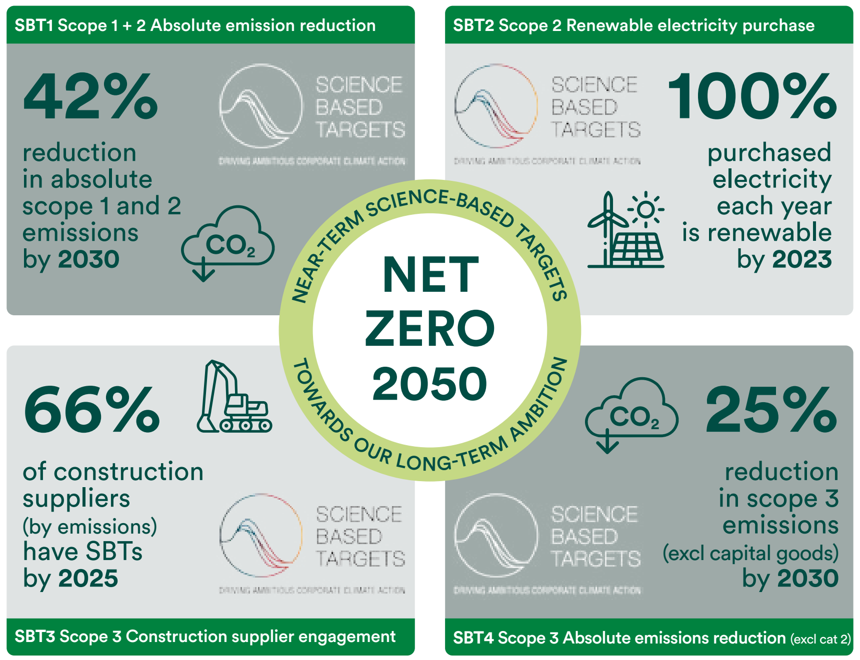
Performance and remuneration

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



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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.

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	2022/23	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			
Reduction in spills per storm overflow monitored	33% sustainable reduction[4]	**24%**	41%	29%	IAT	Bonus			
Treatment works compliance[1]	99%	**99.0%**	98.5%	99.0%	RRA	LTP			
Leakage reduction[1]	15%[3]	**9%**	6%	8%	RRA	LTP			
Reduction in per capita consumption[1]	6.3%[4]	**2.5% decrease**	0.5% increase	1.5% increase	RRA	PC			
Internal flooding incidents per 10,000 sewer connections[1]	1.34	**4.35**	2.32	2.98	RRA	PC			
External flooding incidents[1]	5,859	**7,063**	5,916	6,223	RRA	PC			
Waste to beneficial use	98%	**98.3**	98.3%	97.8%	IAT				
Enhancing natural capital for customers[1]	£4 million	**£15.777 million**	£0	£3.234 million	RRA	PC			
Number of trees planted	500,000	**600,466**	565,733	461,240	IAT				
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				
Carbon pledge 2: renewable electricity purchased	100% by 2023	**100%**	100%	96%	ITV				
Carbon pledge 3: green fleet	100% by 2028	**91 vehicles**	33 vehicles	27 vehicles	IAT	LTP			
Carbon pledge 4: peatland restoration	1,000 hectares (ha) by 2030	**1,211 ha**	585 ha	Activity underway	ITV	LTP			
Carbon pledge 5: woodland created	550 hectares (ha) by 2030	**37 ha**	37 ha	9 ha	ITV	LTP			
Construction services suppliers with science-based targets	66%	**23%**	23%	n/a	IAT	LTP			
Better air quality: nitrogen oxides (NOx) emissions per unit of renewable electricity generated[1]	1.42	**0.96**	1.07	1.19	RRA	PC			
Energy generated directly, and with partners, as a percentage of used	25% at 2026	**22.4%**	23.0%	n/a	ITV	LTP			

(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.

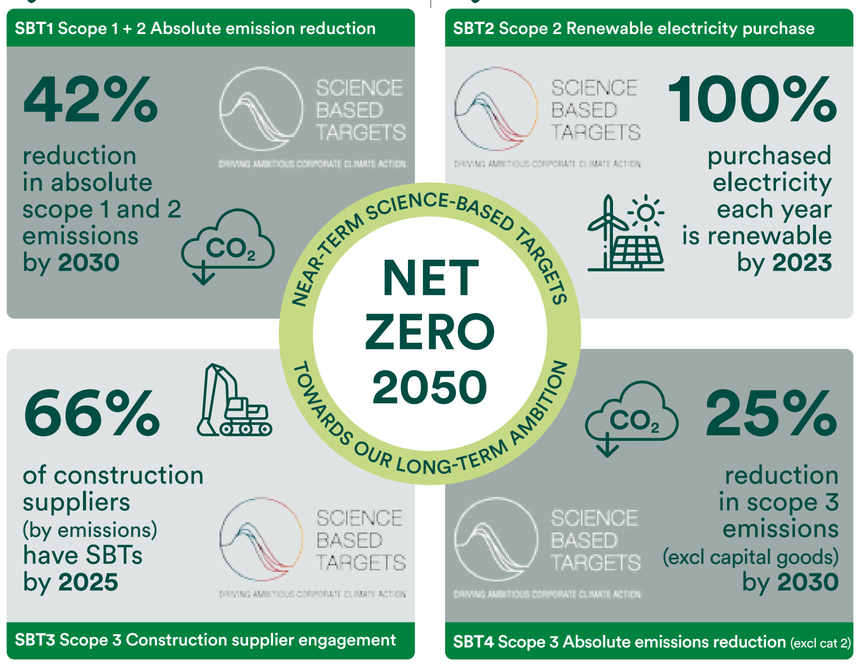
Pledge 3
100 per cent green fleet by 2028

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.

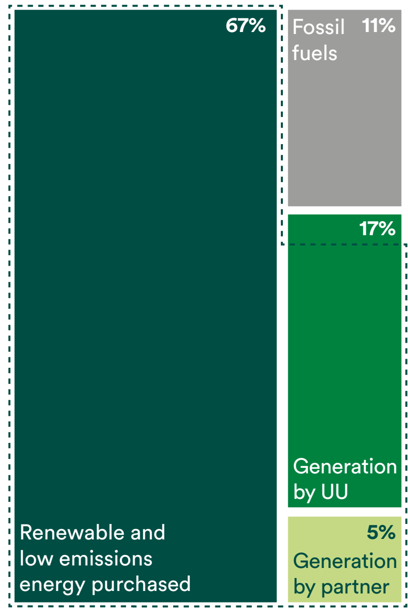
Energy strategy
Our energy management strategy has four objectives:

- 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

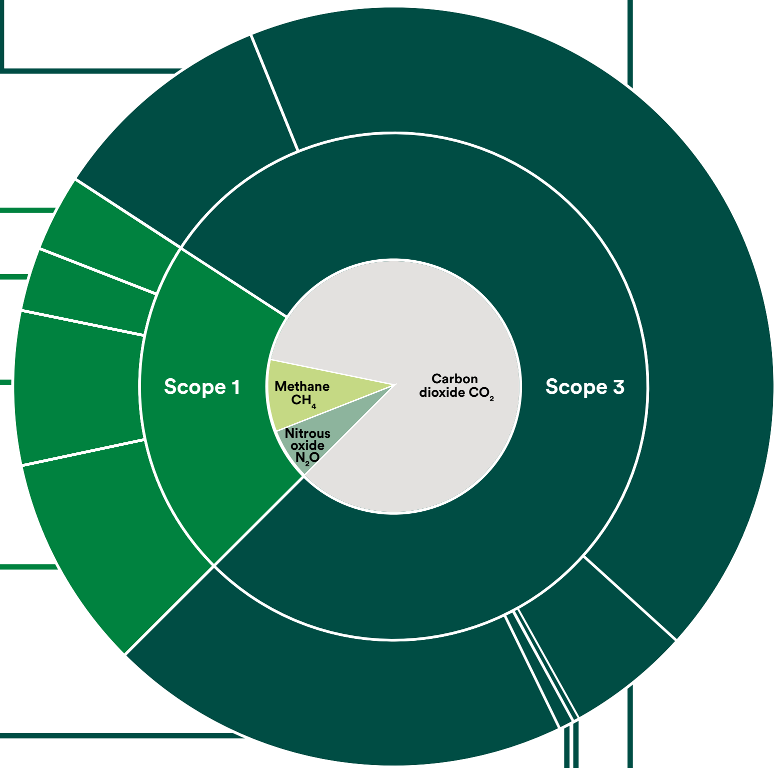
Most of our scope 3 emissions are in GHG Protocol categories 1 (products and services) and 2 (capital goods); the latter being the construction services we buy. The current methodology to estimate these emissions uses records of the amount we have spent. This provides an estimate that is determined by 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

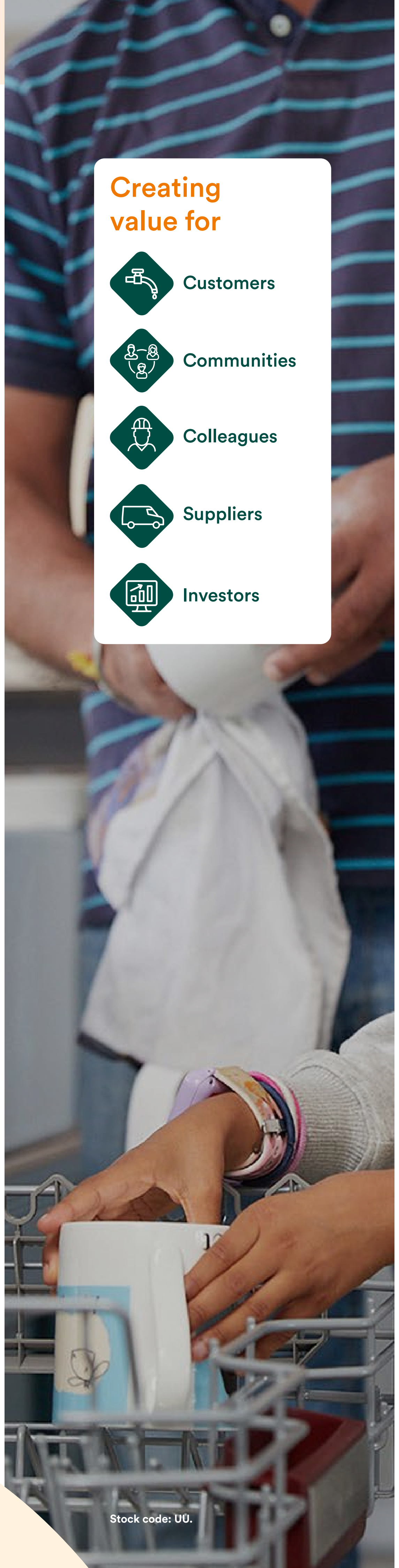
Link to remuneration[4]

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.



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.

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 our 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.

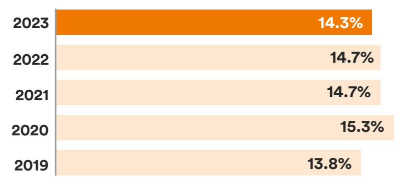
We continue to recruit and train new talent through our graduate and apprentice programmes. We welcomed more than 80 new graduates and apprentices in our September 2023 intake with a breadth of diversity, our first digital cohort and graduate opportunities in our newly formed rainwater management team 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.

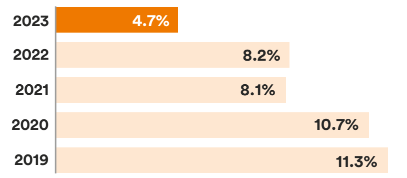
We continue to inspire and encourage students to consider a career in STEM in the future through our initiative with The Challenge Academy Trust.

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.

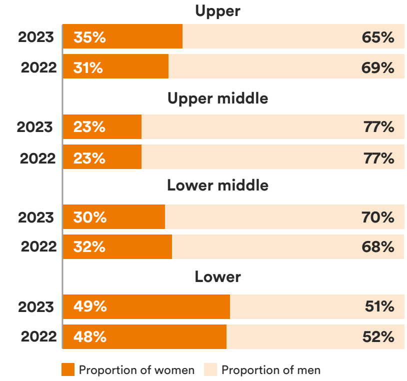
Our median gender pay gap over time

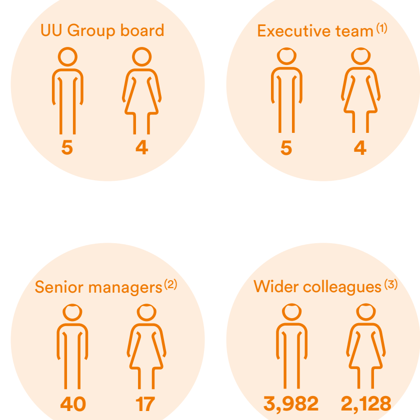


Our mean gender pay gap over time



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	2022/23	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			
Water quality customer contacts per 10,000 population[1]	12.2	**13.2**	14.1	17.9	RRA	Bonus			
Supply interruptions per property per year (hours:minutes:seconds)[1]	00:05:00	**00:09:39**	00:38:44	00:07:58	RRA	PC			
Unplanned outages of peak week production capacity[1]	2.34%	**2.05%**	1.73%	2.07%	RRA	PC			
Number of household written complaints compared to WaSCs[1]	Upper quartile	**Third quartile**[3]	Second quartile	Second quartile	RRA				
Speed of resolution[1]	5 days	**3.95 days**	3.9 days	3.5 days	RRA				
Developer satisfaction score (D-MeX)[1]	Above industry median	**Above industry median**	Above industry median	Above industry median	RRA	PC			
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			
Certification for Priority Services[1][4]	Maintain certification	**ISO22458: 2022 Verification achieved**	ISO22458: 2022 Verification achieved	Maintained BS18477	ITV				
Helping customers look after water in their home[1]	10% increase	**34.30%**	31.60%	23.85%	RRA	PC			
Compliance Risk Index[1]	0.00	**6.00**	3.67	3.02	RRA	LTP			
Wellbeing Charter accreditation	Retain accreditation	**Retained**	Retained	Retained	ITV				
Accident frequency rate for colleagues (per 100,000 hours)	10% year-on-year improvement	**0.092**	0.072	0.073	IAT				
Accident frequency rate for contractors (per 100,000 hours)	Year-on-year improvement	**0.043**	0.078	0.043	IAT				
Your Opinion Survey score for diversity and inclusion questions	Upper quartile against utilities norm	**Upper quartile**	Upper quartile	Upper quartile	ITV				

(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

Building a stronger North West

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)	Community investment	Performance across a range of trusted investor indices
Measures the extent to which we have delivered our capital projects efficiently, on time, and to the required quality standard.	Total community investment as measured by the Business for Societal Impact (B4SI) method.	Company performance relative to water and utilities sector participants in a selection of trusted investor ESG ratings and indices.
Target At least 85%	**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	**Target** Upper quartile
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	**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	**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	**Status** Met expectation/target	**Status** Met expectation/target
Key stakeholder Investors	**Key stakeholder** Community	**Key stakeholder** Investors
Relevant material themes[1] • Customer service and operational performance • Financial risk management • Corporate governance and business conduct	**Relevant material themes[1]** • Supporting communities • Trust, transparency and legitimacy • Land management, access and recreation	**Relevant material themes[1]** • Trust, transparency and legitimacy • Corporate governance and business conduct • Political and regulatory environment
Relevant principal risks[2] • Failure to meet the totex efficiency challenge	**Relevant principal risks** See page 60	**Relevant principal risks[2]** • Inherent risk area: Conduct and compliance
Link to remuneration[3] Bonus	**Link to remuneration[3]** n/a	**Link to remuneration[3]** n/a
Assurance[4] Internal audit team	**Assurance[4]** Independent third-party verification	**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.

Creating value for

Community

Suppliers

Investors

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 approached 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

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.

External recognition and benchmarking

FTSE4Good

United Utilities Group PLC has been included in the FTSE4Good Index Series since June 2001. Latest review December 2023.

Corporate Responsibility Prime RATED BY ISS ESG

In the annual review in July 2023, our status was assessed as Prime.[1]

Moody's ESG Solutions / EURONEXT

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]

MSCI ESG RATINGS A

As of November 2023, United Utilities Group PLC received an MSCI ESG rating of A.[3]

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

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.

SUSTAINALYTICS RATED

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]

CDP DISCLOSER 2023

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

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	Confident
Maintain sustainable finance framework	Available/ continued issuance	**Available**	Available	Available	IAT		Investors	Met	Confident
Anti-bribery: percentage of identified colleagues completing required training	100%	**100%**	100%	100%	IAT		Investors	Met	Confident
Number of children benefitting from education materials	20,000	**39,131**	23,253	12,998	ITV		Communities	Met	Confident
Partnership leverage[1]	1:4	**1:3**	1:4	1:4	RRA		Communities	Close	Confident
Invoices paid within 60 days	At least 95%	**99.60%**	98.91%	99.34%	ITV		Suppliers	Met	Confident
Average time taken to pay invoices	<28 days	**11**	12	13	ITV		Suppliers	Met	Confident
Supplier Relationship Management score	90%	**95%**	90%	54%	IAT		Suppliers	Met	Confident
CIPS ethical mark	Retain accreditation	**Retained**	Retained	Retained	ITV		Suppliers	Met	Confident
Percentage of targeted suppliers signed up to United Supply Chain	100%	**94%**	89%	90%	IAT		Suppliers	Met	Confident
Percentage of partner and strategic suppliers that have sustainability risk assessments in place	75%	**78%**	73%	72%	IAT		Suppliers	Met	Confident
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	Confident
UK Corporate Governance Code	Maintain compliance	**Compliant**	Compliant	Compliant	IAT		Investors	Met	Confident
Fair Tax Mark	Retain accreditation	**Retained**	Retained	Retained	ITV		Investors	Met	Confident
Living Wage accreditation	Secure and retain	**Retained**	Retained	Retained	ITV		Colleagues	Met	Confident
Pension Quality Mark +	Retain accreditation	**Retained**	Retained	Retained	ITV		Colleagues	Met	Confident

(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

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

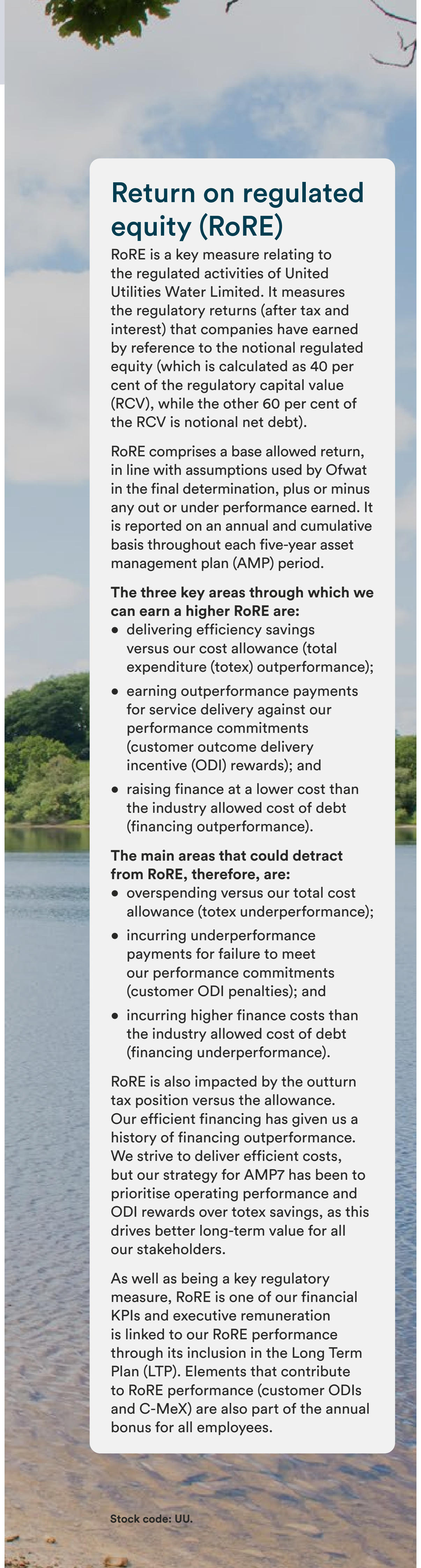
2021/22: 27 per cent

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

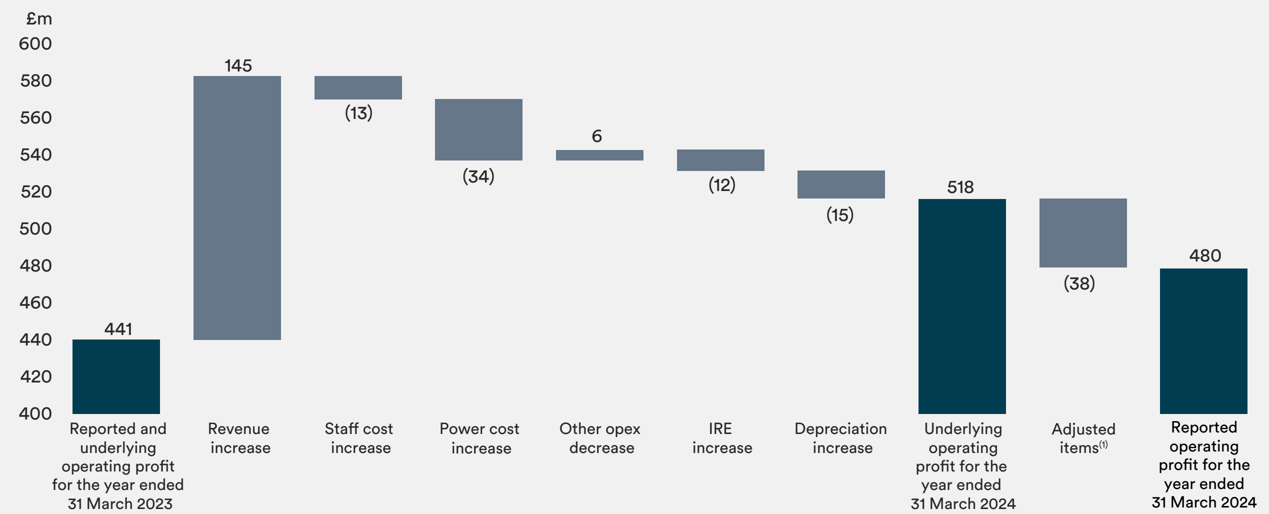
£518m

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.

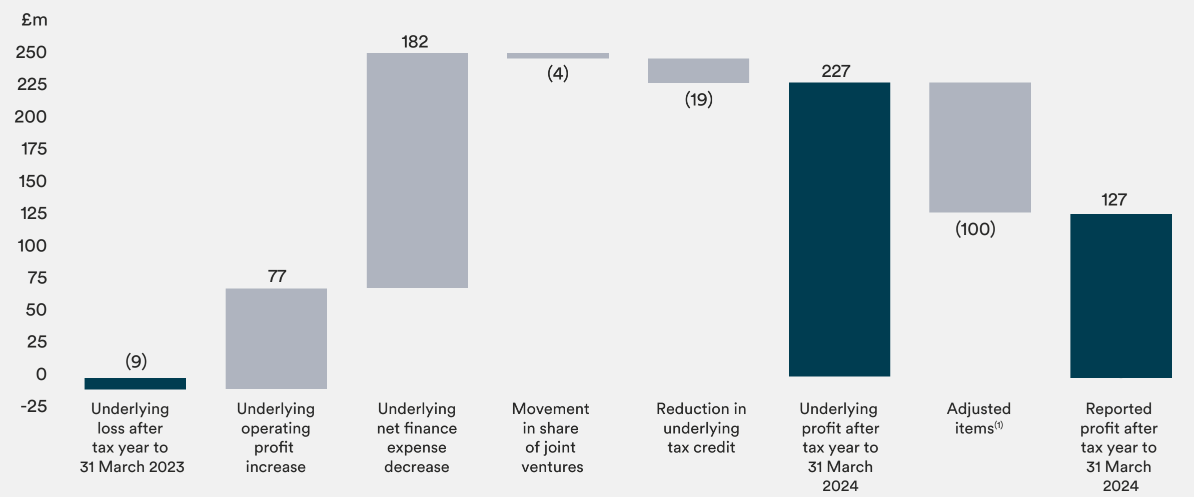
In the current year, we received a net corporation tax repayment of £5 million, which represents an effective cash tax rate of 0 per cent. The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment including full expensing introduced 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]

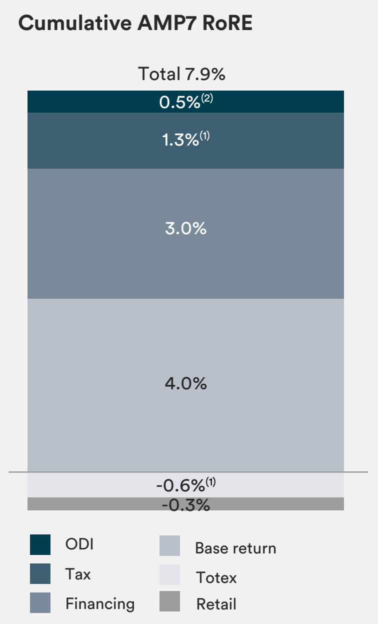
The totex impact on RoRE of -2.2 per cent reflects the combined impact of the in-year portion of the £765 million investment programme announced in May 2022, accelerated investment brought forward from AMP8 and inflationary pressures, partly offset by the inflationary uplift within the totex mechanism. 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.



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.