Remuneration committee report

Members

Kath Cates
Chair of the remuneration committee

Doug Webb
Alison Goligher

Quick facts

- The code requires that 'the board should establish a remuneration committee of at least three independent non-executive directors'.
- By invitation of the committee, meetings are attended by the Chair, the CEO, the company secretary, the people director, the head of reward and the external adviser to the committee.
- Our current remuneration policy was approved by shareholders at the 2022 AGM.
- The remuneration report sets out how the remuneration policy was applied in 2023/24 and how we intend to apply it in 2024/25.
- Certain sections of the remuneration report are audited. The unaudited sections of the remuneration report, including the annual statement from the remuneration committee chair have been subject to external assurance by the remuneration committee's independent adviser, Ellason LLP. The engagement was performed as a limited assurance engagement in accordance with the requirements of the International Standard on Assurance Engagements (ISAE) 3000 revised. Ellason's full assurance statement is available at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

Read our **at a glance summary: executive directors' remuneration** on pages 142 to 145

Read our **annual report on remuneration** on pages 146 to 157

Read our **directors' remuneration policy** on pages 158 to 162

Quick links

Terms of reference: **unitedutilities.com/corporate-governance**

Annual statement from the remuneration committee chair

Our executive pay arrangements are aligned to our purpose, strategy and values, incentivising delivery for customers and the environment, and the creation of long-term value.

Dear shareholder

It has been another very busy year for the company. Whilst the submission of the high quality and ambitious business plan for the 2025-30 period (AMP8) was a key priority for the executive team, it was of course also important to continue delivering for customers and the environment right now. Despite the challenging weather conditions we are on track to return to a 4 star rating for 2023 under the EA's Environmental Performance Assessment, and have seen many other aspects of strong performance across a number of our commitments in areas such as customer service, affordability support, leakage, and water quality, as well as ranking highly in a range of ESG indices. See the strategic report for further details.

Understandably, the water sector has continued to be subject to significant scrutiny during the year, with storm overflows and pollution remaining clear areas of interest for customers and wider society. Everyone wants to see environmental performance improve, including those working in the water sector. We recognise that executive pay forms part of the debate, including amongst regulators and politicians. It is essential that we have remuneration arrangements that enable us to attract and retain the best talent to deliver the transformation and scale of change required. In addition, we need to restore public confidence and trust in the sector and are committed to having executive pay arrangements that demonstrate legitimacy and transparency, and reflect the expectations of our regulators. The measures and targets agreed by the committee for the 2023/24 annual bonus reflected our commitment to tackling storm overflows activations and improve river quality, with the introduction of a new spill reduction measure and the overall weighting of measures related to pollution being increased compared to the previous year. As was the case last year, the performance-related pay outcomes that the executive directors will receive in respect of this year will not be paid for by customers.

The committee has a robust track record of making sure that executive pay outcomes are aligned with the interests of all our stakeholders. The majority of our performance-related pay is linked to measures with a clear customer and/or environmental link, with 75 per cent of the annual bonus and 50 per cent of our Long Term Plan (LTP) being based on stretching targets related to our delivery for customers, and at least 30 per cent of overall performance-related pay being based on environmental performance. Governance mechanisms are in place that enable the committee to reduce, withhold, remove, or clawback performance pay in certain circumstances, and we provide clear, transparent and comprehensive disclosures about our executive remuneration and approach.

Delivering a stronger, greener and healthier North West

We continue to focus on delivering great service. Supporting customers with affordability and vulnerability concerns remains a crucial area of focus, with performance exceeding our targets in these areas. Our efforts to improve water quality via our Water Quality First programme were recognised by the Drinking Water Inspectorate (DWI) and resulted in us receiving the Drinking Water Initiative of the Year in the 2023 Water Industry Awards. We met our regulatory leakage target for the 18th consecutive year, and in the latest Customer Service Index were ranked as the top water and sewerage company in England and Wales, retaining our top five position amongst the 31 utility companies.

We met our target of monitoring 100 per cent of our overflows before the end of 2023 and have made great progress on projects to reduce spills at some of our highest spilling sites. However, 2023 saw exceptional levels of rainfall, with parts of our region experiencing rainfall up to a third higher than the long-run average, which regrettably resulted in increased instances of flooding and storm overflow spills.

For colleagues, in addition to the agreed pay increase for 2023/24 we immediately implemented the latest Living Wage increase for eligible colleagues in November 2023 (around six months sooner than our Living Wage accreditation required),and launched a number of new wellbeing benefits. Our focus on wellbeing resulted in the company being awarded the National Workplace Wellbeing Charter again, demonstrating our commitment to proactively championing a healthy workplace. We were also delighted to be named as Water Industry Skills Employer of the Year 2023.

Remuneration during 2023/24

Fixed pay

Louise Beardmore was appointed as CEO in April 2023, with no further salary increase being awarded to her during the year. Phil Aspin's performance was strong and justified an increase in his salary, although the committee decided that this would be limited to 4.1 percent rather than aligned with the workforce rate of 7.5 per cent. The pension arrangements for both executive directors are aligned with the company's approach for other colleagues.

2023/24 annual bonus

As noted earlier, the measures and targets for the 2023/24 annual bonus included a new spill reduction measure and increased weighting on environmental measures. A consistent bonus scorecard applied throughout the company, to ensure a shared focus on stretching delivery for customers and the environment.

The challenging weather conditions during the year severely hampered performance in some areas, and the stretching nature of the targets set meant that the threshold level of performance was not achieved for some bonus measures, including the new measure related to spills. As shown on page 146 the formulaic bonus outcome was 51.8 per cent. As always, the committee also undertook an assessment to determine whether the formulaic outcome of the bonus scorecard was aligned with overall performance and the experience of stakeholders, including customers and the environment. A key consideration in our assessment this year was the operational incident in June 2023 arising from a fractured outlet pipe at our Fleetwood Wastewater Treatment Works.

The significant effort and commitment made by the executive team and other colleagues across the company to recover services to the area and minimise the impact of the incident was commendable. Nevertheless, the committee determined that in consideration of the level of disruption caused in the local community and the adverse impact on many stakeholders, including shareholders, it was appropriate to apply discretion to the executive directors' bonuses and decided to reduce the outcomes by 5 per cent of maximum i.e. taking them from 51.8 per cent to 46.8 per cent. This means that the value of bonuses received by the executive directors are around 10 per cent less than they would have received if a reduction had not been applied. See page 146 for further details.

2021 Long Term Plan (LTP)

LTP awards granted in June 2021 were based 50 per cent on a basket of customer and environmental measures and 50 per cent on return on regulated equity (RoRE). The basket comprised ten metrics selected to reflect customer priorities, demonstrate our focus on customer delivery and environmental performance, and recognise stakeholder expectations with regard to ESG matters.

Performance against many of the LTP measures has also been strong, as shown on page 147. The estimated vesting outcome is 79.1 per cent but the final outcome for some of the measures in the basket will not be known until all relevant information is available, expected in summer 2024. We will provide an update in next year's report if the eventual outcome is different to this estimate.

The committee believes that the overall LTP outcome fairly reflects the underlying performance of the company and the experience of stakeholders over the period so is not currently minded to exercise any discretion in respect of the vesting of these awards, and noting that discretion has already been applied to the executive directors' bonus outcomes. Phil Aspin's award will vest after the completion of a holding period taking the overall vesting period to five years from the grant date. Louise Beardmore was granted her award prior to her appointment as an executive director, so her award will be treated according to its original terms with no holding period applying, and she will be required to hold the shares vesting (net of tax) as she continues to build her shareholding.

Looking ahead

Executive director salaries will be increased by 5 per cent with effect from 1 July 2024, which is less than the workforce increase for 2024/25. No changes are expected to pension provisions or benefits in the year.

For 2024/25, the maximum bonus opportunity will remain at 130 per cent of base salary for both executive directors, and they will each receive a 2024 LTP award of 130 per cent of salary. Recognising the importance of the environment over 30 per cent of performance-related pay measures will be attributed to serious pollution performance, storm overflows and other aspects of environmental performance.

During the year the committee engaged with our largest shareholders regarding the next directors' remuneration policy, to begin considering any changes that would make sure our policy for the 2025–30 period is well-aligned with the AMP 8 business plan and Ofwat's expectations in relation to executive remuneration. The feedback we received from shareholders about the proposed changes was supportive, but having further considered the current political and regulatory context, including the focus on executive pay in the UK water sector, we have decided to pause our review for the time being and to revert to our normal policy renewal cycle i.e. bring our next policy for shareholder approval at the 2025 AGM. We currently expect to re-engage with shareholders again towards the end of 2024.

I hope that you find this report a clear account of the committee's decisions for the year and would be happy to answer any questions you may have at the upcoming AGM.

This report has been approved by the board and is signed on its behalf by:

Kath Cates
Chair of the remuneration committee

At a glance summary: executive directors' remuneration

Aligning our remuneration approach to business strategy

Our remuneration approach is aligned to our purpose, values and strategy, thereby incentivising delivery for customers and the environment, and the creation of long-term value for all of our stakeholders.

Our purpose is to provide great water for a stronger, greener, healthier North West

Our strategic priorities

Our purpose is implemented throughout our strategy

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

Stakeholders

Delivering for all our stakeholders

- Communities
- Colleagues
- Environment
- Customers
- Suppliers
- Investors

Our remuneration approach supports our business and people strategy and reflects the views of different stakeholders.

There are three key principles of our approach to executive remuneration:

1. **Align** to our purpose, values and strategy
2. **Incentivise delivery** for customers and the environment
3. **Create long-term value** for all of our stakeholders

Our incentive framework in 2023/24 was designed to align with our business strategy and delivers for each of our stakeholder groups.

Our annual bonus and Long Term Plan (LTP) are closely aligned to our strategic priorities and with delivery for our stakeholders. They each demonstrate a clear focus on customers and the environment.

Element	Why it's important to our remuneration approach	Link to strategic priorities	Link to different stakeholders
2023/24 annual bonus			
Underlying operating profit	Underlying operating profit is a key measure of shareholder value.		
Customer service in year • C-MeX ranking • Water quality contacts (appearance)	By using Ofwat's measure of customer experience alongside a measure that focuses on reducing the number of complaints made by customers, executive directors are incentivised to deliver the best service to customers. Ofwat can apply financial incentives or penalties depending on our customer service performance. Customers expect the water that comes out of their tap to be clear, and when it is discoloured it can affect public confidence in the water supply. This measure helps drive improvements in this aspect of our performance.		
Maintaining and enhancing outcomes for customers and the environment • Better Rivers commitments: percentage reduction of reported storm overflow activations • Better Rivers commitments: percentage of 2023/24 programme milestones delivered • Outcome delivery incentive (ODI) composite • Capital programme delivery incentive (CPDi)	Improving river health in the North West is a priority for our customers and other stakeholders. The use of bonus measures relating to our Better Rivers commitments means our executive directors are incentivised to deliver our ambitious plans. The ODI composite measure includes a range of customer and environmental commitments. It is based on the outperformance payments earned and financial penalties incurred by the company based on its delivery of the performance targets embedded in the AMP7 final determination. The performance targets and the financial incentives associated with them are determined by Ofwat in the expectation that achieving them means that stretching outcomes have been delivered for customers and the environment. Bonus awards are only made where the value of these payments exceeds a predetermined level, which the committee sets relative to the AMP7 determination. Non-delivery of our performance commitments can result in financial penalties being applied, which reduces the likelihood of this target being achieved. The CPDi measure incentivises the executive directors to keep tight control of our capital programmes to ensure we can provide a reliable and environmentally conscious service to our customers.		
Compulsory deferral of bonus	Requiring executive directors to defer part of their bonus into shares provides reassurance that the company is being run in the longer-term interests of shareholders, customers and the environment, including beyond the annual bonus period. It also reassures shareholders and customers that some/all of the deferred bonus could ultimately be withheld if during the deferral period this is deemed necessary.		
2021 Long Term Plan (LTP)			
Return on Regulated Equity (RoRE)	RoRE is a key regulatory measure of performance against the final determination. Outperformance will result in an increase to RoRE, which should translate into higher returns for shareholders through share price performance. Outperformance also benefits customers and the environment through strong delivery against stretching performance commitments, efficiencies in the capital investment programme and lower long-term financing costs.		
Basket of customer and environmental measures	The basket is made up of specific performance commitments embedded in the AMP7 final determination, focusing on areas that customers have identified via our research as being most important to them. Strong delivery of the commitments benefits our customers, communities and the environment, and can result in outperformance payments from Ofwat, which is positive for shareholders.		
Additional holding period (so the overall vesting and holding period is at least five years)	Requiring the executive directors to wait a further period after the performance outcome of their award is known ensures continued longer-term alignment with shareholder interests and delivery for stakeholders, including customers and the environment. It also reassures shareholders and customers that some/all of the LTP outcome could ultimately be withheld if during the holding period this is deemed necessary.		
Key governance mechanisms			
Discretion over outcomes	The committee retains discretion to override formulaic outcomes (including reducing down to zero) in both schemes to ensure that they are appropriate and reflective of overall performance, over the life of the policy (taking into account any evolution of the strategic goals for the company and to reflect customer and regulatory priorities).		
Withholding and recovery provisions	Bonuses and shares under the DBP and LTP are subject to withholding (malus) and recovery (clawback) provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.		
Shareholding guidelines	It is important that each executive director builds and maintains a significant shareholding in shares of the company to provide alignment with shareholder interests (during and after employment) and as a demonstration that the company is being run for the long-term benefit of all its stakeholders, including customers and the environment.		

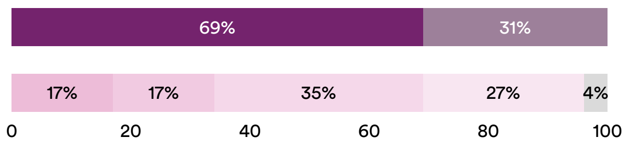
At a glance summary: executive directors' remuneration continued

Executive directors' remuneration policy

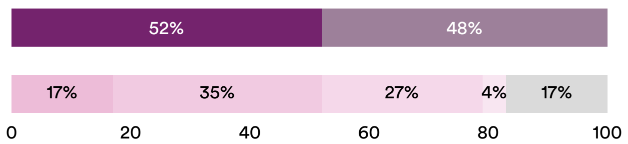
Elements of executive directors' pay

A significant proportion of executive directors' pay is performance-related, long term and remains 'at risk' (i.e. subject to withholding and recovery provisions for a period over which the committee can withhold vesting or recover sums paid):

Performance-related vs fixed (%)[1]



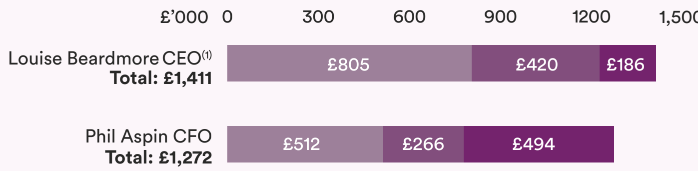
Long term vs short term (%)[1]



[1] Based on maximum payout scenario for executive directors in line with the current remuneration policy, assuming the maximum award level of 130 per cent of salary for the Long Term Plan (LTP).

Single total figure of remuneration for executive directors for 2023/24

Fixed pay comprises base salary, benefits and pension. Further information on the single figure of remuneration can be seen on page 146.

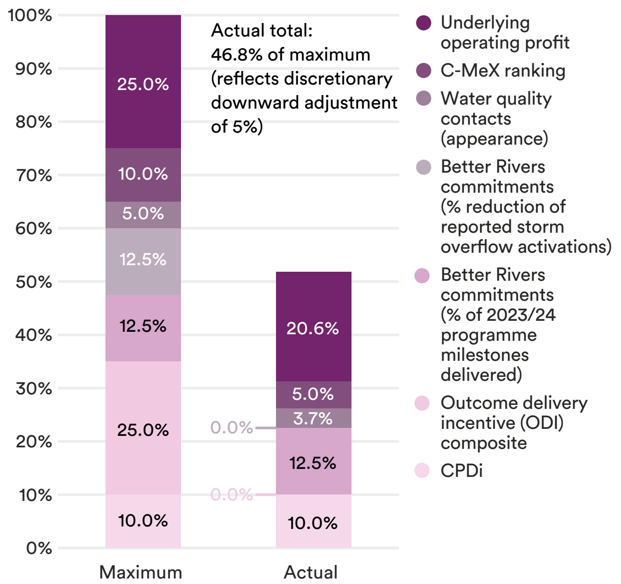


[1] For Louise Beardmore, the LTP relates to an award granted prior to her appointment in her current role.

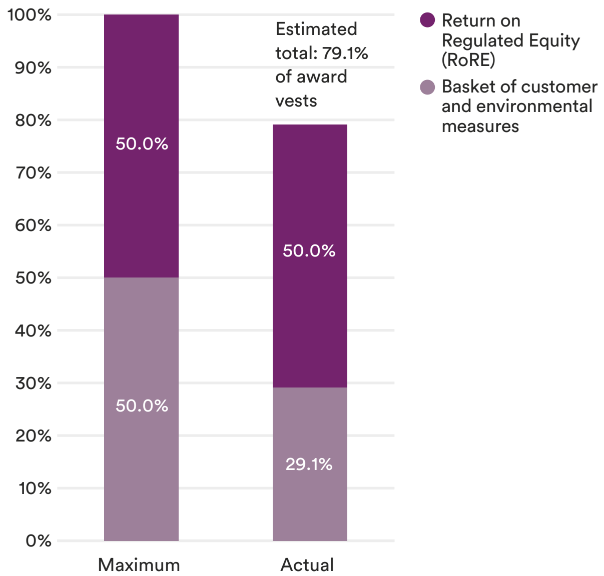
Annual bonus and Long Term Plan (LTP) outcomes

The charts below show the results of the performance against targets for the annual bonus and LTP. Further information about the annual bonus is shown on page 146 and about the LTP on page 147.

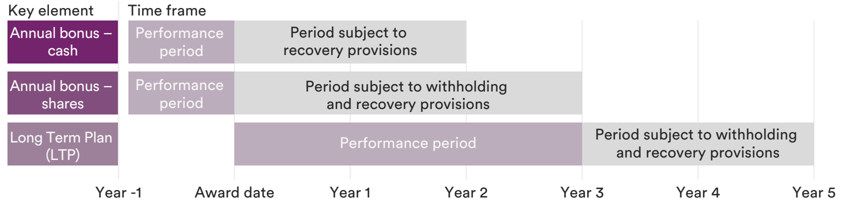
2023/24 Annual bonus outcome



Estimated 2021 Long Term Plan (LTP) outcome



Pay at risk



Further details on what triggers the withholding and recovery provisions can be found on page 159.

Implementation of directors' remuneration policy in 2023/24

The table below summarises the implementation of the directors' remuneration policy for executive directors in 2023/24. For further details see the annual report on remuneration on pages 146 to 157.

Key element	Implementation of policy in 2023/24
Base salary	• Having been set at its current level of £690,000 on 1 April 2023 when she became CEO, Louise Beardmore's salary was not increased in September 2023. • Having considered his good performance and the positioning of his overall reward package within the external market, Phil Aspin received a salary increase of circa 4.1 per cent from 1 September 2023. This was less than the increase of 7.5 per cent paid to the wider workforce.
Benefits and pension	• Market competitive benefits package including a green travel allowance of £14,000; health, life cover and income protection; and reimbursement of taxable expenses. • The pension arrangements for the executive directors are the same as those available to the wider workforce. Louise Beardmore has a combination of a cash pension allowance and a contribution into the pension scheme such that the cost to the company is broadly the same as 12 per cent of base salary. Phil Aspin has a cash pension allowance of 12 per cent of base salary.
Annual bonus	• Maximum opportunity of 130 per cent of base salary. • 2023/24 annual bonus outcome of 46.8 per cent. • 50 per cent of 2023/24 annual bonus deferred for three years. • Withholding and recovery provisions apply.
Long Term Plan	• Award of 130 per cent of base salary. • Estimated long-term incentive vesting of 79.1 per cent for the performance period 1 April 2021 to 31 March 2024. The award for Phil Aspin will vest after an additional holding period, which ends no earlier than five years from the date of grant. The award for Louise Beardmore was granted prior to her appointment as an executive director and will vest when the performance conditions have been confirmed in the summer of 2024. She will be required to hold the vested shares in line with the shareholding guidelines. • Withholding and recovery provisions apply.
Shareholding guidelines	• Louise Beardmore and Phil Aspin are building their respective shareholdings and are expected to reach the minimum guidelines within five years of their respective appointments. Post-employment shareholding requirements apply. See page 153 for further details.

Key:

At or above stretch target

Between threshold and stretch targets

Below threshold target

[1] For the purpose of annual bonus, underlying operating profit excludes infrastructure renewals expenditure and property trading.
[2] Average RoRE compared to average allowed RoRE over 2021/22, 2022/23 and 2023/24.
[3] Total of the overall 2021 LTP outcome arising from performance in relation to the basket of customer and environmental measures. See page 147.

Aligning pay with performance

See pages 146 to 147 for details

Annual bonus – year ended 31 March 2024

Underlying operating profit[1]

£711.3m

C-MeX ranking versus the other water companies

6th out of 17

Water quality contacts (appearance)

5,428

Better Rivers commitments (percentage reduction of reported storm overflow activations)

0%

Better Rivers commitments (percentage of 2023/24 programme milestones delivered)

100%

Outcome delivery incentive (ODI) composite

£32.2m

Capital programme delivery incentive (CPDi)

98.0%

Long Term Plan – three years ended 31 March 2024

Return on regulated equity (RoRE)[2]

+9.09%

Basket of customer and environmental measures[3]

29.1%

Annual report on remuneration

Single total figure of remuneration for executive directors (audited information)

	Fixed pay								Variable pay							
Year ended 31 March	Base salary £'000		Pension £'000		Benefits £'000		Subtotal £'000		Annual bonus £'000		Long-term incentives £'000		Subtotal £'000		Total £'000	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024[1]	2023[2]	2024	2023	2024	2023
Louise Beardmore[3]	690	390	86	48	29	20	805	458	420	210	186	165	606	375	1,411	833
Phil Aspin	438	419	53	50	21	20	512	489	266	226	494	477	761	703	1,272	1,192

(1) This relates to the Long Term Plan (LTP) award granted in June 2021. The amount is estimated as the vesting percentage for the half relating to the basket of customer and environmental measures will not be known until later in 2024. The value of LTP awards has been calculated using an average share price over the three-month period from 1 January 2024 to 31 March 2024 of 1,041.79 pence per share.

(2) This relates to the Long Term Plan (LTP) award granted in November 2020. The figure stated in last year's report was estimated. Whilst the EA EPA rating was subsequently confirmed as 3 star this did not change the vesting outcome, which was confirmed at 68.8 per cent. The award for Phil Aspin will not vest until the end of an additional holding period. Dividend equivalents accrued to 31 March 2024 have been added, and the value of the award has been calculated using an average share price over the three-month period from 1 January 2024 to 31 March 2024 of 1,041.79 pence per share. The award for Louise Beardmore was granted prior to her appointment to the board so no holding period applied, and for the purpose of this table the value of the award has been calculated using the share price on the vesting date of 968.40 pence per share.

(3) Salary, benefits, pension and annual bonus figures in 2024 for Louise Beardmore reflect her appointment as CEO from 1 April 2023. For 2023 they reflect part-year earnings and are for the period from 1 May 2022 when she was first appointed to the board, as CEO designate.

Annual bonus

Annual bonus in respect of the financial year ended 31 March 2024 (audited information)

The performance measures, targets and outcomes in respect of the executive directors' annual bonus for the year ended 31 March 2024 are set out below. The table on page 143 summarises how the performance measures are linked to our business strategy, including delivery for customers and the environment. As outlined in the Chair's statement (page 141), when determining bonus outcomes the committee considered various aspects of overall company performance, including the disruption caused by the fractured outlet pipe at our Fleetwood Wastewater Treatment Works and decided to exercise downward discretion on the bonus outcomes as shown in the table below.

Measure	% weighting of measure	Threshold (25% vesting)	Target (50% vesting)	Stretch (100% vesting)	Actual	Vesting as a % of maximum	Outcome
Underlying operating profit[1]	25.0%	£670.2m	£695.2m	£720.2m	£711.3m	82.2%	20.6%
Customer service in year							
C-MeX ranking out of the 17 water companies	10.0%	n/a	6th	5th	6th	50.0%	5.0%
Water quality contacts (appearance)	5.0%	5,800	5,550	5,300	5,428	74.4%	3.7%
Maintaining and enhancing outcomes for customers and the environment							
Better Rivers commitments:							
• % reduction of reported stormflow activations	12.5%	8.0%	10.0%	12.0%	0.0%	0.0%	0.0%
• % of 2023/24 programme milestones delivered	12.5%	90.0%	95.0%	100%	100%	100%	12.5%
Outcome delivery incentive (ODI) composite[2]	25.0%	£41.0m	£53.0m	£65.0m	£32.2m	0.0%	0.0%
Capital programme delivery incentive (CPDi)[3]	10.0%	85.0%	90.0%	95.0%	98.0%	100%	10.0%
Total:							
Overall outcome (% of maximum)							51.8%
Committee discretion exercised (% downward adjustment)							5.0%
Adjusted outcome (% of maximum)							46.8%
Maximum award (% of salary)							130%
Actual award (% of salary)							60.8%

	Louise Beardmore	Phil Aspin
Actual award (£'000 – shown in single figure table)[4]	420	266

(1) The underlying operating profit figure for bonus purposes is based on the underlying operating profit on page 92 and excludes infrastructure renewals expenditure and property trading.

(2) The outcome of the ODI composite measure has been subject to independent external assurance.

(3) CPDi is an internal measure that measures the extent to which we deliver our capital projects on time, to budget and to the required quality standard. It is expressed as a percentage, with a higher percentage representing better performance.

(4) 50 per cent of the annual bonus will be deferred for three years.

Long-term incentives

2021 Long Term Plan (LTP) awards with a performance period ended 31 March 2024 (audited information)

The 2021 LTP awards were granted in June 2021. Performance against many of the measures has been strong as detailed in the strategic report, and as outlined in the Chair's statement (pages 140 to 141). The final outcome for some measures will not be confirmed until summer 2024, so the values of the awards are estimated and will be restated if necessary in next year's report.

		Achieved[1]				
Measure	% weighting of measure	Threshold (25% vesting)	Stretch (100% vesting)	Actual	Vesting as a % of maximum	Outcome
Return on Regulated Equity (RoRE)						
Average RoRE compared to the average allowed return set by the regulator across the three-year performance period	50.0%	Equal to the average of Ofwat's allowed RoRE over the three financial years of the performance period	1.5% (or more) above the average of Ofwat's allowed RoRE over the three financial years of the performance period	Average RoRE of 9.09% was 5.12% above the average allowed return	100%	50.0%
Basket of customer and environmental measures[2]						
C-MeX ranking out of all of the other water companies[3]	5.0%	Ranked 8th	Ranked 4th (or better)	6th position	62.5%	3.1%
Water poverty[3]	5.0%	64,300 customers have been lifted out of water poverty	83,900 (or more) customers have been lifted out of water poverty	84,060	100%	5.0%
Priority Services[3]	5.0%	No threshold target. Stretch target must be achieved for any vesting on this measure	6.3% (or more) of our customers are listed on the Priority Services Register	12.4%	100%	5.0%
Sewer flooding incidents[3]	5.0%	A combined total of 26.38 sewer flooding incidents per 10,000 connected properties	A combined total of 19.89 (or fewer) sewer flooding incidents per 10,000 connected properties	24.81	43.1%	2.2%
Pollution incidents[4]	5.0%	22.40 pollution incidents per 10,000km of our wastewater network	12.21 (or fewer) pollution incidents per 10,000km of our wastewater network	27.93	0.0%	0.0%
Treatment works compliance[4]	5.0%	97.90% compliance	99.00% (or greater) compliance	98.97%	98.0%	4.9%
Water quality contacts[4]	5.0%	13.5 customer contacts per 10,000 customers	12.0 (or fewer) customer contacts per 10,000 customers	13.2	40.0%	2.0%
Leakage[3]	5.0%	A three-year average of 97.7 megalitres of leakage per 10,000km of our water network per day	A three-year average of 94.3 megalitres (or less) of leakage per 10,000km of our water network per day	97.1	38.2%	1.9%
Compliance risk index (CRI)[4]	5.0%	CRI score of 3.27	CRI score of 2.00 (or less)	Estimate: 6.0	0.0%	0.0%
The Environment Agency's Environmental Performance Assessment (EPA) rating[5]	5.0%	3 star rating	4 star rating	Estimate: 4 star rating	100%	5.0%

Overall underpin

Overall vesting is subject to the committee being satisfied that the company's outcome performance on these measures is consistent with underlying business performance and that the company's dividend policy has been delivered in respect of each financial year of the performance period.

✓ Assumed met.

Details of the committee's preliminary assessment on the alignment of the vesting outcome to the underlying performance of the business is set out in the introductory statement from the Chair of the committee. The committee will make a final assessment of the company's performance once the outcome of the basket of customer and environmental measures is known.

	Louise Beardmore	Phil Aspin
Estimated vesting (% of award)	79.1%	
Number of shares granted	19,943	52,910
Number of dividend equivalent shares	2,665	7,076
Number of shares before performance conditions applied	22,608	59,986
Estimated number of shares after performance conditions applied	17,882	47,448
Three-month average share price at end of performance period (pence)[6]	1,041.79	1,041.79
Estimated value at end of performance period (£'000 – shown in single figure table)[7]	186	494

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.

(2) Measures based on the performance commitment definitions as per the AMP7 final determination.

(3) Outcome based on performance in the financial year ending 31 March 2024 as published in our own and/or the other water companies' annual performance reports for 2023/24.

(4) Outcome based on performance in the calendar year ending 31 December 2023 as published in our own annual performance report for 2023/24.

(5) Outcome based on performance in the calendar year ending 31 December 2023 as published in the Environment Agency's published report in 2024.

(6) Average share price over the three-month period from 1 January 2024 to 31 March 2024.

(7) 5.66 per cent of the value vesting is attributable to share price appreciation, which equates to £10,643 for Louise Beardmore and £28,239 for Phil Aspin.

Annual report on remuneration continued

Deferred Bonus Plan awards made in the year ended 31 March 2024 (audited information)
Bonuses are earned by reference to performance in the financial year and paid in June following the end of the financial year.

For executive directors, 50 per cent of any bonus is deferred, typically into shares under the Deferred Bonus Plan. These awards vest after three years and are subject to withholding provisions. There are no service or additional performance conditions attached.

The table below provides details of share awards made on 16 June 2023 to the executive directors in respect of deferred share bonus payments for the 2022/23 financial year.

Executive director	Type of award	Basis of award	Number of shares	Face value of award[1] (£'000)	End of deferral period
Louise Beardmore	Conditional shares	49.6% of bonus[2]	10,454	£108	16.6.2026
Phil Aspin	Conditional shares	50% of bonus	10,883	£113	16.6.2026

(1) The face value has been calculated using the closing share price on 15 June 2023 (the dealing day prior to the date of grant), which was 1,036.75 pence per share.
(2) The Deferred Bonus Plan award for Louise Beardmore was in respect of the bonus she earned in 2022/23, which includes one month in her previous role i.e. prior to her appointment to the board, and in which a 40 per cent deferral requirement applied. This amount is not included in the single figure table on page 146.

2023 LTP awards with a performance period ending 31 March 2026 (audited information)
The table below provides details of share awards made to executive directors on 15 December 2023 in respect of the 2023 LTP:

Executive director	Type of award	Basis of award	Face value of award (£'000)[1]	Number of shares under award	% vesting at threshold	End of performance period[2]
Louise Beardmore	Conditional shares	130% of salary	£897	80,847	25%	31.3.2026
Phil Aspin	Conditional shares	130% of salary	£578	52,140	25%	31.3.2026

(1) Face value calculated using closing share price on 14 December 2023 (the dealing day prior to the date of grant), which was 1,109.50 pence per share.
(2) An additional holding period applies after the end of the performance period such that the overall vesting period is at least five years.

As per the Policy, the structure of the 2023 LTP awards for the three-year performance period were 50 per cent related to return on regulated equity (RoRE) and 50 per cent related to a basket of customer and environmental measures.

While LTP awards are normally issued in June/July each year, noting the complexities (and potential risks) of setting measures and targets while the AMP8 business plan was still under development, the committee agreed to use its discretion to defer the setting of measures and targets until after finalising the business plan to ensure they were aligned with the plan. Details about the measures, targets and underpins are shown in the table below.

	Targets[1]		
Measure	Threshold (25% vesting)	Stretch (100% vesting)	Weighting
Return on Regulated Equity (RoRE)			
RoRE	1.00% above the average of Ofwat's allowed RoRE over the three years of the performance period	2.75% (or more) above the average of Ofwat's allowed RoRE over the three years of the performance period	50.0%
Basket of customer and environmental measures[2]			
Average number of spills[3]	Average of 27.51 spills per overflow across the performance period	Average of 26.20 (or fewer) spills per overflow across the performance period	10.0%
Environment Agency EPA rating[4]	3 star rating	4 star rating	10.0%
Leakage[5]	A three-year average of 92.40 megalitres of leakage per 10,000km of our water network per day	A three-year average of 88.00 (or fewer) megalitres of leakage per 10,000km of our water network per day	10.0%
Priority Services[5]	15.2% of our customers are listed on the Priority Services Register	16.0% (or more) of our customers are listed on the Priority Services Register	10.0%
Carbon reduction[5]	23.0% of the energy used by UUG is generated from low-carbon sources	25.0% (or more) of the energy used by UUG is generated from low-carbon sources	10.0%
Total			100%

Overall underpin
Overall vesting is subject to the committee being satisfied that the company's performance on these measures is consistent with underlying business performance and that the company's dividend policy has been delivered in respect of each financial year of the performance period.

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.
(2) The basket of customer and environmental measures will be based on the performance commitment definitions as per the AMP8 final determination. The Committee has reserved the discretion to review and amend the targets set in respect of the Spills, Leakage and Priority Services measures on Ofwat's publication of the final determination.
(3) Based on performance in respect of the calendar year ending 31 December 2025 as published in our Annual Performance Report for 2025/26.
(4) Based on performance in respect of the calendar year ending 31 December 2025 as published in the Environment Agency's published report in 2026.
(5) Based on performance in respect of the financial year ending 31 March 2026 as published in the UUG Annual Report and Accounts and/or UUW Annual Performance Report for 2025/26.

Performance-related pay in 2024/25

The performance measures used in our performance-related pay schemes during 2024/25 will remain closely aligned with our strategic priorities, and focused on delivery for our stakeholders. As in recent years, across both of our incentive schemes there will be a material weighting linked to delivery for customers, and at least 30 per cent will be based on measures which relate to our environmental performance, as a further demonstration of our ongoing commitment to improving performance in this important area.

As always, the committee has the discretion to override formulaic incentive outcomes by exercising discretion on outcomes if deemed necessary, including by taking account of overall performance through our various stakeholder lenses. Any performance-related pay outcomes that the executive directors receive in respect of the year will not be paid for by customers.

Annual bonus for 2024/25
The maximum bonus opportunity for the year commencing 1 April 2024 will be unchanged at 130 per cent of base salary. As is outlined on pages to 142 to 143, the measures used in our annual bonus arrangements for executive directors already demonstrate significant alignment to stakeholder interests, but for 2024/25 we have decided to introduce two new measures as summarised below:

Measure	Why it's being introduced
Serious pollution incidents	Protecting and improving the environment is a priority for the company, and minimising the extent to which our operations might cause pollution is a crucial part of this. Having listened to feedback from regulators and other stakeholders we have decided to introduce this new measure which is based on the number of serious pollution incidents that occur during the year.
Delivery of our Health and Safety improvement plan	We are committed to improving health and safety performance, and driving a safety and a more caring culture to ensure our people get home safe and well. This new measure is based on the delivery of our health and safety improvement programme, which is comprised of three key pillars: personal safety; process safety; and occupational health and wellbeing.

The table below summarises the measures, weightings and targets for the 2024/25 bonus. As in recent years, 75 per cent of the annual bonus is based on delivery for customers, and almost half of the overall bonus (around 47 per cent) is based on measures linked to reducing pollution, spills, or other aspects of environmental performance. Targets that are considered commercially sensitive will be disclosed retrospectively in the 2024/25 annual report on remuneration.

	Targets				
Measure	Threshold (25% vesting)	Target (50% vesting)	Stretch (100% vesting)	Weighting (% of award)	Link to stakeholders
Underlying operating profit[1]		Commercially sensitive		25.0%	
Reducing pollution and enhancing outcomes for customers and the environment					
Environmental, water and customer delivery incentives[2]		Commercially sensitive		25.0%	
Serious pollution incidents[3]	2	1	0	10.0%	
Better Rivers commitments:					
• reduction of reported storm overflow activations[4]	2,000 fewer spills	6,000 fewer spills	10,000 fewer spills	7.5%	
• % of 2024/25 programme milestones delivered	90.0%	95.0%	100%	7.5%	
Capital programme delivery incentive (CPDi)[5]	90.0%	93.0%	96.0%	10.0%	
Improving customer service and water quality					
C-MeX ranking out of the 17 water companies	7th	6th	5th	5.0%	
Water quality contacts (due to appearance)	5,400	5,200	5,000	5.0%	
Looking after our people					
Delivery of health and safety improvement programme	90.0%	95.0%	100%	5.0%	
Total				100%	

(1) Underlying operating profit for bonus purposes excludes infrastructure renewals expenditure and property trading.
(2) Around half of this measure is related to environmental performance.
(3) The number of category 1 or 2 incidents occurring during calendar year 2024 using the Environment Agency's definitions. When assessing the outcome the committee will consider the context of any incident, including the likely cause and extent to which the company was responsible for its occurrence.
(4) Based on performance during calendar year 2024 compared to 2023.
(5) CPDi is an internal measure assessing the extent to which we deliver capital projects on time, to budget and to the required quality standard. A higher percentage represents better performance. Around 90 per cent of the measure is related to environmental performance.

In line with policy, the executive directors will be required to defer at least 50 per cent of any bonus received into shares and these only become available after a period of three years. This provides the committee with time to consider and respond appropriately to any matters that were not known at the end of the relevant performance period but become apparent during the deferral period. This could include the use of the withholding and recovery provisions.

2024 LTP awards with a performance period ending 31 March 2027
Consistent with the approach since 2020, the awards will be based on Return on Regulated Equity and a basket of customer and environmental measures, with each component being equally weighted at 50 per cent. The award level for executive directors will remain unchanged at 130 per cent of base salary and the performance period for the awards will be 1 April 2024 to 31 March 2027.

As we await the publication of Ofwat's draft determination on the company's draft business plan for the next regulatory period, the committee has decided to wait until later in the summer to grant the awards to so that the precise measures and stretching targets can be well-aligned with the proposed plan. We will publish details of the measures and targets at the point of grant, and currently expect at least 30 per cent of the overall award to relate to environmental performance, including measures that are within the scope of our key regulators.

Annual report on remuneration continued

Supporting our colleagues' wellbeing

In recognition of the ongoing challenging financial environment, the company has continued to take action to support colleagues. Noting that the lowest paid have particularly struggled, in November 2023 we increased the pay rates of around 190 colleagues in relation to the new real Living Wage rates that had been announced in October. While all living wage accredited employers had until May 2024 to implement the new rates we decided to pay the improved rates as early as possible.

Continuing with the theme of supporting the lowest paid, our 2023/24 pay settlement meant that around 5,100 collectively bargained colleagues received salary increases worth 7.5 per cent or £1,800 (whichever was more) from 1 April 2023, plus a one-off lump sum of £1,000. The company also extended this lump sum payment to around 950 colleagues (excluding executives and senior leaders) who were not covered by the collectively bargained pay arrangements.

During the year, new benefits were introduced to further support the wellbeing of our colleagues, and align with our equity, diversity and inclusion ambitions. These include a Virtual GP service, a menopause support app, and access to discounted gym memberships.

The company provides holistic wellbeing support to colleagues, encouraging them to make use of the great range of benefits, tools and resources that are available. Some examples are shown below.

Physical health	• Our new Virtual GP service enables colleagues to get advice from a GP quickly and conveniently • Our new menopause support app provides useful information and guidance to any colleague impacted by the menopause, whether personally or a family member • All colleagues can now access discounted gym memberships at locations convenient to them • All colleagues have been able to claim back the cost of a flu vaccination • Members of our colleague healthcare scheme can claim back the cost of everyday healthcare items and this year we have increased the value of funding available for consultations and operations
Financial wellbeing	• Money management tips and tools help colleagues manage their money better, including the option to borrow responsibly in appropriate circumstances, alongside financial planning courses to suit colleagues at different stages of their careers • Our discounts platform helps colleagues save money on everyday living costs
Mental health	• All colleagues have access to our employee assistance programme • We have a network of mental health first aiders providing support across the company • We have developed a partnership with Andy's Man Club, a charity providing mental health and suicide prevention support across the UK

The committee is always mindful of the alignment of executive pay arrangements with those of the wider workforce, and as is demonstrated in the table on page 151 there is a high level of alignment and consistency of approach.

When reviewing salaries and assessing incentive outcomes for the executives, the committee takes account of how those elements of remuneration have been (or will be) applied across the wider workforce in respect of the same periods. At each of its meetings, the committee receives an update on notable matters affecting pay and benefits among the wider workforce since its previous meeting, and at least annually the committee formally reviews and discusses a report detailing all elements of the pay and benefits framework that applies to the workforce.

The committee has mechanisms through which it hears from and engages with the workforce on executive pay. As a member of the committee, insights related to remuneration that arise via Alison Goligher in her role as designated non-executive director for workforce engagement can be quickly and appropriately considered, and a formal report is presented to the committee at least annually. In the last year, Alison has hosted three sessions with the Colleague Voice panel, providing valuable opportunities for open discussions and feedback on a variety of topics including remuneration. See page 109 for further details. During the year, on invitation from Alison, the head of reward engaged with the panel to provide an overview of relevant corporate governance and reporting requirements, summarise our executive remuneration approach and the role of the committee in setting executive remuneration, and discuss the alignment of our executive pay approach with the arrangements that apply across the wider workforce.

Cascade of remuneration through the organisation

Consistent with best practice, the remuneration committee spends considerable time on matters relating to remuneration arrangements in the wider organisation. Details of pay trends for the wider colleague base provide important context when making decisions regarding remuneration for the executive directors as well as ensuring that consistent approaches are being adopted across the organisation.

The table below summarises how remuneration compares across the different groups of colleagues throughout the company.

Colleague group (number of colleagues currently covered)	Element of pay	Policy	Implementation
Colleagues at all levels (around 6,200)	Salary	We want to attract and retain colleagues of the experience and quality required to deliver the company's strategy. Salaries are reviewed annually, with executive directors normally receiving a salary increase no greater than the increase awarded to the general workforce.	In 2023, the base salary increase for colleagues was 7.5 per cent or £1,800, whichever was worth more. As a real Living Wage accredited employer, all our colleagues (except those on a training scheme such as apprentices) receive at least the voluntary real Living Wage rate.
	Health and wellbeing benefits	We want to create an environment that promotes healthy behaviours and ensure that colleagues have access to early and effective treatment, advice and information to improve their health and wellbeing.	Colleagues at all levels are eligible for company-funded healthcare, an enhanced company sick pay scheme, and have access to a virtual GP service. A medical advice and information service (Best Doctors) is available for all colleagues and their families. All colleagues have free 24/7 access to our employee assistance programme, which provides counselling and support to them and their households. All colleagues can access discounted gym membership and we have recently introduced a menopause support app. We have around 380 trained mental health first aiders who can listen to, and signpost colleagues to, relevant support services, and a similar number of wellbeing champions who help promote our wellbeing campaigns. Financial wellbeing is a key focus, with financial education tools and awareness courses available for all colleagues covering a broad range of money management topics such as financial planning, managing debt and pensions.
	Flexible benefits	All colleagues have access to a variety of additional voluntary benefits to suit their lifestyle, including environmental benefits such as our electric car scheme and the opportunity to buy or sell annual leave. Colleagues can choose from a range of deals and discounts all year round, and can donate to their chosen charities directly from their pay if they want to.	Around half of the workforce take up at least one of our flexible benefit options.
	Pension	Almost all colleagues participate in our company pension arrangements, which have received the 'Pension Quality Mark Plus' accreditation in recognition of their high quality.	The company doubles any personal pension contributions made, up to a maximum of 14 per cent of salary. As part of the pension scheme colleagues receive company-funded life assurance and income protection.
	ShareBuy	Any colleague can become a shareholder in our company and share in our success by participating in our ShareBuy scheme. For every five shares purchased under the scheme, the company gives another one free.	Around half of the workforce participate in our ShareBuy scheme.
	Annual bonus – cash	Our bonus scheme provides a strong alignment to strategy throughout the organisation, with the same bonus scorecard applying at all levels.	Colleagues at all levels participate in the annual bonus scheme, receiving financial rewards based on the performance of the company and/or their personal contribution. Specific weightings and awards vary by level.
CEO, CFO and executives (11)	Annual bonus – deferred shares	Deferral of part of bonus into shares aligns the interests of executives and shareholders.	Each of the executive directors and executives is required to defer a proportion of their bonus into shares for three years.
CEO, CFO, executives and other senior leaders (around 60)	Long Term Plan (LTP)	To incentivise long-term value creation and alignment with the long-term interests of shareholders, customers, and other stakeholders.	Executives and other senior leaders may be invited to participate in the LTP. Performance conditions are the same for all participants but award sizes vary.
CEO, CFO and executives (11)	Shareholding guidelines	The committee believes that it is important for each executive to build and maintain a significant investment in shares of the company to provide alignment with shareholder interests.	All executives are subject to shareholding guidelines, aligning their interests with those of shareholders.

Annual report on remuneration continued

CEO pay ratios

The table below sets out the ratio of the CEO's pay to that of the 25th percentile (P25), median (P50) and 75th percentile (P75) full- time equivalent colleagues. The ratios have been calculated in accordance with option A as set out in the regulations. This is considered to be the most accurate methodology and uses the same calculation basis as required for the CEO's total remuneration as shown in the single figure table on page 146.

- We identified all colleagues who received base salary during the year and who were still employed on 31 March 2024.
- The calculations were carried out using their total pay and benefits received in respect of the year ended 31 March 2024, including bonuses earned by reference to performance in the financial year and paid in June following the end of the financial year.
- 'Base salary' includes standby pay, shift pay, overtime and on-call allowances.
- For colleagues who were employed on a part-time basis, or who were not employed for the full year, their remuneration has been annualised to reflect the full-time equivalent.
- No other estimates or adjustments have been used in the calculations and no other remuneration items have been omitted.

	Financial year				
	2023/24	2022/23	2021/22	2020/21	2019/20
Methodology used	A	A	A	A	A
CEO	Louise Beardmore	Steve Mogford	Steve Mogford	Steve Mogford	Steve Mogford
Average number of colleagues	6,169	6,171	5,866	5,570	5,461
Ratio of CEO single figure total remuneration:[1]					
– To colleague at the 25th percentile	36:1	64:1	95:1	98:1	87:1
– To colleague at the 50th percentile	27:1	48:1	71:1	73:1	66:1
– To colleague at the 75th percentile	21:1	38:1	56:1	58:1	53:1
Ratio of CEO base salary plus annual bonus:					
– To colleague at the 25th percentile	32:1	38:1	44:1	52:1	47:1
– To colleague at the 50th percentile	26:1	28:1	37:1	38:1	37:1
– To colleague at the 75th percentile	20:1	23:1	30:1	30:1	31:1
Ratio of CEO base salary:					
– To colleague at the 25th percentile	21:1	26:1	24:1	26:1	26:1
– To colleague at the 50th percentile	17:1	18:1	20:1	19:1	20:1
– To colleague at the 75th percentile	13:1	15:1	17:1	15:1	17:1
Additional details					
CEO total single figure (£'000)	1,411	2,321	3,276	3,381	2,925
CEO base salary plus annual bonus (£'000)	1,110	1,216	1,511	1,560	1,476
CEO base salary (£'000)	690	791	784	736	769
Colleagues total pay and benefits (£'000)					
– at the 25th percentile	39	37	35	34	33
– at the 50th percentile	53	49	46	46	44
– at the 75th percentile	66	61	59	58	56
Colleagues base salary plus annual bonus (£'000)					
– at the 25th percentile	34	32	34	30	32
– at the 50th percentile	43	44	41	42	40
– at the 75th percentile	55	53	51	52	48
Colleagues base salary (£'000)					
– at the 25th percentile	33	31	32	29	30
– at the 50th percentile	41	43	39	39	38
– at the 75th percentile	53	52	47	50	44

(1) The figures for 2022/23 have been restated to reflect the final vesting outcome, additional dividend equivalents and updated share price for Steve Mogford's 2020 LTP. The figures for 2021/22 have also been restated to reflect additional dividend equivalents for his 2019 LTP using the average share price over the three-month period from 1 January 2024 to 31 March 2024.

Along with the ratios comparing total remuneration, the committee keeps under review the ratios for salary and salary plus annual bonus, and tracks how these change over time. With a significant proportion of the remuneration of the CEO linked to company performance and share price movements over the longer term, it is expected that the headline ratios will depend primarily on the Long Term Plan (LTP) outcome, and, accordingly, may fluctuate from year to year. Participation in the LTP is currently limited to around 60 executives and senior leaders, with none of the individuals identified as P25, P50 and P75 in this group. On the other hand, colleagues at all levels participate in the annual bonus scheme, and so the committee considers this ratio as well as the ratio comparing only salary, to provide helpful additional context.

This year, the pay ratio of CEO single figure total remuneration has reduced at all data points (P25, P50 and P75). This is as expected, given that it is the first year in which the figures relate to Louise Beardmore whose overall remuneration package as CEO was set at a lower level than that of her predecessor, Steve Mogford. The committee observes a similar picture across most of the other reported ratios, which is to be expected given the alignment of our remuneration approach across the workforce. The committee will continue to consider the pay ratios in the context of other important metrics such as the gender pay gap and colleague engagement levels.

Relative importance of spend on pay

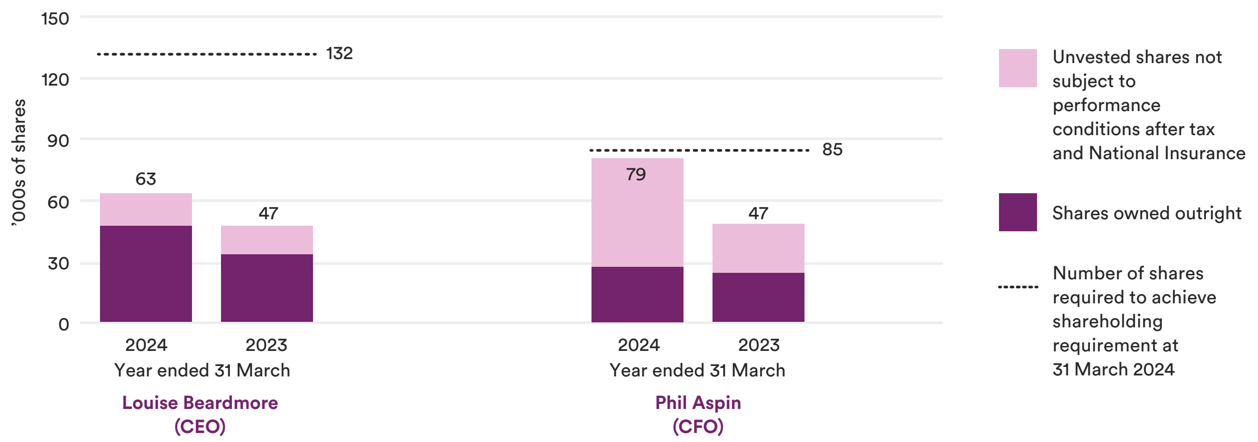
The table below shows the relative importance of spend on pay compared to distributions to shareholders.

	2022/23 £m	2023/24 £m	% change
Dividends paid to shareholders	301	320	6.2%
Colleague costs[1]	342	370	7.9%

(1) Colleague costs includes wages and salaries, social security costs, and post-employment benefits.

Executive directors' shareholding (audited information)

Details of beneficial interests in the company's ordinary shares as at 31 March 2024 held by each of the executive directors and their connected persons are set out in the charts below along with progress against the target shareholding requirement level. Louise Beardmore's target shareholding changed on her appointment to CEO on 1 April 2023 and is now 200 per cent of her current salary. She is expected to reach that by 1 April 2028 (within five years of her appointment as CEO). Phil Aspin is expected to reach the minimum guideline by 24 July 2025 (within five years of his appointment as CFO).



Further details of the executive directors' shareholdings and share plan interests are given in the table below and in appendix 2 on page 163.

Director	Share-holding require-ment (% of salary)	Number of shares required to meet share-holding require-ment[1]	Number of shares owned outright (including connected persons)		Unvested shares not subject to performance conditions[2]		Total shares counting towards shareholding requirements[3]		Share-holding as % of base salary at 31 March	Share-holding require-ment met at 31 March	Unvested shares subject to performance conditions[4]	
			2024	2023	2024	2023	2024	2023	2024[1]	2024	2024	2023
Louise Beardmore[5]	200%	132,463	47,073	33,180	29,355	26,201	62,648	47,083	95%	No	159,445	97,872
Phil Aspin[5]	200%	85,429	26,591	23,570	99,236	44,787	79,203	47,323	185%	No	165,479	171,132

(1) Share price used is the average share price over the three months from 1 January 2024 to 31 March 2024 (1,041.8 pence per share).

(2) Unvested shares subject to no further performance conditions such as matching shares under the ShareBuy scheme. Includes shares subject only to withholding provisions such as Deferred Bonus Plan shares in the three-year deferral period and Long Term Plan shares in the applicable holding period.

(3) Includes unvested shares not subject to performance conditions (net of tax and National Insurance), plus the number of shares owned outright.

(4) Includes unvested shares under the Long Term Plan.

(5) In the period 1 April 2024 to 14 May 2024, additional shares were acquired by Louise Beardmore (29 shares) and Phil Aspin (29 shares) in respect of their monthly contributions to the all-employee ShareBuy scheme. Matching shares vest one year after grant provided the colleague remains employed.

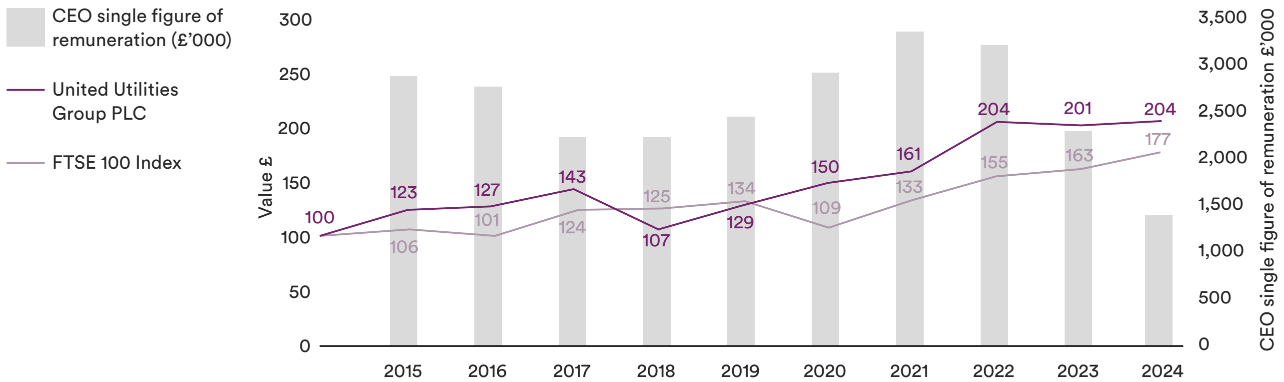
Annual report on remuneration continued

Other information

Company performance and CEO remuneration comparison

The total shareholder return (TSR) chart below illustrates the company's performance against the FTSE 100 over the past ten years. The FTSE 100 is an appropriate comparator as the company is a member of the FTSE 100 and it is a widely published benchmark for this purpose. The chart shows the growth in the value of a hypothetical £100 holding invested in the company over the ten-year period.

The chart also shows the CEO's single total figure remuneration over the ten years ended 31 March 2024 for comparison. The table below the TSR chart shows the remuneration data for the CEO over the same period.



Year ended 31 March	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CEO	Steve Mogford									Louise Beardmore
CEO single figure of remuneration (£'000)	2,884	2,760[1]	2,233	2,221	2,448	2,925	3,381	3,276[2]	2,321[3]	1,411
Annual bonus payment (% of maximum)	77.4	54.5	83.7	74.9	79.0	70.7	81.8	71.3	41.4	46.8
LTP vesting (% of maximum)[4]	97.5	33.6	54.5	55.4	64.4	87.3	97.9	100	68.8[3]	79.1[5]

(1) This includes the payout from the 2013 Long Term Plan (LTP) as well as £1.028 million in respect of Steve Mogford's one-off Matched Share Investment Scheme that ended on 5 January 2016 (vested at 100 per cent).

(2) The payout from the 2019 LTP, which will vest on 28 June 2024 after the end of a two-year holding period, has been updated to reflect the additional dividends accruing on this award and the average share price over the three-month period from 1 January 2024 to 31 March 2024 of 1,041.79 pence per share.

(3) The payout and vesting percentage for the 2020 LTP have been restated to reflect the additional dividend equivalents accruing on the award, the final vesting outcome and updated share price. See page 146 for further details.

(4) For performance periods ended on 31 March, unless otherwise stated.

(5) The 2021 Long Term Plan amount vesting percentage is estimated. See page 147 for further details.

Exit payments and payments to former directors made in the year (audited information)

There have been no exit payments or payments to former directors in respect of their roles as directors during the year ended 31 March 2024 other than the vesting of legacy share awards (see page 163).

External appointments

Phil Aspin was a board member of the UK Endorsement Board and chair of the organisation's Rate-regulated Activities Advisory Group during the year ended 31 March 2024, for which he received and retained an annual fee of around £21,000.

Non-executive directors

Single total figure of remuneration for non-executive directors (audited information)

	Salary/fees £'000		Taxable benefits £'000		Total £'000	
Year ended 31 March	2024	2023	2024	2023	2024	2023
Sir David Higgins	321	311	–	1	321	312
Liam Butterworth	73	71	1	1	74	72
Kath Cates[1]	87	80	1	1	88	81
Alison Goligher[2]	91	85	–	–	91	85
Michael Lewis[3]	67	n/a	–	n/a	67	n/a
Paulette Rowe[4]	86	79	–	1	86	80
Doug Webb	90	87	1	1	91	88

(1) Kath Cates was appointed as chair of the remuneration committee with effect from 22 July 2022 and received the applicable additional fee from that date.

(2) Alison Goligher became the senior independent non-executive director on 22 July 2022, and was appointed as chair of the compliance committee on 25 April 2023. She receives the applicable fees for these additional duties.

(3) Michael Lewis joined the board on 1 May 2023.

(4) Paulette Rowe was appointed as chair of the ESG committee with effect from 22 July 2022 and received the applicable additional fee from that date.

Fees

Non-executive director base fees were reviewed and increased with effect from 1 September 2023 as shown below. Base fees and additional fees for the senior independent non-executive director and the chairs of committees were increased by 3.0 per cent, which was less than the 7.5 per cent increase applying to the general workforce in 2023. Additional fees for the senior independent non-executive director and the chairs of committees were also increased by 3.0 per cent. The additional fee for the ESG committee chair was increased by more than 3.0 per cent to recognise the increasing stakeholder focus on ESG matters and a new fee has been introduced for chairing the new compliance committee. See page 89 for further details about the compliance committee.

	Fees £'000	
Role	1 Sept 2023	1 Sept 2022
Base fee: Chair[1]	324.7	315.2
Base fee: other non-executive directors[2]	73.9	71.7
Senior independent non-executive director[2]	14.3	13.9
Chair of audit and treasury committees[2]	17.0	16.5
Chair of remuneration committee[2]	14.3	13.9
Chair of ESG committee[2]	14.3	12.4
Chair of compliance committee[2]	6.0	n/a

(1) Approved by the remuneration committee.

(2) Approved by a separate committee of the board.

Non-executive directors' shareholdings (audited information)

Details of beneficial interests in the company's ordinary shares as at 31 March 2024 held by each of the non-executive directors and their connected persons are set out in the table below.

Non-executive directors	Date first appointed to the board	Number of shares owned outright (including connected persons) at 31 March 2024[1]
Sir David Higgins	13.5.19	3,000
Liam Butterworth	1.1.22	3,000
Kath Cates	1.9.20	2,135
Alison Goligher	1.8.16	6,000
Michael Lewis	1.5.23	3,000
Paulette Rowe	1.7.17	3,000
Doug Webb	1.9.20	10,200

(1) From 1 April 2024 to 14 May 2024 there have been no movements in the shareholdings of the non-executive directors.

Change in board member and colleague remuneration

	Salary/total fees %				Benefits %				Bonus %			
Year ended 31 March	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020
Executive directors												
Louise Beardmore[1]	62.4	n/a	n/a	n/a	34.9	n/a	n/a	n/a	83.5	n/a	n/a	n/a
Phil Aspin	4.4	3.6	1.2	n/a	3.7	(6.3)	67.3	n/a	18.0	(50.1)	6.4	n/a
Non-executive directors[2]												
Sir David Higgins	3.0	2.6	6.5	111.1	(37.9)	(55.6)	1,555.9	(96.6)	n/a	n/a	n/a	n/a
Liam Butterworth	3.0	2.6[3]	n/a	n/a	66.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kath Cates	8.3[4]	16.5[4]	6.5	n/a	66.2	(59.4)	1,555.9	n/a	n/a	n/a	n/a	n/a
Alison Goligher	7.2[5]	2.5	11.5[6]	9.4	0	(100.0)	708.6	(81.0)	n/a	n/a	n/a	n/a
Michael Lewis[7]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paulette Rowe	9.0[8]	15.0[8]	6.5	(4.2)	(100)	(23.7)	782.1	(95.2)	n/a	n/a	n/a	n/a
Doug Webb	3.1	8.8[9]	23.6	n/a	66.2	(55.7)	1,418.0	n/a	n/a	n/a	n/a	n/a
All colleagues	9.4	6.6	3.7	4.1	12.0	4.1	5.0	6.9	11.4	(27.3)	11.6	13.6

(1) The significant year-on-year changes for Louise Beardmore are because 2024 reflects her remuneration package as CEO whereas 2023 reflects her lower remuneration package as CEO designate.

(2) Calculated using the fees and taxable benefits shown in the table on page 154.

(3) Liam Butterworth joined the board on 1 January 2022. To enable a meaningful year-on-year comparison his fees reflect hypothetical full-year earnings in 2021/22 and 2022/23 respectively.

(4) The year-on-year fee changes for Kath Cates reflect her appointment as remuneration committee chair with the associated fee effective from 22 July 2022.

(5) The year-on-year fee changes for Alison Goligher reflects her appointment as compliance committee chair with the associated fee during the year.

(6) The fee increase for Alison Goligher reflects her appointment as remuneration committee chair with the associated fee effective from 24 July 2020. Alison stepped down as remuneration committee chair and became the senior independent NED with the associated fee effective from 22 July 2022.

(7) Michael Lewis was appointed to the board on 1 May 2023 so no year-on-year comparison is possible.

(8) The fee increase for Paulette Rowe reflects her appointment as ESG committee chair with the associated fee effective from 22 July 2022. The ESG committee chair fee was increased during 2023 as stated above.

(9) The fee increase for Doug Webb reflects his role as chair of audit and treasury committees for the full year, whereas in the prior year he was only chair for part of the year and so did not receive an additional fee.

Annual report on remuneration continued

The remuneration committee

Main responsibilities of the committee

- Determining and recommending to the board the policy for executive director remuneration, having reviewed and taken into account workforce remuneration and related policies and the alignment of incentives and reward with our purpose, values and culture;
- Setting the individual employment and remuneration terms for executive directors and other senior executives, including: recruitment and severance terms, bonus plans and targets, and the achievement of performance against targets, including consideration and use of discretion as appropriate;
- Approving the general employment and remuneration terms for selected senior colleagues;
- Setting the remuneration of the Chair of the company;
- Proposing all new long-term incentive schemes for approval of the board, and for recommendation by the board to shareholders; and
- Assisting the board in reporting to shareholders and undertaking appropriate discussions as necessary with institutional shareholders on aspects of executive remuneration.

The committee's terms of reference were last reviewed in November 2023 and are available on our website **corporate.unitedutilities.com/corporate-governance**

Composition of the remuneration committee during the year ended 31 March 2024

Member	Member since
Kath Cates (chair since 22.7.22)	1.9.20
Alison Goligher	1.8.16
Doug Webb	23.7.21

The committee's members have no personal financial interest in the company other than as shareholders and the fees paid to them as non-executive directors.

Activities of the remuneration committee over the past year

The committee met five times in the year ended 31 March 2024 and carried out a number of key activities:

- Approved the 2022/23 directors' remuneration report;
- Consulted with shareholders and other stakeholders on potential changes to the directors' remuneration policy;
- Wrote to major shareholders following the publication of the company's 2023 annual report and reviewed the feedback received;
- Reviewed the pay comparator group;
- Determined the remuneration arrangements for departing and new executives falling under the remit of the committee;
- Reviewed the base salaries of executive directors and other members of the executive team;
- Reviewed the base fee for the Chair;
- Assessed the achievement of targets for the 2022/23 annual bonus scheme, set the targets for the 2023/24 annual bonus scheme and reviewed progress against the targets;
- Assessed the achievement of targets for the Long Term Plan (LTP) awards made in 2020, reviewed progress against the targets for the 2021 and 2022 LTP awards, and set the measures and targets for the 2023 LTP awards;
- Reviewed and approved awards made under the annual bonus, Deferred Bonus Plan (DBP) and LTP;
- Monitored progress against shareholding guidelines for executive directors and other members of the executive team;
- Reviewed the committee's performance during the period;
- Considered the remuneration arrangements of the wider workforce and their alignment with those of the executives, alongside feedback received from the workforce via Alison Goligher in her role as the non-executive director for workforce engagement;
- Reviewed the executive remuneration-related parts of the company's business plan submission to the regulator;
- Considered governance developments and market trends in executive remuneration, including in the wider utilities sector; and
- Noted progress on the company's gender pay gap reporting.

Support to the remuneration committee

By invitation of the committee, meetings are attended by the Chair, the CEO, the company secretary (who acts as secretary to the committee) and the people director, who are consulted on matters discussed by the committee, unless those matters relate to their own remuneration. Advice or information is also sought from the head of reward or other colleagues where the committee feels that such additional contributions will assist the decision-making process.

The committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers.

During the year, the committee was assisted in its work by independent external remuneration advisers, Ellason, who were appointed by the Committee in January 2021. During the year ended 31 March 2024, they provided advice on remuneration matters including analysis of the remuneration policy and regular market and best practice updates. In addition, other services provided include advice and benchmarking on non-executive director and senior leader remuneration, advice on the company's share schemes and assurance work on the remuneration report for the audit committee. Fees on a time/cost basis for the advice provided during the year were £74,000 as set out in the terms and conditions in the relevant engagement letter.

Ellason are signatories to the Remuneration Consultant Group's Code of Conduct, which sets out guidelines to ensure that any advice is independent and free of undue influence (which can be found at **remunerationconsultantsgroup.com**). None of the individual directors have a personal connection with Ellason. The committee is satisfied that the advice it receives is objective and independent and confirms that Ellason do not have any connection with the company that may impair their independence.

In addition, during the year, the law firm Eversheds Sutherland provided advice to the company in relation to the company's share schemes.

Compliance with the UK Corporate Governance Code

Code principle – remuneration

The following section summarises how our shareholder-approved remuneration policy fulfils the relevant principles and provisions of the 2018 UK Corporate Governance Code.

Clarity

The committee is committed to providing transparent disclosures to all stakeholders about executive remuneration arrangements and, to this end, the directors' remuneration report sets out the remuneration arrangements for the executive directors in a clear and transparent way. At least annually engagement with the Colleague Voice panel takes place about our executive remuneration approach. Our AGM allows shareholders to ask any questions on the remuneration arrangements, and we welcome any queries on remuneration practices from shareholders throughout the year.

Predictability

Payouts under the annual bonus and Long Term Plan (LTP) schemes are dependent on the performance of the company over the short and long term, and a significant proportion of executive director remuneration is performance related. These schemes have strict maximum opportunities, with the potential value at threshold, target and maximum performance scenarios provided in the directors' remuneration report.

Simplicity

Our remuneration arrangements for executive directors, as well as those throughout the group, are simple in nature and understood by all participants, having been operated in a similar manner for a number of years. Executive directors receive fixed pay (salary, benefits, pension), and participate in a single short-term incentive (the annual bonus) and a single long-term incentive (the LTP).

Risk

The committee has designed incentive arrangements that do not encourage inappropriate risk taking. The committee retains overarching discretion in both the annual bonus and LTP schemes to adjust payouts where the formulaic outcomes are not considered reflective of underlying business performance and individual contributions. Robust withholding and recovery provisions apply to variable incentives.

Proportionality

Payments from variable incentive schemes require strong performance against challenging conditions over the short and longer term. Performance conditions have been selected to support group strategy and consist of both financial and non-financial metrics.

The committee retains discretion to override formulaic outcomes in both schemes to ensure that they are appropriate and reflective of overall performance.

Alignment to culture

Performance measures used in our variable incentive schemes are selected to be consistent with the company's purpose, values and strategy, with a strong emphasis on delivering for our customers and encouraging innovation to provide a great and resilient service at the most efficient cost. The use of annual bonus deferral, LTP holding periods and our shareholding requirements promotes integrity and provides a clear link to the ongoing performance of the group and ensure alignment with shareholders, which continues after employment.

2023 AGM: Statement of voting

At the last annual general meeting on 21 July 2023, votes on the 2023/24 directors' remuneration report (other than the part containing the directors' remuneration policy) were cast as follows:

Resolution	Votes for	Votes against	Votes withheld (abstentions)	Total votes cast
Approval of the directors' remuneration report (other than the part containing the directors' remuneration policy)	506,921,228 (98.74%)	6,479,091 (1.26%)	3,523,554	513,400,319

At the annual general meeting on 22 July 2022, votes on the directors' remuneration policy were cast as follows:

Resolution	Votes for	Votes against	Votes withheld (abstentions)	Total votes cast
Approval of the directors' remuneration policy	498,652,274 (99.02%)	4,941,551 (0.98%)	203,755	503,593,825

The directors' remuneration report was approved by the board of directors on 14 May 2024 and signed on its behalf by:

Kath Cates
Chair of the remuneration committee

Directors' remuneration policy

Appendix 1: Directors' remuneration policy

The appendix to the directors' remuneration report sets out an abridged version of the directors' remuneration policy for the company, which was approved by shareholders at the AGM on 22 July 2022. The policy took effect from the date of approval and will be reviewed and renewed no later than the 2025 AGM.

In the interests of clarity, this abridged report includes some minor annotations to show, where appropriate, how the policy will be implemented in 2024/25. A full version of the shareholder approved policy can be found in the annual report and financial statements for the year ended 31 March 2022.

Overview of remuneration policy

The company's remuneration arrangements are designed to promote the long-term success of the company. The company does not pay more than is necessary for this purpose. The committee recognises that the company operates in the North West of England in a regulated environment and, therefore, needs to ensure that the structure of executive remuneration reflects both the practices of the markets in which its executives operate, and stakeholder expectations of how the company should be run.

The committee monitors the remuneration arrangements to ensure that there is an appropriate balance between risk and reward and that the long-term performance of the business is not compromised by the pursuit of short-term value. There is a strong direct link between incentives and the company's strategy, and if the strategy is delivered within an acceptable level of risk, senior executives will be rewarded through the annual bonus and long-term incentives. If it is not delivered, then a significant part of their potential remuneration will not be paid.

The committee also understands that listening to the views of the company's key stakeholders plays a vital role in formulating and implementing a successful remuneration policy over the long term. The committee thus actively seeks the views of shareholders and other key stakeholders to inform the development of the remuneration policy, particularly where any changes to policy are envisaged. Account is taken of colleague views when consulting on the policy, typically via the colleague voice panel. Additionally, the company carries out annual colleague engagement surveys and regular discussion takes place with union representatives on matters of pay and remuneration for colleagues covered by collective bargaining or consultation arrangements, all of which can provide insight that is of value to the committee. The general base salary increase and broader remuneration arrangements, including pension provision, for the wider colleague population are considered by the committee when determining remuneration policy for the executive directors. As outlined on page 150 processes are in place for the committee to regularly review and consider any remuneration-related matters that may arise from the activities undertaken by the board to take account of the 'colleague voice'.

Policy table for directors

Base salary

Purpose and link to strategy: To attract and retain executives of the experience and quality required to deliver the company's strategy.

Operation	Maximum opportunity
Normally reviewed annually, typically effective 1 September. Significant increases in salary should only take place infrequently, for example where there has been a material increase in: • the size of the individual's role; • the size of the company (through mergers and acquisitions); or • the pay market for directly comparable companies (for example, companies of a similar size and complexity). On recruitment or promotion to executive director, the committee will take into account previous remuneration, and pay levels for comparable companies, when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent.	Current salary levels are shown in the annual report on remuneration. Executive directors will normally receive a salary increase that is generally no greater than the increase awarded to the general workforce, unless one or more of the conditions outlined under 'Operation' is met. Where the committee has set the salary of a new hire at a discount to the market level initially, a series of planned increases can be implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance. **Performance measures** None.

Pension

Purpose and link to strategy: To provide a level of benefits that allow for personal retirement planning.

Operation	Maximum opportunity
Executive directors are offered the choice of: • a company contribution into a defined contribution pension scheme; • a cash allowance in lieu of pension; or • a combination of a company contribution into a defined contribution pension scheme and a cash allowance.	The maximum opportunity is aligned to the approach available to the wider workforce, currently: • up to 14 per cent of salary into a defined contribution scheme; • cash allowance of broadly equivalent cost to the company (up to 14 per cent of salary less employer National Insurance contributions at the prevailing rate, i.e. up to 12 per cent of base salary for 2024/25); or • a combination of both such that the cost to the company is broadly the same. **Performance measures** None.

Benefits

Purpose and link to strategy: To provide market competitive benefits to help recruit and retain high-calibre executives.

Operation	Maximum opportunity
Provision of benefits such as: • health benefits; • green travel allowance; • relocation assistance; • life assurance; • group income protection; • all-employee share schemes (e.g. opportunity to join the ShareBuy scheme); • travel; and • communication costs. Any reasonable business-related expenses can be reimbursed (and any tax thereon met if determined to be a taxable benefit). Executives will be eligible for any other benefits that are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the committee decides payment of such benefits is appropriate and in line with emerging market practice.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not predetermined. **Performance measures** None.

Annual bonus

Purpose and link to strategy: To incentivise performance against selected financial and operational KPIs that are directly linked to business strategy. Deferral of part of bonus into shares aligns the interests of executive directors and shareholders.

Operation	Maximum opportunity
A maximum of 50 per cent of bonus awarded paid as cash. A minimum of 50 per cent of bonus awarded deferred into company shares under the Deferred Bonus Plan (DBP) for a period of at least three years. Dividends or dividend equivalents accrue during the DBP deferral period and are paid upon vesting. Not pensionable. Bonuses and DBP shares are subject to withholding and recovery provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.	Maximum award level of up to 130 per cent of salary, for the achievement of stretching performance objectives. **Performance measures** Payments predominantly based on financial and operational performance, with the possibility of a minority to be based on achievement of personal objectives if determined by the committee. Targets and weightings set by reference to the company's financial and operating plans. Bonus outcomes are subject to the committee being satisfied that the company's performance on the measures is consistent with underlying business performance and individual contributions. The committee will exercise discretion on bonus outcomes if it deems necessary. 100 per cent of maximum bonus potential for stretch performance; up to 50 per cent of maximum for target performance; and up to 25 per cent of maximum for threshold performance. No payout for below-threshold performance.

Long Term Plan (LTP)

Purpose and link to strategy: To incentivise long-term value creation and alignment with the long-term interests of shareholders, customers, and other stakeholders.

Operation	Maximum opportunity
Awards under the Long Term Plan are rights to receive company shares, subject to certain performance conditions. Each award is measured over at least a three-year performance period. An additional holding period applies after the end of the three-year performance period so that the total vesting and holding period is at least five years. Dividends or dividend equivalents accrue until awards are released to participants, to the extent that such awards vest for performance. Shares under the LTP are subject to withholding and recovery provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.	The normal maximum award level will be up to 130 per cent of salary per annum. The overall policy limit is 200 per cent of salary. It is not currently anticipated that awards above the normal level will be made to executive directors and any such increase on an ongoing basis will be subject to prior consultation with major shareholders. **Performance measures** The two performance conditions are Return on Regulated Equity and a basket of customer measures. The weighting of each of these two components is 50 per cent. Any vesting is subject to the delivery of the dividend policy applicable to each year of the respective performance period, and the committee being satisfied that the company's performance on these measures is consistent with underlying business performance. The committee will exercise discretion on LTP outcomes if it deems it necessary. The committee has discretion to set alternative performance measures and/or weightings for future awards but will consult with major shareholders before making any material changes to the currently applied measures and/or weightings. 100 per cent of awards vest for stretch performance and up to 25 per cent of awards vest for threshold performance. No awards vest for below-threshold performance.

Directors' remuneration policy continued

Shareholding requirements

Purpose and link to strategy: The committee believes that it is important for each executive director to build and maintain a significant investment in shares of the company to provide alignment with shareholder interests during and after employment.

Operation	Maximum opportunity
Executive directors are expected to reach a shareholding requirement of 200 per cent of salary, normally within five years of appointment. The following post-employment shareholding requirements apply in the event of an executive director leaving the company: • Executive directors must continue to hold the lower of 200 per cent of salary in shares or their shareholding on departure, for two years after ceasing employment with the group. • Executive directors must retain shares vesting (net of tax) from all share awards (including in-flight awards) if not doing so would take their shareholding below the requirement. Nominee accounts are used to enable the post-employment shareholding requirements to be robustly enforced.	None. **Performance measures** None.

Non-executive directors' fees and benefits

Purpose and link to strategy: To attract non-executive directors with a broad range of experience and skills to oversee the development and implementation of our strategy.

Operation	Maximum opportunity
The remuneration policy for the non-executive directors (with the exception of the Chair) is set by a separate committee of the board. The policy for the Chair is determined by the remuneration committee (of which the Chair is not a member). Fees are reviewed annually taking into account the salary increase for the general workforce and the levels of fees paid by companies of a similar size and complexity. Any changes are normally effective from 1 September. Additional fees are paid in relation to extra responsibilities undertaken, such as chairing certain board sub-committees, and to the senior independent non-executive director. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for non-executive directors, the board may pay extra fees on a pro rata basis to recognise the additional workload. No eligibility for bonuses, long-term incentive plans, pension schemes, healthcare arrangements or colleague share schemes. The company repays any reasonable expenses that a non-executive director incurs in carrying out their duties as a director, including travel, hospitality-related and other modest benefits and any tax liabilities thereon, if appropriate.	Current fee levels are shown in the annual report on remuneration. The value of benefits may vary from year to year, according to the cost to the company. **Performance measures** Non-executive directors are not eligible to participate in any performance-related arrangements.

Notes to the policy table

Selection of performance measures and targets

Performance measures for the annual bonus are selected annually to align with the company's key strategic goals for the year and reflect financial, operational and personal objectives. 'Target' performance is typically set in line with the business plan for the year, following rigorous debate and approval of the plan by the board. Threshold to stretch targets are then typically set based on a sliding scale on the basis of relevant commercial factors.

Only modest rewards are available for delivering threshold performance levels, with rewards at stretch normally requiring substantial outperformance of the business plan. Details of the measures used for the annual bonus and Long Term Plan (LTP) are given in the annual report on remuneration.

The policy provides for committee discretion to alter the LTP measures and weightings to ensure they continue to facilitate an appropriate measurement of performance over the life of the policy (taking into account any evolution of the strategic goals of the company). LTP targets are set taking into account a number of factors, including reference to market practice, the company business plan and analysts' forecasts where relevant. The LTP will only vest in full if stretching business performance is achieved.

Annual bonus and long-term incentives – flexibility, discretion and judgement

The committee will operate the company's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards.

These include making awards and setting performance criteria each year, dealing with leavers, and adjustments to awards and performance criteria following acquisitions, disposals, changes in share capital and to take account of the impact of other merger and acquisition activity.

The committee retains discretion within the policy to adjust the targets, set different measures and/or alter weightings for the annual bonus and long-term incentive plans, pay dividend equivalents on vested shares up to the date those shares can first reasonably be exercised and, in exceptional circumstances, under the rules of the annual bonus and long-term incentive plans to adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if an external benchmark or measure is no longer available). All assessments of performance are ultimately subject to the committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the annual remuneration report.

All historic awards that were granted under any current or previous bonus or share schemes operated by the company and remain outstanding remain eligible to vest based on their original award terms.

Alignment of executive director remuneration with the wider workforce

The remuneration approach is consistently applied at levels below the executive directors. Key features include:

- market competitive levels of remuneration, incentives and benefits to attract and retain colleagues;
- colleagues at all levels participate in a bonus scheme with the same corporate performance measures as for executive directors; and
- all colleagues have the opportunity to participate in the HMRC-approved share incentive plan, ShareBuy.

At senior levels, remuneration is increasingly long term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration.

Scenarios for total remuneration

The charts below show the illustrative pay-outs under the remuneration policy for each current executive director under four different scenarios.

Notes on the scenario methodology:

- 'Fixed' is base salary effective 31 March 2024 plus the value of pension and benefits as shown in the single total figure of remuneration table for 2023/24;
- 'Target' performance is the level of performance required for the annual bonus and Long Term Plan to pay out at 50 per cent of maximum;
- 'Maximum' performance would result in 100 per cent vesting of the annual bonus and Long Term Plan (i.e. 260 per cent of salary in total);
- 'Maximum performance plus 50 per cent share price growth' shows maximum performance plus the impact on the Long Term Plan of a hypothetical 50 per cent increase in the share price;
- Annual bonus includes amounts compulsorily deferred into shares;
- Long Term Plan is measured at face value, i.e. no assumption for dividends or changes in share price (except in the fourth scenario); and
- Amounts relating to all-colleague share schemes have, for simplicity, been excluded from the charts.

Directors' remuneration policy continued

External directorships

The company recognises that its executive directors may be invited to become non-executive directors of other companies outside the company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the company. Any external appointments are subject to board approval (which would not be given if the proposed appointment was with a competing company, would lead to a material conflict of interest or could have a detrimental effect on a director's performance). Directors will be allowed to retain any fees received in respect of such appointments.

Service contracts and letters of appointment

Copies of executive directors' service contracts and non-executive directors' letters of appointment are available for inspection at the company's registered office during normal hours of business and will be available at the company's AGM. Copies of non-executive directors' letters of appointment can also be viewed on the company's website.

The notice period in the service contracts for executive directors' appointed on or after 1 May 2022 is one year. For executive directors appointed prior to 1 May 2022, the notice period is up to one year when terminated by the company and at least six months' notice when terminated by the director. The policy on payments for loss of office is set out in the next section.

The Chair and other non-executive directors have letters of appointment rather than service contracts. Their appointments may be terminated without compensation at any time. All non-executive directors are subject to re-election at each AGM.

Date of service contracts

Executive directors	Date of current service contract
Louise Beardmore	1.4.23
Phil Aspin	24.7.20

Approach to recruitment remuneration

The remuneration package for a new executive director would be set in accordance with the terms of the company's approved directors' remuneration policy in force at the time of appointment. Full details about our approach to recruitment remuneration is set out in the 2022 annual report.

Payment for loss of office

The circumstances of the termination, including the individual's performance and an individual's duty and opportunity to mitigate losses, are taken into account in every case. Our policy is to stop or reduce compensatory payments to former executive directors to the extent that they receive remuneration from other employment during the compensation period. A robust line on reducing compensation is applied and payments to departing colleagues may be phased to mitigate loss. Full details of the approach to payment for loss of office and change of control is set out in the 2022 annual report.

Appendix 2: Executive directors' share plan interests

1 April 2023 to 31 March 2024 (audited information)

	Award date	Awards held at 1 April 2023	Awards granted in year	Vested in year	Lapsed/forfeited in year	Notional dividends accrued in year[1]	Awards held at 31 March 2024[1]
Louise Beardmore							
Shares not subject to performance conditions at 31 March 2024							
DBP	16.6.20	8,601	–	8,601	–	–	0
DBP	16.6.21	8,512	–	–	–	395	8,907
DBP	16.6.22	9,053	–	–	–	420	9,473
DBP[2]	16.6.23	–	10,454	–	–	486	10,940
LTP	30.11.20	23,975	–	16,997	7,708	730	–
ShareBuy matching shares[3]	1.4.23 to 31.3.24	35	35	35	–	–	35
Subtotal		50,176	10,489	25,633	7,708	2,031	29,355
Shares subject to performance conditions at 31 March 2024							
LTP	30.6.21	21,603	–	–	–	1,005	22,608
LTP	29.7.22	52,294	–	–	–	2,434	54,728
LTP[4]	15.12.23	–	80,847	–	–	1,262	82,109
Subtotal		73,897	80,847	0	0	4,701	159,445
Total		124,073	91,336	25,633	7,708	6,732	188,800
Phil Aspin							
Shares not subject to performance conditions at 31 March 2024							
DBP	16.6.20	4,612	–	4,612	–	–	0
DBP	16.6.21	17,598	–	–	–	819	18,417
DBP	16.6.22	22,543	–	–	–	1,049	23,592
DBP[2]	16.6.23	–	10,883	–	–	506	11,389
LTP	30.11.20	63,613	–	–	20,452	2,642	45,803
ShareBuy matching shares[3]	1.4.23 to 31.3.24	34	35	34	–	–	35
Subtotal		108,400	10,918	4,646	20,452	5,016	99,236
Shares subject to performance conditions at 31 March 2024							
LTP	30.6.21	57,317	–	–	–	2,669	59,986
LTP	29.7.22	50,202	–	–	–	2,337	52,539
LTP[4]	15.12.23	–	52,140	–	–	814	52,954
Subtotal		107,519	52,140	0	0	5,820	165,479
Total		215,919	63,058	4,646	20,452	10,836	264,715

(1) Note that these are subject to performance conditions where applicable.
(2) See page 148 for further details.
(3) Under ShareBuy, matching shares vest provided the colleague remains employed by the company one year after grant. During the year, Louise Beardmore purchased 175 partnership shares and was awarded 35 matching shares (at an average share price of 1,045.57 pence per share). Phil Aspin purchased 175 partnership shares and was awarded 35 matching shares (at an average share price of 1,045.76 pence per share).
(4) See page 148 for further details.

Vesting of legacy share awards for former directors

Steve Mogford retired from the board and left the company in March 2023. In line with policy he retained a number of awards under the DBP, and as a 'good leaver', the LTP. On 1 April 2023, 152,768 shares arising from his 2018 LTP vested. On 16 June 2023, 43,938 shares arising from his 2020 DBP vested.

Dilution limits

Awards granted under the company's share plans are satisfied by market purchased shares bought on behalf of the company by United Utilities Employee Share Trust immediately prior to the vesting of a share plan. The company does not make regular purchases of shares into the Trust nor employ a share purchase hedging strategy, and shares are bought to satisfy the vesting of share plans.

The rules of the Deferred Bonus Plan do not permit awards to be satisfied by newly issued shares and must be satisfied by market purchased shares. The rules of the Long Term Plan permit the awards to be satisfied by newly issued shares but the company has decided to satisfy awards by market purchased shares.

Should the company's method of satisfying share plan vestings change (i.e. issuing new shares) then the company would monitor the number of shares issued and their impact on dilution limits set by the Investment Association in respect of all share plans (ten per cent in any rolling ten-year period) and executive share plans (five per cent in any rolling ten-year period). No treasury shares were held or utilised in the year ended 31 March 2024.