Governance

Responsible business culture with remuneration linked to performance

Strong governance is a core part of who we are as a business. Our values drive a high-performance culture and our executive, and all colleagues across the business, are remunerated against customer and environmental measures as well as financial performance.

Corporate Governance Code

In the following pages of this corporate governance report we set out how the board has fully applied the principles and fully complied and reported on the provisions of the 2018 UK Corporate Governance Code (the code).

1 Board leadership and company purpose

Areas of focus for the board in 2023/24

See page 99

Our governance structure and its link to our strategic priorities

See pages 106 to 108

Engagement with colleagues and other stakeholders and monitoring and assessing culture

See pages 109 to 111

2 Division of responsibilities

Biographies of the board of directors include a summary of each director's responsibilities

See pages 100 to 103

Overview of the board's responsibilities, board roles and time commitment of directors

See page 112

3 Composition, succession and evaluation

The report of the nomination committee sets out the appointments process, board and committee succession planning activities, the board diversity policy and information relating to the board and committee evaluation process undertaken during the year

See pages 113 to 117

4 Audit, risk and internal control

The report of the audit committee and its work fulfilling its responsibilities during the year

See pages 122 to 135

5 Remuneration

The report of the remuneration committee and its work fulfilling its responsibilities during the year

See pages 140 to 163

Areas of focus for the board in 2023/24

The board's role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. During the year, the board collectively spent time focusing on the following matters:

Reputation – delivering great service

April 2023

The board participated in a session, facilitated by the director of corporate affairs and third-party advisers on the reputational issues impacting the UK water and wastewater sector and how best for the company to respond.

Outcome: The board endorsed the approach that the CEO should take primary leadership and engage directly with those criticising the sector, reiterating the board's intention to ensure that the views of the 'critical voices' were proactively taken into account. It was agreed that two-way engagement would be undertaken, ensuring stakeholders were provided with an understanding of the activities being undertaken by the company to address issues such as reductions in storm sewer overflow activations and leakage. Communication links would be forged regarding the work to address specific issues at Lake Windermere, the River Bollin and River Tame, with local partners.

Spending customers' money wisely

April 2023

The board participated in a session facilitated by the director of transformation and strategic programmes on the work being undertaken to ensure customers' money was being spent wisely and that the business was well placed to deliver its largest ever capital programme and to mobilise the supply chain for AMP8.

Outcome: The board fully supported the company's plans for AMP8 readiness and enhancing operational efficiency across all parts of the business and in doing so, challenging management to identify and eradicate inefficiencies in the remainder of AMP7.

Clean energy strategy

June 2023

The board participated in a session to discuss the opportunities for developing the group's clean energy strategy with a view to creating significant shareholder and customer value, and address the growing ESG expectations of stakeholders.

Outcome: The board was supportive of the ambitions of the clean energy strategy focusing on bioenergy, renewable energy generation and storage opportunities. The board tasked management to be ambitious in its approach to clean energy and the group's contribution to creating a greener future for the North West.

AMP8 business plan

July 2023

The board reviewed the progress and development of the AMP8 business plan for 2025–30, ahead of the submission to Ofwat on 2 October 2023, to address customers' short and longer-term priorities.

Outcome: Our proposed plan would deliver investment in infrastructure and better service by: improving water quality, reducing leakage, reducing service interruptions, reducing pollution, reducing internal flooding and reducing the impact of storm overflows. Other matters of importance to customers are reflected in the plan such as increasing the use of smart meters to help reduce usage and lower bills, reduce the chances of hosepipe ban restrictions during dry weather, reducing our production of carbon emissions and providing more affordability support to customers that need it.

Talent and succession pipeline

September 2023

The board reviewed senior management succession plans and the talent pipeline to ensure the group's resource capabilities match the challenges of the AMP8 investment programme for 2025–30 and were aligned with its equity, diversity and inclusion ambitions.

Outcome: The board is fully aware of the challenges of delivering such a large capital programme in the next asset management period and the need to retain, develop and attract resources with the appropriate mix of skills to do so.

AMP8 mobilisation

October 2023

The board reviewed the plans being mobilised in readiness for the proposed £13.7 billion AMP8 investment programme. The programme would require different delivery solutions ranging from a direct procurement for customer approach for projects in excess of £350 million to small local blue/green solutions of circa £500,000 with delivery via a flexible contracting strategy and the 'best contractor for the job' approach.

Outcome: The board discussed the changes to the operating model and the plans to establish closer community relations through the five counties approach, which would, for appropriate projects, support smaller contractors and workforce skills in the North West. The board explained the importance of management maintaining the focus on working collaboratively with its supply chain, engaging with external partners in order to challenge traditional engineering thinking and maximising efficiencies.

Health and safety

October 2023

Ahead of the significant increase in construction and operational activities in AMP8 the board was keen to review current health and safety practices and performance.

Outcome: The board engaged a third party to undertake a safety assurance audit which identified a number of improvements for implementation, including enhancing accountability and focus at leadership level. During the year, a new executive health and safety board, chaired by the CEO, was established and a new director of health and safety appointed. A refresh of the existing 'Home Safe and Well' strategy has been implemented to improve performance with regular updates presented to the board.

Haweswater Aqueduct Resilience Programme (HARP)

February 2024

The board considered the contractual arrangements for the replacement of tunnels in the Haweswater Aqueduct under Ofwat's direct procurement for customers (DPC) model, between the competitively appointed provider (the CAP) and UUW and considered how the cost and risk mechanisms were structured and allocated between UUW, the CAP, contractors and customers.

Outcome: The board has been kept fully apprised of progress to date with procurement of the CAP who will be responsible for the design, build, financing and maintenance of the tunnels for a 25-year term from the completion of the last tunnel section. The design and build period is expected to be around ten years.

Quick links

Terms of reference: unitedutilities.com/corporate-governance

Board of directors

N

Sir David Higgins
Chair

Responsibilities: Leadership of the board, setting its agenda and ensuring its effectiveness on all aspects of its role.

Qualifications: BEng Civil Engineering, Diploma Securities Institute of Australia, Fellow of the Institute of Civil Engineers and the Royal Academy of Engineering.

Appointment to the board: May 2019; appointed as Chair in January 2020.

Skills and experience: Sir David has spent his career overseeing high profile infrastructure projects, including: the delivery of the Sydney Olympic Village and Aquatics centre; Bluewater Shopping Centre, Kent; and the delivery of the 2012 London Olympic Infrastructure Project.

Career experience: Sir David was previously chief executive of: Network Rail Limited; The Olympic Delivery Authority; and English Partnerships. He has held non-executive roles as chair of both High Speed Two Limited and Sirius Minerals plc, and as a non-executive director at the Commonwealth Bank of Australia.

Current directorships/business interests: Sir David is a non-executive director of Gatwick Airport Limited and Sydney Airport Limited and a member of the Council at the London School of Economics. He is Chair of United Utilities Water Limited.

Independence: Sir David met the 2018 UK Corporate Governance Code's independence criteria (provision 10) on his appointment as a non-executive director and chair designate.

Specific contribution to the company's long-term success: Sir David has extensive knowledge of managing major infrastructure projects and working with regulators. As Chair of the nomination committee he is responsible for ensuring the succession plans for the board and senior management identify the right skill sets to face the challenges of the business.

E C

Louise Beardmore
Chief Executive Officer (CEO)

Responsibilities: Manage the group's business and implement the strategies and policies approved by the board.

Qualifications: BSc (Hons) Business Management, Fellow of the Chartered Institute of Personnel Development, Vice-President of the Institute of Customer Services.

Appointment to the board: May 2022.

Skills and experience: Louise has a wealth of experience leading utility and infrastructure businesses both in the UK and internationally. She has a strong track record in driving transformational change and service improvements for the benefit of customers, stakeholders and the environment.

Career experience: Louise joined United Utilities on its graduate programme and has comprehensive experience of the company and the North West region we serve. She was appointed as customer service and people director in 2016, prior to which she held a number of senior positions, leading teams in business transformation, water operations, electricity and telecoms in the UK and overseas. She completed the corporate director programme at Harvard Business School in 2022.

Current directorships/business interests: Louise is Chief Executive Officer of United Utilities Water Limited and a non-executive director of Water Plus, a joint venture with Severn Trent serving business customers. She is a non-executive director of Water UK and a non-executive director of the UK Engage for Success Foundation, named on the Northern Power Women's 'Power List' and a member of the 30% Club.

Specific contribution to the company's long-term success: Louise's strategic vision and constant customer focus will continue to build on the group's significant performance and delivery for customers, communities and the environment.

T

Phil Aspin
Chief Financial Officer (CFO)

Responsibilities: Manage the group's financial affairs, contribute to the management of the group's business and implement the strategy and policies approved by the board.

Qualifications: BSc (Hons) Mathematics, Chartered Accountant (ACA), Fellow of the Association of Corporate Treasurers (FCT).

Appointment to the board: July 2020.

Skills and experience: Phil has extensive experience of financial and corporate reporting, having qualified as a chartered accountant with KPMG and more latterly through his role as group controller. He has a comprehensive knowledge of capital markets and corporate finance underpinned through his previous role as group treasurer and his FCT qualification, and has a strong understanding of the economic regulatory environment.

Career experience: Phil has over 25 years' experience working for United Utilities. Prior to his appointment as CFO in July 2020, he was group controller with responsibility for the group's financial reporting, and prior to that he was group treasurer with responsibility for funding and financial risk management. He has been a member of EFRAG TEG and chaired the EFRAG Rate Regulated Activities Working Group.

Current directorships/business interests: Phil was appointed as a member of the UK Accounting Standards Endorsement Board in March 2021. He is chair of the 100 Group pensions committee and a member of the 100 Group main committee. He is Chief Financial Officer of United Utilities Water Limited and a non-executive director of Water Plus, a joint venture with Severn Trent serving business customers.

Specific contribution to the company's long-term success: Phil has driven forward the financial performance of the group and delivered the group's competitive advantage in financial risk management and excellence in corporate reporting.

Alison Goligher

Senior independent non-executive director

Responsibilities: Responsible, in addition to her role as an independent non-executive director, for discussing any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chair or Chief Executive Officer. She is the current designated non-executive director for workforce engagement and chair of the compliance committee.

Qualifications: BSc (Hons) Mathematical Physics, MEng Petroleum Engineering.

Appointment to the board: August 2016.

Skills and experience: Alison has strong technical and capital project management skills, having been involved in large projects and the production side of Royal Dutch Shell's business. Her experience of engineering and industrial sectors provides the board with additional insight into delivering United Utilities' capital investment programme.

Career experience: Royal Dutch Shell (2006 to 2015), where Alison's most recent executive role was Executive Vice President Upstream International Unconventionals. Prior to that, she spent 17 years with Schlumberger, an international supplier of technology, integrated project management and information solutions to the oil and gas industry. She is a former non-executive director at Meggitt PLC and chair of Silixa Ltd.

Current directorships/business interests: Alison is a non-executive director of Technip Energies NV. She is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Alison's understanding of the operational challenges of large capital projects and the benefits of deploying technology provides valuable insight into addressing the longer-term strategic risks faced by the business. Her role as the designated non-executive director for workforce engagement provides the board with a better understanding of the views of colleagues and greater clarity on the culture of the company.

Liam Butterworth

Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board.

Qualifications: MBA Business Administration and Management, CIM Marketing, HND Mechanical Production Engineering.

Appointment to the board: January 2022.

Skills and experience: As a serving CEO, Liam brings strong engineering and industrial technology experience to the board, with a track record of managing performance and enhancing corporate culture.

Career experience: Liam is an experienced leader in the automotive industry. He started his career in 1986 at Lucas Industries as an apprentice toolmaker before moving into sales and marketing. He joined FCI Automotive in 2000 in France, where he lived for 18 years. From 2008, Liam was CEO of FCI Automotive and led the sale of the business to Delphi Automotive plc in 2012, which he then joined as Senior Vice President and the President of its Powertrain Division. He subsequently became group CEO of Delphi Technologies plc in December 2017 when he led its demerger from Aptiv plc (formerly Delphi Automotive) and admission to the New York Stock Exchange. In 2018, he became CEO of GKN Automotive before its demerger from Melrose Industries plc and became CEO of Dowlais Group plc on its listing on the London Stock Exchange in April 2023.

Current directorships/business interests: Liam is CEO of Dowlais Group plc. He is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Liam's operational experience contributes to the board's continuing focus on improving the performance of the business.

Board role

- Chair
- Executive director
- Senior independent non-executive director
- Independent non-executive director

Committee membership

- N Nomination committee
- E ESG committee
- T Treasury committee
- R Remuneration committee
- A Audit committee
- C Compliance committee
- Chair of the committee

Board of directors continued

Kath Cates
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board and to lead the board's activities concerning directors' remuneration.

Qualifications: Solicitor of England and Wales.

Appointment to the board: September 2020.

Skills and experience: Kath has spent most of her career working in a regulated environment in the financial services industry. Since 2014, she has focused on her non-executive roles, chairing all the main board committees and undertaking the role of senior independent director.

Career experience: Kath was chief operating officer at Standard Chartered plc, before which she held a number of roles at UBS Limited over a 22-year period, prior to which, she qualified as a solicitor. She is a former non-executive director at Brewin Dolphin Holdings plc and RSA Insurance Group plc, where she chaired the remuneration committee.

Current directorships/business interests: Kath is a non-executive director at Columbia Threadneedle Investments where she chairs the TPEN audit committee. She is the senior independent director of TP ICAP Group Plc and chairs the board at Brown Shipley. She is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Kath's extensive board experience of regulated sectors enables her to contribute to board governance and risk management at United Utilities. As an experienced remuneration committee chair, she is focused on ensuring performance-related pay is linked to stretching delivery for customers and other stakeholders, and implementing robust pay governance mechanisms.

Clare Hayward
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board.

Qualifications: BSc (Hons) Agricultural Marketing, MBA.

Appointment to the board: April 2024.

Skills and experience: Clare's background is in strategy consulting having spent most of her career working with national and international blue-chip clients, co-founding two global consultancy businesses.

Career experience: Clare was a co-founder of Cirrus, a leadership and talent consultancy, sold to Accenture in 2021. Prior to which, in 1993, she co-founded Academee developing it into a global leadership development consultancy. Alongside her executive responsibilities she has held several community interest non-executive roles including that of the Peaks and Plains Housing Trust.

Current directorships/business interests: Clare is interim chair of The NP11, the organisation which brought together the 11 Local Enterprise Partnerships (LEPs) from across the North of England, and has chaired the Cheshire and Warrington LEP since 2020. Through the LEPs, the public and private sector and government have worked together to drive prosperity and improve the lives of those living in their regions. Through this work she has developed strong links with local and central government. She is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Clare's strong affinity with the North West and interest in supporting the economic growth of our region will be an asset to the board in ensuring the company's purpose and strategic priorities are fulfilled.

Michael Lewis
Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board.

Qualifications: BEng (Hons) Engineering Technology, MSc Pollution and Environmental Control, MA Environmental Law.

Appointment to the board: May 2023.

Skills and experience: Michael has spent his career in customer-facing regulated utilities and has considerable experience of working with both environmental and economic regulators. He has managed a wide range of capital investment projects aimed at improving the customer experience, and driving environmental sustainability has been a key focus throughout his career.

Career experience: Michael started his career at Wessex Water plc, prior to joining PowerGen plc, which was subsequently acquired by E.ON SE. In 2007 he joined the management board of E.ON Climate and Renewables being appointed as CEO in 2015. He was appointed as CEO of E.ON UK in 2017, where he led the company's transformation into a leading supplier of zero carbon energy solutions, stepping down from the role in June 2023. He is a former non-executive director of Equinor ASA.

Current directorships/business interests: Michael is CEO of Uniper SE, one of Europe's leading power generation and gas supply companies, and a Member of Council for the Natural Environment Research Council. He is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Michael's extensive experience in regulated customer-facing utilities and his focus on sustainability will help the board deliver its AMP8 ambitions by 2050.

Paulette Rowe

Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board and to lead the board's agenda on ESG matters.

Qualifications: MEng + Man (Hons), MBA.

Appointment to the board: July 2017.

Skills and experience: Paulette has spent most of her career in the regulated finance industry and so provides the board with additional perspective and first-hand regulatory experience. Her experience of technology-driven transformation contributes to United Utilities' drive to incorporate technology into its operations, optimising decision-making and fostering a proactive approach to improve customer service.

Career experience: Paulette has held senior executive roles in banking and technology at Meta, Barclays, the Royal Bank of Scotland/NatWest and at Paysafe Group. She is a former trustee and chair of children's charity The Mayor's Fund for London.

Current directorships/business interests: During the year, Paulette was appointed CEO of Stax Payments Inc. In 2022 she was appointed as a non-executive director of Thredd, a private equity-owned venture. She is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Paulette's wide-ranging experience in regulated sectors, profit and loss management, technology and innovation enables her to provide a first-hand contribution to many board topics of discussion and has been instrumental in providing challenge on the group's equity, diversity and inclusion activities.

Doug Webb

Independent non-executive director

Responsibilities: To constructively challenge the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board and to lead the audit and treasury committees.

Qualifications: MA Geography and Management Science, Chartered Accountant (FCA).

Appointment to the board: September 2020.

Skills and experience: Doug has extensive career experience in finance from qualifying as a chartered accountant with Price Waterhouse, his executive roles as CFO of major listed companies and more recently through his non-executive positions and focus on audit committee activities.

Career experience: Doug was chief financial officer at Meggitt PLC from 2013 to 2018 and prior to that, he was chief financial officer at the London Stock Exchange Group plc and QinetiQ Group plc. He is a former non-executive director and audit committee chair at SEGRO plc and the Manufacturing Technology Group Ltd, and a former senior independent non-executive director and audit committee chair at BMT Group Ltd.

Current directorships/business interests: Doug currently serves as a non-executive director and audit committee chair at Johnson Matthey plc. He is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Doug applies his financial capabilities and his technical knowledge and experience covering audit and treasury matters in his role as chair of both the audit and the treasury committees to strengthen the board's financial expertise.

Board role

- Chair
- Executive director
- Senior independent non-executive director
- Independent non-executive director

Committee membership

- N Nomination committee
- E ESG committee
- T Treasury committee
- R Remuneration committee
- A Audit committee
- C Compliance committee
- Chair of the committee

Changes to the board

Michael Lewis joined the board on 1 May 2023 and Clare Hayward on 16 April 2024.

Corporate governance report
Sir David Higgins

Chair's letter

At £13.7 billion, the business plan submitted to Ofwat in October 2023 has been designed to address the group's expected regulatory commitments in 2025–30 and provide great water for a stronger, greener and healthier North West.

Quick links

Schedule of matters reserved for the board: **unitedutilities.com/corporate-governance**
A copy of the Financial Reporting Council's 2018 UK Corporate Governance Code can be found at **frc.org.uk**

Quick facts

- Sir David Higgins met the independence criteria as set out in provision 10 of the 2018 UK Corporate Governance Code (the code) when he was appointed.
- The code requires that at least half of the board, excluding the Chair, should be non-executive directors whom the board considers to be independent. As at 31 March 2024, there were six independent non-executive directors on the board.
- The company secretary attends all board and committee meetings and advises the Chair on governance matters. The company secretariat team provides administrative support.
- The directors' biographies (see pages 100 to 103) include specific reasons why each director's contribution is, and continues to be, important to the company's long-term sustainable success.
- All directors are subject to annual election at the annual general meeting (AGM) held in July. The board concluded, following the completion of the evaluation of the effectiveness of the board, that each director continues to contribute effectively.
- The board recommends that shareholders vote in favour of those directors standing for election or a further term at the forthcoming AGM, as they will be doing in respect of their individual shareholdings.

Dear shareholder

The AMP8 business plan was submitted to Ofwat on 2 October 2023. At £13.7 billion, it is hugely challenging – and to put it into context, it will mean managing an average spend of circa £228 million per month efficiently. Management have been driving change in readiness for AMP8 throughout the year, including reinvigorating the group's 'Home Safe and Well' health and safety strategy and culture and working to improve health and safety performance throughout the business, which is subject to regular review by the board. A considerable amount of the AMP8 capital expenditure will be spent with local suppliers and will directly benefit the North West economy – making our region stronger.

The governance process of the AMP8 business plan has been robust. In the first instance, proposals were reviewed and challenged by the future plan strategy board, the executive team and the compliance committee. The compliance committee thereafter made a recommendation to the board to approve the board assurance statement relating to the plan. The board has undertaken regular deep-dives throughout the year on a number of topics (see page 99), many of which directly informed the business plan and further information can be found in our S172(1) Statement on page 47.

Communities

Time in board meetings has been spent considering the communities across our region – particularly where our operations have had an impact on normal business operations with a knock-on effect to the communities we serve. The incident at Fleetwood Wastewater Treatment Works over the summer resulted in precautionary advice being issued by the Environment Agency in relation to the bathing waters along the Fylde Coast, and while the company did its utmost to make the repairs to the ruptured pipe as quickly as possible, some disruption was unavoidable.

The company has worked with the local community around Lake Windermere regarding the storm overflows that discharge into the lake to take action along with other organisations through the Love Windermere partnership (**lovewindermere.co.uk**). An information centre has been opened in the town to ensure members of the local community can easily come and talk to us to understand our plans to reduce spills from storm overflows.

Haweswater Aqueduct resilience programme (HARP)

The board has been kept fully informed of progress with the procurement of the competitively appointed provider (the CAP) to design, build, finance and maintain the replacement of six single line tunnel sections of the Haweswater Aqueduct. The aqueduct is a critical asset for the supply of water to customers in Cumbria, Lancashire and Greater Manchester. The project is the first of its kind to be procured under Ofwat's 'direct procurement for customers' (DPC) methodology, whereby United Utilities Water, as the licensed water and wastewater company (the appointee) will appoint a CAP following a competitive procurement process to deliver the project. Under the DPC arrangements, the CAP will finance the project and recover its costs via a monthly charge to UUW, over the life of the project. This charge will be recovered from customers as part of UUW's wholesale water charges.

To reflect the differences in the approach Ofwat has set out a series of 'control points' where specific information is submitted to Ofwat for its approval to move to the next stage of the process. At each control point, Ofwat expects the board to provide an assurance statement that the submission meets Ofwat's requirements. A governance framework has been established for the programme, with escalation of commercial and regulatory issues where appropriate

through the HARP commercial steering group, the executive team, to the UUW board and also to Ofwat – if its approval is required. The board has engaged a number of third parties to provide assurance on the different elements of the control point submissions and Deloitte has been appointed to act as the cross-programme assurance aggregator to provide a cohesive overview of assurance.

The board has also engaged a panel of third party experts to provide oversight and challenge to the procurement team to ensure that the process of selection of the preferred bidder is being managed in accordance with the procurement process as set out in the contract. The panel, established in February 2023, has met approximately every three months, with the experts bringing together their collective expertise of procuring a number of large infrastructure projects across different industries, sharing best practice and insight from their collective experience. The panel prepare a report to the board following each of their meetings summarising the recommendations given to the procurement team and highlighting any areas to be considered or points of action.

Looking to AMP8, DPC is a model which Ofwat is expected to roll out throughout the sector for large capital infrastructure projects, and has used the learning from HARP to inform and improve its guidance for DPC projects.

The board has met with a number of representatives from our regulators during the year, both formally and informally, enabling both parties to share views and discuss matters of joint interest and focus on the particular challenges posed in the North West.

Cyber and artificial intelligence (AI)

The board has regular oversight of cyber security matters – cyber risk is a top-ten risk for United Utilities. As a provider of essential services for UK Critical National Infrastructure, the group is governed by the Network and Information Systems Regulations (NIS Regulations), which focus on cyber security compliance. Monitoring/enforcement of these regulations is within the remit of the DWI. The chief security officer, who reports functionally to the company secretary, presents to the board twice a year, providing the board with insight into the mitigation activities employed by the group in response to the evolving threat of cyber and physical security attacks. The protection of our customers, our people and our assets is of the utmost importance. During the year, the board was apprised of the group's AI policy, which sets out guidance for colleagues on the utilisation of AI services, both online and on premise and provides a structure and framework within which AI services should be used.

Board colleagues

As reported last year, Michael Lewis joined the board and the ESG committee on 1 May 2023, and as part of our board succession plans, we were pleased to welcome Clare Hayward as an independent non-executive director joining the board on 16 April 2024. It was announced on 16 April 2024 that Paulette Rowe would not be seeking reappointment at this year's AGM following her move overseas to take up an executive role. Paulette will be much missed and we wish her well in her new role.

Compliance committee

During the year, the compliance committee, which was established as a committee of the board in February 2023, met on three occasions. Alison Goligher, senior independent non-executive director, chairs the committee. Our regulators are some of the group's key stakeholders, and addressing their requirements is an essential business activity. The committee was formed in order to provide independent oversight and review of the group's regulatory reporting and assurance requirements and processes, which included providing helpful challenge and endorsement of the approach to the assurance of the business plan prior to consideration of the same by the board. Alongside Alison, Doug Webb, Louise Beardmore and James Bullock were appointed as members of the committee. The committee's inaugural report can be found on page 137.

Reporting against the code

In the following pages of this corporate governance report, we set out how the board has fully applied the principles and fully complied and reported on the provisions of the 2018 UK Corporate Governance Code (the code).

Annual general meeting

I look forward to welcoming shareholders to the company's main offices in Warrington at the annual general meeting in July, the details of which are included in the notice of meeting.

Sir David Higgins
Chair

Read more about **our core values** on page 45

Read more about **our financial performance** on pages 90 to 97

Governance structure for the board and the principal committees

Set out below is the governance structure of the group covering the board, its principal committees and the principal management committees. A governance structure, overseen by management, with appropriate levels of delegated authority cascades throughout the business as part of the internal control process.

Key Inform and implement Oversight and challenge

United Utilities Group PLC board
Chair – Sir David Higgins

Code principal board committees

Audit committee
Chair: Doug Webb
Contribution to our strategy:
See pages 122 to 135

Remuneration committee
Chair: Kath Cates
Contribution to our strategy:
See pages 140 to 163

Nomination committee
Chair: Sir David Higgins
Contribution to our strategy:
See pages 113 to 117

Other board committees

ESG committee
Chair: Paulette Rowe
Contribution to our strategy:
See pages 138 to 139

Compliance committee
Chair: Alison Goligher
Contribution to our strategy:
See page 137

Treasury committee
Chair: Doug Webb
Contribution to our strategy:
See page 136

Announcements committee
Chair: Any member of the committee
Contribution to our strategy:

Responsible for overseeing compliance with the group's disclosure controls and considering the materiality of information.

Chief Executive Officer – Louise Beardmore

Principal management committees

Group audit and risk board
Chair: Louise Beardmore, CEO
Contribution to our strategy:
See pages 45 and 134

Executive team
Chair: Louise Beardmore, CEO
Contribution to our strategy:

The executive team is responsible for the day-to-day running of the business and other operational matters and implementing the strategy set by the board.

Capital investment committee
Chair: Louise Beardmore, CEO
Contribution to our strategy:

The committee is responsible for authorising expenditure relating to the capital investment programme.

Sustainable finance committee
Chair: Phil Aspin, CFO
Contribution to our strategy:

The committee is responsible for ensuring funds raised under the sustainable finance framework are allocated to eligible green or social projects.

Political and regulatory group
Chair: Gaynor Kenyon, corporate affairs director
Contribution to our strategy:

The group is responsible for discussing political and regulatory issues affecting the company, where any 'horizon scanning' issues are raised and business responses to consultations are agreed.

ESG leadership group
Chair: Jo Harrison, asset management director
Contribution to our strategy:

The group leads and governs the continual improvement of performance on evolving ESG matters to reduce risk, maximise positive impacts, and create value for all stakeholders

Security steering group
Chair: Jon Wyatt, chief security officer
Contribution to our strategy:

The group is responsible for the oversight of cyber and physical security matters, risks and mitigating actions.

Climate change mitigation steering group
Chair: Phil Aspin, CFO and Jo Harrison, asset management director
Contribution to our strategy:

The group leads the ongoing development and delivery of our strategy and activity to achieve our science-based targets and carbon pledges.

Health and safety board
Chair: Louise Beardmore, CEO
Contribution to our strategy:

The group leads on the delivery of health and safety strategy, policy and implementation, driving continuous improvement and learning from incidents.

Our strategic priorities

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

Board activities during 2023/24

In addition to the areas of board focus set out on page 99 and the S172(1) Statement on page 47, the board has been fully apprised of the matters set out in the table below, with decisions made as appropriate. Eight scheduled meetings are held per year (2023: 8). Papers are circulated via an electronic portal. Other board meetings were held as the need arose. Scheduled meetings are usually held in person, and board members are expected to attend. Similarly, they are expected to make every effort to attend ad hoc meetings, albeit virtually if needs be. On the evening before most scheduled board meetings, the non-executive directors meet together to provide a discussion opportunity outside of the formal meeting, from time to time the CEO, CFO and company secretary also attend. A table of attendance is set out on page 108.

Actions	Outcomes	Cross reference	Link to strategic priorities
Leadership and colleagues			
Review of health, safety and wellbeing activities for colleagues and contractors and engagement of an independent third party to conduct a review of process safety at operational sites.	Considered the findings of independent third-party review of process safety at operational sites and opportunities for improvement.	See page 99	
Review of board and executive team succession plans.	Apprised of the succession planning activities for the senior management talent pipeline.	See pages 113 to 117	
Review of the results of the annual colleague engagement survey and feedback from the Colleague Voice panel.	Insight on the views of colleagues and through the Colleague Voice panel enabling the board to focus on addressing areas where improvement was required.	See page 109	
Annual review of the company's dashboard of cultural metrics and associated analysis.	Monitored and assessed culture and concluded it was aligned with the company's purpose, values and strategy.	See page 110	
Strategy – stronger, greener, healthier North West			
Aim to maintain the company's long-standing debt to RCV gearing target for AMP8 within a target range of 55 to 65 per cent.	Our PR24 submission is designed to support a stable credit rating for UUW and a financially resilient profile by proposing to retain a robust functioning equity buffer to absorb cost/performance shocks.	See pages 16 to 17	
Maintaining the focus on the provision of wholesome drinking water and treating wastewater are at the heart of what we do.	Kept fully apprised of the progress made by the 'Water Quality First' and 'Better Rivers' programmes focusing on improving water quality and the security of supplies, and targeting a 60 per cent reduction in storm overflow spills in the decade to 2030.	See pages 12 to 13	
Spent time understanding the balance of feedback from the extensive research with customers whose views were sought as part of the PR24 engagement process.	Considered the need to make bills as affordable as possible for customers, notwithstanding delivering record levels of investment, and so a £525 million package of affordability support has been proposed, to help more than one in six customers so that no increase in water poverty is expected despite the increase in bills.	See pages 12 to 13	
Apprised of the long-term adaptive plan to achieve net zero by 2025.	Inclusion of the long-term adaptive plan, including a detailed plan for carbon management for AMP8, in the PR24 submission.	See pages 32 to 33	
Governance			
Reviewed and debated the overall risk profile of the group, the principal and emerging risks and risk appetite.	Endorsed the nature, and the management of principal risks and were satisfied that the approach to risk appetite and the risk management framework were fit for purpose.	See pages 51 to 62	
Reviewed the risk management systems, including financial, operational and compliance controls and the effectiveness of the internal control systems.	The risk management and internal control systems were considered to be effective.	See page 119	
Reviewed and discussed the findings of the external evaluation and review of the performance of the board, its committees and any potential conflicts of interest.	Identified action points and any ongoing training needs.	See page 117	
Reviewed the performance of the statutory auditor and recommendation for reappointment at the 2024 AGM.	Accepted the recommendation from the audit committee that KPMG be proposed for reappointment at the 2024 AGM.	See page 117	
Financial			
Reviewed the 2020–25 business plan, noted the AMP business plan and approved the 2024/25 budget.	Approved the 2024/25 budget and approved management's proposal to treat the £37.6 million of cost relating to the burst final effluent pipe at Fleetwood Wastewater Treatment Works as an adjusting item at 31 March 2024.	See page 122	
Reviewed the half and full-year results, and associated announcements and related dividend payments.	Considered and approved the half and full-year results and the interim dividend and final dividend payments.	–	
Reviewed management's proposed going concern and long-term viability statements.	Approved the going concern and long-term viability statements for the financial year to 31 March 2024.	See pages 120 to 121	
Reviewed the annual treasury update.	Approved the group's funding requirements and potential sources of funding and endorsed the approach to managing interest rates and other exposure to market risk.	See page 136	

Governance structure for the board and its principal committee continued

Attendance at board and committee meetings during 2023/24

	Boards meetings[1]	Audit committee	Remuneration committee	Nomination committee	ESG committee	Treasury committee	Compliance committee
Sir David Higgins	8 8	–	–	3 3	–	–	–
Louise Beardmore	8 8	–	–	–	–	–	3 4[6]
Phil Aspin	8 8	–	–	–	–	3 3	–
Alison Goligher	8 8	–	4 4	3 3	4 4	–	4 4
Liam Butterworth	8 8	3 4[3]	–	1 3[3]	3 4[3]	–	–
Kath Cates	8 8	3 4[4]	4 4	3 3	–	–	–
Michael Lewis	7 7[2]	–	–	3 3	3 4[2]	–	–
Paulette Rowe	8 8	–	–	2 3[5]	3 4[5]	–	–
Doug Webb	8 8	4 4	4 4	3 3	–	3 3	4 4

Meetings attended Possible meetings

(1) Actual number of meetings attended/maximum number of scheduled meetings that the directors could have attended during the financial year ended 31 March 2024.

(2) Michael Lewis was appointed to the board on 1 May 2023 and was unable to attend a meeting of the ESG committee due to a prior commitment arranged before his appointment.

(3) Liam Butterworth was unable to attend a meeting of the audit committee and meeting of the ESG committee arranged on consecutive days due to overseas travel, and two nomination committee meetings (one of which was arranged at short notice) due to unavoidable commitments.

(4) Kath Cates was unable to attend an audit committee meeting due to a long-standing personal commitment.

(5) Paulette Rowe was unable to attend a nomination committee meeting which was arranged at short notice and an ESG committee meeting due to illness.

(6) Louise Beardmore was unable to attend a compliance committee meeting due to attending a stakeholder meeting.

Board engagement with colleagues

Colleague Voice panel

Alison Goligher is the current designated non-executive director for engagement with the workforce and as part of the role she chairs the Colleague Voice panel facilitating the opportunity for two-way dialogue between the board and the wider workforce. The activities and findings of the panel are shared with the ESG committee and the board on a regular basis. Representatives from colleague groups and networks from across the business and region attend meetings, with the membership being regularly refreshed. Meetings alternate between in-person and virtual, to provide greater flexibility and ease of attendance. There is an open invitation to board members to attend panel meetings, as most of the non-executive directors have done on previous occasions.

Board

ESG committee

Non-executive director
Alison Goligher

Colleague networks	Colleague champion groups	Early careers and managers	Union partners
Panel members from • Multicultural/faith • LGBT + Together • GENEq • Armed Forces • Ability	Panel members from • Health, safety and wellbeing champions • Engagement champions • Colleague engagement group	Panel members from • The early careers board • Aspiring managers • Apprentices • Graduates	Full-time trade union representatives • Unite • GMB • Unison • Prospect

Colleague sub-groups

Three meetings of the panel were held during the year. Minutes are recorded and made available on the company's intranet for all colleagues to access. A summary of the items discussed during the meetings is set out below:

- Board updates
- Sub-group updates on
  - Culture
  - Inclusion cross-network collaboration
  - Colleague engagement survey
- Update from the customer services director on affordability, accessibility and attentiveness
- Updates from the CFO on performance and from the wastewater services director on storm overflows
- Update on the communications approach from head of media, brand and communications
- Windermere information centre
- Technology services update
- 'Call it Out' helpline
- Workforce profile

Alison holds regular meetings with senior trade union representatives as part of the agreed panel approach. Furthermore, alongside the employee relations team, the CEO also holds regular face-to-face meetings with senior trade union representatives to ensure direct two-way communication.

The group has a commercial agreement in place with a third party for the provision of agency staff and contractors. Engagement and communication in relation to these members of the wider workforce is managed directly by the third party via a dedicated third-party account manager who liaises directly with the company's human resources team. Should there be significant change activity, a representative of the third party would join the project team to ensure consistency when communicating information to colleagues, agency staff and contractors. On pages 45 and 07 respectively, is information on the company's approach to engagement with, and creating value for, colleagues. Health, safety and wellbeing is a priority, see page 50. An explanation of the company's approach to rewarding the workforce can be found on page 151.

31 panel members from 14 different work locations

15 male and 16 female

Representatives from all five colleague networks

The panel operates three key sub-groups to provide insight and colleagues' perspective, which provide updates to each of the panel meetings:

- **Culture sub-group**
  Exploring the drivers and measures of the company's culture.
- **Inclusion cross-network collaboration sub-group**
  Helping colleague networks promote and support an inclusive culture across the business.
- **Engagement survey sub-group**
  Considering opportunities for continuous improvement and feedback on how colleague engagement is measured through the annual all-colleague engagement survey.

Other colleague engagement mechanisms include:

Engagement champion sessions
Provides those colleagues who act as engagement champions for their teams/departments with the opportunity to interact with our CEO and be kept up to date with our engagement approach.

CEO site visits
During the year, our CEO has visited a number of operational sites across the business as part of an ongoing programme, enabling her to spend time chatting with colleagues face to face in an informal setting and giving them opportunity to raise any issues, ask her questions and give feedback.

All colleague event
In December 2023, around 4,000 colleagues attended a session in Blackpool to learn about the AMP8 business plan (see page 24).

Executive sponsorship
Each colleague network group is sponsored by two members of the executive team.

'Call it Out' helpline
During the year, in addition to the whistleblowing helpline, a 'Call it Out' helpline was set up for colleagues to call out situations where: they think customers' money is not being spent wisely; where the service and behaviour of suppliers is not to the standard expected; or to provide an easy means of suggesting a process improvement idea or other suggestion.

Board engagement with colleagues continued

Confidential helpline and whistleblowing policy

As part of our two-way communication, the board has responsibility for reviewing the group's arrangements for individuals to raise matters of concern and the arrangements for the investigation of such matters. The group's whistleblowing policy (the policy) supports a culture within the group where genuine concerns may be reported and investigated without reprisals. A confidential telephone helpline and a web portal are available to enable colleagues (including agency workers and contractors) to raise matters of concern in relation to possible incidents of fraud, dishonesty, corruption, theft, security and bribery. Furthermore, colleagues are encouraged to raise any matters relating to health and safety and any activities of the business that have caused, or may cause, damage to the environment, such as pollution or other contamination. Both the helpline and web portal are operated by a third party, enabling any concerns to be reported anonymously. The policy makes it clear that no colleague will be victimised for raising a matter in accordance with the policy. Matters raised with the helpline/portal are in the first instance reported to the whistleblowing committee and investigated by senior managers independent of any involvement of the issues being considered. Details of the findings of the investigation and proposed solution are then considered by the whistleblowing committee (whose membership comprises the company secretary, the people director, the regulation and compliance director, the head of internal audit and the commercial, engineering and capital delivery director), which meets quarterly. The board routinely reviews matters considered by the whistleblowing committee, the outcome of the investigation and the ways in which the matters were brought to a conclusion, thus ensuring that the core value of integrity is upheld and fostering an environment where colleagues feel it is 'safe to speak up' and to do so without fear of reprisal.

Culture

Our values of 'doing the right thing', 'make it happen' and 'be better' underpin our culture of behaving as a responsible business and articulate how colleagues are expected to behave, both individually and collectively. These values are continually reinforced by management in order that the right behaviours cascade throughout the organisation. Our colleagues are fundamental to delivering our strategy and achieving our purpose.

Assessing and monitoring our culture

Culture is routinely monitored and assessed by management to ensure behaving responsibly drives what we do, and action is taken where there is misalignment.

Qualitative and quantitative metrics are regularly made visible to the board via a number of mechanisms including in the CEO's monthly performance report, and, from time to time, relevant reports are provided to both the ESG and remuneration committees and the board itself. The people director presents an annual update on corporate culture to the board and the ESG committee.

Dashboard of cultural metrics

The dashboard comprises metrics derived from the annual colleague engagement survey including scores on 'listen and act', wellbeing, reward, and inclusion along with other key performance indicators (KPIs). A number of KPIs are reviewed on a monthly basis by the executive team and presented at scheduled board meetings.

The board was satisfied that the policies, practices and behaviours within the business were aligned with the company's purpose, values and strategy.

The following metrics are extracted from the dashboard:

81%
Overall percentage engagement score
UK norm: 79%

88%
Overall colleague response rate
2022/23: 87%

89%
Support for diversity and inclusion in the workplace
2022/23: 89%

85%
I would recommend United Utilities as a good place to work
UK norm: 80%

60%
I believe I am paid fairly for the work that I do
UK norm: 51%

93%
I know where to find health and wellbeing support
2022/23: 92%

Board engagement with stakeholders

Engagement with investors and shareholders

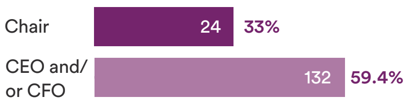
The board as a whole accepts its responsibility for engaging with shareholders and receives regular feedback from meetings with investors undertaken by the Chair, CEO and CFO, supported by the investor relations team. It receives reports and updates from sector analysts and the company's brokers ensuring the board has a clear understanding of investors' priorities.

Common themes from Sir David Higgins' meetings with representatives from institutional investors held during the year, the details of which were shared with other board members, were as follows:

- **Environment:** heightened regulatory/political risk given the impending UK general election.
- **Social:** focus on customer support for bills, reputational reaction to sector media coverage and resulting concerns for colleague morale.
- **Governance:** encouraged by management's invigorated approach to manage capital expenditure given larger project size and cost risk in AMP8.
- **CEO succession:** positive feedback with ongoing interest in the new focus and the energised approach.

The group has an active investor programme, with the CEO and CFO presenting the half and full-year results to the market via a live webcast and participating in a question and answer session. For those not able to attend, the sessions are recorded and made available on the company's website. The CEO and CFO hold a regular schedule of meetings with major investors, the programme incorporates all the major financial centres in the UK, Europe, North America and the Asia Pacific.

Set out below, is the 2023/24 breakdown of actual meetings held with shareholders and the percentage of the total shareholder register represented by these shareholders.



unitedutilities.com/corporate/investors/results-and-presentations/full-and-half-year-results

In 2023, shareholders were invited to the AGM at the company's main offices in Warrington, with 33 shareholders/proxies present. At the meeting, votes were cast in relation to approximately 75 per cent of the issued share capital (2022: 73 per cent; 2021: 70 per cent) and all 20 resolutions were passed by the required majority. There were no significant votes cast against the board's recommendations. Votes cast in favour of the election/reappointment of each of the directors were in excess of 98 per cent.

Shareholders are encouraged to access information, particularly relating to the half and full-year results presentations and annual report and accounts, via the company's website. Our registrar Equiniti, the company secretariat team and our investor relations team are all available to help shareholders with queries. Further information is available on page 230, along with a number of useful addresses.

Engagement with banks and credit investors

Running a water and wastewater business, by its very nature, requires a long-term outlook. Our regulatory cycle is based on five-year periods, and we raise funding to build and improve our water and wastewater treatment works and associated network of pipes for each five-year cycle and beyond. We are heavily reliant on successfully raising long-term funding from banks and credit investors to fund our capital investment programme and refinance upcoming debt maturities.

This requires long-term support from our credit investors who invest in the company by making term funding available in return for receiving interest on their investment and repayment of principal on maturity of the loans or bonds. We arrange term debt finance in the debt capital markets (with maturities typically ranging from seven years to up to 50 years at issue). Debt finance is primarily raised via the group's London-listed multi-issuer £10 billion Euro Medium Term Note Programme, which gives us access to the sterling and euro public bond markets and privately arranged note issues. Committed credit facilities are arranged with our relationship banks on a bilateral basis.

Additionally, the European Investment Bank (EIB), which is the financing arm of the European Union (EU), remains a significant lender to United Utilities Water, currently providing around £1 billion of loan funding supporting past capital investment programmes, with our existing EIB loan portfolio expected to 'run-off' in line with the scheduled maturities of each loan.

A greater proportion of the group's term finance is, therefore, likely to come from the debt capital markets, including funding raised under the group's sustainable finance framework that was established in November 2020. In February 2024, the group issued its first bond in the euro public market in almost 20 years, diversifying its sources of funding by issuing a €650 million, long ten-year bond maturity, in accordance with the group's sustainable finance framework. An allocation and impact report is published annually in respect of any green/sustainable finance raised, which provides credit investors with details on the use of proceeds of any sustainable finance raised, along with the selected case studies on eligible projects funded.

The group currently has gross borrowings of £10,001 million. Given the importance of debt funding to our group, we have an active credit investor programme coordinated by our group treasury team, which provides a first point of contact for credit investors' queries and maintains a dedicated area of the company's website. One-to-one meetings are held with credit investors through a programme aimed at the major European fund managers known to invest in corporate bonds that may be existing holders of the group's debt or potential holders. Regular mailings of company information are sent to keep credit investors informed of significant events. The treasury team has regular dialogue with the group's relationship banks, the EIB and the credit rating agencies.

More information can be found on our website at unitedutilities.com/corporate/investors/credit-investors

Engagement with regulators and other stakeholders

During the year, the chair of YourVoice (the independent customer challenge group) provided feedback to the board confirming whether, in YourVoice's view, customers' views had been taken into account in the construct of the 2023 UUW annual performance report and the AMP8 business plan. Sir David, Kath Cates, Alison Goligher, Michael Lewis and Paulette Rowe attended an event for non-executive directors organised by Ofwat.

Non-executive director's induction programme – Michael Lewis

Since joining the board in May 2023, Michael Lewis spent time with members of the executive team and met with representatives from the company's advisers in an induction programme agreed by the company secretary and CEO as follows:

Areas covered	Discussions held with
Strategic priorities, company purpose and values, and PR24/look ahead to AMP8	CEO
Financial performance, internal audit, risk and internal control and investors	CFO and members of the finance team
Corporate and governance structure, governance and best practice, and legal matters	Company secretary and external legal adviser
Colleague engagement and reward, organisational culture, health, safety and wellbeing	People director, head of reward, health and safety director
Engineering and capital programme, commercial activities, Haweswater Aqueduct Resilience Programme	Commercial director and transformation director
Customer services activities and technology	Customer and technology director
Water quality, treatment and supply network	Water services director
Wastewater treatment and wastewater network and storm overflows	Wastewater services director
Economic regulation and compliance	Regulation and compliance director
Bioresources and green energy activities	Bioresources and green energy director
Communication and stakeholder engagement activities	Corporate affairs director, head of media, brand and communications and head of regional engagement

Division of responsibilities

Board roles

The roles and responsibilities of the Chair, the CEO and the senior independent director are clearly defined and set out in the terms of reference, available on the company's website. There is a clear division of responsibility between the leadership of the board and the executive leadership of the group's business. The Chair's role is fundamental to the effective operation and decision-making of the board. Sir David was independent on appointment when assessed against the circumstances set out in provision 10 of the Code. As CEO, Louise Beardmore is responsible for managing the group's business and implementing the strategies and policies approved by the board. The responsibilities of each of the directors is summarised in their biographies as set out on pages 100 to 103.

Sir David is supported in his role as Chair of the board by the company secretary. Regular meetings are held to discuss agendas and ensure that information provided to the board is both timely and board materials are of an appropriate length and quality. The company secretary ensures that the board is kept abreast of regulatory and legislative drivers and provides support to the non-executive directors and ensures the practical arrangements for board meetings are met.

Conflicts of interest/related party transactions and the time commitment of non-executive directors

The company's articles of association contain provisions that permit unconflicted directors to authorise conflict situations. Each director is required to notify the Chair of any potential conflict or potential new appointment or directorship. Additionally, the board reviews the position of each director annually. No changes were recorded that would impact the independence of any of the directors. No conflicts of interest or related party transactions were declared during the year.

The board does not specify the precise time commitment it requires from its non-executive directors – in taking on the role they are expected to fulfil their responsibilities and manage their diaries accordingly. This approach is set out in the letter of appointment that each director signs when joining the board. Each individual's circumstances are different, as is their ability to take on the responsibilities of a non-executive directorship role. Should a director be unable to attend meetings on a regular basis, considered not to be preparing satisfactorily or not contributing appropriately to board discussions, the Chair would be responsible for discussing the matter with them and agreeing a course of action. During the year, Paulette Rowe was appointed to a new executive role working overseas. As a consequence of her new commitments, Paulette has decided not to seek re-election at the 2024 AGM. The board is content that each of the directors seeking reappointment/election at the 2024 AGM are able to fulfil their responsibilities to the United Utilities' board alongside other roles currently held. During the year, Alison Goligher relinquished her role as chair of Silixa Limited following a corporate transaction.

Executive directors are not normally allowed to take on more than one non-executive position.

Board committee membership

The board delegates certain responsibilities to its committees and appoints directors to board committees that best reflect their skills, expertise and particular areas of interest. The board has applied the board diversity policy (see page 115) to the audit, nomination, remuneration, ESG and compliance committees thereby ensuring diversity of attributes and female representation. The board is satisfied that the membership of the audit committee and the remuneration committee are in accordance with provisions 24 and 32 of the code respectively.

Overview of the board's responsibilities

- Sets the strategy of the group, ensuring the long-term success of the group for customers, investors and wider stakeholders.
- Is responsible for challenging and encouraging the executive team in its interpretation and implementation of how it manages the business, and that it is doing so in accordance with the strategic goals the board has set.
- Has responsibility for ensuring the company's risk management and internal control systems (including financial, operational and compliance) and processes operate effectively (see pages 51 to 62).
- Must ensure that the company has the necessary financial resources and people with the necessary skills to achieve its objectives. It reviews managerial performance annually.
- Approves appointments to, and removals from, the board and membership of the committees.
- Applies the principles of the code and reports against the provisions.
- Has oversight of major capital expenditure projects that exceed £200 million, and any project that materially increases the group's risk profile, or is not in the ordinary course of the group's business.

There is a schedule of matters that the board has reserved for its own decision, a copy is available at **unitedutilities.com/corporate-governance**

Nomination committee report

Members

Sir David Higgins
Chair

Liam Butterworth
Michael Lewis
Kath Cates
Paulette Rowe
Alison Goligher
Doug Webb

Quick facts

- All members of the committee are independent, thus fulfilling the code requirement that a 'majority of members of the nomination committee should be independent non-executive directors'. On joining the board, all independent non-executive directors become members of the nomination committee.
- The company secretary attends all meetings of the committee.
- The people director regularly attends meetings and is responsible for engaging with executive search recruitment advisers.
- The CEO is not a member of the committee, but from time to time is invited to attend. Neither the Chair nor the CEO would participate in the recruitment of their own successor.

Main responsibilities

- Lead the process for board appointments and make recommendations to the board about filling board vacancies, including the role of company secretary.
- Consider the succession planning of directors and members of the executive team.
- Make recommendations to the board on refreshing the membership of the board's principal committees.
- Review directors' conflict authorisations.
- Consider requests from executive directors for election to the boards of other companies and make a recommendation to the board.
- Consider requests from non-executive directors for election to the boards of other companies; this role has been delegated to the Chair (other than in respect of his own requests).

Quick links

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

Dear shareholder

It was announced on 16 April 2024, Paulette Rowe would not seek re-appointment at the 2024 annual general meeting (AGM) in July. On behalf of the committee, I would like to thank Paulette for her service to the group, and in particular for her valuable guidance and support toward improving our approach to equity, diversity and inclusion across the business. With her recent move overseas to take up a demanding executive role, coupled with the constraints of a USA/UK time differential, she concluded that after seven years on the board she would step down at the conclusion of the 2024 AGM. She will be much missed and I wish her every success with her new role.

As was also announced on 16 April 2024, Clare Hayward joined the board as an independent non-executive director. Clare brings a wealth of experience of effective partnership working alongside her involvement with a number of community interest and charity organisations. Her entrepreneurial background will bring a fresh perspective to our board thinking as we approach the 2025/30 asset management period. Her links in the North West are strong with her both living and working in the region, and I am sure board discussions will benefit from her perspective as a customer.

As part of our long-term board succession planning, the search process resulting in the appointment of Clare was in progress prior to Paulette announcing her intention to step down. Enhancing long-term succession planning for the board and management, and focusing on all aspects of diversity, was an action identified in the 2023 board evaluation (see page 117).

Board diversity

Diversity, in its broadest sense, is a key consideration in our board recruitment process, and the committee is committed to ensuring that all aspects of diversity are reflected among its board members. There were no candidates identifying as minority ethnic having applied for the role during the recent search process. The committee will keep attainment of this objective under review and it is hoped that a more ethnically diverse pool of candidates will be available during any future executive search process.

During the year, as recommended by the Parker Review, a target was set that by 31 December 2027, five per cent of senior managers and their direct reports will self-identify as minority ethnic. At 31 March 2024, none of the senior manager cohort self-identified as minority ethnic. Progress will be reported in future annual reports.

As set out on page 114, there is better news to report on ethnic diversity among the workforce and in the proportion of colleagues who have completed our 'All about me' self-identification survey. Small increases have been recorded in both measures, although having a workforce that is reflective of the communities we serve is still some way off.

Committee membership

Liam Butterworth will succeed Paulette as chair of the ESG committee and on her appointment, Clare joined the nomination and ESG committees.

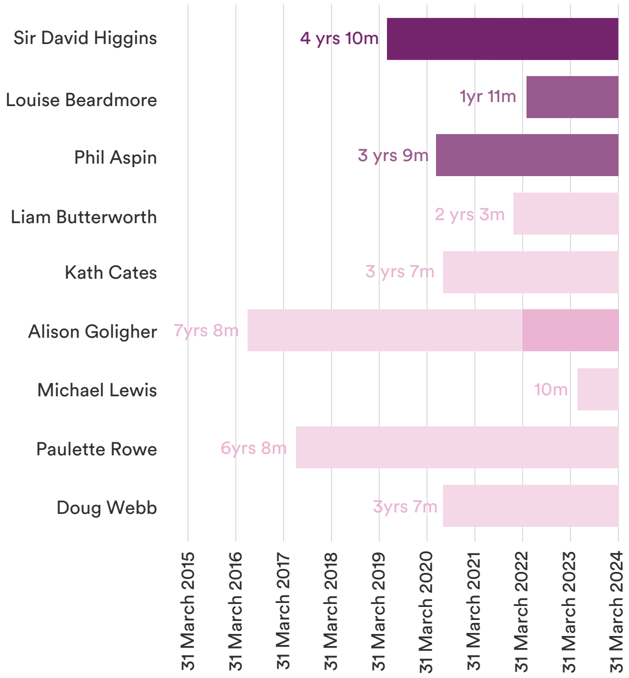
External board evaluation

In line with the code, our board evaluation is externally facilitated every three years. During the year, Independent Audit Limited (IAL) were again engaged to undertake the evaluation, having undertaken the last externally facilitated review in 2020/21, thereby providing a useful comparator with the previous external evaluation, notwithstanding there have been some changes to board members throughout the period since their last review. The representative from IAL attended a meeting of the board and meetings of a number of the committees to observe and provide feedback to myself and board colleagues. IAL is one of the first providers to be awarded accreditation by the Governance Institute for its board review services. A summary of the external evaluation is on page 117.

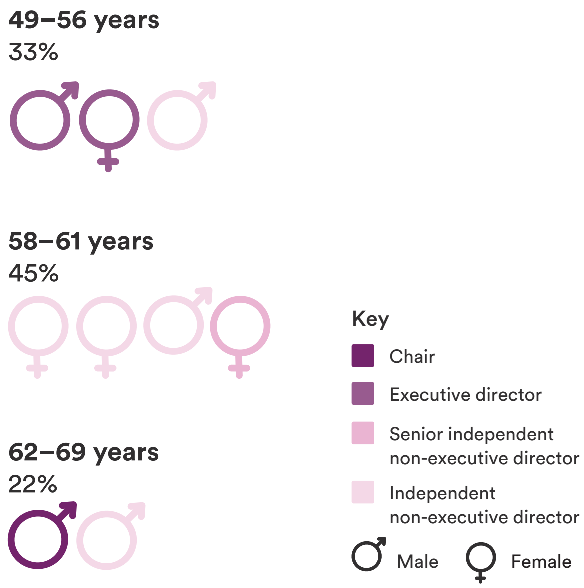
Sir David Higgins
Chair of the nomination committee

Nomination committee report continued

Directors' tenure as at 31 March 2024



Age and gender profile as at 31 March 2024



	At 31 March 2024
Non-executive directors average tenure	5 years 11 months
Executive directors average career time within the business	28 years 6 months
Average age of the non-executive directors	60 years
Average age of the executive directors	53 years

Gender identity or sex as at 31 March 2024

	No. of board members	Percentage of the board	No. of senior positions on the board (CEO, CFO, SID, Chair)	No. in executive management	Percentage of executive management
Men	5	55.6%	2	5	55.6%
Women	4	44.4%	2	4	44.4%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background as at 31 March 2024

	No. of board members	Percentage of the board	No. of senior positions on the board (CEO, CFO, SID, Chair)	No. in executive management	Percentage of executive management
White British or other White (including minority-white groups)	8	88.9%	4	9	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	11.1%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Data for the above tables is drawn from HR management information at 31 March 2024, with the directors and members of the executive team each having completed the company's 'All about me' equity, diversity and inclusion survey. Among those colleagues completing the survey, colleagues from a minority ethnic background represented 3.2 per cent (2023: 2.7 per cent), 89.1 per cent from a non-ethnic background (2023: 89.1 per cent) and 7.7 per cent chose not to disclose (2023: 8.2 per cent).

As required by LR 9.8.6(9), the company has met the following board diversity targets at 31 March 2024:

a. at least 40 per cent of the individuals on the board are women;
b. at least one of the following senior positions is held by a woman: the chair; the CEO; the SID or the CFO; and
c. at least one individual on the board is from a minority ethnic background.

Summary of the board diversity policy

- Ensure the selection process for board appointments provides access to a range of candidates. Any such appointments will be made on the basis of merit and objective criteria, and within this context should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- Ensure that the policies adopted by the group will promote diversity in the broadest sense among senior managers, who will in turn aspire to a board position.
- Ensure that the board, led by the Chair, collectively fosters an inclusive and belonging environment in the boardroom, enabling open and frank contributions from all board members.
- In selecting candidates for board positions, only use the services of executive search firms who have signed up to the voluntary code of conduct for executive search firms.
- Adopt measurable objectives from time to time for achieving diversity on the board, which shall be to maintain at least 40 per cent female representation, to have at least one director from a minority ethnic background[1], and to have at least one of the positions of: Chair, CEO, senior independent director or CFO held by a female.

Skills matrix of board directors

	Sir David Higgins	Louise Beardmore	Phil Aspin	Alison Goligher	Liam Butterworth	Kath Cates	Clare Hayward	Michael Lewis	Paulette Rowe	Doug Webb
Finance/accounting			✓			✓				✓
Utilities		✓	✓					✓		
Regulation	✓	✓	✓			✓		✓	✓	✓
Government	✓		✓				✓	✓		
Construction/engineering	✓			✓	✓			✓		
Industrial				✓	✓					✓
Customer-facing		✓	✓			✓	✓	✓	✓	
FTSE companies		✓	✓	✓	✓	✓	✓		✓	✓
Digital/technology		✓			✓	✓		✓	✓	
ESG		✓	✓	✓	✓	✓	✓	✓	✓	✓
Current CEO/CFO of listed entity[2]					✓			✓		
Former CEO/CFO of listed entity	✓									✓

Committee and succession planning activities during 2023/24

Actions	Outcomes	Cross reference
Reviewed the senior management succession pipeline and the refreshed approach to managing and developing talent, which would be piloted with senior managers, and thereafter rolled out across the wider workforce.	The succession planning activities are designed to support and align the human resource requirements of senior managers and their direct reports both on a contingency basis and as a look ahead in preparation for our 2025/30 asset management plan.	See page 24
Review of the membership and roles of the executive team.	The membership, roles and responsibilities of the members of the executive team were restructured to better reflect the strategic priorities of the business.	See page 31
Review of the long-term succession plan for the board.	Agreed the brief and engaged Lygon Group[3] to assist in the appointment of a new non-executive director ahead of the expected retirement of existing non-executive directors in order to guard against any apparent impairment of the independence of a non-executive director as described in code provision 10.	See page 116
Received an update on the recruitment process and considered the short-list of potential candidates to undertake interviews with the existing non-executive directors.	Considered and discussed feedback from the candidate's interviews with each of the current non-executive directors and agreed the candidate to take forward to meet with Ofwat representatives.	See page 116
Considered feedback from Ofwat on the suitability of the proposed candidate.	Made a recommendation to the board for the appointment of Clare Hayward as an independent non-executive director.	See page 113
Reviewed the committee's terms of reference.	No changes made.	–
Discussed the findings of the committee's evaluation.	Identified actions.	See page 117

(1) Defined by reference to categories recommended by the Office for National Statistics (ONS) excluding those listed by ONS as coming from a white ethnic background.

(2) Excludes United Utilities.

(3) Lygon Group have no other connection with the company other than providing executive search services.

Nomination committee report continued

Board succession planning and diversity

The succession planning matrix and board skill set matrix (see page 115) capture the skills and experience of the current board members, any gaps or potential gaps that will arise as the existing non-executive directors step down and the skill sets required to meet the forecast strategic needs of the business. Details of the tenure of board members is shown on page 114. Neither the Chair, nor the CEO, would be involved in the appointment of their successor, although the committee would most likely seek to consult with the incumbent CEO given their unique knowledge of the business. Any selection process is underpinned by the application of the board diversity policy (see page 115). The policy is applied to the board committees as set out on page 112. On joining the board, non-executive directors undertake an induction programme, Michael Lewis' induction programme is set out on page 111.

As set out on page 114, at 31 March 2024 the company met the board diversity targets set out in LR 9.8.6(9). The board is cognisant of the benefits that diversity, in its broadest sense, among its membership brings to board discussions and in its role to challenge management. The board recognises the benefits of equity, diversity and inclusion across the business, and there are initiatives in place to support women in the workplace and address the ethnic imbalance of the workforce and align with our strategic priority to provide a safe and great place to work (see page 15).

Executive directors and senior manager succession

The group has had a written succession plan for the executive directors and other members of the executive team, which includes outline timescales, identifies an interim internal successor to fill a role in the short term should the need arise, and to address the longer-term development needs of potential successors to be able to fulfil a role on a more permanent basis. As with all board appointments, in aiming to appoint the best person to fulfil a role it would be common, when recruiting for a senior role, for an external search to be conducted alongside an internal candidate recruitment process.

Knowledge and training

Board directors regularly receive updates to improve their understanding and knowledge about the business and, in particular, its regulatory environment. As part of the individual director's element of the board evaluation exercise, directors are asked to identify any skills or knowledge gaps they would like to address.

Consideration of ESG issues are fundamental to our purpose of providing great water for a stronger, greener and healthier North West. During the year, board members and members of the executive team have all completed internally provided training entitled 'introduction to carbon' and deep-dives have been regularly undertaken as set out on page 99.

During the year, the board received briefings from both Slaughter and May (legal and governance matters) and KPMG (governance changes relating to reporting requirements), and held sessions with a number of other advisers. Our non-executive directors are conscious of the need to keep themselves properly briefed and informed about current issues and to deepen their understanding of the business. During the year, Sir David, Kath Cates, Alison Goligher, Michael Lewis and Paulette Rowe attended an event organised by Ofwat for non-executive directors. Alison Goligher has again chaired the Colleague Voice panel (see page 109).

New directors receive information on the key duties of being a director of a regulated water company. They are required to meet with representatives of Ofwat prior to appointment, as Michael Lewis did in November 2022, prior to him joining the board on 1 May 2023, and as did Clare Hayward in February 2024.

Read more about our **apprentices and graduates** on page 42

Read more about our **strategic priorities** on page 31

Read more about **storm overflows** on page 40

Read more about our **equity, diversity and inclusion** on page 67

Board evaluation

1 Approach

The Chair, Independent Audit Limited (IAL) and the company secretary discussed the evaluation process. A questionnaire-based approach with IAL attending a meeting of the board and each of the audit, ESG and remuneration committees to observe the committee in action was adopted. IAL discussed the content of the questionnaires with the Chair and the company secretary. Once the questionnaires were drafted, they were shared with the Chair, company secretary and chair of each committee for comment/approval prior to being issued.

2 Methodology

Questionnaires (included questions to be scored and free text questions) were completed by board members assessing both the performance of the board, and that of the Chair. Members of each committee completed relevant questionnaires as did the standing attendees for each committee including any external advisers. Directors were not asked to complete a questionnaire for a committee they did not routinely attend. Each director also completed a self-assessment questionnaire assessing their own performance. Questionnaires were completed via IAL's online portal.

3 Analysis

The results were collated by IAL and analysed, with a draft report prepared.

4 Review

The draft report was discussed with the Chair and circulated to the relevant committee chairs, after which, IAL presented their final report to the board at its meeting in February 2024. Each committee also discussed the results of the relevant evaluation.

The Chair reviewed the performance of the individual directors.

Alison Goligher, as the senior independent non-executive director (SID), led the review of the Chair. She held a discussion with the other non-executive directors without the Chair present. Detailed feedback was provided to the Chair. The Chair discussed the review of the individual directors with each of them and identified any points of action.

Externally facilitated self-assessment evaluation process

In accordance with the timings set out in the code, an external evaluation was due in 2023/24. After discussion with the company secretary, the Chair agreed that Independent Audit Limited (IAL) would again be engaged to facilitate the exercise and so provide a comparison with the evaluation undertaken by IAL in 2020/21, that being the most recent external evaluation. Internal evaluations were conducted by the company secretary and his team during the intervening years.

Outcomes

The conclusions of the evaluation and actions identified are set out below:

The board – strengths:

- Questionnaire responses suggested that the board performed well in many areas, and the diversity of its members contributed to its success. The non-executive directors had a good understanding of the business and they engaged well in constructive conversations. The board is well chaired and well supported by the company secretary. The non-executive directors are supportive of the executive management team with transparent, honest and open two-way dialogue in board meetings – as was observed by IAL during its attendance at the board and committee meetings.
- Responses indicated that the board felt there was good oversight of the long-term planning process and strategic aims and the oversight of financial management was strong. The non-executive directors felt they were able to contribute to strategy and implementation was monitored effectively.
- There was good oversight of the risk management process, which was effective, and the programme of deep-dives was well aligned with the challenges of the business. Deep-dives themselves were considered to be comprehensive and informative particularly for new non-executive directors, and provided excellent opportunities for further discussion.

The board – priorities for action:

- The directors agreed it would be beneficial to spend more board time discussing emerging issues and spend more time understanding the impact, opportunities and risk offered by emerging technologies on the strategy and operations of the business.
- Maintaining a greater focus on health, safety and wellbeing and on the ever evolving cyber risk, ensuring mitigating actions kept pace and that the group was well prepared in the event of a cyber attack.
- Increase the opportunities for the non-executive directors to have more opportunities for face-to-face contact and to interact with senior management.
- Respondents felt a review of peer comparators could be of benefit to ensure the business was challenging itself.
- Board members were keen to keep virtual meetings to a minimum as they were felt to restrict the flow of dialogue within the meeting and prevented the ability to have further conversations with colleagues outside the formal meeting.

The committees – strengths and priorities for action:

- Audit committee – Committee members agreed that the committee chair is knowledgeable and has a strong grip on substantive issues and chairs the meeting in such a way to encourage debate and challenge. There was felt to be benefit in developing all members of the committee's understanding of the risk and assurance framework and how the assurance function within internal audit worked together.
- ESG committee – Questionnaire responses showed that the committee is well chaired and support to the committee was good. It was felt that gaining further clarity on the areas that the committee could best contribute its expertise and time would be beneficial.
- Nomination committee – Ensuring the committee maintained its focus on succession planning for both non-executive board appointments and executive senior management succession was raised, along with having greater insight as to how senior managers coming through the organisation were being supported given the demands of AMP8.
- Remuneration committee – Respondents indicated that the committee is well chaired and works well, with healthy discussion and debate and all members contributing their views. It would be beneficial to increase liaison with other committees particularly during an appointment process and when long-term plan performance targets were being set.
- Responses showed that the treasury committee performed strongly in all aspects, with the focus being on the funding requirements for AMP8.
- Responses showed that the compliance committee was well managed and chaired with the focus being the forward-looking regulatory agenda.

Key 2022/23 evaluation recommendations	Actions taken during 2023/24
Robust challenge by the board of the AMP8 business plan submission.	Reviewed key objectives multiple times through the drafting process, deep-dive (see page 99 and S172(1) Statement, page 47).
The board to obtain a better understanding of the Better Rivers programme and the HARP procurement process.	The board undertook deep-dives on reputation (covering storm overflows and the Better Rivers programme) and the HARP procurement process (see page 99).
Greater standardisation and more succinct board papers and opportunities for interaction with senior management.	Management are being more disciplined about the length of board papers. A standard format is being adhered to.
Knowledge development and training on ESG matters for members of the ESG committee.	Members of the committee completed an 'Introduction to carbon' training module.

Financial oversight responsibilities of the board

The board as a whole is responsible for overseeing the financial performance of the business. The board is supported in this role by the audit committee, whose activities are described on pages 122 to 135.

The board reviews the financial performance of the company at every scheduled board meeting, receiving a report from the CFO, which provides the board with the up-to-date position of the consolidated financial statements, interpretative analysis and other key performance indicators, metrics and ratios. The board takes into account the review by the audit committee of the financial and narrative statements, and the auditor's views on the key risks and judgements identified and given particular focus in their audit work and set out in their report (see pages 170 to 180), and the information and explanations provided by management in relation to their key judgements and adjustments to APMs (see page 96). The board considered the review and assurance process undertaken by management, and considered by the audit committee to support the application of principle N. The board concluded that in the 2023/24 integrated annual report and financial statements it had presented a fair, balanced and understandable assessment of the company's position and prospects, and the board was satisfied on the integrity of the financial and narrative statements. Furthermore, the board approved the accounts and provision of the directors' responsibility statement at its meeting on 15 May 2024, see page 168.

Oversight of the financial aspects of ESG

ESG, and behaving responsibly, has been a long-term commitment and part of the board ethos for many years and is embedded throughout the business. It naturally flows through into the board's approach to the integrity of the group's financial reporting. As described on page 55, climate change poses a risk to the group's provision of water and wastewater services. A table of our reporting against the TCFD recommendations is set out on page 03.

As part of the processes supporting the provision of the 'fair, balanced and understandable' statement, the board determined that the levels of assurance provided by the combination of the work by internal audit and of the various third parties was satisfactory at this time – a stance endorsed by the audit committee. The impact of environmental risk and other potential risks associated with climate change on the financial statements is kept under review. The board's approach for accounting for climate change for the year ended 31 March 2024 is set out on page 188.

Board's approach to risk management and internal control

As a key part of the risk management framework, risk appetite and tolerance (see page 51) captures the board's desire to take and manage risk relative to the company's obligations, stakeholder interests and the capacity and capability of its key resources. The board discharges its responsibility for ensuring that the company's risk management and internal control systems operate effectively across the business, and that they receive an appropriate level of scrutiny and challenge through the risk and resilience governance and reporting process – the structure of which is shown on page 44. The risk profile is reviewed in conjunction with the full and half-year reporting cycle along with deep-dives and routine performance reviews. The group's risks focus on the achievement of the objectives and obligations of a regulated water and wastewater company including those relating to service delivery, reputation, regulatory and legal compliance, and the natural environment and are relative to multiple threats and vulnerabilities such as climate change, asset health, demographic change and security.

Monitoring and review of the effectiveness of the risk management and internal control systems

Taking into account the principal risks set out on pages 54 to 56, the ongoing work of the audit committee in monitoring the risk management and internal control systems (see pages 134 and 135) on behalf of the board (and to whom the committee provides regular updates), the board:

- was satisfied that it had carried out a robust assessment of the emerging and principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; and
- has monitored and reviewed the effectiveness of the risk management and internal control systems, including all material financial, operational and compliance controls.

After review, taking into account that no significant failings or weaknesses were identified, the board concluded the company's risk management and internal control systems are operating effectively.

How the board monitored and reviewed the effectiveness of the risk management and internal control systems:

Governance

- UUW board oversight of operational and compliance risk and controls.
- Oversight and activities undertaken by each of the audit committee, the treasury committee, the ESG committee and the compliance committee, including the recommendations from each of the committees and a review of the minutes of the committees' meetings.
- Treasury committee oversight of key treasury matters including debt, financing and interest rate management.
- The review of the minutes of meetings of the group audit and risk board (GARB) and feedback from the CEO as chair of the GARB (see page 44).
- Feedback from the CEO, the CFO, the executive team and the head of audit and risk.
- Review of the effectiveness of the internal audit function (see page 134).

Risk management

- The business risk and resilience framework, including the 'bottom-up' biannual integrated risk review process and the 'top-down' assessment of risks through the group audit and risk board (see pages 51 to 54).
- Bi-annual review of the group risk profile, with a focus on the most significant group and high impact, low likelihood event-based risks (our principal risks) (see pages 51 to 56) and new and emerging risks (see page 61).
- The risk appetite and tolerance framework (see page 51), which includes: strategic appetite statements (as endorsed by the board); general financial appetite against which the board reviews the most significant risks biannually; and target state for each corporate risk.
- Details of the most significant (principal) risks, highlighting the extent of control/mitigation and the potential to achieve a targeted position, is made available to the board biannually.
- Review of matters correlating with, and deep-dives into, specific event-based operational risks.

Internal control

- Operational controls relating in particular to asset health, operational hazard and long-term resilience and compliance controls to managing environmental performance and regulatory compliance managed through the business quality and environmental management system certified to IS0 9001 and ISO 14001.
- The internally published internal control manual (ICM) sets out financial controls, authorisation and approvals, and governance requirements.
- Self-assessment by management confirming compliance with key elements of the ICM and a range of key internal policies, processes and controls.
- Performance and financial reports are circulated as part of the information packs for board meetings.
- UUW's regulatory reporting and approval process.

Assurance

- An 'assurance map' summarising the key external advice and assurance, second line assurance activities and internal audit activities for each of the significant group and operational risks.
- The outcome of the activities undertaken by the internal audit function, who apply a risk-based approach and cover the group's auditable areas on a cyclical basis.
- The opinion provided by internal audit in relation to their work, that 'the governance, risk management and internal control framework was suitably designed and effectively applied within the areas under review'.
- Periodic review of the risk and resilience framework and risk appetite and tolerance framework by the internal audit co-source partner (most recently reported July 2023).
- Application of an assurance framework for the annual report to determine the external assurance requirements based on risk.
- Third-party assurance of specific sections of the annual report and financial statements.
- Comments made by KPMG on the effectiveness of the operation of the risk management and internal control systems from its observations, while undertaking the statutory audit.
- Assurance statements, detailing internal and external assurance activities, in support of key regulatory submissions.

Read more about **significant issues considered by the audit committee** on pages 125 to 126

Read more about **relations with banks and credit investors** on page 111

Financial oversight responsibilities of the board continued

Going concern and long-term viability

The board, following the review by the audit committee, concluded that it was appropriate to adopt the going concern basis of accounting (see page 186). Similarly, in accordance with the principles of the code, the board concluded, following the recommendation from the audit committee, that it was appropriate to provide the long-term viability statement based on an assessment period of seven years. Assurance supporting these statements was provided by the review of: the group's key financial measures and contingent liabilities; the key credit financial ratios; and the group's liquidity and ongoing ability to meet its financial covenants. As part of the assurance process, the board also took into account the principal risks and uncertainties facing the company, and the actions taken to mitigate those risks, and include emerging and more topical risks.

These principal risks are detailed on pages 54 to 56, and the risk management processes and structures used to monitor and manage them on pages 44, 51 to 54 and 57 to 61. Biannually, the board receives a report detailing management's assessment of the most significant risks facing the company. The report gives an indication of the level of exposure, subject to the mitigating controls in place, for the risk profile of the group, while also highlighting the reputational and customer service impact. This provides the board with information in two categories: group-wide business risks; and operational risks. The board also receives information during the year from the treasury committee (to which the board has delegated matters of a treasury nature – see page 136), including such matters as liquidity policy, the group's capital funding requirements and interest rate management.

Long-term viability statement

The directors have assessed the viability of the group, taking account of the group's current position, the potential impact of the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. This assessment has been performed in the context of the group's prospects as considered over the longer term. Based on this viability assessment, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the seven-year period to March 2031.

Basis of assessment

This viability statement is based on the fundamental assumption that the current regulatory and statutory framework, and interpretation thereof, does not substantively change. The long-term planning detailed on pages 32 to 33 assesses the group's prospects and establishes its strategy over a 25-year time horizon consistent with its rolling 25-year licence and its published long-term strategy. This provides a framework for the group's strategic planning process, and underpins our business model set out on pages 18 to 95.

In order to achieve this aim and promote the sustainability and resilience of the business, due consideration is given to the management of risks over the long term that could impact on the business model, future performance, credit ratings, solvency and liquidity of the group. Specifically, risks associated with current levels of economic uncertainty and climate change have been incorporated into the baseline position and factored into the various scenarios modelled as part of the group's assessment. An overview of our risk management approach that supports the group's long-term planning and prospects, together with the principal risks and uncertainties facing the business, can be found on pages 54 to 56. This approach considers the full range of categories of risk that could impact the company, such as financial, operational and regulatory risks. In addition, consideration is given to the adequacy of workforce policies and practices, all liabilities including pension liabilities, any exposure to revenue variations, and expectations of future performance taking account of past performance in delivering for customers.

Within the context of this long-term planning and management of risks, the group's principal business operates within five-year regulatory price control cycles. Medium-term planning considers the current price control period, over which there is typically a high degree of certainty, and looks beyond this in order to facilitate smooth transitions between price control periods. This results in the board concluding that a recurring period of seven years is an appropriate period over which to perform a robust assessment of the group's long-term viability.

Viability assessment: resilience of the group

The viability assessment is based upon the group's medium-term business planning process, which sits within the overarching strategic planning process and considers:

- the group's policy of maintaining debt to regulatory capital value (RCV) of between 55 per cent and 65 per cent, which is consistent with a robust capital structure and strong solvency position, and which in turn supports the group's current credit ratings for its principal subsidiary United Utilities Water Limited of A3/BBB+/A- with Moody's, S&P and Fitch respectively;
- the group's pension schemes being fully funded on a low dependency basis, with around two thirds of the liabilities hedged through buy-in contracts and the remaining liabilities fully hedged for interest rate and inflation risk;
- the group's policy of maintaining a robust liquidity position, with liquidity to cover expected cash outflows for the next 15–24 months, and flexibility to exceed the upper end of the liquidity range in periods of greater uncertainty. At March 2024, the group had £780 million of available liquidity covering expected cash outflows through to March 2026 and providing a significant buffer to absorb short-term cash flow impacts; and
- the current regulatory framework within which the group operates, which provides a high degree of cash flow certainty over the regulatory period and the broader regulatory protections outlined below.

From a regulatory perspective, the group benefits from a rolling 25-year licence and a regulatory regime in which regulators – including the economic regulator, Ofwat – are required to have regard to the principles of best regulatory practice. These include that regulation should be carried out in a way that is transparent, accountable, proportionate, consistent and targeted. Ofwat's primary duties provide that it should protect consumers' interests, by promoting effective competition wherever appropriate; secure that the company properly carries out its statutory functions; secure that the company can finance the proper carrying out of these functions – in particular through securing reasonable returns on capital; and secure that water and wastewater supply systems have long-term resilience and that the company takes steps to meet long-term demands for water supplies and wastewater services.

In addition, from an economic perspective, given the market structure of water and wastewater services, threats to the group's viability from risks such as reduced market share, substitution of services and reduced demand are low compared to those faced by many other industries.

The factors set out in this section underpin the expectation of the company's ability to maintain access to equity and debt capital to the extent necessary to maintain the company's capital structure and liquidity policies, which in turn provide the capital buffer and cash liquidity considered appropriate to mitigate the potential realisation of the principal risks facing the business.

Viability assessment: resilience to principal risks facing the business

The directors have assessed the group's viability based on the resilience of the group and its ability to absorb a number of 'severe but plausible' scenarios, derived from the principal risks facing the group, as set out on pages 54 to 56. The baseline plan, against which the viability assessment has been performed, reflects that inflation is expected to fall to more normal levels from 2024/25 onwards. This baseline plan is then subject to further stress scenarios and reverse stress testing that takes into account the potential impact of the group's principal risks. Such risks include: environmental risks such as the occurrence of extreme weather events and other impacts of climate change, further details of which are included in the group's TCFD disclosures, which are integrated throughout the annual report as set out in the non-financial and sustainability statement on page 03; political and regulatory risks; the risk of critical asset failure; significant cyber security breaches; current economic uncertainties including high levels of inflation and a squeeze on the cost of living impacting the group's customer base; and the potential for a restriction to the availability of financing resulting from a capital markets crisis.

The scenarios considered are underpinned by the group's established risk management processes, taking in the most significant event-based risks with a greater than ten per cent (one in ten) cumulative likelihood of occurrence. Risks associated with current economic conditions are reflected within the baseline position, with potential downside risks (most notably in relation to bad debt and inflation volatility) covered by the individual scenarios modelled, and collectively within a combined scenario.

Based on these risks, the following six largest impacting scenarios were identified and applied as downside stress scenarios to the group's baseline plan.

Scenario modelled	Link to risk factors
Scenario 1: Totex £400m one-off impact in 2024/25	Broadly representing the largest 'severe but plausible' risk, which is a critical asset failure, all assumed to be operating costs
Scenario 2: Totex underperformance of 8% (circa £150–circa £350m) per annum for 2024/25–2030/31	Representing more than the cumulative total expected NPV totex impact of the remaining top ten 'severe but plausible' risks (including environmental, cyber security and network failure risks)
Scenario 3: CPIH inflation of 1.0% below baseline plan for 2024/25–2026/27	Broadly consistent with quantum of inflation impacts modelled within top ten 'severe but plausible' risks
Scenario 4: An increase in bad debt of £15m per annum from 2024/25 to 2030/31	Aligned to internal risk factor on debt collection
Scenario 5: Additional ODI penalty of circa £85m per annum	Assumes mid-point of UUW's baseline and PR19 final determination P90 ODI position
Scenario 6: Debt refinanced as it matures, with new debt financed at 1.0% above the forward projections of interest rates 2024/25–2030/31	Representing more than top ten 'severe but plausible' risk on credit ratings as well as high impact/low likelihood risk on financial outperformance
Scenario 7: Combined scenario – 50% of scenarios 2–6	50% of scenarios 2–6

Example mitigations (of which none are required to remain viable under the scenarios modelled):

- Reduction in discretionary totex spend
- Capital programme deferral
- Closing out of derivative asset position
- Restriction of dividend

All of which are considered to be within the control of management. In addition to these, it is considered that the following mitigating actions could also be implemented:

- Issuing of new finance
- Raising of additional equity

The assessment has considered the impact of these scenarios on the group's business model, future performance, credit ratings, solvency and liquidity over the course of the viability assessment period. This assessment has demonstrated the group's ability to absorb the impact of all severe but plausible scenarios modelled.

The most extreme of the severe but plausible scenarios modelled, without any mitigating action, resulted in the group retaining investment grade credit ratings and liquidity of more than one year. Mitigating actions would be taken to maintain financial debt covenants to avoid a projected breach isolated to 2030/31, based on the most extreme of the severe but plausible scenarios modelled.

Viability assessment: reverse stress testing

As part of the assessment, reverse stress testing of two extreme theoretical scenarios focusing on totex overspend and persisting low inflation have been performed to understand the extent to which the group could further absorb financial stress before it reaches a sub-investment grade credit rating. This reverse stress testing demonstrated that these extreme conditions would have to be significantly outside what would be considered 'severe but plausible' scenarios before the group's long-term viability would be at risk.

Viability assessment: key mitigating actions

In the event of more extreme but low likelihood scenarios occurring, there are a number of key mitigations available to the group, the effectiveness of which are underpinned by the strength of the group's capital solvency position.

As well as the protections that exist from the regulatory environment within which the group operates, a number of actions are available to mitigate more severe scenarios, including those outlined in the above table.

Governance

The analysis underpinning this assessment has been through a robust internal review process, which has included scrutiny and challenge from the audit committee and board, and has been reviewed by the group's external auditor, KPMG, as part of their normal audit procedures.

Going concern

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation note to the accounts.

Audit committee report

Members

Doug Webb
Chair of the audit committee

Liam Butterworth
Kath Cates

Quick facts

- Doug Webb has chaired the committee since July 2021. He is a chartered accountant and is considered by the board to have recent and relevant financial experience, having served as chief financial officer of a number of listed FTSE companies. He retired from his most recent executive role at Meggitt PLC in 2018.
- All members of the committee are independent non-executive directors and the board is satisfied that the committee as a whole has competence relevant to the sector. Attendance at audit committee meetings is set out on page 108, and the relevant directors' biographies can be found on pages 100 to 103.
- Other regular attendees at meetings at the invitation of the committee include the CEO, the CFO, the company secretary, the head of audit and risk, the group controller, and representatives from the statutory auditor, KPMG LLP (KPMG). None of these attendees are members of the committee.
- The representatives from KPMG and the head of audit and risk each have time with the committee and the company secretary to raise freely any concerns they may have without management being present.
- The chair of the committee has regular one-to-one meetings with the CFO, the head of audit and risk and the KPMG audit engagement partner.
- The committee is authorised to seek outside legal or other independent professional advice as it sees fit, but has not done so during the year.

Dear shareholder

The committee welcomed the Government's announcement in October 2023, that it was withdrawing draft regulations that would have introduced new reporting requirements on risk and dividend affordability and increased the administrative and reporting burden for companies. The committee will consider management's recommendations in relation to risk management and internal control as set out in provision 29 in the version of the code published by the FRC in January 2024. Notwithstanding the withdrawal of the draft regulations, management will retain use of the audit and assurance policy, as described on page 133, as providing a useful framework for tailoring appropriate levels of assurance.

Operational risk

In June 2023, the final effluent pipe, buried 9.5 metres below ground at Fleetwood Wastewater Treatment Works, ruptured. The immediate solution was the construction of a temporary two-kilometre bypass pipe and installation of pumping equipment to enable the continued operation of the wastewater treatment works, albeit in the short term at a reduced capacity. As a result, considerable volumes of wastewater needed to be transported to other treatment works in the Fylde area. The cost of the repair of the pipe, and secondary breach, which occurred during reliability testing and other mitigating actions, was £37.6 million. The committee considered and agreed with management's judgement to treat the expenditure as an adjusting item in arriving at underlying operating profit. This was on the basis that the rupture of the underground pipeline was a material asset failure (resulting in significant infrastructure renewal expenditure) rather than a business-as-usual item.

The committee has carefully considered the risks around bad debt, given the ongoing cost-of-living pressures on customers. The committee challenged management's updated approach to calculate expected credit losses for household receivables, including the removal of the provisioning overlay that had been included to address the unexpected event that was the COVID-19 pandemic. Cost pressures in the company's supply chain have impacted the costs of the capital programme. The committee considered the group's fixed asset capitalisation policy and management's approach to identifying expenditure as enhancement or maintenance spend, particularly given the impact of inflation.

Year-end timetable

During the year, in collaboration with KPMG, management re-phased the corporate reporting timetable. Some work was accelerated to facilitate an improved working relationship between the external reporting team and the auditor, with the intention of increasing the efficiency of the process and enabling the KPMG team to undertake their audit work in a timely manner, meet audit standards and maintain their usual rigorous approach. As set out in the code, one of the main roles of the committee includes monitoring the integrity of financial statements and the audit process, so the committee were keen to ensure that following revision to the year-end timetable, key review points were achievable.

Quick links

Terms of reference: unitedutilities.com/corporate-governance

Audit quality

At the half and full year, the committee received feedback from KPMG on its areas of focus during its review and audit work respectively, highlighting those areas where KPMG had challenged management's views and management's view of the quantum of the bad debt provision that was required. Management's view was considered to be prudent.

The committee considered the FRC's 2022/23 Audit Quality Inspection and Supervision Results, and in particular, the outcome relating to KPMG noting a decrease to 74 per cent of the proportion of audits assessed as requiring no more than limited improvements compared to the prior year 2021/22 inspection where the same measure was 84 per cent. The report was discussed with KPMG at the meeting of the committee held in September 2023. Additionally, the committee was apprised of KPMG's audit quality framework processes, including an outline of the challenge process undertaken by the independent reviewing partner assigned to the audit known as the 'engagement quality control reviewer' (the EQCR). The committee was reminded of the outcome of the work of the ECQR for the year ended 31 March 2023.

At each of the scheduled committee meetings, management presents an updated view of the significant issues and areas over which it has exercised its judgement (see pages 125 to 126) following discussion between management and the auditor, many of which correspond with KPMG's key audit matters (see pages 174 to 176). KPMG are present at these meetings where they have the opportunity to critique management's judgements and contribute to the debate, thereby providing an opportunity for the committee to challenge the views of management and the auditor on their assessments. These discussions provide an opportunity for the committee members, drawing on their own experience, to informally assess the degree of professional scepticism applied by the auditor. The committee has time set aside during its meetings to meet with the auditor without management being present in order that they can speak freely and raise any concerns and to ensure the committee is kept fully informed.

Taking into account the findings of assessment of the 31 March 2023 audit presented to the committee in September 2023, the committee concluded that the statutory audit process for 2023 had been effective.

Internal audit quality

In accordance with the group's own internal audit quality assurance and improvement programme, a qualified independent third party is required to conduct an evaluation of the internal audit team's work every five years. Such an assessment is also required to conform to the Institute of Internal Auditors' (IIA) international standards, and should be conducted by a professional services firm. The previous external assessment was completed in March 2019. A review was conducted during the year by BDO. The committee considered the results of the external reviewer, and was satisfied that the work of the department conformed to IIA standards and that the limited opportunities for improvement were being appropriately considered. More information can be found on page 133.

Governance

The outcome of the triennial external evaluation of the committee, conducted by Independent Audit Limited, can be found on page 117.

The committee is intent on complying with applicable regulations and best practice. The committee has taken into account the requirements of the FRC's Audit Committees and the External Audit: Minimum Standard, as applicable.

As chair of the committee, I am available to engage with shareholders and would welcome any comments or feedback you may have on the report which follows or the work of the committee. I intend to be present at the AGM in July 2024, and representatives from KPMG will also be in attendance.

This report was approved by the committee at its meeting held on 10 May 2024.

Doug Webb
Chair of the audit committee

Main responsibilities

- Make a recommendation to the board for the appointment or reappointment of the auditor, and to be responsible for the tender of the audit from time to time and to agree the fees paid to the auditor.
- Establish policies for the provision of any non-audit services by the auditor.
- Challenge the auditor on the scope and the results of the annual audit and report to the board on the effectiveness of the audit process and how the independence and objectivity of the auditor has been safeguarded.
- Review the half-year and annual financial statements and any announcements relating to financial performance, including reporting to the board on the significant issues proposed by management, and in particular those challenged by the committee in relation to the financial statements and how these were addressed.
- Approve the scope, remit and effectiveness of the internal audit function and the group's internal control and risk management systems.
- Review the group's procedures for reporting fraud and other inappropriate behaviour, and receive reports relating thereto.
- Report to the board on how it has discharged its responsibilities.
- Apply the principles of the code and report against the provisions.

Read more about accounting policies on page 186

Read more about climate risk identification on page 58

Audit committee report continued

Business on the committee's agenda during the year

The committee has an extensive agenda of items of business focusing on the audit, assurance and risk processes within the business, which it deals with in conjunction with senior management, the auditor, the internal audit function and the financial reporting team. The committee's role is to ensure that management's disclosures reflect the supporting detail provided to the committee or challenge them to explain and justify their interpretation and, if necessary, re-present the information. The committee reports its findings and makes recommendations to the board accordingly. The committee is supported in this role by using the expertise of the statutory auditor, who, in the course of the audit, considers whether the financial statements have been prepared in accordance with IFRS and whether adequate accounting records have been kept. In doing so it ensures that high standards of financial governance, in line with the regulatory framework along with market practice for audit committees going forward, are maintained. Furthermore, the company's own internal audit team contributes to the assurance process by reviewing compliance with internal processes. The committee's financial reporting cycle, which starts each year in September, is shown below. There were four meetings of the committee held during the year, the committee intends to continue to hold the two meetings in September and March virtually. Items of business considered by the committee are set out on pages 127 to 128.

Audit committee financial reporting cycle

- Management present their key accounting issues and judgements for approval by the committee and recommendation to the board
- The auditor presents the findings of the audit and their control observations, their auditor's report and they provide confirmation of their independence
- The committee makes a recommendation to the board on whether appropriate processes have been established to prepare the annual report and financial statements on a fair, balanced and understandable basis, taking into account reviews conducted by other third-party assurance providers and on the reappointment of the auditor at the AGM

- Review of the effectiveness of the external audit process
- The auditor presents their audit strategy for forthcoming year
- The committee agrees the audit fee for the forthcoming year
- Review of ESG reporting standards and the approval of the planned assurance approach to non-financial information
- Management presents the half-year financial statements

- Management present their proposed key accounting issues and judgements at the full year
- Auditor provides an update on their audit processes and confirmation of their independence
- Management present planned narrative assurance activities

- Auditor presents the review of half-year financial statements
- Auditor confirms their independence
- Approved the assurance framework for narrative reporting

Significant issues considered by the committee in relation to the financial statements

Management presents its updated view of the significant issues whereby it has exercised its professional judgement to each meeting of the committee, thereby providing an opportunity for oversight and for the committee to challenge management's views. Additionally, KPMG receive this information in advance of, and are present at, the committee meetings, providing KPMG with the opportunity to contribute to the discussion both with management present, and privately with only the committee members present.

Material and/or judgemental areas of the financial statements

Significant issues considered	How these were addressed by the committee
Revenue recognition and allowance for doubtful receivables (See pages 187 to 189, 198, 223 and 225) – due to the nature of the group's business, the extent to which revenue is recognised and expected credit losses are recognised in relation to doubtful customer debts is an area of considerable judgement and estimation. This has particularly been the case in recent years (including in the current year) due to high levels of economic uncertainty and increases in the cost of living, which is expected to impact on the ability of some customers to pay their bills as they become due.	• The committee reviewed the approach taken by management in estimating expected credit losses relating to household debt, taking into account estimates of the impact of cash collection risk associated with premises registered as void and recognising that there continues to be significant uncertainty associated with how cost-of-living challenges are impacting, and may continue to impact, customers into the future. The committee critiqued management's decision to revisit the provisioning rates applied in estimating expected credit losses so as to better align with cash collection experience in recent years, and to release most of the provisioning overlay that has been applied in recent years to take account of uncertainty associated firstly with the COVID-19 pandemic, and then latterly with cost-of-living challenges. The committee found management's approach to be appropriate and concurred with management's view that recalibrating the provisioning rates would reduce the requirement for judgemental overlays to be applied going forward. • The committee reviewed the group's revenue recognition policy, particularly in light of a higher level of billing of premises registered as void during the year, and challenged whether the criteria for de-recognising revenue relating to amounts billed to customers remains appropriate. Having considered the impact of the de-recognition criteria as applied to the billing of void properties, the committee satisfied itself that no change in the revenue recognition policy is required at the present time, but noted the increased level of challenge in recovering this debt compared with the remainder of the group's customer base. • The committee considered the adequacy of the group's provisions for credit notes that may need issuing in respect of amounts incorrectly billed, focusing particularly on non-household customers where legacy data issues since the non-household market opened to competition have resulted in allowances being processed going back a number of years. The committee satisfied itself with the approach adopted by management for providing for future allowances, and noted that the value of these should reduce over time as data for more recent periods should not be subject to the same legacy issues as earlier periods.
Capitalisation of fixed assets (See pages 188, 196 to 197, and 224 to 225) – fixed assets represents a subjective area, particularly in relation to costs permitted for capitalisation and depreciation policy and the identification of abortive costs and asset write-downs.	• The committee considered management's updates on key issues and judgements associated with the capitalisation and measurement of fixed assets most pertinent for the year ended 31 March 2024, and was satisfied that appropriate processes and controls are in place to ensure that assets are capitalised and begin depreciating in a timely manner, and reviewed for indicators that their carrying amount may not be fully recoverable. • The committee sought to understand the nature of asset write-downs in the year based on routine and scheduled reviews, including the extent to which climate-related factors may impact carrying amounts. • The committee assessed the reasonableness of the group's capitalisation and depreciation policies (including useful economic life review of asset) and, having also considered the work performed by KPMG in this area, deemed this to be appropriate.
Retirement benefits (See pages 187, 199 to 200, 216 to 221 and 226 to 227) – the group's defined benefit retirement schemes represent an area of considerable judgement, the performance and position of which is highly sensitive to the assumptions made. The group employs the services of an external actuary to determine the calculation of the net retirement benefit surplus and determine the appropriate assumptions to make.	• Having sought from management an understanding of the IAS 19 accounting impact of the partial buy-in transaction that was entered into during the year, which de-risks a significant portion of scheme liabilities, the committee was satisfied that it is appropriate for the associated asset loss to be recognised in other comprehensive income rather than in profit or loss as it does not represent a settlement of scheme liabilities. • Given that the partial buy-in was funded out of scheme assets, the committee challenged management on how the fair value of the remaining scheme assets, including the bulk annuity policies purchased, was arrived at. The committee expressed particular interest in this given the higher proportion of 'Level 3' pension assets (i.e. those for which a price is not observable in the market) in the schemes' portfolios relative to previous years. The committee was satisfied with management's explanation that the fair value of bulk annuity policies would be pegged to the present value of the insured scheme liabilities. For the remaining Level 3 assets, which comprise investments in private debt funds, the committee challenged management as to how it could satisfy itself that the latest valuations performed by the investment managers, which tend to be provided on a lag of several months, remained valid at 31 March. The committee was pleased to observe that retrospective checks performed by management over adjustments made to the valuations indicated that the approach of checking against relevant proxy indices confirmed that the approach taken is reasonable. • The committee sought to understand changes in financial and demographic assumptions underpinning the valuation of defined benefit obligations, and was satisfied that the methodology used for determining financial assumptions was appropriate and consistent with prior years. For demographic assumptions, the committee sought further understanding of a change in the weighting placed on 2022 experience and concurred with management's view, based on discussions with the group's corporate actuary, that this was appropriate.

Audit committee report continued

Significant issues considered	How these were addressed by the committee
Derivative financial instruments (See pages 188, 206 to 215 and 226 to 227) – the group has a significant value of swap instruments, the valuation of which is based upon models that require certain judgements and assumptions to be made. Management perform periodic checks to ensure that the model-derived valuations agree back to third-party valuations and KPMG check a sample against their own valuation models.	• The committee noted that the periodic checks performed by management had been completed at the year-end reporting date, and that KPMG had undertaken their testing and challenged management as to certain inputs in respect of the fair value measurement of cross currency swaps, resulting in the valuation approach used being further refined. • The committee specifically sought to understand the accounting implications of a bond buy-back executed towards the end of the financial year, and was satisfied that the close out of the same amount of associated swaps on the same date was accounted for appropriately, and in accordance with the rebalancing permitted by IFRS 9, which allows hedge accounting to be continued.
Provisions and contingent liabilities (See pages 201 and 204) – the group provides for contractual, legal and environmental claims brought against it based on management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims. Judgement is also required in determining when contingent liabilities exist that require disclosure in the financial statements.	• The committee assessed and challenged the appropriateness of the basis on which provisions are recognised, particularly noting the significant public, political and regulatory focus on environmental prosecutions that has continued through the year, and concurred with management's assessment that, based on current experience and benchmarking of prosecutions brought against other companies in the sector during the year, the provisions recorded at the reporting date reflect the best estimate of potential financial outflow in this regard. • The committee considered the reasonableness of disclosures made in respect of contingent liabilities, challenging management as to whether any provision should be recognised in the financial statements for cases in which contingent liabilities disclosures are made. Particular focus was given to the collective action claim against a number of water and wastewater companies, including United Utilities Water Limited, that was initiated during the year. The committee concluded that the recognition criteria had not been met and, therefore, that disclosure as contingent liabilities, rather than the recognition of provisions, was the most appropriate approach.
Recoverability of United Utilities Group PLC's (parent company) investment in United Utilities PLC (See pages 197 and 225) – the parent company's investment in United Utilities PLC makes up 98% of the company's total assets and is therefore highly material in the context of the parent company's statement of financial position. Management assess the recoverability of this investment periodically to ensure that its carrying value continues to be supported.	• The committee sought to understand management's approach to assessing recoverability, and concluded that management's assessment that an equity value based on the RCV of the group's regulated business, United Utilities Water Limited (UUW), is a reasonable basis for valuing United Utilities PLC given UUW's importance to the United Utilities PLC group.
Other matters considered	**How these were addressed by the committee**
Accounting for uncertain tax positions (See pages 192 to 195 and 223 to 224) – assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law and the result of negotiations with, and enquiries from, tax authorities.	• The committee considered management's accounting treatment of uncertain elements of ongoing enquiries from the tax authorities. Recognising that where enquiries remain ongoing and that elements of claims can be subject to judgement in interpreting and applying the relevant tax legislation, the committee challenged management as to how IFRIC 23 'Uncertainty over Income Tax Treatments' had been applied, and was reassured that management had made appropriate judgements in estimating the most likely amount at which the claims would settle.

Business on the committee's agenda during the year

Actions	Outcomes	Cross reference
Annual and half-year reporting		
Reviewed, discussed and challenged the re-phased reporting timetable at the beginning of the financial reporting process.	A re-phased reporting timetable was implemented.	See page 122
Reviewed, discussed and challenged the financial reporting team's reports on the financial statements, management's significant accounting judgements, the policies being applied both at the half and full year, and how the statutory audit contributed to the integrity of the year-end financial reporting.	The committee challenged management on a number of its judgements including the bad debt provision and fixed asset capitalisation policy and sought detailed explanations of its interpretation. The committee was satisfied with the explanations provided by management. Recommendations were made to the board, supporting the approval of the financial statements.	See page 125
Reviewed and challenged the regulatory reporting process relating to the annual performance report (APR) for UUW, including the assurance provided by the technical auditor, as required to be submitted to Ofwat, and noted the differences between the regulatory and statutory accounts.	The committee met with the technical auditor to provide an opportunity for challenge by the committee whose overview contributes to the assurance process of the regulatory reporting prior to the approval of the APR by the UUW board.	–
Assessed management's presentation of APMs to enable comparability with other companies.	The committee concurred with management's approach that the APMs as defined were satisfactory enabling comparability with other companies.	See page 96
Reviewed and challenged the proposed audit strategy for the 2023/24 statutory audit, including the level of materiality applied by KPMG, audit reports from KPMG on the financial statements and the areas of particular focus for the 2023/24 audit, as well as the re-phasing of the audit timetable.	The committee monitored progress made by the statutory audit team against the agreed plan, and challenged the auditor in the resolution of any issues as they arose. The committee reviewed and discussed the control observations set out in KPMG's auditor's report.	See pages 174 to 176
Reviewed and challenged the basis of preparation of the financial statements as a going concern and KPMG's associated control observations as reported to the committee.	A recommendation was made to the board to support the going concern statement.	See page 121 and 186
Reviewed and challenged the long-term viability statement proposed by management and reasons why a seven-year assessment period was appropriate.	The committee challenged management that the length of the period was appropriate, particularly in light of the assessment timeframes used by peer companies and the longer period used for the AMP8 submission. The committee was satisfied with management's preference to continue to provide a statement with greater certainty over a shorter period of time.	See page 120
Assessed control observations made by KPMG and reviewed and challenged management's progress to address points raised.	The committee was satisfied that management was taking appropriate action to enhance controls based on KPMG's observations, which were not considered to represent significant weaknesses in the group's overall control environment.	See pages 174 to 176
Reviewed the results of the committee's assessment of the effectiveness of the 2022/23 audit.	The committee concluded that the audit was effective and a recommendation was made to the board on the reappointment of KPMG as the auditor for the year ending 31 March 2025 at the forthcoming annual general meeting.	See page 130
Reviewed whether the company's position and prospects as presented in the 31 March 2024 integrated annual report and financial statements were considered to be a fair, balanced and understandable assessment of the company's position and prospects.	The committee was satisfied that processes had been followed to provide support to the board to enable it to state that the 31 March 2024 integrated annual report and financial statements was a fair, balanced and understandable assessment of the company's position and prospects.	See pages 118 and 168
Reviewed the non-audit services and related fees provided by the auditor for 2023/24 and the policy on non-audit services provided by the auditor for 2024/25.	The committee approved the non-audit services and related fees provided by KPMG for 2023/24 and concluded that no changes were required to the policy for non-audit services provided by the auditor.	See page 132
Negotiated and agreed the statutory audit fee for the year ended 31 March 2024.	The committee approved the fee for the 2023/24 audit.	See pages 131 and 191
Considered management's proposal to apply the assurance framework to various narrative reporting sections within the 2023/24 integrated annual report encompassing the TCFD report, the energy and carbon report, the financial oversight responsibilities of the board and the remuneration committee report.	The committee endorsed the application of the assurance framework to various narrative sections within the integrated annual report that were identified by the framework as being of higher risk of misstatement/error and would benefit from independent third-party assurance, with such assurance being applied on a limited basis.	See page 133

Audit committee report continued

Actions	Outcomes	Cross reference
Risk management and internal control		
Reviewed the effectiveness of the risk management and internal control systems.	Recommendation made to the board that the risk management and internal control systems operated effectively.	See pages 119 and 134
Considered changes to internal control weaknesses brought to the attention of the committee by KPMG.	Challenged management to resolve any issues relating to internal controls and risk management systems.	See page 135
A deep-dive session was held on the internal assurance team responsible for providing second line assurance of operational control processes.	A summary of the internal assurance plan covering operational matters was reviewed by the committee.	–
Monitored fraud reporting.	Reviewed the company's anti-fraud policies and processes and alleged incidents of fraud and the outcome of their investigation.	See page 135
Biannual oversight and monitoring of compliance with the group's anti-bribery policy.	Reviewed compliance with the company's ongoing anti-bribery programme.	See page 135
Approved the strategic internal audit planning approach on the work of the internal audit function from the head of audit and risk.	Monitored the implementation of the 2022/23 internal audit plan. Reviewed findings of specific internal audit and implementation of any resulting actions by management.	See page 134
Considered the issues and findings brought to the committee's attention by the internal audit team, with special attention given to any audit graded amber or red.	The committee was satisfied that management had resolved, or was in the process of resolving, any outstanding issues or concerns in relation to matters scrutinised by the internal audit team.	See page 134
Reviewed the quality and effectiveness of internal audit and the effectiveness of the current co-source arrangements.	The committee reviewed the process of assessment of internal audit and made certain recommendations for enhancement, further to which it was concluded that the internal audit team, supported by the PwC co-source resource, was effective.	See page 134
Reviewed and challenged the strategic internal audit planning approach and internal audit plan for 2024/25.	Approved the internal audit plan for 2024/25.	See page 134
Governance		
Review of the committee's terms of reference.	No changes were made to the committee's terms of reference during the year.	–
Reviewed the conclusions of the committee's annual evaluation. The evaluation was externally facilitated by Independent Audit Limited. The review explored the effectiveness of: the committee's composition, meetings and time management; committee processes and support; and the areas of work of the committee and priorities for change.	All elements of the self-assessment reviewed indicated the committee was working well. There was felt to be benefit in developing all members of the committee's understanding of the risk and assurance framework and how the assurance function within internal audit worked together. The board considered the results of the review of the committee and concluded that the committee continued to be effective.	See page 117

Audit quality

Additional audit quality processes and interventions
Since 2021, KPMG have employed a number of additional processes as part of its action plan to enhance audit quality. The committee and KPMG regularly discuss audit quality, with the committee gaining increased insight into KPMG's internal quality reviews through its sharing of work done for other clients. As part of its review of the 2022/23 audit in July 2023, the committee reviewed the effectiveness of these processes and interactions as set out below, concluding they were effective.

The processes and interventions included:

- providing sight of their interim control findings to the committee early in the audit process and sharing their knowledge and best practice recommendations;
- improving communication and sharing of information and insight between the external and internal audit teams by implementing regular discussion sessions prior to the scheduled committee meetings;
- raising audit points in a more timely manner with the financial reporting team during the audit process by holding regular discussions with the external audit team and financial reporting team;
- enhanced visibility of the key challenges and findings of the second-line of defence review performed by another team independent of the audit team, and of the independent KPMG partner's review of the audit;
- greater use of technical specialists; and
- providing the details of the independent partner's review (the ECQR) of the audit to the committee as part of the year-end sign off processes.

How we assessed whether 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy'.

Objective

In accordance with the code, one of the main roles of the committee should be to 'monitor the integrity of the financial statements', furthermore, it is responsible for making a recommendation to the board on whether 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy'.

Actions

- Reviewed early versions of the annual report at various stages during the drafting process to ensure that the key messages were aligned with the company's position, performance and strategy and the financial performance of the business as understood by the committee.
- Reviewed significant issues identified by management and whether the same were aligned with the key audit matters identified by the auditor.
- Reviewed comments provided by the member of the executive team with extensive knowledge of the business who reviewed the draft annual report ensuring the messaging was fair and balanced, and did not just focus on, or over emphasise, the positives.
- Reviewed the third-party 'limited assurance' provided in relation to the reporting against the TCFD recommendations (see the index on page 03) and the remuneration committee report (see page 140).
- Received updates on the calculation of underlying operating profit measures as one of the principal alternative performance measures (APMs) used by management, a full guide to APMs can be found on page 96.
- Reviewed regulatory key performance indicators and commitments, some of which are assured by KPMG as part of their role as auditor of UUW's annual performance, along with Jacobs the technical auditor of the UUW annual performance report.
- Took into account reporting by KPMG (under ISA (UK) 720) of any material inconsistencies between the 'other information' and 'statutory other information' presented in the annual report (i.e. in the strategic report, the directors' report and the corporate governance statement), and the financial statements, taking into account the auditor's knowledge obtained in the audit, or the auditor's understanding of the legal and regulatory requirements applicable to the 'other information' and 'statutory other information'. The TCFD and Streamlined Energy and Carbon Reporting (SECR) disclosures are deemed to be 'other information' as they are included in the company's strategic report, as they are important to the company. Other assurance of the TCFD and SECR disclosures (see pages 03 and 75 respectively) is undertaken both by third parties and the internal audit team.
- Considered whether the key events and issues that had occurred and been reported to the board during the year, both good and bad, had been adequately referenced or reflected within the integrated annual report.

Outcome

The committee concluded that processes had been followed to provide support to the board to enable it to state that 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy' (see page 168).

Read more about **our key resources** on page 20

Read more about **our financial performance** on page 90

Audit committee report continued

How we assessed the effectiveness of the statutory audit process

The committee, on behalf of the board, is responsible for the relationship with KPMG, the group's statutory auditor, and part of that role is to examine the effectiveness of the statutory audit process. Audit quality is regarded by the committee as the principal requirement of the annual audit process.

Professional scepticism

KPMG present the strategy and scope of the audit for the forthcoming financial year at the meeting of the committee held in September. Through their risk assessment and planning procedures, and in their professional judgement, KPMG identify to the committee any area that requires special audit attention due to its risk and the potential magnitude of misstatement through error or fraud including:

- The 'key audit matters' as included in the auditor's report (see pages 174 to 176). KPMG undertake testing of the key audit matters rather than relying on the group's internal controls. KPMG has increased the volume of journal entries it tested to address fraud risk. Some testing would be conducted by technical experts e.g. the valuation of retirement benefit obligations would be tested by KPMG's actuarial specialists. KPMG report against their audit scope at subsequent committee meetings, providing an opportunity for the committee to monitor progress, question and challenge both KPMG and management;
- Throughout the year, management presents its up-to-date view of the key accounting issues and its resulting judgements to the committee. In response, KPMG informs the committee, and having robustly considered alternative judgements, whether, in its professional view, the judgements management proposes, or has taken, are appropriate. A number of these issues manifest themselves as the significant issues considered by the committee in relation to the financial statements (see pages 125 to 126); and
- At the year end, KPMG report all identified significant control deficiencies and whether they have been resolved by management along with any significant difficulties or issues that were encountered or discussed with management during the audit.

Private sessions between the committee and KPMG's representatives are held regularly without management being present in order to encourage open and transparent feedback by both parties on any matter and provide the committee with an opportunity to obtain greater insight on the extent to which KPMG has challenged management's analysis and presentation of information.

KPMG presented its audit quality framework to the committee, which had been developed to ensure that its employees concentrate on the fundamental skills and behaviours required to deliver an appropriate and independent audit opinion. As in previous years, the committee considered the FRC's 2022/23 Audit Quality Inspection and Supervision Results (see page 123).

The committee provides its view to the board on the outcome of the statutory audit, and how the statutory audit contributed to the integrity of the financial reporting process. The independent nature and financial expertise of committee members further contributes to the integrity of the process.

On completion of the annual audit process, the views of those involved in the audit on how well KPMG performed the audit were sought. All members of the committee, key members of the senior management team and those who regularly provide input into the audit committee or have regular contact with the auditor, completed a feedback questionnaire, thereby ensuring a wide range of views were taken into account. The questionnaire reviewing the 2023 audit process was issued in July 2023.

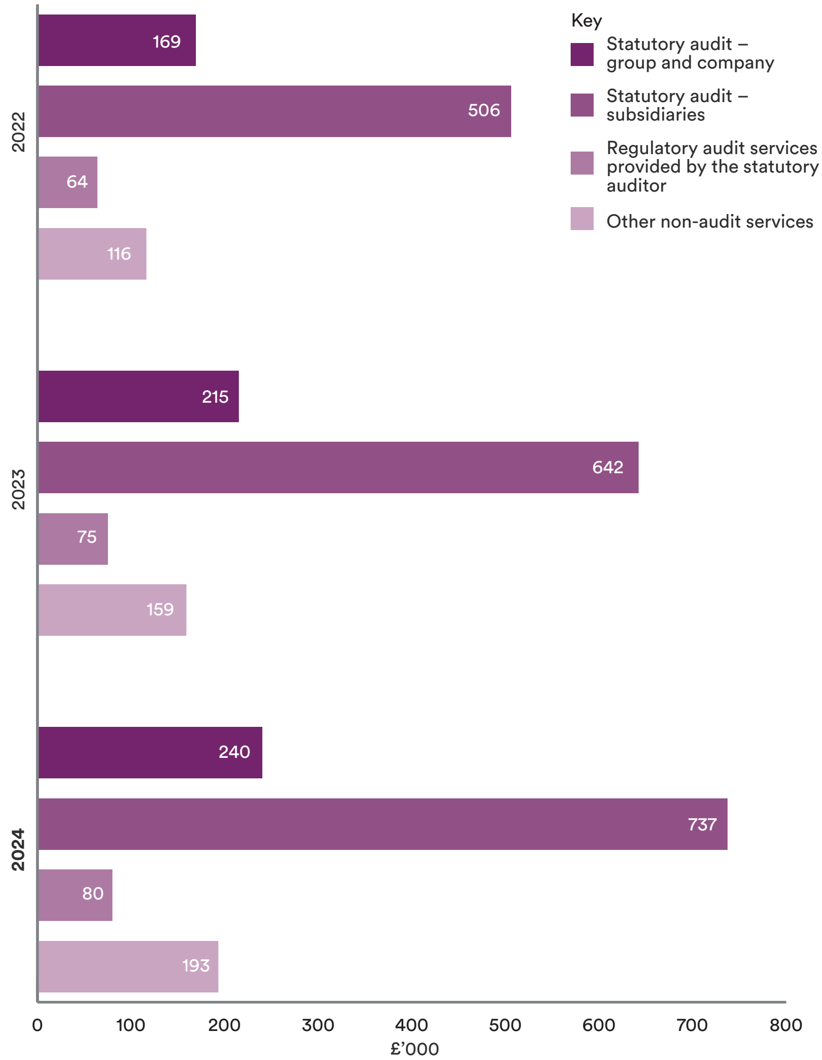
Views of the respondents were sought in terms of:

- the robustness of the external audit process and degree of challenge to matters of significant audit risk and areas of management subjectivity;
- whether the scope of the audit and the planning process were appropriate for the delivery of an effective and efficient audit;
- the quality of the delivery of the audit and whether planned quality improvements had been delivered and whether the committee had insight into the auditor's internal quality procedures;

- the expertise of the audit team conducting the audit and their understanding of the company's business risks to assess if there was an impact on the audit;
- whether the auditor made appropriate use of the work of the internal audit team;
- that the degree of professional scepticism applied by the auditor was appropriate;
- the appropriateness of the communication between the committee and the auditor in terms of technical issues;
- the quality of the service provided by the auditor;
- their views on the quality of the interaction between the audit engagement partner, the audit senior manager and the company;
- whether the audit process had been kept on schedule; and
- whether the statutory audit contributed to the integrity of the group's financial reporting.

The feedback was collated and presented to the committee's meeting in September 2023. The committee noted KPMG's audit quality interventions now embedded in the company's audit (see page 129). The committee concluded that the statutory audit process and services provided by KPMG were satisfactory and effective, with additional measures for further enhancement encouraged by the committee.

Statutory auditor's fees



Audit committee report continued

How we assessed the independence of the statutory auditor

There are two aspects to auditor independence that the committee monitors to ensure that the auditor remains independent of the company.

First, the committee takes into account the information and assurances provided by the auditor confirming that all its partners and staff involved with the audit are independent of any links to United Utilities. KPMG confirmed that all its partners and staff complied with their ethics and independence policies and procedures, which are fully consistent with the FRC's Ethical Standard, including that none of its employees working on our audit hold any shares in United Utilities Group PLC. KPMG is required to provide a written disclosure at the planning stage of the audit in the form of an independence confirmation letter. Their letter discloses matters relating to their independence and objectivity, including any relationships that may reasonably be thought to have an impact on its independence and the integrity and objectivity of the audit engagement partner and the audit staff. The audit engagement partner must change every five years and other senior audit staff rotate at regular intervals.

Secondly, the committee develops and recommends to the board the company's policy on non-audit services and associated fees that are paid to KPMG. In accordance with the FRC's Revised Ethical Standard (2019), an auditor is only permitted to provide certain non-audit services to public interest entities (i.e. United Utilities Group PLC) that are closely linked to the audit itself, or that are required by law or regulation, as such services could impede their independence.

Permitted non-audit services fees paid to the statutory auditor are subject to a fee cap of no more than 70 per cent of the average annual statutory audit fee for the three preceding consecutive financial periods. The 70 per cent non-audit services fee cap has been applied to the group for the year ended 31 March 2024, with fees for non-audit services representing 26.5 per cent of the average audit fees on which the cap is based (as shown in the table below). Permitted services (which remain subject to the 70 per cent cap, and excludes the regulatory audit) can be approved by the CFO up to £10,000 per item. Individual items in excess of £10,000 require the approval of the committee.

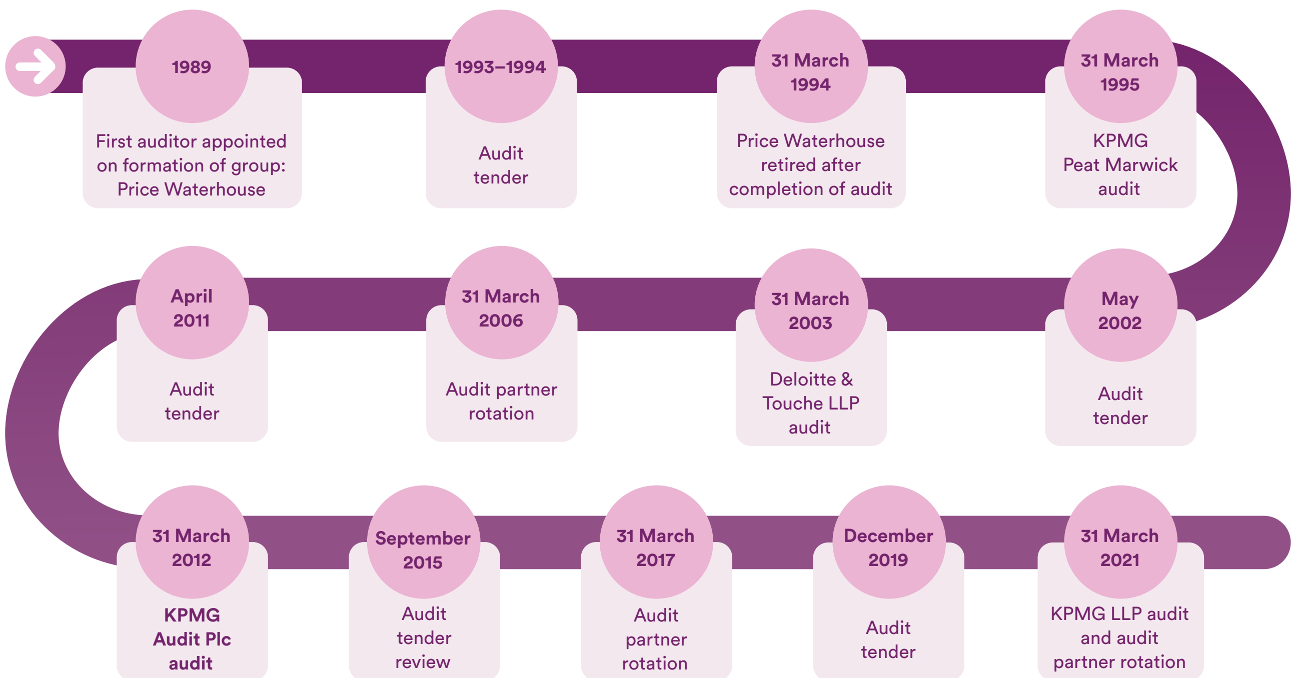
Financial year	Audit fee
2020/21[1]	£678,000
2021/22	£675,000
2022/23	£857,000
Average	**£736,000**
2023/24 non-audit fees	£195,000
2023/24 non-audit fees as per cent of average audit fees (three year rolling average)	**26.5%**

[1] Included £100,000 relating to audit of COVID-19 judgements in 2019/20 that were not captured within the reported audit fee for that year due to the additional fee not having been agreed at the point the financial statements were signed off.

Auditor provided permitted services include the non-audit fees paid to the statutory auditor for: the interim review; the regulatory audit; agreed-upon procedures for regulatory reporting; limited assurance work relating to the group's sustainable financing framework; the Euro Medium Term Note Programme; and Law Debenture Trust compliance work. Fees for non-audit services paid to KPMG include the cost of the UUW regulatory assurance work, which is separate to the regulatory audit. While this work could be performed by a different firm, the information is in fact more granular breakdowns of data that form part of the statutory audit, and by KPMG undertaking the work it reduces duplication and saves considerable cost.

Taking into account our findings in relation to the effectiveness of the audit process, and in relation to the independence of KPMG, the committee was satisfied that KPMG continues to be independent, and free from any conflicting interest with the group.

Rotation of external auditor to the group



Internal audit external quality assessment

During the year, BDO were engaged to conduct an assessment of the quality and effectiveness of the internal audit function, which, in accordance with the requirements of the Institute of Internal Auditors (IIAs) international standards, should be undertaken by an external assessor at least every five years. Prior to this, the last review was undertaken in 2019.

The review examined the function's compliance with IIAs internal audit standards, audit quality, and application of its methodology, undertook a gap analysis against new internal audit standards, and benchmarked against other FTSE100s' internal audit functions.

The outcome of the review was presented to the committee in March 2024. BDO's review concluded that the group's internal audit function was fit for purpose and was operating efficiently and effectively, in line with good practice. The group's internal audit function was attributed with the International Professional Practices Framework's highest grading of 'generally conforms' and an improvement from the 2019 EQA, which was graded in the category below of 'partially conforms'. A number of opportunities for improvement were identified including recommendations relating to the use of data analytics and the use of PwC as the current co-source partner.

Read more about **our planning horizons** on page 32

Read **our directors' responsibility statement** on page 168

Statutory auditor reappointment for the year ending 31 March 2025

The 2023/24 year-end audit has been KPMG's thirteenth consecutive year in office as auditor; they were reappointed after the committee conducted a formal tender process in December 2019 and as reported by the committee in the 2020 annual report. Prior to this, a formal tender was last undertaken in 2011, and resulted in the appointment of KPMG, who thereafter presented their report to shareholders for the year ended 31 March 2012.

The diagram on page 132 shows the historical tendering and rotation of the role of statutory auditor. The company, as a public interest entity, is required to conduct a competitive tender process every ten years, and rotate auditors after 20 years at most, as a result, KPMG can remain as auditor until the completion of the 31 March 2031 audit. The audit engagement partner rotates at least every five years, the 2023/24 audit has been the fourth year for Ian Griffiths in the role. Preparations are being made for the next partner rotation, when the committee intends to assess the need and timing of the next audit tender.

United Utilities has complied fully with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 March 2024.

At its meeting on 10 May 2024, the committee recommended to the board that KPMG be proposed for reappointment for the year ending 31 March 2025 at the forthcoming AGM in July 2024. As a matter of good practice, the committee continually keeps the performance of the auditor under review and there are no contractual obligations that restrict the committee's choice of auditor; the recommendation is free from third-party influence, and no auditor liability agreement has been entered into.

Audit and assurance policy

The group has in place an audit and assurance policy. As part of the policy, an assurance framework has been devised, providing a standardised approach to identify the risk associated with the narrative disclosures in the integrated annual report and as a means of applying an appropriate level of assurance. In summary, our assurance framework sets out the well established 'three lines of assurance' approach:

- First line of assurance – management establish the day-to-day business operational and control processes, and is accountable for effective risk management and control activity, and provides management assurance;
- Second line of assurance – second line functions provide policy, direction and frameworks as well monitoring of the first line activities to assure compliance; and
- Third line of assurance – our internal audit team and specialist external auditors review the effectiveness of risk and control activities as well as providing assurance in respect of company disclosures.

As the level of risk increases, the governance and assurance applied to the reporting of data also increases, with material risks escalated to the board, thereby ensuring that the management, control and reporting of any risks, and resulting actions identified through the process, are proportionate to the level of risk. The approach is broadly consistent with that used for the regulatory reporting of UUW, and has been implemented in identifying the proposed levels of assurance for the integrated annual report for 31 March 2024.

Going concern and long-term viability

The committee challenged and scrutinised management's detailed assessment of the group's long-term viability and its ability to continue as a going concern, taking into account the risks facing the business, and its ability to withstand a number of severe but reasonable scenarios. The committee approved the long-term viability statement set out on page 120.

Audit committee report continued

Internal controls and risk management systems

The main features of the group's internal controls and risk management systems are summarised below:

Internal audit function

The internal audit function is a key element of the group's corporate governance framework. Its role is to provide independent and objective assurance, advice and insight on governance, risk management and internal control to the audit committee, the board and to senior management. It supports the organisation's vision and objectives by evaluating and assessing the effectiveness of risk management systems, business policies and processes, systems and key internal controls. In addition to reviewing the effectiveness of these areas, and reporting on aspects of the group's compliance with them, internal audit makes recommendations to address any key issues and improve processes and, as such, provides an indication of the behaviours being exhibited by colleagues in the areas under review. Once any recommendations are agreed with management, the internal audit function monitors completion of associated actions and reports to the committee on progress made at every meeting.

A five-year strategic audit planning approach is applied. This facilitates an efficient deployment of internal audit resource in providing assurance coverage over time across the whole business, as well as greater variation in the nature, depth and breadth of audit activities. This strategic approach supports the annual audit plan, which is then endorsed by management, and which the committee reviews, challenges and approves. The plan focuses the team's work on those areas of greatest risk to the business. Building on the strategic planning approach, the development of the plan considers risk assessments, issues raised by management, areas of business and regulatory change, prior audit findings and the cyclical review programme.

The internal audit plan covers a broad spectrum of activities and includes a mix of annual reviews, cyclical reviews and specific management requests. The areas covered by the plan for 2024/25 include:

- Regulatory compliance, submissions and reporting;
- Compliance with environmental regulations;
- Core operational activities and resilience;
- Customer, including billing;
- Systems, data and security;
- Programme activity, including readiness for the AMP8 capital programme; and
- Compliance with statutory and corporate reporting requirements.

The purpose, scope and authority of internal audit is defined within its charter, which is approved annually by the audit committee. As set out in the charter, internal audit perform their work in accordance with the mandatory aspects of the International Professional Practice Framework of the Chartered Institute of Internal Auditors, and with integrity (honestly, diligently and responsibly) and objectively (without conflicts of interest).

Internal audit, led by the head of audit and risk, covers the group's principal activities and reports to the committee, and functionally to the CFO, both of whom review the head of audit's annual personal objectives. The head of audit and risk attends all scheduled meetings of the audit committee, and has the opportunity to raise any matters with the committee members at these meetings without the presence of management. He is also in regular contact with the chair of the committee outside of committee meetings.

The in-house team is expanded as and when required with additional resource and skills co-sourced from external providers ensuring that the internal audit function has sufficient resources and expertise to deliver the annual audit plan. The committee keeps the relationship with co-source providers under review to ensure the independence of the internal audit function is maintained and there is a documented process to manage possible conflicts of interest with the co-sourced resource. Ensuring that any co-source resource remains independent in the course of its work is crucial to the integrity of its work. Following a competitive tender process, PwC was last re-appointed as co-source resource provider during 2020/21.

The internal audit function liaises with the statutory auditor, discussing relevant aspects of their respective activities, which ultimately supports the assurance provided to the audit committee and board.

Assessing the effectiveness of the internal audit function

The effectiveness of the internal audit function's work is continually monitored using a variety of inputs, including the ongoing audit reports received, the audit committee's interaction with the head of audit and risk, a biannual review of the department's internal quality assurance report, a quarterly summary dashboard providing a snapshot of the progress against the internal audit plan tabled at each committee meeting as well as any other periodic quality reporting requested.

An annual stakeholder survey in the form of a feedback questionnaire is circulated to committee members, senior management and other managers who have regular contact with the internal audit function, including representatives from the auditor KPMG and the co-source audit provider PwC. The responses were anonymous to encourage open and honest feedback, and were consistently favourable, as were previous surveys.

Taking all these elements into account, including the internal audit external quality assessment conducted in the year (see opposite) the committee concluded that the internal audit function was an effective provider of assurance over the organisation's risks and controls and appropriate resources were available as required.

Risk management systems

The group designs its risk management activities to manage rather than eliminate the risk of failure to achieve its strategic objectives.

The committee receives updates and reports from the head of audit and risk on key activities relating to the company's risk management systems and processes at every meeting. These are then reported to the board, as appropriate. A diagram and explanation of the risk management governance and reporting process can be found on page 44. The CFO has executive responsibility for risk management and is supported in this role by the head of audit and risk, and the corporate risk manager and his team. The group audit and risk board (GARB) meets quarterly and reviews the governance processes and the effectiveness and performance of these processes along with the identification of emerging trends and themes within, and across, the business. The work of the GARB then feeds into the information and assurance processes of the audit committee and into the board's assessment of risk exposures and the strategies to manage these risks.

Supplementing the more detailed ongoing risk management activities within each business area, the biannual business risk assessment process seeks to identify how well risk management is embedded across the different teams in the business. The business risk assessment process involves a high-level review of the effectiveness of the controls that the business has in place to mitigate risks relating to activities in each business area, while identifying new and emerging risks and generally facilitating improvements in the way risks are managed.

The outcome of the business risk assessment process is communicated to the executive team and the board. This then forms the basis of the determination of the most significant risks that the company faces, which are then subject to review and challenge by the board. The group utilises risk management software in order to maintain an up-to-date view of the assessment and management of risk. The maturity of the risk management framework and its application across the business is assessed on an annual basis against a defined maturity model. This assessment provides an objective appraisal of the degree of maturity in how the risk management system is being applied against the key elements of ISO 31000:2018 Risk Management Standard. The results of the maturity assessment are reported to the GARB, along with a road-map of activity to achieve a target level of maturity.

An external assessment of the risk management framework last took place in 2017/18.

Internal controls
The committee reviews the group's internal control systems and receives updates on the findings of internal audit's investigations at every meeting, prior to reporting any significant matters to the board. Internal control systems are part of our business-as-usual activities and are documented in the company's internal control manual, which covers financial, operational and compliance controls and processes. During the year, work has been undertaken by management to better evidence the operation of existing internal controls. Internal control systems over financial reporting are the responsibility of the CFO, with the support of the GARB, the financial control team and the internal audit team, although the head of audit and risk and his team are directly accountable to the audit committee.

Confirmation that the controls and processes are being adhered to throughout the business is the responsibility of managers, but is continually tested by the work of the internal audit team as part of its annual plan of work, which the committee approves each year as well as aspects being tested by other internal assurance providers. Compliance with the internal control system is monitored annually by the completion of a self-assessment checklist by senior managers in consultation with their teams. The results are then reviewed and audited on a sample basis by the internal audit team and reported to the committee.

In 2021/22 an independent review of the maturity of the group's internal control framework over financial reporting was conducted in light of the BEIS consultation, and the expected evolution of the UK internal control requirements, in general terms but also more specifically in relation to controls over financial reporting. The findings of the independent review were that: there was a high level of coverage of the financial statement line items in both the consolidated statement of comprehensive income and the balance sheet; risk and control matrices were in operation; and the fundamental building blocks underpinning an internal control framework over financial reporting were in place. A number of enhancements were recommended in relation to IT controls supporting the financial reporting controls. A working group was established to implement these recommendations, with good progress being made against 'no regrets' actions.

The committee considered the revised 2024 code and steps proposed for compliance ahead of the 31 March 2025 year end.

Anti-fraud and anti-bribery
The audit committee is responsible for reviewing the group's procedures for detecting fraud, and the systems and controls for preventing other inappropriate behaviour. In the first instance of an incident being reported, a summary of the allegations is passed to the fraud and whistleblowing committee (consisting of the company secretary, the people director, the regulation and compliance director, the commercial, engineering and capital delivery director, the head of people services and the head of internal audit and risk) to decide on the appropriate course of action and investigation and by whom.

During the year, the audit committee was kept fully apprised in regular updates on the progress and findings of investigations of cases of alleged fraud and any remedial actions taken. Following the enactment of the Economic Crime and Corporate Transparency Act 2023 (the ECCT Act), the fraud risk assessment was updated to incorporate all the fraud offences included in the ECCT Act. Once guidance relating to the ECCT Act is published, the group's related anti-fraud policies and processes will be reviewed and updated as appropriate.

In line with the group's anti-fraud culture and zero-tolerance attitude towards fraud, a cross-business fraud risk assessment is carried out through the security steering group to identify and understand potential threats, optimise the group's response and mitigation, and ensure consistency across the business.

An external review of the group's fraud risk management framework was last undertaken in 2021/22. The review assessed the maturity of the framework and sought to identify any enhancements required given the evolving nature of business processes and the working environment. An action plan to strengthen the approach to fraud risk assessment was implemented, overseen by the security steering group, with the final report presented to the committee in March 2022. During 2022/23, internal audit reviewed the design effectiveness of controls for the most significant fraud risks in each business area – no further control weaknesses, gaps or effectiveness issues were identified as a result of the review.

The company has an anti-bribery policy to help prevent bribery being committed on its behalf, which all colleagues must follow, and processes in place to monitor compliance with the policy. Colleagues in certain roles are required to complete anti-bribery training materials. As part of the anti-bribery programme, colleagues must comply with the group's hospitality policy. The hospitality policy permits colleagues to accept proportionate and reasonable hospitality for legitimate business purposes only and all hospitality (and gifts) offered and accepted has to be logged, and approved when accepted. Colleagues and representatives of the group's suppliers must comply with the group's responsible sourcing principles and United Supply Chain approach. The group will not tolerate corruption, bribery and anti-competitive actions. Suppliers are expected to comply with applicable laws and regulations, and in particular never to offer or accept any undue payment or other consideration, directly or indirectly, for the purposes of inducing any person or entity to act contrary to their prescribed duties.

As part of the internal control self-assessment checklist (part of the group's internal control processes), senior managers in consultation with their teams are required to confirm, among other things, that they have complied with the group's anti-bribery and hospitality policies. The anti-bribery programme is monitored and reviewed biannually by the committee.

Read more about **delivering on our purpose** on page 19

Read more about **our AMP8 business plan** on page 24

Treasury committee report

Members

Doug Webb
Chair of the treasury committee

Phil Aspin
Brendan Murphy

Quick facts

- The committee meets three times a year.
- The committee operates under terms of reference and delegated authorities approved by the board.
- The company secretary attends all meetings of the committee.
- The treasurer is a member of the committee.
- The members of the committee participated in the external evaluation undertaken by Independent Audit Limited in December 2023. The review of the responses indicated that the committee was effective and its members had the appropriate skills and experience to fulfil the committee's responsibilities.

Main responsibilities

- Review of the group's treasury policies in relation to: financing; liquidity; hedging of market risks (interest rates, inflation, currency and electricity); financial counterparty credit risk; credit ratings; and capital structure.
- Execution of the financing plan and evaluation of funding opportunities.
- Liquidity management and review of forecasts.
- Execution of hedging transactions and programmes in relation to the management of market risks in accordance with treasury policy parameters.
- Developments in relation to the credit ratings agencies.
- Credit investor relations.
- Banking relationships.
- Treasury delegated authorities, internal controls and governance.
- Reporting to the board on matters relating to the group's treasury activities, including board approval of the annual treasury update and associated financing plan and board delegated authorities.

Dear shareholder

During the year, with the board's delegated authority, the committee oversaw the successful execution of the group's funding programme. Approximately £1.3 billion of new term funding was raised, excluding the group's second sustainable public bond issue, a £300m 15.5-year maturity priced in March and issued in April 2023.

During the year, the committee has assessed potential AMP8 funding requirements alongside the development and submission of UUW's PR24 business plan and associated plans for a significant increase in investment. Consequently, FY23/24 has been a very active funding year compared with previous years as the committee and the board are keen to ensure that the group is well advanced in its preparations to deliver the AMP8 investment programme.

Of the £1.3 billion of new financing raised, £650 million has come from the sterling public bond market, including the group's third sustainable public bond, a £350 million 13-year maturity issued in June 2023, along with a new £250 million 22-year bond issued in January 2024.

Mindful that while the sterling market has been very supportive of the group over many years, the committee has also been evaluating opportunities to broaden credit investor diversification via access to other debt markets. This resulted in the group returning to the euro public bond market for the first time in almost 20 years, issuing in February 2024 the group's fourth sustainable bond, a €650 million long ten-year maturity that attracted an investor order book of around €2.5 billion, following a two-day virtual investor roadshow.

The committee has continued to monitor financial market conditions closely as central banks continued tightening monetary policy in the first half of the year in response to high inflation, amidst heightened geopolitical tensions, and more volatile markets.

The continuation of our funding programme has positioned the group well, with projected AMP7 financing requirements fully covered and us now making inroads into AMP8 financing. The committee also completed a 'deep dive' review of the group's counterparty credit risk policy.

The committee also oversaw the group executing its first public liability management transaction in March 2024, with a partial buyback of a £450 million bond that matures in February 2025. Just over £110 million of the bond was bought back via a fixed spread public tender offer.

Last year, the committee oversaw the development of replacement fallback provisions (applicable upon cessation of, or fundamental changes to, the UK Retail Prices Index (RPI)), in response to proposed changes to RPI that are expected to be implemented by the UK Statistics Authority in 2030, which are intended to more closely align RPI with the calculation of the Consumer Prices Index including owner occupier housing costs (CPIH).

The group continues to engage with existing RPI-linked noteholders to discuss the new fallback and potentially amend the terms and conditions of certain notes to adopt the new fallback, in order to reduce the risk of the cessation of, or a fundamental change to, RPI resulting in redemption of existing RPI-linked notes at their indexed par value.

The group has access to debt capital markets via its EMTN Programme or by putting bespoke documentation in place. The EMTN Programme, in conjunction with our sustainable finance framework, launched in November 2020, is expected to continue to be the primary vehicle for the group accessing funding in the debt capital markets. In July 2022, the group published its third sustainable finance framework allocations and impact report. Details of the group's engagement with banks and credit investors can be found on page 111.

Doug Webb
Chair of the treasury committee

Quick links

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

Compliance committee report

Members

Alison Goligher
Chair of the compliance committee

Doug Webb
Louise Beardmore
James Bullock

Quick facts

- The committee comprises three directors, two of whom must be independent non-executive directors and one of whom is appointed as chair.
- The company secretary attends all meetings of the committee.
- The regulation and compliance director is a member of the committee.
- A minimum of two meetings are held each year. The inaugural meeting was held in April 2023, with a total of four meetings held during the year.

Main responsibilities

- Review of key UUW regulatory submissions and underlying governance policies.
- Review compliance with areas of legislation or regulation as the committee sees fit.
- Be kept abreast of changing regulatory or legislative requirements.
- Oversee the structure and processes of interactions with UUW's regulators.

Quick links

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

Dear shareholder

The committee's duties are focused on providing oversight and challenge of UUW's regulatory submissions.

Annual business

Annual regulatory submissions to Ofwat considered by the committee include the annual performance report and regulatory accounts submitted in July of each year, and the charges and tariffs submission at the turn of the year.

Ofwat requires water companies to publish an annual performance report (APR) to demonstrate compliance with their individual price controls that Ofwat has set for each of them. These reports are published on the United Utilities' website.

As part of the APR publication, the board must provide supporting board assurance statements – first, a statement demonstrating the board has met Ofwat's Board Leadership, Transparency and Governance principles, and secondly, a risk and compliance statement. The risk and compliance statement confirms that the company:

- has understood and met all of its statutory, licence and regulatory obligations and has taken steps to meet customer expectations;
- has satisfied itself that it has sufficient processes and internal control systems to meet its obligations;
- has appropriate systems and processes to allow it to identify, manage, mitigate and review its risks; and
- has confidence that the data and information contained in the submission is accurate and complete.

Identified departures from compliance are set out in the accompanying 'Table of Departures'.

The committee reviewed the proposed approach for the production and assurance of the APR at its meeting in April 2023, challenging management and making a number of recommendations to enhance the assurance framework. It reviewed the APR and board assurance statements at its meeting in June 2023 including the Table of Departures, and recommended the same to the UUW board for approval and for submission to Ofwat in July 2023.

The regulatory accounts, which are produced in accordance with Ofwat's regulatory accounting guidelines (and which define the treatment of certain items e.g. revenue and interest), are submitted to Ofwat in July alongside the APR, were reviewed and recommended to the UUW board for approval.

Charges and tariffs

As required by Ofwat, the board approves the publication of UUW's charges and tariffs each year. In April 2023, the committee reviewed the planned governance arrangements, and the indicative charges and tariffs proposals for 2024 in September 2023.

Looking to the future

The committee spent considerable time in its review of the approach to assurance for its AMP8 business plan, challenging management and making a number of recommendations for change. This provided comfort and confidence to the board in making its eventual decision to approve the plan's board assurance statement on submission in October 2023. Similarly, the committee reviewed the assurance approach to give comfort to the board supporting the submission of the Drainage Water Management Plan (DWMP) to Defra in May 2023. The DWMP assesses the effects of the expected future pressures on UUW's wastewater systems over the short, medium and long term (25 years) and the mitigating actions and interventions that can be implemented to maintain or enhance wastewater services. Both are key regulatory submissions and provide a framework for UUW's work in the region now and in the long term.

Other matters considered by the committee during the year included: reviewing the company's process to assess assurance risk, considering more detailed reviews on the approach to assurance in areas considered to be high risk such as storm overflow spill reporting, and leakage and per capita consumption data. The committee made a number of recommendations to management to enhance the clarity of the reporting.

Alison Goligher
Chair of the compliance committee

ESG committee report

Members

Paulette Rowe
Chair of the ESG committee

Alison Goligher
Liam Butterworth

Michael Lewis
Louise Beardmore

Quick facts

- The committee comprises five directors appointed by the board, four of whom are independent non-executive directors.
- The company secretary, the corporate affairs director, the people director, and the investor relations and clean energy strategy director attend all meetings of the committee.
- Senior operational directors attend the committee to report on the environmental, social and governance aspects of particular topics and initiatives.
- The committee has power delegated to it from the board in relation to environmental, social and governance matters.

Quick links

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

Dear shareholder

I am pleased to introduce this report on the activities of the ESG committee in 2023/24. We have seen another year where environmental, social and governance matters continue to grow in importance to our stakeholders. The committee recognises the rapid developments in ESG expectations, from our investors, customers and other stakeholders, and is committed to ensuring the skills, knowledge and experience of its members stay ahead of the pace of change.

This year, I will be stepping down from my role as chair of the committee, with Liam Butterworth to be taking over. I wish Liam all the best in continuing to drive improvements in the company's ESG performance. I am also delighted to welcome Michael Lewis and Clare Hayward as members of the committee. They bring with them a wealth of experience in ESG, including Michael's role as a member the Natural Environment Research Council. In addition, this year, the CEO, the asset management director and I have gained Chapter Zero membership to continuously develop our subject matter expertise on ESG issues.

This year, we have also established the ESG leadership group as a principal management committee at United Utilities, for leaders from across the business to manage the material ESG issues we face. This has further strengthened our governance over ESG, with this group feeding directly into the topics we discuss at committee meetings.

Storm overflows and their impact on river water quality have continued to be a high priority with this topic dominating the group board agenda. The coverage of this topic at our group board has allowed space on the committee's agenda for regular items on carbon and renewables, affordability and vulnerability, and people, diversity and inclusion. These four topic areas will continue to feature regularly on the committee agenda into 2024/25.

River water quality and overflows

Alongside updates on the Better Rivers programme at the group board, the committee also had updates on the Better Rivers engagement pledges where the company is making good progress. This topic will continue to be regularly discussed at both the group board and the committee.

Carbon and renewables

An annual strategic review of the company's approach to net zero was presented, including progress updates on the six carbon pledges. The committee requested a further agenda item on scope 3 emissions science-based targets, noting the challenges faced on scope 3 emissions across the wider economy. Core to meeting the science-based targets is the company's AMP8 business plan and associated net zero plans. These also directly link to the six carbon pledges which were presented by the asset management director. The committee also discussed the company's approach to renewables as a key element of its net zero approach.

Affordability and vulnerability

Affordability and vulnerability are highly important issues in the North West, and as such, the committee continues to focus on this topic, as it has in previous years. The committee agenda has an item every six months on lower income groups. Complementary to this, the customer director presented an item on the range of offerings available for vulnerable customers. Another area of work supporting affordability of customers' bills was the company's smart metering trials, the committee noting the importance of smart metering to support other targets, such as per capita consumption.

People, diversity and inclusion

The ESG committee had two agenda items on equity, diversity and inclusion (EDI) in the year. The people director presented the company approach and targets on EDI, before returning to the committee later in the year with the EDI annual report. Part of the EDI annual report is the gender pay report, which had been a standalone item at the committee. On behalf of the group board, the ESG committee also discussed an item on corporate culture and its alignment with business purpose, strategy and values.

Other items

The committee had regular items on stakeholder engagement, which covered topics at the top of stakeholders' priorities, such as the changing ministerial landscape, rivers and environmental performance across the sector, land management and the company business plan. There were also items on community investment, trends in the ESG landscape and on the company's plans for adaptation to climate change.

Paulette Rowe
Chair of the ESG committee

Looking to the next year, the ESG committee will:

- Continue to look for opportunities to build on and develop our ESG subject matter expertise;
- Review ESG rating performance and the dashboard tracking the company's efforts to support customers on low incomes;
- On behalf of group board, review progress and issues arising from the Colleague Voice panel and the company's approach to culture;
- Continue to examine the interaction between purpose, ESG and reputation, and review the approach to stakeholder engagement and the management of reputational risks;
- Oversee matters of general governance; and
- Undertake matters of committee governance such as reviewing its rolling calendar of agenda items, the annual committee evaluation and examination of the committee's terms of reference.

Main responsibilities

- Consider and recommend to the group board the broad approach to environmental, social and governance matters taking into account the company's desired ESG positioning;
- Keep under review the group's approach to environmental, social and governance matters and ensure it is aligned with the group strategy including the company purpose, strategy and values;
- Review environmental, social and governance issues and objectives material to the group's stakeholders and identify and monitor the extent to which they are reflected in group strategies, plans and policies;
- Monitor and review the status of the company's reputation and examine the contribution of the group's corporate responsibility activities toward protecting and enhancing its reputation;
- Monitor and review compliance with the group board's approach to environmental, social and governance matters and scrutinise the effectiveness of the delivery of the ESG commitments;
- Develop and recommend to the group board ESG targets and key performance indicators and receive and review reports on progress towards the achievement of such targets and indicators; and
- Review all approved specific giving where the aggregate financial contribution exceeds £100,000 over the period of the proposed funding and to review all community giving expenditure annually.

Read more about how our purpose links to ESG on page 31

Read more about how we are working to improve river health on page 13

Remuneration committee report

Members

Kath Cates
Chair of the remuneration committee

Doug Webb
Alison Goligher

Quick facts

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

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

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

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

Quick links

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

Annual statement from the remuneration committee chair

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

Dear shareholder

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

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

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

Delivering a stronger, greener and healthier North West

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

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

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

Remuneration during 2023/24

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

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

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

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

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

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

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

Looking ahead

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

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

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

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

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

Kath Cates
Chair of the remuneration committee

At a glance summary: executive directors' remuneration

Aligning our remuneration approach to business strategy

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

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

Our strategic priorities

Our purpose is implemented throughout our strategy

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

Stakeholders

Delivering for all our stakeholders

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

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

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

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

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

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

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

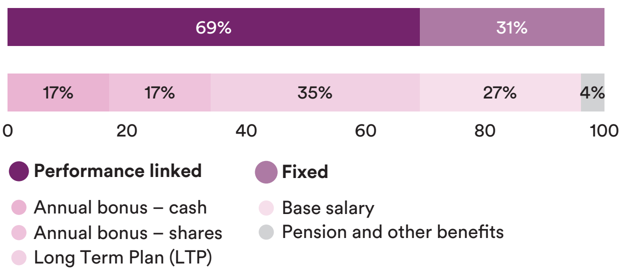
At a glance summary: executive directors' remuneration continued

Executive directors' remuneration policy

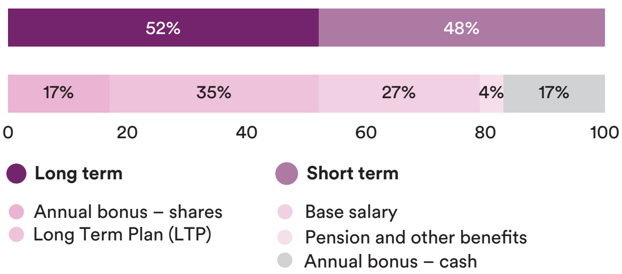
Elements of executive directors' pay

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

Performance-related vs fixed (%)[1]



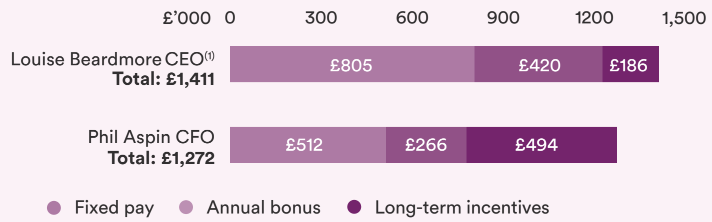
Long term vs short term (%)[1]



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

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

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

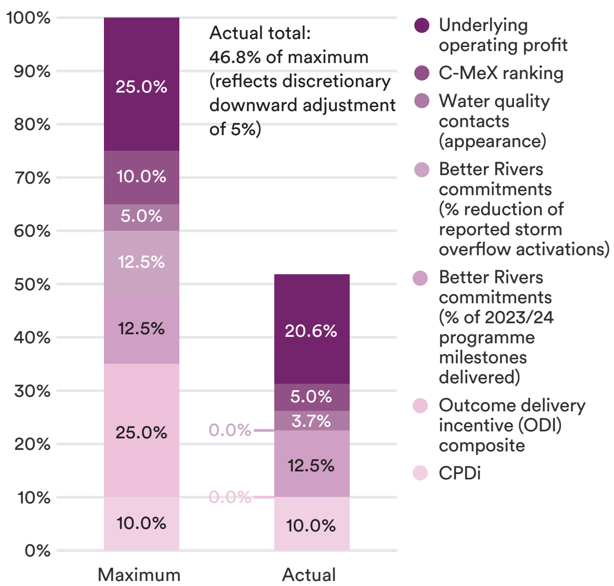


[1] For Louise Beardmore, the LTP relates to an award granted prior to her appointment in her current role.

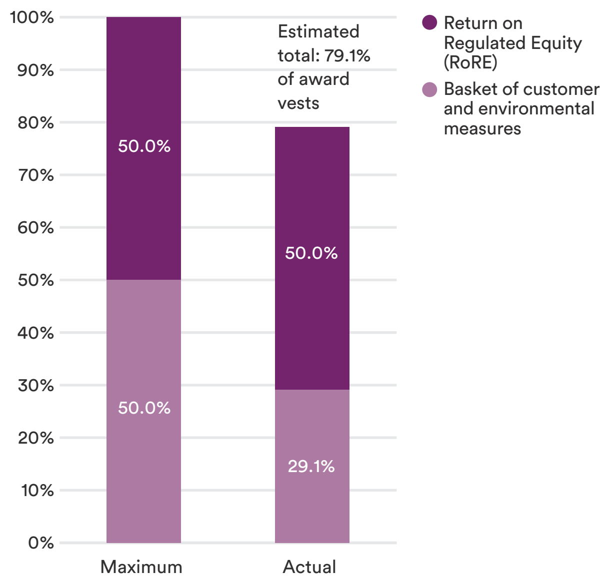
Annual bonus and Long Term Plan (LTP) outcomes

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

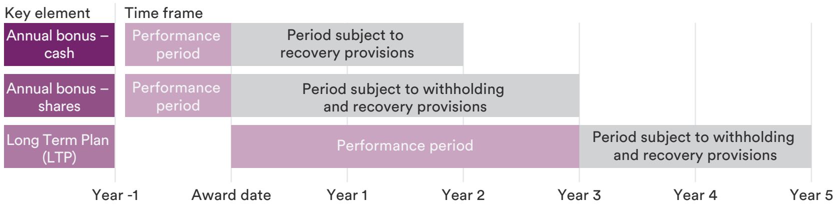
2023/24 Annual bonus outcome



Estimated 2021 Long Term Plan (LTP) outcome



Pay at risk



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

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

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

Key:

- At or above stretch target
- Between threshold and stretch targets
- Below threshold target

(1) For the purpose of annual bonus, underlying operating profit excludes infrastructure renewals expenditure and property trading.

(2) Average RoRE compared to average allowed RoRE over 2021/22, 2022/23 and 2023/24.

(3) Total of the overall 2021 LTP outcome arising from performance in relation to the basket of customer and environmental measures. See page 147.

Aligning pay with performance

See pages 146 to 147 for details

Annual bonus – year ended 31 March 2024

Underlying operating profit[1]

£711.3m

C-MeX ranking versus the other water companies

6th out of 17

Water quality contacts (appearance)

5,428

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

0%

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

100%

Outcome delivery incentive (ODI) composite

£32.2m

Capital programme delivery incentive (CPDi)

98.0%

Long Term Plan – three years ended 31 March 2024

Return on regulated equity (RoRE)[2]

+9.09%

Basket of customer and environmental measures[3]

29.1%

Annual report on remuneration

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

	Fixed pay								Variable pay							
	Base salary £'000		Pension £'000		Benefits £'000		Subtotal £'000		Annual bonus £'000		Long-term incentives £'000		Subtotal £'000		Total £'000	
Year ended 31 March	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.

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

Overall underpin

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

✓ Assumed met.

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

Estimated vesting (% of award): 79.1%

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

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.
(2) Measures based on the performance commitment definitions as per the AMP7 final determination.
(3) Outcome based on performance in the financial year ending 31 March 2024 as published in our own and/or the other water companies' annual performance reports for 2023/24.
(4) Outcome based on performance in the calendar year ending 31 December 2023 as published in our own annual performance report for 2023/24.
(5) Outcome based on performance in the calendar year ending 31 December 2023 as published in the Environment Agency's published report in 2024.
(6) Average share price over the three-month period from 1 January 2024 to 31 March 2024.
(7) 5.66 per cent of the value vesting is attributable to share price appreciation, which equates to £10,643 for Louise Beardmore and £28,239 for Phil Aspin.

Annual report on remuneration continued

Deferred Bonus Plan awards made in the year ended 31 March 2024 (audited information)

Bonuses are earned by reference to performance in the financial year and paid in June following the end of the financial year.

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

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

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

(1) The face value has been calculated using the closing share price on 15 June 2023 (the dealing day prior to the date of grant), which was 1,036.75 pence per share.

(2) The Deferred Bonus Plan award for Louise Beardmore was in respect of the bonus she earned in 2022/23, which includes one month in her previous role i.e. prior to her appointment to the board, and in which a 40 per cent deferral requirement applied. This amount is not included in the single figure table on page 146.

2023 LTP awards with a performance period ending 31 March 2026 (audited information)

The table below provides details of share awards made to executive directors on 15 December 2023 in respect of the 2023 LTP:

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

(1) Face value calculated using closing share price on 14 December 2023 (the dealing day prior to the date of grant), which was 1,109.50 pence per share.

(2) An additional holding period applies after the end of the performance period such that the overall vesting period is at least five years.

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

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

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

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

(2) The basket of customer and environmental measures will be based on the performance commitment definitions as per the AMP8 final determination. The Committee has reserved the discretion to review and amend the targets set in respect of the Spills, Leakage and Priority Services measures on Ofwat's publication of the final determination.

(3) Based on performance in respect of the calendar year ending 31 December 2025 as published in our Annual Performance Report for 2025/26.

(4) Based on performance in respect of the calendar year ending 31 December 2025 as published in the Environment Agency's published report in 2026.

(5) Based on performance in respect of the financial year ending 31 March 2026 as published in the UUG Annual Report and Accounts and/or UUW Annual Performance Report for 2025/26.

Performance-related pay in 2024/25

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

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

Annual bonus for 2024/25

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

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

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

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

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

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

2024 LTP awards with a performance period ending 31 March 2027

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

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

Annual report on remuneration continued

Supporting our colleagues' wellbeing

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

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

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

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

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

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

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

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

Cascade of remuneration through the organisation

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

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

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

Annual report on remuneration continued

CEO pay ratios

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

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

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

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

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

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

Relative importance of spend on pay

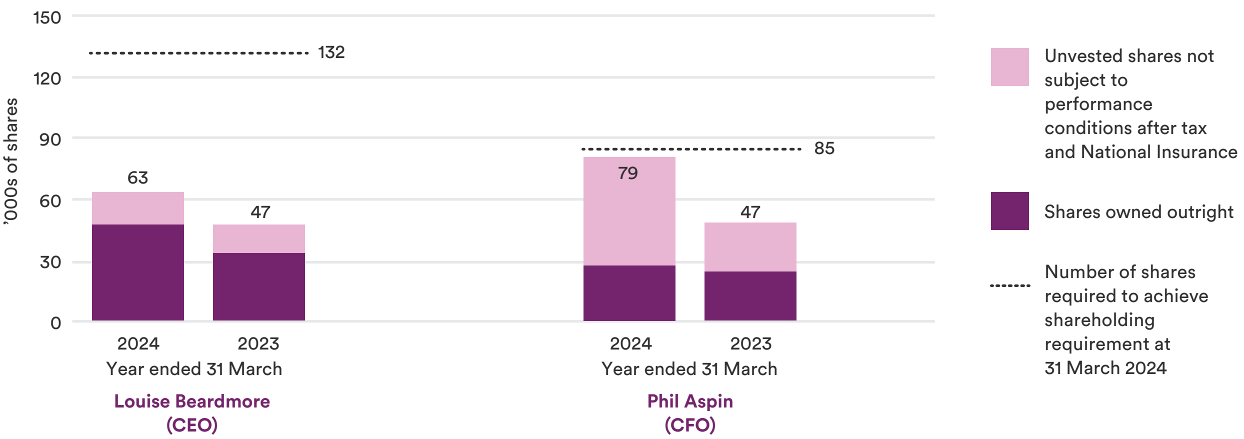
The table below shows the relative importance of spend on pay compared to distributions to shareholders.

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

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

Executive directors' shareholding (audited information)

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



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

Director	Shareholding requirement (% of salary)	Number of shares required to meet shareholding requirement[1]	Number of shares owned outright (including connected persons)		Unvested shares not subject to performance conditions[2]		Total shares counting towards shareholding requirements[3]		Shareholding as % of base salary at 31 March	Shareholding requirement 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.

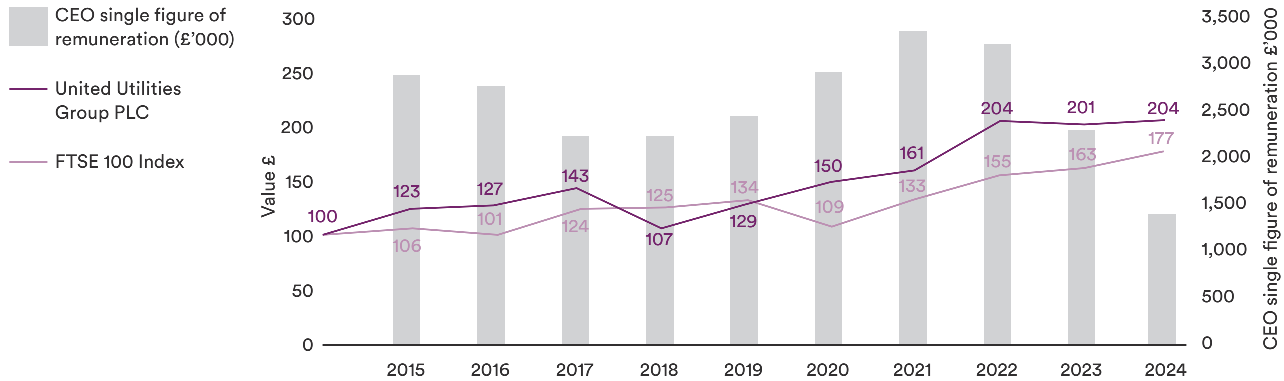
Annual report on remuneration continued

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.

Governance

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.