



## Remuneration linked to sustainability performance



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

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

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

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

## Engaging with our stakeholders

Active engagement helps us to understand what matters most.

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

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

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

### Colleagues

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

### Communities

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

### Customers

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

### Environment

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

### Investors

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

### Suppliers

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

### Media

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

### Politicians

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

### Regulators

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

**Our strategic priorities**



Improve our rivers



Create a greener future



Deliver great service for all our customers



Provide a safe and great place to work



Spend customers' money wisely



Contribute to our communities

## S172(1) Statement

Our key decisions during the year to 31 March 2024

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

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

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

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

### AMP8 business plan submission and long-term delivery strategy:

#### Link to strategy



#### The decision

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

#### How we engaged with stakeholders

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

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

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

### The board's view

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

### Five counties model

#### Link to strategy



#### The decision

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

#### How we engaged with stakeholders

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

#### The board's view

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



## S172(1) Statement continued

### Five counties model continued

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

### Clean energy and renewables

#### Link to strategy



#### The decision

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

#### How we engaged with stakeholders

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

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

#### The board's view

United Utilities uses around 800GWh each year of electricity – costing in the region of £164 million during 2023/24 and with usage forecast to increase, we need to

take every opportunity to minimise our electricity usage as well as de-risk our susceptibility to energy price volatility.

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

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



## Governance around climate-related risks and opportunities

### TCFD governance disclosures

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

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

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

### Board oversight of climate-related risks and opportunities

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

The board of directors sets, reviews and guides the strategy of the group ensuring the long-term success of United Utilities for customers, investors and wider stakeholders. The board approves the

business plan, annual budgets and group policies. The impact of climate change on the assets and liabilities of the group are described within the accounting policy notes to the financial statements, see page 188. Climate-related issues feature strongly in our environment policy and in turn directly influence our value-based decision-making. This enables us to plan and deliver investments that represent best value for the environment and communities.

Our CEO, Louise Beardmore, has accountability to the board for climate matters. Louise is an active and vocal champion with respect to environmental topics and initiatives and she passionately

promotes the need for both pace and scale of action to adapt and mitigate climate change.

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