Building a greener North West

Key performance indicators

Our key performance indicators for building a greener North West are achievement of our Better Rivers commitments, our carbon pledges relating to renewable energy, green fleet, peatland restoration and woodland creation, and the Environment Agency's Environmental Performance Assessment. We report on a selection of other environmental metrics of interest to stakeholders on page 72.

Better Rivers: Better North West commitments	Carbon pledges	EA's Environmental Performance Assessment (EPA) rating[1]
The percentage of in-year milestones delivered as part of our Better Rivers programme.	Six pledges supporting our climate change mitigation activities including green fleet, peatland restoration and woodland creation, and supplier engagement.	The Environment Agency's annual assessment across six key sector environmental performance measures.
Target At least 95% of programme milestones delivered by 2025	**Target** Individual targets for each of the six carbon pledges	**Target** Upper quartile performance within the water industry each year
Annual performance 100%	**Annual performance** Good progress	**Annual performance** 3* 'good' rating
All of this year's Better Rivers programme milestones have been delivered, including ensuring 100 per cent of our storm overflows are monitored, which was completed by December 2023.	Having already delivered two of our six pledges, during the last 12 months we have surpassed our 2030 target for peatland restoration ahead of schedule, with potential identified to go further. We continue to make progress on the other pledges, as detailed on page 74.	The most recent assessment is for 2022, when we were awarded three stars, meaning we were classed by the Environment Agency as a good company. The EA will publish its annual assessment for 2023 in July 2024, and we are on track for 4-star 'industry-leading' performance.
2022/23: 100% of milestones for the year	2022/23: Pledges 2 and 6 met	2021: Joint first
2021/22: n/a – new measure in 2022/23	2021/22: Pledges 2 and 6 met	2020: Joint first
Status Met expectation/target	**Status** Met expectation/target	**Status** Met expectation/target
Key stakeholder Environment	**Key stakeholder** Environment	**Key stakeholder** Environment
Relevant material themes[2] • River water quality and storm overflows • Political and regulatory environment • Trust, transparency and legitimacy	**Relevant material themes[2]** • Climate change mitigation • Resilience • Trust, transparency and legitimacy	**Relevant material issues[2]** • Customer service and operational performance • Trust, transparency and legitimacy • Political and regulatory environment
Relevant principal risks[3] • Wastewater network failure	**Relevant principal risks** See pages 57 to 58	**Relevant principal risks[3]** • Wastewater network failure • Recycling of biosolids to agriculture
Link to remuneration[4] Bonus	**Link to remuneration[4]** LTP	**Link to remuneration[4]** LTP
Assurance Independent third-party verification	**Assurance** Independent third-party verification	**Assurance** Independent third-party verification

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read more about our materiality assessment on pages 28 to 30.
(3) Read more about our principal risks on pages 55 to 56.
(4) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
(5) Read more about the assurance over our performance metrics on page 63.

Creating value for
- Environment
- Communities
- Investors

Consistently strong environmental performance

The Environmental Performance Assessment (EPA) published by the Environment Agency (EA) consists of seven metrics – including the addition of satisfactory sludge use and disposal for 2022 – against which company performance is assessed on a red, amber or green (RAG) status. Based on performance across all of the metrics, star ratings (one to four, with four being the highest) are then applied to each water company.

The most recent assessment is for 2022, and we were awarded overall three stars, meaning we were classed by the EA as good. The EA will publish its assessment for 2023 in July 2024, and we are on track to achieve the maximum four stars, which would classify us as 'industry leading'.

This remains a strong achievement, particularly as the thresholds to assess companies' performance continue to tighten. We were green across six of the seven metrics, with an amber status for discharge permit compliance being the only factor falling short of us achieving the top 4-star rating. We have been rated three or four stars in every year's assessment since they began, with the top 4-star rating secured in five of the last eight years, demonstrating consistently strong environmental performance.

We continue to deliver a sustained reduction in pollution incidents, achieving industry-leading performance on minimising pollution in the 2022 assessment. We were one of only two companies with zero serious pollution incidents (category 1 and 2). This was the 12th year running that we were rated green status for our performance on serious incidents, which is the strongest performance in the industry. We also had the lowest number of total pollution incidents per 10,000km² of any company. While the extraordinarily heavy rainfall we experienced this year did have an impact on our pollution performance commitment with an ODI penalty in this area, we continue to perform strongly and remain committed to minimising our environmental impact.

We once again achieved green status for our delivery of the Water Industry National Environment Programme (WINEP). We have delivered 100 per cent of our WINEP schemes by their planned delivery date since the beginning of the current 2020–25 period (AMP7). These schemes are delivering significant improvements to the environment, including rivers, across the North West.

Improving water quality in rivers across the North West

We are dedicated to improving rivers across the North West, which is one of our six strategic priorities. Under the Water Framework Directive, river water quality is measured by whether it is achieving good ecological status, and the target is for all rivers to attain this by 2027. Where rivers fail to meet this, the 'reasons for not achieving good status' (RNAGs) are assigned by the EA to a range of organisations, including water companies, with a responsibility to act to improve water quality. In 2019, 18.4 per cent of the total RNAGs in the North West where responsible sectors have been identified were attributed to us. As a result of our investment in wastewater treatment and storm overflows, we are taking action to tackle 75 per cent of these by 2025, with further reductions targeted in AMP8 and beyond. We will also continue to work in partnership with other organisations on actions to address RNAGs attributed to them, which can deliver further benefits such as improving how surface water is managed to reduce the risk of flooding.

Many of our stakeholders are concerned about the impact of storm overflows. We agree that the time has come to change this century-old feature of wastewater networks, and we are committed to going further and faster to reduce the number of spills. This is a huge change, and achieving the improvement that is needed will not happen overnight. The North West has more rainfall and more combined sewers than elsewhere in the country. However, we are committed to delivering as quickly and as effectively as possible.

Two years ago we set out our commitments to improve river health across the North West. As part of our Better Rivers programme, we set out four pledges supported by 30 commitments to kick-start a river revival in the region. We have made good progress so far. By December 2023, we had fitted monitors to all of our storm overflows, and we have published a map that shows the location and operational status of each overflow in near-real time.

As a result of our considerable efforts to improve monitoring and operation of storm overflows, we have achieved a significant reduction in the number of reported spills compared to the 2020 baseline. The exceptionally high rainfall this year did lead to an increase in spills compared with last year, but reported spills in the current year were still 24 per cent lower per overflow than our 2020 baseline. 2020 was also a wet year, comparable to 2023.

View our map of overflows across the North West at unitedutilities.com/better-rivers/storm-overflow-map

Building a greener North West

We remain on track to meet our target of a sustainable one-third reduction by 2025 under normal weather conditions.

We have made particularly strong progress at certain targeted sites. For instance at Cargo, one of our highest spilling sites, our interventions have significantly reduced spills. Having completed our work in August 2023, a site that saw 343 spills in 2022 has experienced just nine from September 2023 up to the end of the financial year. More information on our interventions at Cargo can be found in the case study on page 73. We plan to roll this out to a further 29 locations.

While we are pleased with progress so far, we want to go further and faster to deliver improvements. Our AMP8 submission included the UK's biggest storm overflow spill reduction plan, targeting a 60 per cent reduction in the decade to 2030 and, as part of Defra's Accelerated Infrastructure Delivery project, we have approval to progress with more than 150 priority projects during 2023–25.

We are focused on agile solutions that enable us to make meaningful progress quickly, while our longer-term plans look at 'blue-green' nature-based solutions as well as the traditional 'grey' options like storm tanks. We have appointed a dedicated Better Rivers director and established a new storm overflow integrated delivery team to accelerate our improvement plan and reduce spills from storm overflows as quickly as possible.

Climate mitigation

We continue to work towards our 2050 net zero ambition, with our transition plan set out on pages 37 to 39. Supporting this, we have made six bold carbon pledges, underpinned by science-based targets.

Our pledges include making absolute emission reductions, switching to low-carbon electricity, moving our fleet to green vehicles, restoring peatland and creating woodland.

Having already achieved two of these pledges, this year we also surpassed our 2030 target for peatland restoration and continue to make good progress with the remaining three pledges, as detailed on page 74.

We are delivering landscape-scale change in our peatland restoration and woodland creation programmes. These programmes are not only beneficial from a carbon perspective, capturing and sequestering greenhouse gases, but also deliver wider benefits to protect water and other habitats, and enable recreational access for communities and tourism.

For example, since 2005 we have undertaken extensive work to restore the quality of the peatland. This delivers multiple benefits, ranging from slowing the flow of water to reduce flooding risk, delivering higher-quality raw water at the receiving watercourse, and reducing carbon emissions by trapping carbon in the peat. Over the past year, we worked with partners such as the Cumbria Wildlife Trust and the Peak District National Park Authority to implement schemes to improve peatland and, with the RSPB, we planted the one millionth sphagnum plug at Dove Stone in the Peak District National Park.

As the largest corporate landowner in England, our land assets provide an abundant scope for the development of renewable and other clean technologies. We have showcased our ability in this space, having previously grown a portfolio of renewable assets across the North West. Following the sale of these assets last year, we will be recycling the funds generated by that sale to invest in the next stage of our journey. As an initial step, we are working on plans to develop up to 200 megawatts of new installed capacity by 2030. This programme could comprise a combination of solar, wind and batteries, helping to deliver emissions reductions and further improve both operating and financial resilience.

24%

reduction in spills per monitored storm overflow compared with 2020 baseline

3* or 4*

performance in the EA's annual assessments since they began, and on track for 4-star for 2023

42%

targeted reduction in scope 1 and 2 emissions by 2030, towards our net zero 2050 target

We will also work with our supply chain to achieve two scope 3 targets. Firstly, for 66 per cent of our capital goods suppliers (by emissions) to have science-based targets by 2025. Secondly, for all other scope 3 categories, to achieve a 25 per cent reduction in emissions by 2030 (from a 2019/20 baseline year).

We are proud to be contributing to the UK water industry's efforts to mitigate climate change.

Climate resilience

We continue to invest across our business to protect and enhance the climate resilience of our assets, processes and customer services.

In December 2021, we published a comprehensive overview of our climate risks and plans in our third climate change adaptation progress report, and we are in the process of updating this again during 2024. We have further integrated our approach to understanding the impacts of climate change in our latest Drainage and Wastewater Management Plan and our Water Resource Management Plan. This is part of our long-term adaptive planning to ensure our services are resilient to a range of plausible climate change scenarios.

We continue to expand our approach to climate resilience, including engagement with stakeholders and interdependent service providers, such as the energy sector. Taking account of interdependent risks in our business planning process allows us to maximise the value we deliver for customers and other stakeholders through working together on common challenges. We are working with electricity distribution network operators to align investment, such as securing resilient energy infrastructure to our sites, as part of our business plan submission for 2025–30 and beyond.

Working with the Ribble Rivers Trust, we have delivered a natural flood management scheme within the Chipping catchment in the Ribble Valley, with similar schemes also benefitting the catchments around the rivers Wyre and Lune.

Our annual disclosures, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), can be found throughout this report, as set out on page 03. These describe how our strategy and financial planning is influenced by the challenges of climate change.

Enhancing and protecting biodiversity and natural capital

We have developed a value assessment tool, used in the development of our future plans to incorporate broader natural capital into our decision-making process. We continue to deliver strong performance against our ODI on enhancing natural capital value for customers, which encourages assessment of the added natural capital value we deliver by pursuing nature-based and catchment solutions. We have earned a reward this year, against a nil target as we identified new opportunities to improve natural capital on projects during the year.

In 2024 we published our Corporate Natural Capital Account, which captured the key benefits from natural assets on land we own, and the costs associated with maintaining these. This will influence how we prioritise our investments, and feeds into our Task Force on Nature-related Financial Disclosures (TNFD) throughout this report. Each natural capital account will be utilised to support future decision-making and to monitor and track the value we deliver through our activities.

Biodiversity is a key pillar of natural capital, and ensuring the preservation and enhancement of biodiversity is a key element to our Catchment Systems Thinking approach.

We are working in partnership with the RSPB across our Haweswater estate in the Lake District National Park, with nature restoration working alongside hill farming to bring benefits for the rich and varied wildlife native to the area, the quality of water flowing into the Haweswater reservoir, and the people that live in and visit this beautiful area, which attracts more than 400,000 visitors every year. Conservation grazing and regenerative farming is part of the operation, working across 3,000 hectares of land through:

- Restoration of grassland SSSI features;
- Low intensity grazing by hardy upland species;
- Native woodland planting;
- Deer management;
- Natural woodland regeneration;
- River restoration; and
- Blanket bog restoration.

We undertake significant development to deliver our capital investment programme, and our AMP8 plan proposes the largest investment in our region for more than a decade. Importantly, for many years we have committed to no net loss of biodiversity through our development, and are striving to go further with opportunities for biodiversity net gain.

We have a major impact on biodiversity through the large areas of land we own that are designated as Sites of Special Scientific Interest (SSSIs). We have committed to achieving 100 per cent of our SSSI land in either favourable or recovering condition by 2030, and we have made significant improvements, helping us move towards this target. In 2023, 91 per cent was favourable or recovering, up from 48 per cent in 2004.

We have been an active member of the Ofwat working group supporting the development of a new common performance commitment around biodiversity, and we welcome this important step. We are now developing our delivery programme to maximise the environmental value that can be delivered through this performance commitment.

Woodland creation helps to boost biodiversity, protect water quality, and improve air quality. Since the start of AMP7 we have planted more than 600,000 trees across the region, surpassing our 2025 target. We continue to identify suitable locations for further tree planting, working towards our commitment to plant a million trees by 2030.

Strong performance on leakage despite challenging weather

Reducing leakage is of huge importance for our stakeholders and for us. Over AMP7, we are targeting a 15 per cent reduction in total leakage, and we have met our leakage target for the 18th consecutive year, now fixing six leaks every 30 minutes. As a result of this strong achievement we expect to receive an ODI reward this year in relation to outperformance against our leakage performance commitment.

Our AMP8 business plan targets a further 13 per cent reduction. Our delivery plan continues to make best use of available technologies and is flexible to ensure that we can embrace innovation in this area. We actively look to trial new techniques to understand how these can be scaled and embedded in the most effective way, and this gives us opportunities to accelerate and target those interventions that are demonstrated to be the most effective. We continue to use the learning from these pilots and trials to refine our approach to reducing leakage and deliver our Dynamic Network Management (DNM) ambition across our water network.

Building a greener North West

Status key

Annual performance	Met expectation/target	Close to meeting expectation/target	Behind expectation/target
Against 2025 target	Confident of meeting target	Some work to do	Target unobtainable

Stakeholder key

Customers · Environment · Communities · Colleagues · Suppliers · Investors

Measure	2025 target	Performance 2023/24	Performance 2022/23	Performance 2021/22	Assurance[6]	Link to remuneration[2]	Key stakeholder	Status: Annual performance	Status: Against 2025 target
Pollution incidents per 10,000km sewer network[1]	19.5	**27.93**	16.29	17.71	RRA	LTP			
Reduction in spills per storm overflow monitored	33% sustainable reduction[4]	**24%**	41%	29%	IAT	Bonus			
Treatment works compliance[1]	99%	**99.0%**	98.5%	99.0%	RRA	LTP			
Leakage reduction[1]	15%[3]	**9%**	6%	8%	RRA	LTP			
Reduction in per capita consumption[1]	6.3%[4]	**2.5% decrease**	0.5% increase	1.5% increase	RRA	PC			
Internal flooding incidents per 10,000 sewer connections[1]	1.34	**4.35**	2.32	2.98	RRA	PC			
External flooding incidents[1]	5,859	**7,063**	5,916	6,223	RRA	PC			
Waste to beneficial use	98%	**98.3**	98.3%	97.8%	IAT				
Enhancing natural capital for customers[1]	£4 million	**£15.777 million**	£0	£3.234 million	RRA	PC			
Number of trees planted	500,000	**600,466**	565,733	461,240	IAT				
Carbon pledge 1: reduction of scope 1 and 2 GHG emissions	14% reduction[5] (42% by 2030)	**3.4% reduction**	3.7% reduction	2.2% reduction	ITV				
Carbon pledge 2: renewable electricity purchased	100% by 2023	**100%**	100%	96%	ITV				
Carbon pledge 3: green fleet	100% by 2028	**91 vehicles**	33 vehicles	27 vehicles	IAT	LTP			
Carbon pledge 4: peatland restoration	1,000 hectares (ha) by 2030	**1,211 ha**	585 ha	Activity underway	ITV	LTP			
Carbon pledge 5: woodland created	550 hectares (ha) by 2030	**37 ha**	37 ha	9 ha	ITV	LTP			
Construction services suppliers with science-based targets	66%	**23%**	23%	n/a	IAT	LTP			
Better air quality: nitrogen oxides (NOx) emissions per unit of renewable electricity generated[1]	1.42	**0.96**	1.07	1.19	RRA	PC			
Energy generated directly, and with partners, as a percentage of used	25% at 2026	**22.4%**	23.0%	n/a	ITV	LTP			

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs).
These feed into both bonus and LTP through inclusion of customer ODIs and return on regulated equity (RoRE) respectively.
(3) As measured against a 2017/18 baseline.
(4) As measured against a 2019/20 baseline.
(5) As measured against science-based target baseline year 2019/20.
(6) Read more about the assurance over our performance metrics on page 63.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Acting now to improve the North West's rivers

We're committed to making the step change people want to see in improving the North West's waterways, and our storm overflow reduction plan will see the biggest overhaul of the region's sewer network in a century.

The plan up to 2050 will require us to invest around £19 billion in the North West. It's the largest investment of its kind and will bring a massive reduction in sewer pollution entering rivers, beaches and lakes across the North West, as Jo Harrison, asset management director, explains.

"We are re-plumbing our drainage systems, building storage tanks to increase the capacity, separating rainwater out of sewers, and harnessing the power of nature to treat stormwater before it is returned to the environment. Work has already started and people are going to see much more of this over the next 25 years."

By 2050 the goal is to ensure that storm overflows, the relief mechanism that prevents sewers from backing up and flooding homes and businesses in heavy rain, each operate less than ten times a year. We monitor each one of our overflows, capturing real-time data that gives us a clear picture on how frequently they're operating, and which should be tackled first – those that are causing harm to river systems. We've accelerated delivery at some of the highest priority sites and by 2030 more than 430 storm overflows will be improved, through a mix of nature-based schemes, agile solutions and larger construction projects.

A scheme where a quick solution has had a big impact is in Cargo, a village near the River Eden in Cumbria. A small wastewater treatment works in the relatively remote location services 254 homes and, having no mains power, is reliant on a gravity-based system. The size, scale and location of the site brings multiple challenges, and the local storm overflow was spilling with even modest use, discharging into a local water course.

Following approval of our proposed Accelerated Infrastructure Delivery programme, we moved quickly to create an interim solution. In just 14 weeks, we installed a new tank to provide temporary storage for spills and an additional storm tank to add a further 75m³ capacity, completing that work in August 2023. Where previously the site could treat three litres of wastewater a second, it now treats 17 litres a second. Crucially, spills have reduced significantly, from 343 in 2022 to just nine from September 2023 up to the end of March 2024.

Of course, while Cargo provides a great example of a site where we moved quickly to deliver a rapid solution, the majority of sites need a more substantial and longer-term approach. One of our much larger projects has seen a vast new underground stormwater storage tank, capable of holding almost two million litres of water, being constructed in Nelson, near Burnley, Lancashire. A combination of an increasing population in the area and the impact of climate change created a need to introduce extra capacity in the sewer system. The stormwater tank will act as a 'holding area' for the extra rainwater that enters the sewer network during times of heavy rainfall, meaning the system is less likely to be overwhelmed and reducing spills into the River Calder.

Projects like these form part of our commitment to create better rivers, making the North West stronger, greener and healthier.

Delivering value for

This is creating value for the environment, local communities, and customers.

Read more about our Better Rivers commitments and plans on our website at unitedutilities.com/better-rivers

Greener: climate — Progress against our carbon pledges

In 2020 United Utilities made six pledges that set out our initial priorities in the global goal to curb climate change to no more than 1.5°C above pre-industrial levels.

Our progress against these pledges, and where they link to remuneration, is summarised below. Before the start of the next investment period we will review our pledges and targets to reflect our business plan to 2030 and the opportunities which it will bring for emissions reduction.

Pledge 1

42 per cent reduction of scope 1 and 2 emissions from our 2020 baseline by 2030

Our progress

3.4% Some work to do

It continues to be challenging for us to reduce scope 1 and 2 emissions whilst serving an increasing North West population. 60 per cent of scope 1 and 2 emissions are from the release of methane which has a higher global warming potential in AR5. This change, from AR4, was the primary driver for the small increase in emissions in 2023/24.

2019/20: 138,961 tCO_2e baseline
2023/24: 134,239 tCO_2e 3.4% reduction

Pledge 2

100 per cent renewable electricity by 2021

Our progress

100% Pledge met

Since October 2021, all electricity we buy through annual contracts is renewable. Around 22 per cent of our needs are renewably generated directly by us or with partners and the remainder is purchased and backed with REGO certificates. We are working on plans to further increase the energy we can self-supply through investment in renewable capacity and storage.

Pledge 3

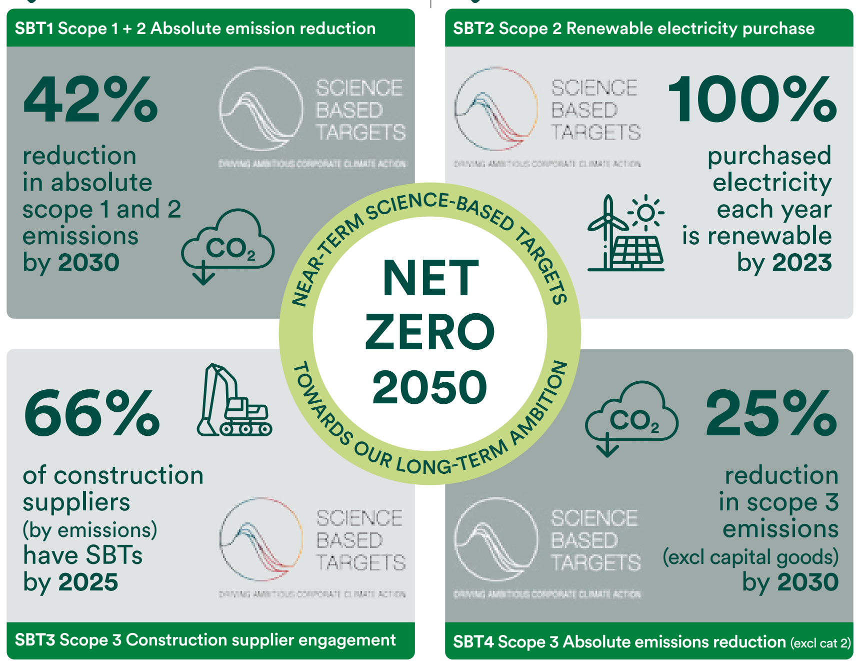
100 per cent green fleet by 2028

Our progress

91 vehicles Confident of meeting pledge

Having assessed our travel patterns with advanced telemetrics we are now using this insight to develop the infrastructure a green fleet needs. We are installing home chargers for fleet drivers, have begun to install fast and rapid chargers across our operational sites and forecast to have 200 all-electric vehicles (EVs) by the end of 2025. We also encourage personal green travel through salary sacrifice schemes for bikes and EVs and discounted travel on Warrington buses.

Link to remuneration: LTP



Pledge 4

1,000 hectares of peatland restoration by 2030

Our progress

1,211ha Confident of meeting pledge

We have carried out peatland restoration activities across the North West building on the 2,000 hectares improved through our 2005–15 SCaMP projects. We already have 1,211 hectares under restoration towards meeting this pledge and the LTP. We have also identified a potential further 2,800 hectares that may be improved or protected, subject to detailed suitability assessments.

Link to remuneration: LTP

Pledge 6

Set a scope 3 science-based target by 2021

Our progress

SBTs verified July 2021 Pledge met

Our two scope 3 science-based targets (SBT3 and SBT4 above) cover all our relevant scope 3 emissions. Our total scope 3 emissions in 2023/24 are now 2 per cent lower than our 2019/20 baseline. 18 per cent of our scope 3 emissions are from our construction services partners. We work with our construction partners to reduce emissions from their infrastructure projects and encourage them to set their own targets verified by the Science Based Targets initiative (SBTi). Of our construction suppliers, 23 per cent (by 2023/24 emissions) have already set SBTi verified science-based targets for their organisation. In total, 94 per cent have either already set targets or have an active commitment to set targets as can be seen on the SBTi Target dashboard.

Link to remuneration: LTP

Pledge 5

Plant one million trees to create 550 hectares of woodland by 2030

Our progress

37ha Confident of meeting pledge

Woodland creation requires substantial preparatory work including identifying suitable sites, considering the appropriate species mix and planting density, securing funding and producing a long-term management plan. We are making great progress and our current schedule will create around 500 hectares of new woodland over the next three planting seasons.

Link to remuneration: LTP

Greener: climate — Energy and carbon report: Energy

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations require us to publish this energy and carbon report applying the 2019 UK Government Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting Guidance (SECR). We use the financial control approach so our energy and carbon accounting is aligned with the consolidated financial statements for United Utilities Group PLC for 1 April 2023 to 31 March 2024. This includes subsidiaries listed in section A8 on page 228.

Our greenhouse gas inventory, including the underlying energy data summarised below, has undergone independent third-party verification by the Achilles Group to the requirements of Toitū CarbonReduce programme.

	2023/24 GWh	2022/23 GWh[4]	2021/22 GWh	2020/21 GWh
Energy use				
Electricity	**819.6**	818.8	803.3	807.3
Natural gas	**34.1**	33.6	33.8	40.0
Stationary fossil fuels (Gas oil, kerosene, diesel)	**54.7**	59.2	50.5	36.5
Stationary low-carbon fuels (HVO, LPG)	**0.14**	0.01	<0.01	0
Energy for transport (from fuel used or distance travelled)	**80.2**	79.1	72.6	67.5
Total energy used	**988.7**	990.7	960.2	951.3
Electricity purchased				
Grid renewable[1]	**657.6**	655.6	611.0	591.4
Grid standard tariff[2]	**0.09**	0.13	22.3	47.8
Total purchased	**657.7**	655.7	633.3	639.2
Renewable energy generated				
CHP	**120.4**	123.0	133.8	127.6
Solar	**47.3**	46.4	47.8	50.7
Wind	**5.2**	5.1	4.8	5.3
Hydro	**7.6**	6.9	7.2	6.9
Biomethane[3]	**40.2**	44.7	48.9	47.0
Total generated	**220.7**	226.1	242.5	237.5
Renewable energy exported				
Electricity	**18.6**	18.3	23.5	22.4
Biomethane[3]	**40.2**	44.7	48.9	47.0
Total exported	**58.8**	63.0	72.4	69.4

(1) All contractually purchased electricity has been bundled with, or backed by, REGO certificates since October 2021.
(2) Grid standard tariff electricity is the consumption on interim tariffs for newly adopted sites.
(3) Biomethane generated and exported to grid was expressed as an electricity equivalent in previous annual reports.
(4) The figures for 2022/23 are restated for some fuel purchased but not consumed in 2022/23 and to correct an error using petrol fuel properties for diesel and vice versa when calculating energy.

Energy efficiency actions taken

We have an integrated approach to energy efficiency based on continuous improvement of people – optimising ways of working; systems – improving visibility of use and analysis of data systems; and technology – targeted investment to remove technological inefficiencies.

Our energy management programme is delivered by a specialist team of energy engineers working with operational staff. It sets a common approach for benchmarking performance and develops action plans to optimise site-based energy use. The programme held 59 workshops this year and is supported by operational carbon e-learning and a comprehensive energy performance reporting and analysis capability.

We have completed hundreds of systems and technology measures to improve energy efficiency from installing low energy lighting to automating operations of our water and wastewater assets such as with new controls for secondary treatment and pumps. We have also installed over 3,000 sub-meters to identify opportunities to restrain energy use and quantify the benefits of interventions.

Improving energy efficiency is a primary focus of our capital programme and also integrated into our Dynamic Network Management (DNM) capability to ensure our asset base is as efficient as possible. We have developed training courses to engage and develop colleagues across the business and implemented our 'Use Less, Save More' campaign.

Energy strategy

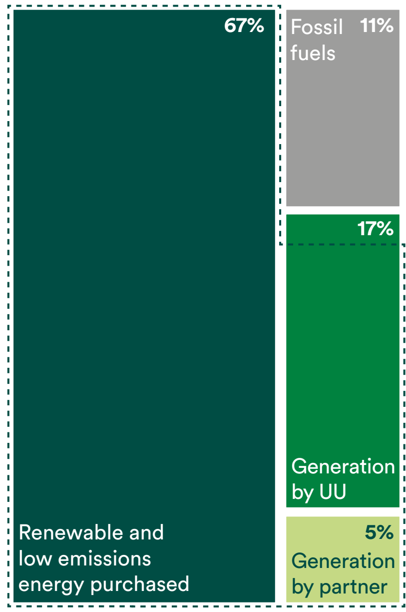
Our energy management strategy has four objectives:

- Efficient use of energy;
- Maximising self-generation and direct supply opportunities;
- Minimising costs; and
- Building supply resilience to ensure we can deliver our services.

Each year we serve a growing population, which means increased energy use as we strive to achieve stringent environmental performance targets. We seek to mitigate this through our energy management and in recent years have maintained consistent energy use in the face of considerable upward pressures.

This year, to support our aims to switch to clean, green energy, we have introduced a new energy metric: 'Energy generated directly, and with partners, as a percentage of used'. The measure has also been included in the 2023 Long Term Plan for executive directors and will encourage energy efficiency, fuel switching away from fossil fuel and clean energy generation, each of which support our net zero transition. Energy generated directly, and with partners, from low carbon sources together with renewable and low emissions energy purchased in 2023/24 is equivalent to 89 per cent of the total energy used.

Switch to clean, green energy



Electricity use (*100% renewable*)

Greener: climate

Energy and carbon report: GHG emissions inventory

Emissions are calculated by estimating the individual greenhouse gases that result from all United Utilities' activities, converted into a tonnes carbon dioxide equivalent (tCO_2e).

Tools and values used in 2024 include UK water industry Carbon Accounting Workbook v18, the 2023 UK Government GHG conversion factors for company reporting, global warming potentials from IPCC 5th Assessment report and Global CEDA (Comprehensive Environmental Data Archive) v6.

Our greenhouse gas inventory, and the underlying data, has undergone independent third-party verification by Achilles group and is certified to the requirements of the Toitū CarbonReduce programme, as aligned to the GHG Protocol Corporate Accounting and Reporting Standard (2015) and the international carbon reporting standard ISO 14064, Part 1:2018. The assurance certificate and report can be found at **unitedutilities.com/corporate/responsibility/environment/climate-change**

Scope 1 and 2 greenhouse gas emissions		2023/24[4] tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e	2020/21 tCO_2e	SBT baseline 2019/20 tCO_2e
Scope 1: Emissions from activities we own or control, e.g. burning fossil fuels, wastewater and sludge processing.						
Direct emissions from burning of fossil fuels		**20,188**[5]	21,166	19,207	17,371	15,247
Process and fugitive emissions – including refrigerants		**96,173**	94,915	96,020	98,569	96,186
Transport: Company-owned or leased vehicles		**17,838**	17,665	16,507	16,634	15,739
Scope 2: Emissions from purchased electricity including for use in vehicles.						
Purchased electricity – generation	Market-based[1]	**32.9**[6]	9.3[6]	4,201	8,507	11,789
	Location-based[2]	*136,183*	*126,813*	*134,492*	*149,030*	*164,521*
Purchased electricity – vehicles	Market-based	6.8	1.7	0.04	0	0
	Location-based	*6.8*	*1.7*	*0.04*	*0*	*0*
Gross scope 1 and 2 emissions total	**Market-based**	**134,239**	**133,757**	**135,936**	**141,081**	**138,961**
	Location-based	*270,389*	*260,561*	*266,226*	*281,604*	*291,693*
Emissions reduction from:						
Renewable electricity exported[3]		**-3,101**	**-2,888**	-4,317	-4,184	-3,979
Biomethane exported	*Location-based*	*-8,439*	*-9,360*	*-10,283*	*-9,725*	*-9,302*
Green tariff electricity purchased[3]	*Location-based*	*-136,162*	*-125,746*	*-133,197*	*-138,015*	*-164,210*
Net scope 1 and 2 emissions total	**Market-based**	**131,138**	**130,869**	131,619	136,897	134,982
	Location-based	*122,687*	*122,567*	*118,429*	*129,680*	*114,202*

(1) Market-based figures use emission factors specific to the actual electricity purchased. For electricity supplied on a standard grid tariff we use CO_2e per kWh from suppliers' public fuel mix disclosures.

(2) Location-based figures use average UK grid emissions to calculate electricity emissions and are shown in *grey italics*.

(3) Exported electricity emissions use the average UK grid emissions factor for both market and location-based totals.

(4) 2023/24 emission factors use IPCC AR5 global warming potentials where $CH_4 = 28$, $N_2O = 265$. All previous years use AR4 where $CH_4 = 25$, $N_2O = 298$.

(5) Emissions from electricity for recently adopted sites supplied on standard tariffs until they can be moved onto our corporate renewable contracts.

(6) Restated to correct for some fuel previously included in 2022/23 accounts but consumed in 2023/24.

Scope 3 greenhouse gas emissions	2023/24 tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e	2020/21 tCO_2e	SBT baseline 2019/20 tCO_2e
Category 1: Purchased goods and services[7]	**233,480**	250,189	292,946	271,871	213,442
Category 2: Capital goods[7]	**99,962**	138,182	112,498	95,968	128,286
Category 3: Fuel and energy-related emissions[8]	**53,189**	53,446[6]	58,948	42,599	45,262
Category 4: Upstream T&D – sludge transport[8]	**6**	35	103	1,119	3,374
Category 5: Waste generated in ops: including sludge disposal[8]	**26,135**	27,454	25,458	26,333	27,936
Category 6: Business travel: public transport, private vehicles and hotel stays[8]	**1,464**	1,486	1,138	1,226	3,508
Category 7: Employee commuting and homeworking[9]	**5,136**	5,336	4,066	4,108	4,231
Scope scope 3 total	**419,372**	476,128	495,158	443,224	426,039
Scope 3 SBT measure (excluding category 2)	**319,410**	337,946	382,660	347,256	297,753

(7) Categories 1 (excluding chemicals) and 2 use Global CEDA v6 to estimate emissions based on the amount spent by spend category. CEDA is a multi-region, environmentally extended input-output database and has global coverage, annual updates and is a CDP recommended tool.

(8) Categories 3, 4, 5 and 6 use activity records and 2023 UK Government GHG conversion factors for company reporting.

(9) Category 7 uses EcoAct models to estimate emissions from employee commuting and homeworking based on company FTE figures and home, site, hybrid working policies.

Greenhouse gas emissions intensity		2023/24 tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e	2020/21 tCO_2e
Scope 1 and 2 gross emissions per £m revenue	Market-based	**68.9**	73.3	73.0	78.0
Scope 1 and 2 net emissions per £m revenue	Market-based	**67.3**	71.7	70.7	75.7
Water net operational emissions per megalitre water treated [10]	*Location-based*	*177.6*	*101.4*	*106.9*	*118.5*
Wastewater net operational emissions per megalitre sewage treated [10]	*Location-based*	*209.0*	*158.8*	*144.2*	*152.3*

(10) UK water industry intensity metrics. The method for calculating these has been redefined by Ofwat in 2024.

Scope 1 emissions

Wastewater and sludge processes cause approximately 70 per cent of our scope 1 emissions as the gases released, nitrous oxide (N_2O) and methane (CH_4), have much greater global warming potentials than carbon dioxide (CO_2). Our process emissions are currently estimated as a direct function of the amount of wastewater we treat and from recent monitoring we believe this to be an underestimate. We are collaborating with other UK water companies to improve the method to quantify these emissions and to identify ways to reduce or capture those emissions for beneficial use.

Scope 2 emissions

Our market-based scope 2 electricity emissions are negligible as all our contract purchased electricity is REGO backed. In the light of increasing costs, we are reviewing our commitment to REGO back 100 per cent of our electricity purchase in the future.

Scope 3 emissions

Most of our scope 3 emissions are in GHG Protocol categories 1 (products and services) and 2 (capital goods); the latter being the construction services we buy. The current methodology to estimate these emissions uses records of the amount we have spent. This provides an estimate that is determined by the scale and timing of our investment programme rather than our design choices. We are working with supply chain partners to implement processes and systems to quantify category 2 emissions based on materials and techniques used, thereby giving us the opportunity to influence and track the emissions impacts of our management decisions.

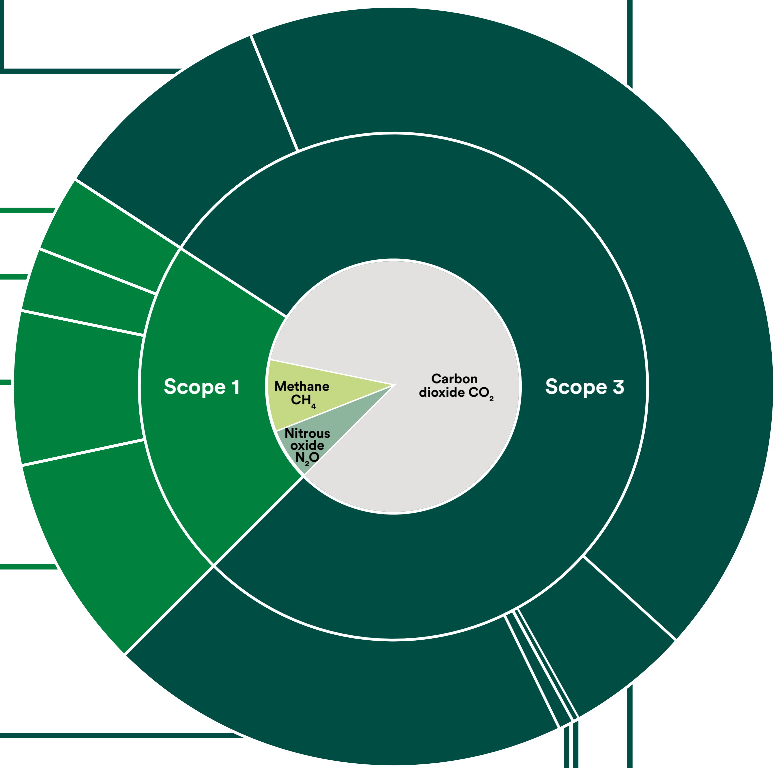
The next highest category is indirect emissions from fuel and energy use so our clean energy and renewable generation ambitions will tackle these as well as scope 1 emissions.

Fuel and energy
20,188 tCO_2e + 53,189 tCO_2e
Fossil fuel use at our sites and the well-to-tank and transmission and distribution scope 3 emissions for all energy makes up 13 per cent of our net total footprint. Reducing our consumption and replacing such fuels with low emissions alternatives is central to our net zero transition plan. We intend to grow our renewable capabilities and play an active role in the development of new technologies such as hydrogen.

Purchased goods and services 233,480 tCO_2e
This year, for the first time, we have estimated the emissions from our chemicals using purchase records and emission factors from published life-cycle carbon assessments. We can now target the chemicals with highest emissions and influence operational and purchasing decisions and research and development investment accordingly. For the remainder of our purchased goods and services we use records of the amount we have spent and a multi-region, environmentally extended input-output database, Global CEDA v6 to give us a comprehensive but indicative estimate of emissions.

Transport 17,838 tCO_2e
We have begun our investment to convert our fleet to low-carbon fuels. We have a growing infrastructure for electric vehicles and are exploring options to fuel HGVs, including hydrogen and HVO.

Sludge processing 42,899 tCO_2e
Treatment of sludge produces methane. Half of our facilities use advanced anaerobic digestion, which captures more of this methane to power and heat our processes or generate electricity. This reduces methane emitted during treatment and after disposal.



Wastewater processing 53,139 tCO_2e
The biological processes used in wastewater treatment produce N_2O and CH_4, both potent GHGs. Emissions are approximately proportional to the size of the communities producing the wastewater.

Gas losses 134 tCO_2e
GHG from refrigerants and SF6 gas losses.

Capital goods
99,962 tCO_2e
We have a significant capital programme to develop our water and wastewater services infrastructure and this construction will produce substantial emissions.

Employees commuting and homeworking
5,136 tCO_2e
Estimates using the numbers of colleagues and where they typically work (office, site or home) using EcoAct's UK models.

Business travel
1,464 tCO_2e
Public transport including air, train, vehicles and hotel stays.

Sludge transport 6 tCO_2e
Contracted sludge transport.

Operational waste
26,135 tCO_2e
Of these emissions, 96 per cent are from disposal of sludge biosolids to agricultural land. Recent UKWIR data shows that the industry estimation method is likely to be significantly overestimating these emissions.

Building a healthier North West

Key performance indicators

Our key performance indicators for building a healthier North West are colleague engagement, customer satisfaction as measured through our ranking within Ofwat's C-MeX survey, and the number of customers lifted out of water poverty. We report on a selection of other metrics relating to customers, colleagues and other social matters on page 82.

Colleague engagement

Level of colleague engagement as measured by our annual colleague opinion survey.

Target

At least as high as utilities norm benchmark

Annual performance

81%

We have achieved a strong set of results this year, scoring well against external benchmarks. Our overall engagement score is in line with the UK high performance norm benchmark.

2022/23: 82 per cent

2021/22: 87 per cent

Status

Met expectation/target

Key stakeholder

Colleagues

Relevant material themes[2]

- Colleague engagement
- Diverse and skilled workforce
- Health, safety and wellbeing

Relevant principal risks[3]

- Inherent risk areas: Resources and Health, safety and wellbeing

Link to remuneration[4]

n/a

Assurance[5]

Independent third-party verification

C-MeX ranking[1]

Ofwat's customer measure of experience (C-MeX), comprising two surveys – the customer service survey, and the customer experience survey.

Target

Upper quartile against water and sewerage companies (WaSCs)

Annual performance

2nd quartile

We continue to be the highest performing listed company, ranked fourth out of the WaSCs, and sixth out of all 17 companies.

2022/23: top listed company, fourth WaSC, and fifth overall

2021/22: top listed company, fourth WaSC, and seventh overall

Status

Close to meeting expectation/target

Key stakeholder

Customers

Relevant material themes[2]

- Customer service and operational performance
- Trust, transparency and legitimacy
- Political and regulatory environment

Relevant principal risks[3]

- Failure of the Haweswater Aqueduct
- Wastewater network failure
- Water availability

Link to remuneration[4]

Bonus and LTP

Assurance[5]

Regulatory reporting assurance

Customers lifted out of water poverty[1]

Where our support acts to lift a customer out of water poverty, which is defined as spending more than 3 per cent of income on their water bill.

Target

At least 66,500 customers lifted out of water poverty by 2024/25

Annual performance

100,758

We have helped more than 100,000 customers out of water poverty so far this AMP (including more than 84,000 against our regulatory target and related ODI, which applies a maximum cap on the number of company-funded customers that can be included).

2022/23: 106,936 customers

2021/22: 98,293 customers

Status

Met expectation/target

Key stakeholder

Customers

Relevant material themes[2]

- Affordability and vulnerability
- Customer service and operational performance
- North West regional economy

Relevant principal risks[3]

- Inherent risk areas: Retail and commercial

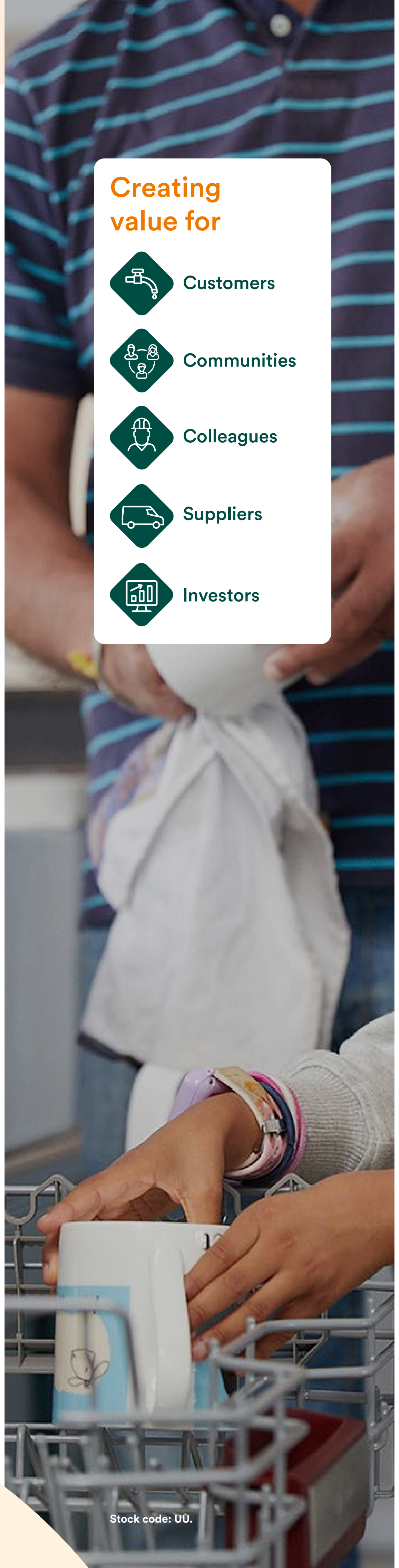
Link to remuneration[4]

LTP

Assurance[5]

Regulatory reporting assurance

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read more about our materiality assessment on pages 28 to 30.
(3) Read more about our principal risks on pages 52 to 56.
(4) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
(5) Read more about the assurance over our performance metrics on page 63.



Creating value for

- Customers
- Communities
- Colleagues
- Suppliers
- Investors

Affordability

Affordability support remains a key focus area and over the last year we have seen a significant increase in the number of customers asking for help with their bills.

We have supported around 375,000 households so far in AMP7 through our comprehensive range of affordability schemes. We've increased our efforts to support customers, many of whom will be disproportionately impacted by the cost-of-living increases, with management of their bills and highlighting the support we have available. Utilising data, we're monitoring customer payment behaviour to proactively identify customers showing signs of struggling to pay, and sending early intervention emails with tailored messaging designed to increase customer awareness of the support we, and third-party organisations, can offer.

With bills expected to go up in AMP8 to support the investment needed, our business plan proposals include our biggest ever support package, doubling the financial support available to more than £500 million and helping one in six customers during 2025–30.

Customers that struggle to pay their water bills will inevitably also struggle with other bills, so we believe the key to providing real tangible support is cross-industry collaboration. In January, we held our fifth affordability summit, bringing together partner agencies and key stakeholders to highlight the importance of collaborative cross-sector working. Attendees from councils, charities, energy companies, housing associations and others shared experiences and discussed ways to be more joined up when it comes to helping people across the region.

We remain supportive of the drive to introduce a national social tariff, which would help to provide a more equitable sharing of support for customers across the country.

Vulnerability

We are a leader in vulnerability assistance in the water industry, with a wide range of support schemes for customers, many of which are firsts for the industry.

We support over 400,000 vulnerable customers on the Priority Services Register, and we are one of the first in the industry to hold accreditation to the new ISO Consumer Vulnerability standard, ISO 22458:2022 for our Priority Services offering.

We held our second customer vulnerability summit in June 2023, bringing together more than 50 representatives from charities and organisations specialising in vulnerabilities to discuss ways we can all support people with additional needs. We are also publishing our new vulnerability strategy in June this year.

Providing great customer service

We continue to focus on delivering great service, and have reorganised our water and wastewater services to align with our county-based approach to drive further improvements for customers, building on the strong overall level of service we have delivered this year.

We have met or beaten 80 per cent of our performance commitments this year, achieving our highest ever reward against customer outcome delivery incentives (ODIs) with a net reward of £34 million this year.

Our investment in water quality, principally avoiding discolouration, has supported a reduction in discoloured water events and a subsequent reduction in customer contacts for discoloured water. This has been supported by our Water Quality First programme, launched in 2021 with the aim of providing customers with industry-leading water quality. Alongside improvements to our assets, such as cleaning over 15,000 kilometres of mains to reduce the risk of discolouration, over 5,000 colleagues and many of our key supply chain partners have completed an e-learning module on water quality. Last summer we completed a rigorous eight-year programme of inspecting and cleaning every storage reservoir as part of our Water Quality First programme.

Our efforts to improve water quality have been recognised by the Drinking Water Inspectorate (DWI). We also won the Drinking Water Initiative of the Year award in the 2023 Water Industry Awards.

While we have seen a significant improvement in discolouration, we know there is still work to do to improve our overall performance.

The improvements we have made to water quality and the reduction in water quality contacts we have seen are contributing towards our ODI reward this year, alongside other measures such as the work we have done to reduce voids, improving hydraulic flood risk resilience, enhanced water service resilience, reducing sewer blockages, and reducing lead risk.

Weather during the year has brought challenges, with dry weather in the early summer triggering actions under our drought plan, and then shifting suddenly to a prolonged period of heavy rainfall over autumn and winter, followed by a sharp freeze-thaw event in January. Annual rainfall in 2023 was exceptionally high across the North West – it was the wettest for the last 69 years, with parts of our region experiencing rainfall up to 50 per cent higher than 2022 and up to a third higher than the long-run average.

Building a healthier North West

This unfortunately had an adverse impact on service for customers, with increased instances of flooding and supply interruptions, as well as the impact on overflow spills and pollution performance mentioned on page 69. We are disappointed to see that our performance on internal sewer flooding is above the maximum collar for ODI penalty this year. Supply interruptions, external flooding and pollution incidents are also in ODI penalty this year as a result of this extreme weather.

We have made great progress in reducing flooding incidents since the start of AMP7, supported by our investment in Dynamic Network Management (DNM), our pollution performance across recent years has been the strongest in the industry as discussed on page 69, and we continue to target these important areas.

As mentioned on page 12, we experienced a fractured outlet pipe at our Fleetwood Wastewater Treatment Works in June and the Environment Agency issued precautionary advice in relation to the bathing water along the Fylde Coast while we were working to resolve this. We recognise the disruption caused by this loss of amenity and have worked hard with the local community, hosting drop-in sessions while the incident was ongoing and putting back into the community afterwards with financial contributions, water butts in Cleveleys town centre, and a newsletter for Fylde Coast residents.

The bypass and the repair has resulted in £38 million of additional operating and infrastructure renewals expenditure in the period, which has been excluded from underlying results as shown on page 97.

Customer satisfaction

In the latest Customer Service Index (an independent survey from the Institute of Customer Service that benchmarks over 280 organisations across many sectors), we were ranked as the top water and sewerage company and retained our top five position among the 31 utility companies.

Our performance against Ofwat's measure of customer satisfaction, C-MeX, remains strong despite feeling an impact due to general sentiment towards the company in relation to areas of public scrutiny such as spills from overflows. We continue to be the highest performing listed company, ranked fourth out of the water and wastewater companies and sixth overall out of all 17 companies.

Customer service is hugely important to us, and we have been re-accredited with the Institute of Customer Service – Service Mark with Distinction award, one of only 22 brands to achieve distinction. Every month we receive fantastic feedback from customers telling us how our colleagues have gone the extra mile. We were particularly proud of 11 of our colleagues that have each received more than 500 nominations from customers in the WOW! Awards scheme, where customers provide independent, proactive feedback on the service we provide.

Cash collection

Cash collection performance has been good this year and our household bad debt charge is low at 1.6 per cent of household revenue, down from 1.8 per cent last year. We have a high level of direct debit penetration, at 71 per cent, and overall more than 80 per cent of customers are on payment plans.

This helps to provide a high degree of collection certainty and enables us to spot potential affordability issues early, at the first missed payment, so that we can make contact swiftly.

For customers that need affordability support, we can quickly get them onto the right scheme to help them get back on track. For those customers that can afford to pay but choose not to do so, we have a comprehensive data-led approach to collections that helps us accurately pursue payment in an efficient and timely manner. This includes a range of techniques, such as 'nudging' customers through email or text if a payment is late, enhanced credit reference sharing, and credit reporting.

A safe and great place to work

Service is underpinned by the people who deliver it and it's encouraging to see we have achieved UK high performance levels of colleague engagement, with 87 per cent of our colleagues contributing to our annual survey with an engagement level of 81 per cent. Wellbeing and safety were the two highest scoring categories, and this year's wellbeing score of 93 per cent was a 12-point improvement from last year, reflecting our ongoing focus on providing a safe and great place to work.

Following submission of our business plan this year, we hosted a colleague event in Blackpool, open to everyone across the organisation, to hear about our plans and ask questions. We launched some excellent new benefits for all colleagues, including a virtual GP service and menopause support app. We are focused on mental, as well as physical health, and have actively promoted Andy's Man Club and other mental health services. We also launched a new 'Call it Out' initiative this year to encourage colleagues to raise ideas for improving efficiency and performance, which is already delivering improvements.

The most important thing is that every colleague goes home safe and well, and we continue to have a strong focus on health, safety and wellbeing. Following concerns over RAAC concrete, we have undertaken a review supported by an expert third-party structural surveyor for any use of RAAC concrete in our buildings and structures. The survey did not identify any use in process assets, and in only one instance has the material been found to be present in structures assessed.

Our colleague accident frequency rate for 2023/24 was 0.092 accidents per 100,000 hours worked, slightly higher than last year and amounting to 12 accidents reported. This year we have seen an increase in manual handling injuries and slips, trips and falls. Although none of our employees were seriously injured during these incidents, they did result in lost time from work. To address the increase in these types of incident, we have strategic objectives focused on driving improvements in these areas. We have focused risk-based plans in place to maintain progress toward our 2025 target of a 10 per cent year-on-year improvement in performance.

Our contractor accident frequency rate decreased to 0.043 accidents per 100,000 hours worked. We continue to work closely with our contract partners to develop standard approaches to key risk areas to help reduce health and safety risks.

In recognition of our commitment to health and safety, we were awarded the Royal Society for the Prevention of Accidents (RoSPA) gold standard medal for the twelfth consecutive year.

We have been recognised for our focus on wellbeing and awarded the National Workplace Wellbeing Charter, demonstrating our commitment to proactively championing a healthy workplace. We continue to perform well in ShareAction's Workforce Disclosure Initiative, with our score of 89 per cent exceeding the UK and utilities averages.

Focusing on equity, diversity and inclusion (ED&I)

We want fantastic people to enable us to deliver a great service now and into the future. We are supporting colleagues to achieve their full potential and to feel valued and included, regardless of their gender, age, race, disability, sexual orientation or social background, and we make sure we are reaching and recruiting from every part of our community.

Our workforce profile remains at 65 per cent male and 35 per cent female. We have set bold, long-term targets to improve diversity. We have exceeded our 2025 target to have 40 per cent women on board, achieving an overall ranking of 31 out of 100 FTSE companies in the FTSE Women Leaders index. In the utilities sector, we are now ranked sixth in the combined FTSE 350 + Private 50 companies index.

This year, 46 per cent of our new graduates are female. We have achieved gender balance in our apprenticeship population with 50 per cent female in a traditionally male-dominated sector where women only make up 26 per cent of the science, technology, engineering and maths (STEM) workforce.

Through our partnership with WB Directors, colleagues have access to services such as CV writing and workshops to develop their career in senior leadership and non-executive board roles.

This year, we celebrated ten years of our GENEq (gender equality) network. The network aims to support, mentor, develop, inspire and promote everyone – through fostering a culture of gender equality. We have lots of different networks including LGBT+, multicultural, and armed forces. It is important to us to create an inclusive and supportive working environment, where everyone feels valued. The GENEq network has over 400 members and is continuously growing.

In our latest survey, 89 per cent of colleagues said that United Utilities supports diversity and inclusion in the workplace – scoring higher than both the UK norm and utilities norm benchmarks, and recognising our drive to be an inclusive workplace of choice.

Attracting and developing future talent

We are focused on training and development opportunities, and won Water Industry Skills Employer of the Year 2023 award in recognition of our commitment and dedication to training and development for our colleagues, with the judge recognising United Utilities as a company that visibly attracts, develops and retains talent, and an employer of choice.

We have refreshed our training and development to focus on the skills and competencies we've identified as key for us to deliver our ambitious plans, and we are adopting different routes to market to attract diverse talent and secure different skills for the future.

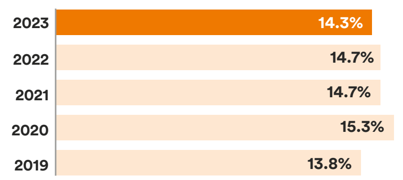
We continue to recruit and train new talent through our graduate and apprentice programmes. We welcomed more than 80 new graduates and apprentices in our September 2023 intake with a breadth of diversity, our first digital cohort and graduate opportunities in our newly formed rainwater management team supporting our commitments to river health, and we have launched our largest ever apprenticeship recruitment process with more than 90 new opportunities available in 2024. We remain on track to deliver our commitment of 125 green apprentice roles by the end of the AMP.

We also welcomed 15 interns as part of a national programme to give students and graduates better access to career development opportunities. This is our second year taking part in the '10,000 Black Interns' scheme, and with a successful track record of converting internships into graduate or permanent positions.

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

We have an active succession and resilience plan that includes developing rising stars, creating development opportunities encouraging mobility through assignments, secondments and projects. In the last 12 months, over 900 colleagues secured either a promotion or a change in role. Of colleagues who have completed their Chartered Manager Degree Apprenticeship, 95 per cent have secured a promotion or a new role.

Our median gender pay gap over time



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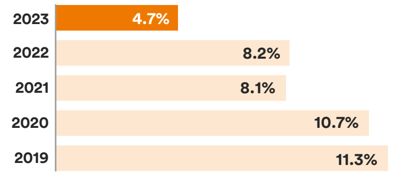
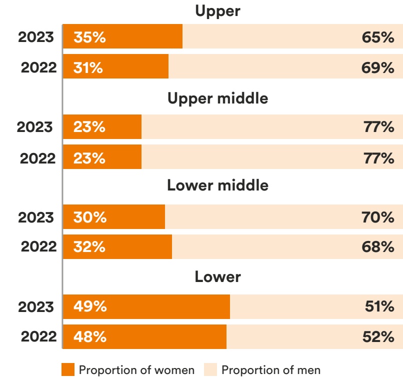
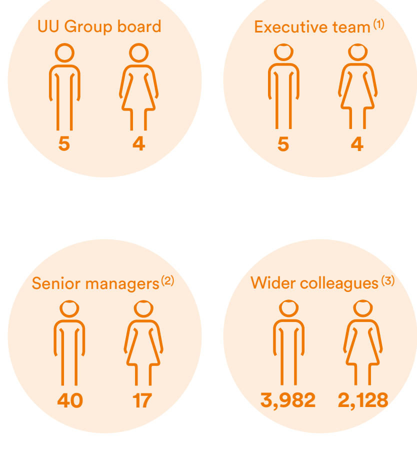


Percentage of women and men overall and in each quartile of the pay range (figures for 2022 and 2023)





(1) Executive team excludes CEO and CFO who are included in group board figures.

(2) As at 31 March 2024, there were five male and three female colleagues appointed as statutory directors of subsidiary group companies but who do not fulfil the Companies Act 2006 definition of 'senior managers'.

(3) Wider colleagues as at 31 March 2024.

Building a healthier North West

Status key

Annual performance	Met expectation/target	Close to meeting expectation/target	Behind expectation/target
Against 2025 target	Confident of meeting target	Some work to do	Target unobtainable

Stakeholder key

Customers · Environment · Communities · Colleagues · Suppliers · Investors

Measure	2025 target	Performance 2023/24	2022/23	2021/22	Assurance[5]	Link to remuneration[2]	Key stakeholder	Status: Annual performance	Status: Against 2025 target
Customer ODIs[1]	Year on year improvement	**£34 million**	£25 million	£25 million	RRA	Bonus	Customers	Close to meeting expectation/target	Confident of meeting target
Water quality customer contacts per 10,000 population[1]	12.2	**13.2**	14.1	17.9	RRA	Bonus	Customers	Met expectation/target	Confident of meeting target
Supply interruptions per property per year (hours:minutes:seconds)[1]	00:05:00	**00:09:39**	00:38:44	00:07:58	RRA	PC	Customers	Behind expectation/target	Some work to do
Unplanned outages of peak week production capacity[1]	2.34%	**2.05%**	1.73%	2.07%	RRA	PC	Customers	Met expectation/target	Confident of meeting target
Number of household written complaints compared to WaSCs[1]	Upper quartile	**Third quartile**[3]	Second quartile	Second quartile	RRA		Customers	Behind expectation/target	Some work to do
Speed of resolution[1]	5 days	**3.95 days**	3.9 days	3.5 days	RRA		Customers	Met expectation/target	Confident of meeting target
Developer satisfaction score (D-MeX)[1]	Above industry median	**Above industry median**	Above industry median	Above industry median	RRA	PC	Customers	Met expectation/target	Confident of meeting target
Number of households registered for Priority Services[1]	In excess of 220,000 (7%)	**401,987 (12.35%)**	294,490 (9.1%)	186,224 (5.9%)	RRA	LTP	Customers	Met expectation/target	Confident of meeting target
Certification for Priority Services[1][4]	Maintain certification	**ISO22458: 2022 Verification achieved**	ISO22458: 2022 Verification achieved	Maintained BS18477	ITV		Customers	Met expectation/target	Confident of meeting target
Helping customers look after water in their home[1]	10% increase	**34.30%**	31.60%	23.85%	RRA	PC	Customers	Met expectation/target	Confident of meeting target
Compliance Risk Index[1]	0.00	**6.00**	3.67	3.02	RRA	LTP	Customers	Behind expectation/target	Target unobtainable
Wellbeing Charter accreditation	Retain accreditation	**Retained**	Retained	Retained	ITV		Colleagues	Met expectation/target	Confident of meeting target
Accident frequency rate for colleagues (per 100,000 hours)	10% year-on-year improvement	**0.092**	0.072	0.073	IAT		Colleagues	Behind expectation/target	Confident of meeting target
Accident frequency rate for contractors (per 100,000 hours)	Year-on-year improvement	**0.043**	0.078	0.043	IAT		Colleagues	Met expectation/target	Confident of meeting target
Your Opinion Survey score for diversity and inclusion questions	Upper quartile against utilities norm	**Upper quartile**	Upper quartile	Upper quartile	ITV		Colleagues	Met expectation/target	Confident of meeting target

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed into both bonus and LTP through inclusion of customer ODIs and return on regulated equity (RoRE) respectively.

(3) Latest comparative data available 2022/23.

(4) The new Consumer Vulnerability standard, ISO 22458:2022 replaces the previous BS18477:2010 Inclusive Service Provision standard.

(5) Read more about the assurance over our performance metrics on page 63.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Delivering what matters for the North West's five counties

Engaging with customers and stakeholders in each of our five diverse counties directly informed our business plan for AMP8 and our long-term delivery strategy until 2050.

As we developed our plans for 2025–30 and beyond, it was important for customers and stakeholders to have their say on the services we provide, and for us to make sure our business plan reflected their needs and priorities.

As well as engaging through customer focus groups, workshops and surveys, and carrying out bespoke research, we held 'Your water, your say' online panels for each of the North West's five counties. A further panel was open to attendees from across the entire region and hosted by an independent chair, appointed by Ofwat and the Consumer Council for Water. The sessions allowed attendees to put questions to our CEO and executive team on topics ranging from our impact on the environment to keeping bills affordable. The panels held in June sought feedback on the proposed business plan, seeking views from customers and stakeholders about our proposals; at those held in November we shared details on the actual plan submitted to Ofwat and how insight had shaped this.

All of this engagement activity helped us achieve strong acceptability for our proposed business plan, with 74 per cent of customers supporting the plan.

Understanding the challenges and meeting the needs of our five very different counties requires a unique approach, and we've mobilised our teams into county squads to deliver what matters to communities in Cumbria, Cheshire, Greater Manchester, Lancashire and Merseyside.

The county business model brings together colleagues from across the company to drive performance and delivery within each regional location; we're integrating our network and treatment activities, delivering our plans and investing in new capabilities on a regional basis. An area engagement lead for each county ensures we're communicating effectively and transparently with our stakeholders about our services.

We're communicating with MPs and local authorities to talk through the benefits our plan will deliver in each county and explore opportunities for greater collaboration on improving how water is managed across the region.

We used our all-colleague event, held in Blackpool in December, to bring our plan to life with our teams, to share more on how the county squads will operate and to get everyone's commitment to support us in delivering what matters for the North West.

"Understanding the challenges and meeting the needs of our five very different counties requires a unique regional approach."

Delivering value for

This is creating value for customers, communities, and colleagues.

Read more about our five counties on pages 26 to 27

Building a stronger North West

Key performance indicators

Our key performance indicators for building a stronger North West are our capital programme delivery incentive, community investment, and our ratings and rankings against a range of trusted investor indices. We report on a selection of wider governance metrics of interest to stakeholders on page 88.

Capital programme delivery incentive (CPDi)

Measures the extent to which we have delivered our capital projects efficiently, on time, and to the required quality standard.

Target
At least 85%

Annual performance
98%

We have delivered a strong performance, exceeding our target and improving on last year.

2022/23: 92.9 per cent

2021/22: n/a – new measure in 2022/23

Status
Met expectation/target

Key stakeholder
Investors

Relevant material themes[1]
- Customer service and operational performance
- Financial risk management
- Corporate governance and business conduct

Relevant principal risks[2]
- Failure to meet the totex efficiency challenge

Link to remuneration[3]
Bonus

Assurance[4]
Internal audit team

Community investment

Total community investment as measured by the Business for Societal Impact (B4SI) method.

Target
Average community investment between 2020 and 2025 to be at least 10 per cent higher than the average between 2010 and 2020 of £2.56 million per annum

Annual performance
£3.99m

Direct community investment has increased this year and we have once again exceeded our target.

2022/23: £2.88 million

2021/22: £2.82 million

Status
Met expectation/target

Key stakeholder
Community

Relevant material themes[1]
- Supporting communities
- Trust, transparency and legitimacy
- Land management, access and recreation

Relevant principal risks
See page 60

Link to remuneration[3]
n/a

Assurance[4]
Independent third-party verification

Performance across a range of trusted investor indices

Company performance relative to water and utilities sector participants in a selection of trusted investor ESG ratings and indices.

Target
Upper quartile

Annual performance
Upper quartile

We have maintained upper quartile performance across our selection of ESG ratings and indices.

2022/23: Upper quartile

2021/22: Upper quartile

Status
Met expectation/target

Key stakeholder
Investors

Relevant material themes[1]
- Trust, transparency and legitimacy
- Corporate governance and business conduct
- Political and regulatory environment

Relevant principal risks[2]
- Inherent risk area: Conduct and compliance

Link to remuneration[3]
n/a

Assurance[4]
Independent third-party verification

(1) Read more about our materiality assessment on pages 28 to 30.
(2) Read more about our principal risks on pages 52 to 56.
(3) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.
(4) Read more about the assurance over our performance metrics on page 63.

Creating value for
- Community
- Suppliers
- Investors

Efficient and effective delivery of our capital programmes

Our capital programme performance is measured through our capital programme delivery incentive (CPDi), which places a strong emphasis on efficiency and reducing the carbon impact of our enhancement projects. We have delivered a strong performance of 98 per cent this year, surpassing our target and improving on last year's already strong performance. This has been achieved through the application of value engineering techniques, innovation and other opportunities in our supply chain.

Innovative funding opportunities help drive efficiency, and over half of our innovation investment is from external funding sources. We have continued to influence over £90 million of awarded projects from the Ofwat Innovation Fund, leading on seven totalling almost £30 million. Our Innovation Lab continues to deliver world first solutions that can be tested faster and adopted earlier. For our fifth Lab, we have reviewed over 100 ideas, selecting six for rapid prototyping with results expected in the summer of 2024. To date, our Lab programme has created opportunities to deliver over £15 million of efficiencies.

We have completed 24 pilot projects testing innovative approaches to key AMP8 business challenges such as protecting water resources, improving resilience and water efficiency, and these have helped inform our business plan, enabling us to propose a very high level of efficiency.

Contributing to our communities

We invest in local communities through financial investment in environmental and community partnerships, delivery of education in schools, and time volunteered by our colleagues across the business.

This year, our direct community investment (calculated using the B4SI method) totalled £3.99 million, an increase on last year and exceeding our target. The increase in the year has come from greater spend on peatland restoration, innovation projects, community-based sustainable urban drainage and water efficiency schemes, and community engagement in the Ribble catchment. In addition, we contributed to our Trust Fund to help those struggling to pay their bills, with further customer bill support available through our social tariff.

We have sought further opportunities to engage with communities across the North West, addressing some of their issues through community investment that is strongly aligned with our strategic priorities. For example, recognising the strong interest in river water quality in line with our strategic priority to improve our rivers, we launched a fund targeted at grass roots community groups keen to improve their local rivers, awarding grants up to £2,500 for groups that wish to clean up their local watercourses or help with water sampling. We also promoted the uptake of sustainable drainage systems (SuDS) with communities across the region, in line with our rainwater management strategy, and a targeted campaign to encourage Staveley villagers in Cumbria to sign up for a water butt extended to the installation of 'SuDS pods' at the village hall.

Keeping customers updated on our plans is a central feature of our engagement and we launched a 'see for yourself' programme, providing customers and community groups the opportunity to take a look at how we operate our wastewater treatment works and to understand the technology we use to clean used water and return it safely to the environment. Other community events have been held at pollution/blockage hotspot areas promoting the 'stop the block' messaging, such as in Leigh, which saw sewer blockage reductions following an education campaign.

In July 2023, we opened an information centre on Windermere High Street to provide local people and visitors with information about our plans to further improve water quality in the lake. We've used the centre to hold several events focused on water saving and meters, our graduate and apprentice schemes and affordability help and support.

Each of our five counties has very different challenges and needs, and our AMP8 business plan reflects these differences. Customer and stakeholder engagement in each of our diverse counties helped us to build and adapt five targeted county-based plans. This five counties engagement has actively informed the development, engagement and support for our plan, and is at the heart of how we intend to deliver it. We are organising ourselves into 'county delivery squads' so we are ready to deliver our county plans at pace, and we have already moved to this new team structure. Read more about our five counties approach on pages 26 to 27 and 83.

Working in partnership

The most effective and efficient way for us to achieve our purpose to provide great water for a stronger, greener and healthier North West is through collaboration and partnership working. Working with community groups, we often find that we can deliver more for less, or partners can leverage additional funds to invest in schemes that benefit water customers.

Co-creating, co-financing and co-delivering partnership solutions are core capabilities for us already, and over the past year we have been building on our industry-leading track record and continued evolution of our strategic partnerships.

Building a stronger North West

Natural Course
A leading example of a strategic partnership, Natural Course – a €20 million part-funded EU LIFE Integrated Project – is a ten-year collaboration involving United Utilities, the Environment Agency, Natural England, Greater Manchester Combined Authority (GMCA), and The Rivers Trust, with the objective of improving the water environment across the North West.

Natural Course successfully concluded in March 2024. It trialled new ways of working together to find ways of reaching our ecological targets sooner, established more joined-up ways of making decisions that impact our waters in the future, and enabled the development/use of new funding mechanisms to support the delivery of a wide range of projects. We are now planning to ensure benefits from Natural Course continue to be realised throughout AMP8. Natural Course has already informed our Catchment Systems Thinking (CaST) approach, our place-based planning, and influenced the development of the Integrated Water Management Plan for Greater Manchester and the emerging plans for water priorities in the Liverpool City Region.

Greater Manchester Integrated Water Management Plan
Over the last four years we, alongside the GMCA and the Environment Agency, have developed a productive partnership to drive forward the environmental, development and infrastructure priorities across Greater Manchester. With support from Andy Burnham, Mayor of Greater Manchester, we have jointly developed a UK-leading Integrated Water Management Plan (IWMP).

The IWMP, which launched in June 2023, focuses on all aspects of Greater Manchester's water cycle and brings together various strategic plans into an overall framework and ambition for the county. It aims to ensure sustainable water management is applied holistically across Greater Manchester to enhance water quality, manage flood risk and increase biodiversity.

Working with suppliers

Our activities during AMP8 will support around 30,000 jobs both within United Utilities and our supply chain. This includes an additional estimated 7,000 jobs, which will be created in our supply chain as they support our AMP8 plan, demonstrating that we continue to play a part in helping to support the North West economy.

Suppliers play an important role in delivering our services and, alongside our colleagues, often act as the face of our business for many customers and communities. Events in recent years have shown the importance of maintaining strong relationships with our supply chain partners and we continue to encourage collaboration as part of our United Supply Chain approach. We work constantly to ensure that our core service delivers maximum value to internal stakeholders, key suppliers, our broader supply chain and ultimately, customers.

Payment practices are critical to our business and our suppliers – particularly at a time when there have been significant rises in the costs of key commodities. As a signatory to the Prompt Payment Code, and in addition to the commitment to pay at least 95 per cent of invoices within 60 working days, we also continue to pay 95 per cent of our small and medium-sized enterprise (SME) suppliers within 30 days. Over the last year, we have continued to outperform our target to pay suppliers promptly, with more than 99 per cent of our invoices paid within 60 days, and an average time to pay of 11 days.

30,000
jobs supported through our AMP8 plans, with 7,000 new skilled jobs created

>99%
invoices paid within 60 working days

11 days
on average for invoices to be paid

Read more about the Natural Course project at naturalcourse.co.uk

Read more about the Integrated Water Management Plan for Greater Manchester at greatermanchester-ca.gov.uk/what-we-do/planning-and-housing/integrated-water-management-plan

External recognition and benchmarking

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

Corporate Responsibility Prime, rated by ISS ESG — In the annual review in July 2023, our status was assessed as Prime.[1]

Moody's ESG Solutions / Euronext — We received an overall Advanced ESG score by Moody's ESG of 61/100 in year 2023 and United Utilities Group PLC has been reconfirmed as a constituent of the Euronext Vigeo UK 20 index in December 2023.[2]

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

Member of Dow Jones Sustainability Indices, Powered by the S&P Global CSA — For 2023, our overall performance was 77% and we are proud to be a component of the iconic Dow Jones Sustainability World Index. Effective December 2023.

Sustainalytics Rated — In December 2023, United Utilities Group PLC received an ESG Risk Rating of 10.7 and was assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors.[4]

CDP Discloser 2023 — In 2023, we achieved CDP leadership scores in both climate change (A-) and supplier engagement (A) assessments and also achieved a B on our first Water Security assessment.

(1) issgovernance.com/esg/ratings/badge
(2) moodys.com/esg
(3) msci.com/notice-and-disclaimer
(4) sustainalytics.com/legal-disclaimers

We act fairly and transparently with all our suppliers and as a signatory to the Code, comply fully with the reporting requirements. We were awarded a 'Fast Payer Award' by Good Business Pays for the third year running. This award recognises FTSE350 companies who are fast payers of their invoices and can demonstrate that over the past 12 months they have paid their suppliers in less than 30 days as well as paying 95 per cent or more of all invoices on time. We are one of 290 companies to have received the award this year, with only 6 per cent of reporting companies achieving this.

United Supply Chain

Our United Supply Chain (USC) approach plays a fundamental part in achieving our purpose. USC helps to mitigate risk, build resilience, improve compliance, assurance and ultimately deliver better value within a high-quality supply chain and will help to deliver our responsible sourcing principles effectively throughout our supply chain. USC recognises suppliers as an extension of United Utilities and they are asked, as a minimum, to become a signatory to our responsible sourcing principles. For those suppliers that are integral to our operations, we encourage them to become leaders and to work jointly with us to deliver improvements across ESG areas and to improve value for customers.

Through our continued membership of the Supply Chain Sustainability School (SCSS) we can provide additional training and events to assist our suppliers in their own sustainability efforts. We have created tailored learning pathways for over 70 of our key suppliers aligned to our responsible sourcing principles and have held several sponsored workshops. We continually achieve the maximum SCSS 'Gold' status, due largely in part to our continued commitment through USC.

Working with our supply chain to reduce scope 3 emissions

We take pride in working collaboratively and responsibly with our supply chain, helping us to drive innovation, mitigate risk and deliver value.

One example of how we have achieved this is via our collaboration with Wilo UK at our Mouldsworth site, which deals with raw water extraction. Here we have replaced an aged asset to deliver cost savings, improvements in hydraulic efficiency, energy savings, and reductions in scope 3 carbon emissions.

Wilo manufacturing sites have been certified carbon neutral, with the ability to source products manufactured carbon neutrally, meaning zero embedded carbon in the product we purchase. Wilo have achieved this by implementation of solar and green hydrogen technologies.

Read more at unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/case-study---wilo---final.pdf

In July 2023, we hosted a supplier round table event attended by over 40 individuals from 23 partners in our supply chain, with support from the Supply Chain Sustainability School and one of our graduate CEO Challenge teams.

During the event we shared information on our purpose and strategic priorities, our long-term strategy, and updates on our approach to carbon. This included what changes we are making and how we are determined to reduce the carbon impact we have as an organisation – in efforts to bring our supply chain partners along on the journey.

The participation across the supply chain was invaluable and during the round table sessions we explored some of the challenges and opportunities relating to carbon reporting and emissions reduction. This provided us an opportunity to get to know our supply chain partners better, share best practice collectively, and work on improvement plans of our own.

Read more about our plans and progress against our six ambitious carbon pledges on pages 74 to 77

Of suppliers that attended the event, 93 per cent currently have plans to reduce emissions, and 100 per cent believe that working with others is important.

Sustainable finance

Our sustainable finance framework allows us to raise financing based on our strong ESG credentials alongside conventional issuance. We have issued £1.7 billion so far through this framework, including a €650 million green bond this year that saw high levels of engagement and appetite from debt investors.

We published an allocation and impact report during the year, detailing the investments made with the proceeds of funds raised under the framework.

Read more at unitedutilities.com/corporate/investors/credit-investors/sustainable-finance

Recognising the group's ongoing commitment to paying its fair share of tax and acting in an open and transparent manner in relation to its tax affairs, we were delighted to retain the Fair Tax Mark independent certification for a fifth consecutive year. We pay significant contributions to the public finances every year, including employment taxes for our more than 5,000 strong workforce.

Read more on our UK tax policies and objectives on page 164

Business ethics

We aim to maintain high ethical standards of business conduct and corporate governance. This extends to our commercial activities and we have demonstrated our commitment to ethical procurement and supply practices by achieving the CIPS Corporate Ethics Mark for the fifth consecutive year. This requires commercial colleagues to undertake additional online training covering human rights and forced labour in supply chains; the implications, the risks and how to respond. This accreditation recognises the work we have done and the level of training we have provided to our colleagues in support of our aim of eliminating modern slavery and human trafficking. We aim to retain this again by completing the online training once again in 2024.

We have undertaken a gap analysis of our approach to modern slavery and human trafficking with the help of independent social enterprise Slave-Free Alliance. The objective of the analysis was to assess our modern slavery initiatives, identify good practice and main risk areas, and develop a set of recommendations for continuous improvement. The report identified several areas of best practice and highlighted areas for focus in our policies, due diligence and risk mitigation approach, and we are using the recommendations to build upon our approach. Our anti-slavery and human trafficking statement can be found at unitedutilities.com/human-rights

Performance across a range of trusted investor indices

We have participated in a range of independently assessed global ESG ratings and indices for many years to benchmark our approach against best practice and emerging sustainability challenges. Our approach to responsible business has ensured consistent upper quartile performance in selected ESG ratings and indices. We remain a member of the Dow Jones Sustainability World Index, along with just three other companies from the multi-utilities and water sector. In the Sustainalytics assessment, we continue to be classified as low risk and in the top two per cent of performers in the utilities industry group. We are proud to be ranked among Corporate Knights' 2024 100 Most Sustainable Corporations in the World.

These ESG ratings look beyond the UK water sector to compare our performance against international water utilities, wider utilities and non-utility companies. We continue to respond to best practice and emerging ESG trends to maintain our performance in these ratings and we are increasing our engagement with investors on ESG matters.

Building a stronger North West

Status key

Annual performance	Met expectation/target	Close to meeting expectation/target	Behind expectation/target
Against 2025 target	Confident of meeting target	Some work to do	Target unobtainable

Stakeholder key

Customers · Environment · Communities · Colleagues · Suppliers · Investors

Measure	2025 target	Performance 2023/24	Performance 2022/23	Performance 2021/22	Assurance[2]	Link to remuneration	Key stakeholder	Status: Annual performance	Status: Against 2025 target
Credit rating UUW (Moody's, S&P, Fitch)[1]	A3, BBB+, A-	**A3, BBB+, A- (Stable outlook)**	A3, BBB+, A- (Stable outlook)	A3, BBB+, A- (Stable outlook)	ITV		Investors	Met expectation/target	Confident of meeting target
Maintain sustainable finance framework	Available/ continued issuance	**Available**	Available	Available	IAT		Investors	Met expectation/target	Confident of meeting target
Anti-bribery: percentage of identified colleagues completing required training	100%	**100%**	100%	100%	IAT		Investors	Met expectation/target	Confident of meeting target
Number of children benefitting from education materials	20,000	**39,131**	23,253	12,998	ITV		Communities	Met expectation/target	Confident of meeting target
Partnership leverage[1]	1:4	**1:3**	1:4	1:4	RRA		Communities	Close to meeting expectation/target	Confident of meeting target
Invoices paid within 60 days	At least 95%	**99.60%**	98.91%	99.34%	ITV		Suppliers	Met expectation/target	Confident of meeting target
Average time taken to pay invoices	<28 days	**11**	12	13	ITV		Suppliers	Met expectation/target	Confident of meeting target
Supplier Relationship Management score	90%	**95%**	90%	54%	IAT		Suppliers	Met expectation/target	Confident of meeting target
CIPS ethical mark	Retain accreditation	**Retained**	Retained	Retained	ITV		Suppliers	Met expectation/target	Confident of meeting target
Percentage of targeted suppliers signed up to United Supply Chain	100%	**94%**	89%	90%	IAT		Suppliers	Met expectation/target	Confident of meeting target
Percentage of partner and strategic suppliers that have sustainability risk assessments in place	75%	**78%**	73%	72%	IAT		Suppliers	Met expectation/target	Confident of meeting target
Percentage of suppliers in high risk categories (in sustainability risk assessments) covered by enhanced due diligence audits	5%	**4%**	3%	Delivery scheduled from 2022	IAT		Suppliers	Met expectation/target	Confident of meeting target
UK Corporate Governance Code	Maintain compliance	**Compliant**	Compliant	Compliant	IAT		Investors	Met expectation/target	Confident of meeting target
Fair Tax Mark	Retain accreditation	**Retained**	Retained	Retained	ITV		Investors	Met expectation/target	Confident of meeting target
Living Wage accreditation	Secure and retain	**Retained**	Retained	Retained	ITV		Colleagues	Met expectation/target	Confident of meeting target
Pension Quality Mark +	Retain accreditation	**Retained**	Retained	Retained	ITV		Colleagues	Met expectation/target	Confident of meeting target

[1] Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

[2] Read more about the assurance over our performance metrics on page 63.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Compliance committee ensures robust scrutiny of regulatory submissions

We understand the importance of providing accurate and transparent information to regulators and customers.

The compliance committee was established in 2023 to ensure that the board had an even greater opportunity to provide early and in-depth scrutiny of regulatory submissions and to help ensure the accuracy and transparency of information presented to regulators and customers. The compliance committee is made up of three directors, two of whom are non-executive directors. The regulation and compliance director is also a member of the committee. Providing the required oversight, the committee offers technical knowledge, experience and expertise in a variety of areas, including engineering, regulation, finance and audit.

To help ensure compliance with the relevant regulatory reporting requirements prior to submission to the board for approval, the committee has, in 2023, reviewed key regulatory submissions including the annual performance report and AMP8 business plan. The committee challenged the underlying governance approach for these submissions, while providing guidance to improve the clarity of the information presented.

The risk and compliance statement, for example, is a key document within the annual performance report. While providing detail on how we understand our obligations and the systems and controls to manage these, this statement also provides information on any known departures from compliance over the course of the year, known as the Table of Departures. Before the annual performance report submission, the committee challenged the articulation of several departures and made recommendations to enhance the clarity of the information within the Table of Departures.

The committee is also charged with reviewing compliance with other areas of legislation and regulation as they see fit. Additional matters considered by the committee during 2023/24 included reviewing the approach to assurance in areas considered higher risk, such as storm overflow spill reporting, leakage and per capita consumption data. Extra scrutiny in each of these areas has contributed to further refinement of approach and greater confidence over the published information.

"…the committee offers technical knowledge, experience and expertise in a variety of areas, including engineering, regulation, finance and audit."

Delivering value for

This is creating value for customers and investors.

Read our compliance committee report on page 137

Creating long-term sustainable value

Key performance indicators

Our financial KPIs include income statement, balance sheet, regulatory and investor return metrics to provide a snapshot of our performance for the year.

Underlying operating profit

See note 1.

Target
Not externally disclosed

Annual performance
£518 million
Reported operating profit: £480 million

Underlying operating profit has increased £77 million compared with last year, primarily driven by an increased revenue allowance partially offset by inflationary pressures on our core costs, with the largest increases seen on power and labour costs.

2022/23: £441 million

2021/22: £610 million

Status
Behind expectation/target

Link to remuneration[2]
Bonus

Gearing

Group net debt (plus loan receivable from our joint venture) divided by UUW's regulatory capital value.

Target
55–65%

Annual performance
59%

Gearing has risen marginally compared with 58 per cent last year, but at 59 per cent this remains comfortably within our target range.

2022/23: 58 per cent

2021/22: 59 per cent

Status
Met expectation/target

Link to remuneration[2]
n/a

Dividend per share (DPS)

Total dividends declared divided by the average number of shares in issue during the year.

Target
Annual growth in line with CPIH inflation to 2025

Annual performance
49.78 pence

The board has proposed a final dividend of 33.19 pence, which takes the total dividend to 49.78 pence per share for 2023/24. This is an increase of 9.4 per cent, in line with our policy of targeting an annual growth rate of CPIH inflation through to 2025.

2022/23: 45.51 pence

2021/22: 43.50 pence

Status
Met expectation/target

Link to remuneration[2]
n/a

Underlying earnings per share (EPS)

See note 1.

Target
Not externally disclosed

Annual performance
33.3 pence
Reported EPS: 18.6 pence

Underlying earnings per share is primarily driven by the movement in operating profit and a lower underlying finance expense. Reported EPS is lower due to £38 million exceptional costs in relation to the outlet pipe at Fleetwood, fair value gains, and the deferred tax adjustment.

2022/23: -1.3 pence

2021/22: 53.8 pence

Status
Behind expectation/target

Link to remuneration[2]
n/a

Return on regulated equity (RoRE)

Base allowed return plus or minus any out or underperformance.

Target
Not externally disclosed

Annual performance
8.5%

We have delivered another strong RoRE performance, more than doubling the 4 per cent base return with outperformance on financing, tax and customer ODIs, partially offset by the totex impact.

2022/23: 10.9 per cent

2021/22: 7.8 per cent

Status
Met expectation/target

Link to remuneration[2]
LTP
Also indirectly linked to the bonus, as RoRE is influenced by two bonusable measures: ODIs and C-MeX.

Total shareholder return (TSR)

Based on the movement in share price plus dividends over each financial year.

Target
Not externally disclosed

Annual performance
1.6%

TSR was 1.6 per cent in the year to 31 March 2024, which was behind the FTSE 100 return of 8.4 per cent, but significantly ahead of our listed water company peers.

2022/23: -1.5 per cent

2021/22: 27 per cent

Status
Close to meeting expectation/target

Link to remuneration[2]
n/a

[1] Underlying operating profit and underlying earnings per share are alternative performance measures that exclude adjusted items from their reported equivalents. Underlying operating profit excludes any significant non-recurring items. Underlying EPS deducts underlying net finance expense, underlying share of joint venture losses, and underlying taxation from underlying operating profit to calculate underlying profit after tax, and divides this by the average number of shares in issue during the year. Underlying net finance expense makes adjustments including stripping out fair value movements. Underlying taxation strips out deferred tax (including any tax credits or debits arising from changes in the tax rate) and any exceptional tax. A description of adjusted items, the framework by which these are assessed, and reconciliations between reported and underlying measures, can be found on pages 96 to 97.

[2] Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 163.

Return on regulated equity (RoRE)

RoRE is a key measure relating to the regulated activities of United Utilities Water Limited. It measures the regulatory returns (after tax and interest) that companies have earned by reference to the notional regulated equity (which is calculated as 40 per cent of the regulatory capital value (RCV), while the other 60 per cent of the RCV is notional net debt).

RoRE comprises a base allowed return, in line with assumptions used by Ofwat in the final determination, plus or minus any out or under performance earned. It is reported on an annual and cumulative basis throughout each five-year asset management plan (AMP) period.

The three key areas through which we can earn a higher RoRE are:

- delivering efficiency savings versus our cost allowance (total expenditure (totex) outperformance);
- earning outperformance payments for service delivery against our performance commitments (customer outcome delivery incentive (ODI) rewards); and
- raising finance at a lower cost than the industry allowed cost of debt (financing outperformance).

The main areas that could detract from RoRE, therefore, are:

- overspending versus our total cost allowance (totex underperformance);
- incurring underperformance payments for failure to meet our performance commitments (customer ODI penalties); and
- incurring higher finance costs than the industry allowed cost of debt (financing underperformance).

RoRE is also impacted by the outturn tax position versus the allowance. Our efficient financing has given us a history of financing outperformance. We strive to deliver efficient costs, but our strategy for AMP7 has been to prioritise operating performance and ODI rewards over totex savings, as this drives better long-term value for all our stakeholders.

As well as being a key regulatory measure, RoRE is one of our financial KPIs and executive remuneration is linked to our RoRE performance through its inclusion in the Long Term Plan (LTP). Elements that contribute to RoRE performance (customer ODIs and C-MeX) are also part of the annual bonus for all employees.

AMP7 financial framework

Our five-year financial framework captures anticipated performance in the five years to 31 March 2025. This period aligns with the AMP7 regulatory period.

Investment and regulated asset growth

We expect to deliver a number of capital programmes in AMP7 in addition to our base totex (total expenditure) programme. These include the £765 million additional investment programme announced in May 2022, the Accelerated Infrastructure Delivery Project spend and AMP8 transitional investment. Combined with the impact of inflation, our regulated assets are expected to grow at a compound annual growth rate of 4 to 5 per cent across the five years to March 2025.

RoRE

The RoRE metric measures returns (after tax and interest) earned by reference to notional regulated equity. Overall returns comprise a base return on equity plus a contribution from outcome delivery incentives, operating efficiency, financing and tax efficiency and customer service. We currently expect to deliver average returns of between 6 and 8 per cent in AMP7, on a real RPI/CPIH blended basis.

Balance sheet

The board has set a target gearing range for the AMP7 regulatory period of 55 to 65 per cent net debt to regulated capital value. As at 31 March 2024, our gearing is in the lower half of this range at 59 per cent.

Dividend policy

The group maintains a dividend policy to target a growth rate of CPIH inflation each year through to 2025. The annual increase in the dividend is based on the CPIH element included within allowed regulated revenue for the current financial year. This is calculated as using the CPIH annual rate from the November prior (i.e. the 2023/24 dividend is equal to the 2022/23 dividend indexed for the movement in CPIH between November 2021 and November 2022).

Outlook and guidance

ODI rewards

We are forecasting to achieve a net customer ODI reward for 2024/25 at least in line with FY24.

Revenue

Revenue is expected to increase by around 10 per cent in 2024/25, with around 3 per cent due to inflation offset by k factor, and 7 per cent due to timing.

Underlying operating costs

Operating costs including IRE are expected to increase by more than inflation due to business rates, regulatory charges and IRE.

Depreciation

With continued growth in our asset base and accelerated investments ahead of AMP8, depreciation is expected to increase by £30 million to £40 million.

Underlying net finance expense

Underlying net finance expense is expected to be broadly unchanged year on year. As at 31 March 2024, we had £4.7 billion of index-linked debt exposure, giving rise to a £47 million swing in our annual interest charge for every 1 per cent change in inflation.

Underlying tax

Our current tax charge is expected to be nil in 2024/25, reflecting expected benefits in relation to 'full expensing' and the 50 per cent first year allowances on longer life assets.

Capital expenditure

Capex in 2024/25 is expected to be in the range of £850 million to £1.1 billion. In addition to our AMP7 base programme, this reflects capital expenditure for the year in relation to the circa £400 million of investment brought forward from AMP8 (including Accelerated Infrastructure Delivery Project and AMP8 transitional investment) as well as our additional investment (including supporting our Better Rivers programme).

Creating long-term sustainable value

We delivered robust underlying financial performance this year. Revenue increased 8 per cent, mainly driven by the inflation increase allowed as part of our revenue cap. This revenue increase, partly offset by inflationary increases to costs resulted in underlying operating profit increasing by £77 million to £518 million. Reported operating profit was £38 million lower than underlying, at £480 million, reflecting an adjusting item in respect of costs associated with a fractured outlet pipe at our Fleetwood Wastewater Treatment Works.

Non-cash interest expense on our index-linked debt declined, resulting in an underlying profit of £227 million and an underlying earnings per share of 33.3 pence. Reported profit after tax was lower at £127 million, with reported earnings per share of 18.6 pence per share. Adjusted items between underlying and reported are set out on pages 96 to 97.

We have one of the strongest balance sheets in the sector, providing us with future flexibility. During the year, we completed a pension scheme buy-in transaction with Legal & General, covering two-thirds of scheme liabilities and representing a significant milestone in our de-risking journey. Our AMP7 investment requirements are fully pre-funded, and with gearing of 59 per cent and solid credit ratings we approach AMP8 in a strong position.

Revenue

Revenue was up £145 million, at £1,950 million, largely reflecting the inflation increase allowed as part of our revenue cap.

In 2023/24, we had a £103 million increase in the revenue cap due to regulatory adjustments, largely driven by a 9.4 per cent CPIH-linked increase partly offset by 1.4 per cent real reduction in allowed wholesale revenues as set out in our PR19 Final Determination.

Other revenue impacts largely reflect increases in consumption.

Operating profit

Underlying operating profit at £518 million was £77 million higher than last year, largely reflecting the increase in revenue, offset by inflationary pressures on our core costs.

Inflationary pressures on our operating costs have resulted in a £41 million increase. The largest increases have been to power and labour costs, where we incurred an additional £34 million and £13 million respectively. Other costs have been tightly controlled, partly mitigating the inflationary increases and leading to a £6 million cost reduction.

As our asset base continues to grow, IRE increased by £12 million and our depreciation charge for the year increased by £15 million.

Reported operating profit increased by £39 million compared to last year, reflecting the £77 million increase in underlying operating profit offset by £38 million of costs associated with responding to a fractured outlet pipe at our Fleetwood Wastewater Treatment Works. The specific nature, and the activity involved in remediating this failure, was unlike anything that would typically be experienced. As such, the associated costs were not representative of normal business activity and were excluded in arriving at underlying operating profit.

£1.9bn

revenue impacted by increased inflationary allowance

£518m

underlying operating profit increased due to higher revenue partially offset by the inflationary impact on core costs, particularly power and labour

1.6%

low level of bad debt as a percentage of household revenue

Current year cash collection has been strong, supported by our industry-leading affordability schemes, effective credit collection practices and utilisation of technology. As a result, our bad debt position has reduced to 1.6 per cent of statutory revenue.

Profit/(loss) before tax

Underlying profit before tax of £221 million compared to a £34 million underlying loss before tax last year. The £255 million difference reflects the £77 million increase in underlying operating profit and a £182 million decrease in underlying net finance expense, partly offset by a small increase in the share of losses of joint ventures of £4 million. Underlying profit before tax reflects presentational adjustments as outlined on pages 96 to 97.

Reported profit before tax decreased by £86 million to £170 million reflecting a £90 million increase in reported net finance expense, a £31 million profit on disposal of our subsidiary United Utilities Renewable Energy Limited recognised in the prior year, and a small increase in the share of losses of joint ventures of £4 million, partly offset by a £39 million increase in reported operating profit.

Net finance expense

Underlying net finance expense of £293 million was £182 million lower than last year mainly due to significantly lower inflation resulting in a £268 million decrease in the non-cash indexation on our debt and derivative portfolio, partly offset by a reduction in capitalised interest of £47 million, and rising interest rates resulting in higher net interest payable on debt, derivatives and cash of £39 million.

Cash interest of £125 million was £23 million higher than last year. Cash interest excludes non-cash items mainly comprising the indexation on our debt and derivative portfolio, capitalised interest and net pension interest income.

Reported net finance expense of £306 million was £90 million higher than last year, reflecting a £272 million reduction in net fair value gains on debt and derivatives (excluding interest on debt and derivatives under fair value option) from £259 million net fair value gain last year to £13 million net fair value loss this year, partly offset by the £182 million decrease in underlying net finance expense.

Joint ventures

The group incurred a share of the losses of Water Plus for the year ended 31 March 2024 of £4 million, all of which has been recognised in the income statement. This compares to a share of the profits of Water Plus of nil for the year ended 31 March 2023, with the deterioration this year largely as a result of the impact of higher interest rates.

Profit/(loss) after tax and earnings per share

The underlying profit after tax of £227 million was £236 million higher than the £9 million underlying loss last year, reflecting the £255 million increase in underlying profit before tax and a £19 million reduction in underlying tax credit.

Reported profit after tax was lower at £127 million and reported earnings per share at 18.6 pence per share with the adjusted items between underlying and reported set out on pages 96 to 97.

Tax

We continue to be fully committed to paying our fair share of tax and acting in an open and transparent manner in relation to our tax affairs, and are delighted to have retained the Fair Tax Mark independent certification for a fifth year.

The group makes significant contributions to the public finances on its own behalf as well as collecting and paying over further amounts for its over 6,000 strong workforce. The total payments for 2023/24 were around £240 million and included business rates, employment taxes, environmental taxes and other regulatory service fees such as water abstraction charges.

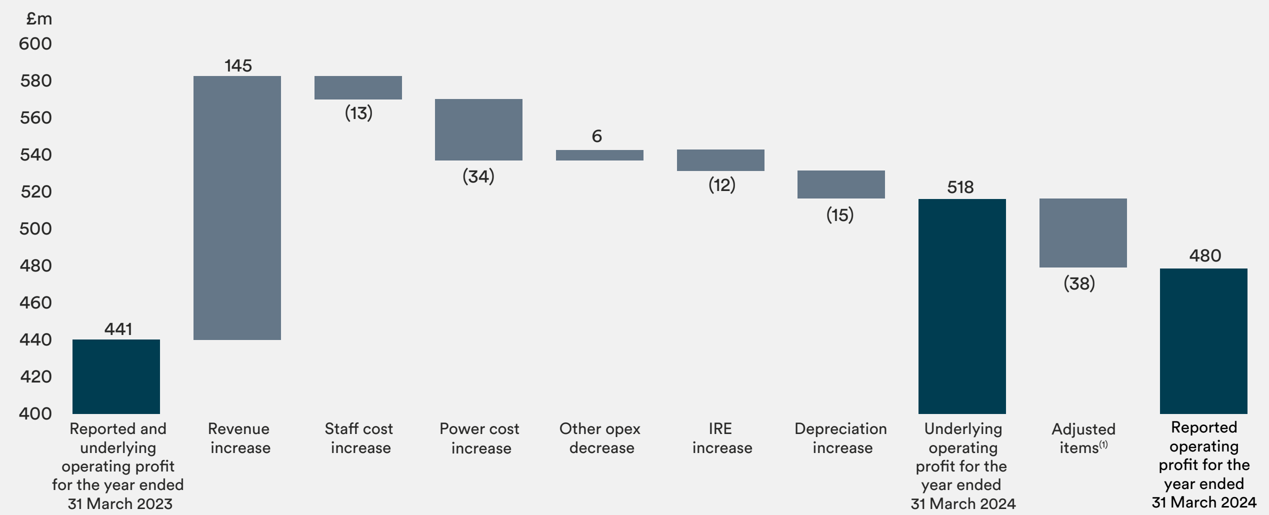
In the current year, we received a net corporation tax repayment of £5 million, which represents an effective cash tax rate of 0 per cent. The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment including full expensing introduced in 2023.

The group recognised a current tax credit of £6 million, mainly due to prior year adjustment in relation to optimising the available research and development tax allowances on our innovation-related expenditure, for multiple prior years.

For the year to 31 March 2024, we recognised a deferred tax charge of £49 million, compared with £77 million last year.

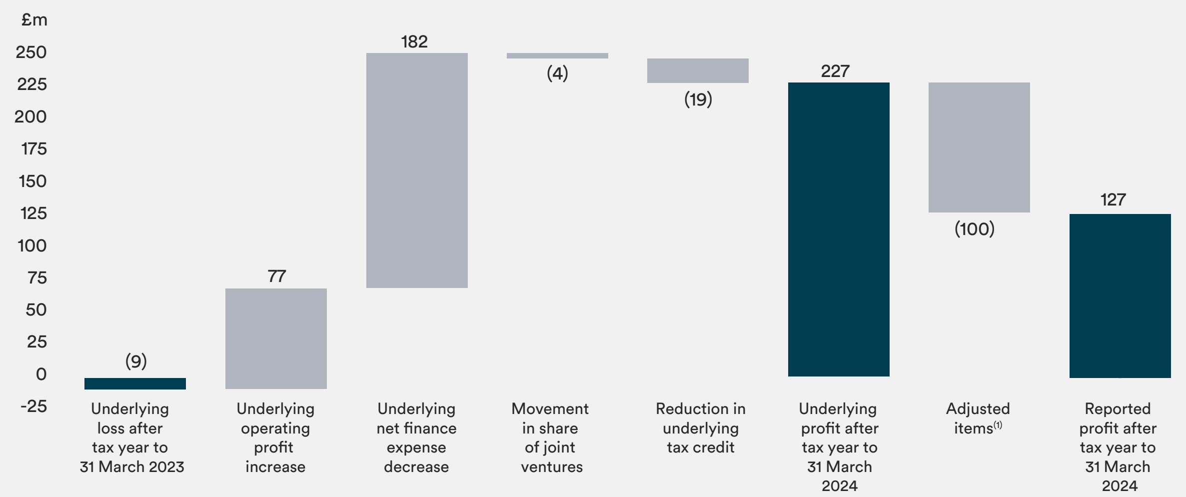
The total effective tax rate, excluding prior year adjustments was 26 per cent for the year to 31 March 2024 compared with the headline rate of 25 per cent.

Summary of operating profit movement



(1) Adjusted items between underlying and reported are set out on pages 92 to 93.

Summary of profit/(loss) after tax movement



(1) Adjusted items between underlying and reported are set out on pages 92 to 93.

Creating long-term sustainable value

There are £166 million of tax adjustments recorded within other comprehensive income, primarily relating to remeasurement movements on the group's defined benefit pension schemes. The rate at which the deferred tax liabilities are measured on the group's defined benefit pension scheme is 25 per cent (2023: 35 per cent), being the rate applicable to refunds from a trust.

Dividend per share

The board has proposed a final dividend of 33.19 pence per ordinary share in respect of the year ended 31 March 2024. This is an increase of 9.4 per cent compared with the dividend last year, in line with the group's dividend policy of targeting a growth rate of CPIH inflation each year through to 2025. The 9.4 per cent increase is based on the CPIH element included within allowed regulated revenue for the 2023/24 financial year (i.e. the movement in CPIH between November 2021 and November 2022).

The final dividend is expected to be paid on 1 August 2024 to shareholders on the register at the close of business on 21 June 2024. The ex-dividend date for the final dividend is 20 June 2024. The election date for the dividend reinvestment plan is 11 July 2024. A dividend reinvestment plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the company's shareholders to elect to have their cash dividend payments used to purchase the company's shares. More information can be found at **www.shareview.co.uk/info/drip**

Cash flow

Net cash generated from operating activities for the year to 31 March 2024 was £745 million, £43 million lower than £788 million last year, principally due to higher net interest paid resulting from the rise in interest rates, and changes in working capital decreasing cash generated from operations. The net cash generated from continuing operating activities supports the dividends paid of £320 million and partially funds some of the group's net capital expenditure of £731 million, with the balance being funded by net borrowings and cash and cash equivalents.

The group's consolidated and company statements of cash flows can be found on page 185 of our consolidated financial statements.

Pensions

As at 31 March 2024, the group had an IAS 19 net pension surplus of £268 million, compared with a surplus of £601 million at 31 March 2023. This £333 million decrease principally reflects the impact of the purchase of bulk annuities as part of a buy-in transaction completed in July 2023 with Legal & General leading to around a £220 million reduction in the surplus. The partial buy-in represents a significant milestone in our de-risking journey for the benefit of the pension schemes, their members, and the group, by working as a near-perfect economic hedge, removing interest rate, inflation and longevity risks for the portion of liabilities secured. The remaining reduction materially relates to changes in financial conditions over the period, which have seen a fall in the value of the schemes' assets and the impact of inflation remaining above the assumption made at 31 March 2023.

Further detail on pensions is provided in note 14 ('Retirement benefits') of our consolidated financial statements.

Financing

Net debt at 31 March 2024 was £8,763 million, compared with £8,201 million at 31 March 2023. This comprises gross borrowings with a carrying value of £10,001 million, net derivative liabilities hedging specific debt instruments of £50 million and total indexation on inflation swaps of £111 million, and is net of cash and bank deposits of £1,399 million.

Gearing, measured as group net debt including a £74 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms) of £14.7 billion, was 59 per cent at 31 March 2024, slightly higher than the 58 per cent at 31 March 2023 but remaining within our target range of 55 to 65 per cent.

Cost of debt

As at 31 March 2024, the group had approximately £3.6 billion of RPI-linked instruments and £0.5 billion of CPI or CPIH-linked instruments held as debt. Including swaps, the group has RPI-linked debt exposure of £3.4 billion at an average real rate of 1.4 per cent, and £1.3 billion of CPI or CPIH-linked debt exposure at an average real rate of -0.6 per cent.

A significantly lower RPI inflation charge compared with last year contributed to the group's average effective interest rate of 4.7 per cent being lower than the rate of 8.0 per cent last year. More information on this can be found on page 97.

The group has fixed the interest rates on its non index-linked debt in line with its ten-year reducing balance basis at a net effective nominal interest rate of 2.7 to 3.1 per cent for the remainder of the AMP7 regulatory period.

Credit ratings

UUW's senior unsecured debt obligations are rated A3 with Moody's Investors Service (Moody's), A- with Fitch Ratings (Fitch) and BBB+ with Standard & Poor's Ratings Services (S&P) and all on stable outlook. United Utilities PLC's senior unsecured debt obligations are rated Baa1 with Moody's, A- with Fitch and BBB- with S&P, all on stable outlook.

Debt financing

The group has access to the international debt capital markets through its £10 billion medium-term note (MTN) programme. The group has fully pre-funded its AMP7 investment requirements, and has begun funding its AMP8 (2025–30) investment programme.

In the year to March 2024, we raised circa £1.6 billion of term funding. A 15.5-year £300 million sustainable public bond in April, a nine-year £100 million bilateral loan with a relationship bank in April, a 13-year £350 million sustainable public bond in June, a 22-year £250 million public bond in January, a £50 million tap of 12.3-year sustainable public bond in February and a €650 million sustainable public bond in February. In addition, we renewed £100 million of relationship bank revolving credit facilities with an initial five-year term. Further in March we repurchased and cancelled circa £110 million of bonds that had an original maturity date of February 2025.

Interest rate management

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 31 March 2024, approximately 39 per cent of the group's net debt was in RPI-linked form, representing around 23 per cent of UUW's regulatory capital value, with an average real interest rate of 1.4 per cent. A further 15 per cent of the group's net debt was in CPI or CPIH-linked form, representing around 9 per cent of UUW's RCV, with an average real rate of -0.6 per cent. The long-term nature of this funding also provides a good match to the company's long-life infrastructure assets and is a key contributor to the group's average term debt maturity profile, which is around 16 years.

Our inflation hedging policy is to target around 50 per cent of net debt to be maintained in index-linked form. This reflects a balanced assessment across a range of factors.

Where nominal debt is raised in a currency other than sterling and/or with a fixed interest rate, the debt is generally swapped to create a floating rate sterling liability for the term of the debt. To manage exposure to medium-term interest rates, the group fixes underlying interest costs on nominal debt out to ten years on a reducing balance basis.

Liquidity

Short-term liquidity requirements are met from the group's normal operating cash flow and its short-term bank deposits and supported by committed but undrawn credit facilities. Our MTN programme provides further support.

At 31 March 2024, we had liquidity out to March 2026, comprising cash and bank deposits, plus committed undrawn revolving credit facilities. This gives us flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and support the delivery of our ongoing capital investment programme.

Return on regulated equity (RoRE)

RoRE for 2023/24 was 8.5 per cent on a real, RPI/CPIH blended basis.

In addition to the base return of 4.0 per cent (including our 11 basis point fast track reward that we receive in each of the five years of the AMP), we delivered net outperformance of 4.5 per cent comprising:

Financing outperformance

We earned financing outperformance this year of 4.3 per cent. We have consistently issued debt at efficient rates that compare favourably with the industry average, thanks to our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise. As in the prior year, our financing outperformance this year has been supplemented by higher levels of inflation, which increases the benefit of the roughly £4 billion fixed rate debt we have locked in.

Tax outperformance[1]

The 2.1 per cent outperformance on tax reflects the small current year underlying tax credit, and includes allowable tax deductions on capital investment including full expensing introduced in 2023.

Customer outcome delivery incentives (ODIs)

Customer ODI outperformance of 0.7 per cent reflects a net reward of £34 million.[2] Our overall performance was strong this year, meeting or exceeding 80 per cent of our performance commitments. However, exceptionally high rainfall during the year adversely impacted performance such as flooding and we expect to receive penalties against these commitments for FY24. The extreme weather we experienced meant that while our net reward reflects strong delivery for customers, it is around £30 million lower than we previously anticipated.

Customer ODI rewards and penalties are applied to revenues with a two-year lag. As we are approaching the end of the AMP7 regulatory period, the payments earned in 2023/24 and 2024/25 reporting year will be considered during the determination processes for the next regulatory period and will be reflected in adjustments to revenues during AMP8.

Totex performance[1]

The totex impact on RoRE of -2.2 per cent reflects the combined impact of the in-year portion of the £765 million investment programme announced in May 2022, accelerated investment brought forward from AMP8 and inflationary pressures, partly offset by the inflationary uplift within the totex mechanism. We continue to robustly challenge our costs to help us deliver our investment as efficiently as possible.

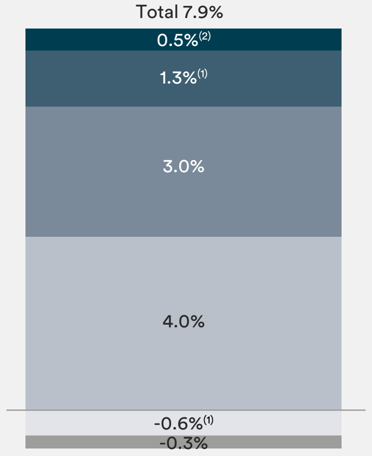
Retail performance

The retail impact on RoRE of -0.4 per cent reflects a small underperformance in household retail resulting from the impacts of cost of living and inflationary cost pressures.

(1) Tax benefits directly attributable to £765 million additional investments netted against totex performance

(2) Excluding per capita consumption, which Ofwat is considering as part of its final determination process in the context of a full understanding of the enduring impact of COVID-19 effects.

Cumulative AMP7 RoRE



8.5%

return on regulated equity (RoRE) for 2023/24

£34m

highest ever reward for customer ODIs earned in 2023/24[2]

Creating long-term sustainable value

Guide to alternative performance measures (APMs)

The underlying profit measures in the following table represent alternative performance measures (APMs) as defined by the European Securities and Markets Authority (ESMA). These measures are linked to the group's financial performance as reported in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006 in the group's consolidated statement of comprehensive income, which can be found on page 181. As such, they represent non-GAAP measures.

These APMs can assist in providing a representative view of business performance, and may not be directly comparable with similarly titled measures presented by other companies. The group determines adjusted items in the calculation of its underlying measures against a framework that considers significance by reference to profit before tax, in addition to other qualitative factors such as whether the item is deemed to be within the normal course of business, its assessed frequency of reoccurrence and its volatility, which is either outside the control of management and/or not representative of current year performance.

In addition, a reconciliation of the group's average effective interest rate has been presented, together with a prior period comparison. In arriving at net finance expense used in calculating the group's effective interest rate, underlying net finance expense is adjusted to add back net pension interest income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Adjusted item	Rationale
Adjustments not expected to recur	
Fleetwood outfall pipe fracture	In June 2023, the group suffered a large-scale outfall pipe fracture at a major wastewater treatment works at Fleetwood. The specific nature of this incident, and scale of the activity involved in remediating this failure was unlike anything that would be typically experienced. As such, the associated costs, which were incurred across both operating expenditure and infrastructure renewals expenditure, were not representative of normal business activity and, therefore, the costs are excluded in arriving at underlying operating profit.
Profit on disposal of subsidiary	This relates to the disposal of the group's subsidiary United Utilities Renewable Energy Limited during the prior year, which represents a significant, atypical event and as such is not considered to be part of the normal course of business.
Consistently applied presentational adjustments	
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	Fair value movements on debt and derivative instruments can be both very significant and volatile from one period to the next, and are, therefore, excluded in arriving at underlying net finance expense as they are determined by macro-economic factors, which are outside of the control of management and relate to instruments that are purely held for funding and hedging purposes (not for trading purposes). Included within fair value movement on debt and derivatives is interest on derivatives and debt under fair value option. In making this adjustment it is appropriate to add back interest on derivatives and debt under fair value option to provide a view of the group's cost of debt, which is better aligned to the return on capital it earns through revenue. Taking these factors into account, management believes it is useful to adjust for these fair value movements to provide a more representative view of performance.
Deferred tax adjustment	Management adjusts to exclude the impact of deferred tax in order to provide a more representative view of the group's profit after tax and tax charge for the year given that the regulatory model allows for cash tax to be recovered through revenues, with future revenues allowing for cash tax including the unwinding of any deferred tax balance as it becomes current. By making this adjustment, the group's underlying tax charge does not include tax that will be recovered through revenues in future periods, thus reducing the impact of timing differences.
Tax in respect of adjustments to underlying profit/(loss) before tax	Management adjusts for the tax impacts of the above adjusted items to provide a more representative view of current year performance.

Underlying profit	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Operating profit per published results	**480.2**	440.8
Fleetwood outfall pipe fracture	**37.6**	–
Underlying operating profit	**517.8**	440.8
Net finance expense		
Finance (expense)/income	**(389.3)**	(262.7)
Allowance for expected credit losses – loans to joint ventures	**(2.4)**	–
Investment income	**85.6**	47.0
Net finance expense per published results	**(306.1)**	(215.7)
Adjustments:		
Fair value gains on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	**12.9**	(259.4)
Underlying net finance expense	**(293.2)**	(475.1)
Share of profits/(losses) of joint ventures per published results	**(4.1)**	–
Profit on disposal of subsidiary	**–**	31.2
Adjustments:		
Profit on disposal of subsidiary	**–**	(31.2)
Underlying profit on disposal of subsidiary	**–**	–
Profit before tax per published results	**170.0**	256.3
Adjustments:		
In respect of operating profit	**37.6**	–
In respect of net finance expense	**12.9**	(259.4)
In respect of profit on disposal of subsidiary	**–**	(31.2)
Underlying profit/(loss) before tax	**220.5**	(34.3)
Profit after tax per published results	**126.9**	204.9
Adjustments:		
In respect of profit before tax	**50.5**	(290.6)
Deferred tax adjustment	**48.9**	76.6
Tax in respect of adjustments to underlying profit before tax	**1.0**	0.4
Underlying profit/(loss) after tax	**227.3**	(8.7)
Earnings per share		
Profit after tax per published results (a)	**126.9**	204.9
Underlying profit/(loss) after tax (b)	**227.3**	(8.7)
Weighted average number of shares in issue, in millions (c)	**681.9m**	681.9m
Earnings per share per published results, in pence (a/c)	**18.6**	30.0
Underlying earnings per share, in pence (b/c)	**33.3**	(1.3)
Dividend per share, in pence	**49.78p**	45.51p

In arriving at net finance expense used in calculating the group's effective interest rate, management adjusts underlying net finance expense to add back pension income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Average effective interest rate	Year ended 31 March 2024	Year ended 31 March 2023
Underlying net finance expense	**(293.2)**	(475.1)
Adjustments:		
Net pension interest income	**(28.6)**	(28.7)
Adjustment for capitalised borrowing costs	**(81.0)**	(127.5)
Net finance expense for effective interest rate	**(402.8)**	(631.3)
Average notional net debt[1]	**(8,504)**	(7,849)
Average effective interest rate	**4.7%**	8.0%
Effective interest rate on index-linked debt	**6.2%**	12.4%
Effective interest rate on other debt	**2.9%**	2.2%

[1] Notional net debt is calculated as the principal amount of debt to be repaid, net of cash and bank deposits, taking the face value issued of any nominal sterling debt, the inflation accreted principal on the group's index linked debt, and the sterling principal amount of the cross currency swaps relating to the group's foreign currency debt.