

# Sustainability Report 2025

United Utilities Group PLC





# To provide great water for a stronger, greener and healthier North West.

This drives us to deliver our services in an environmentally sustainable, economically beneficial, and socially responsible manner and create sustainable long-term value for all. Active engagement and strong constructive relationships help us understand and respond to the things that matter most to our stakeholders.


Below demonstrates the alignment between our purpose and our six strategic priorities with ESG. It also shows the link between our purpose and the UN Sustainable Development Goals (SDGs) that we contribute towards.


Our metrics and targets, including our operational key performance indicators (KPIs), are linked to ESG and aligned to the stronger, greener and healthier elements of our purpose, with clear links to our strategic priorities.


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## Keep in touch with us

  
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**AMP8**  
The 2025–30 period (AMP8) will see a step change, with the highest level of investment in water and wastewater infrastructure in more than 100 years. This will help us to deliver significant improvements for customers, communities and the environment, building a stronger, greener and healthier North West.  
Throughout this report, you will find some of our key focus areas and performance targets marked with the above AMP8 corner banner.

**Fast facts:**

**Largest**  
ever investment programme, with £5.7 billion being spent on enhancements

**>60%**  
targeted reduction in spills from overflows this decade, the highest in the sector

**30,000**  
jobs supported, bringing opportunities and helping to boost the local economy

**1 in 6**  
North West households supported with £525 million of affordability support

**Our corporate website**  
Use the link below or scan the QR code to visit our corporate website [www.unitedutilities.com/corporate/responsibility](http://www.unitedutilities.com/corporate/responsibility)



**E**  
**Protecting and enhancing the environment**

**Greener**  
We protect and enhance urban and rural environments, and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive, making the North West a better place to live now and for the future.

 Improve our rivers

 Create a greener future

**Contributing to:**  


**S**  
**Supporting society**

**Healthier**  
We provide great-quality drinking water and safely remove and recycle used water for around eight million people in the North West, while taking care of the beautiful landscapes across the region every day.

 Deliver great service for all our customers

 Provide a safe and great place to work

**Contributing to:**  


**G**  
**Responsible business and governance**

**Stronger**  
We deliver an essential service, help customers in vulnerable situations, invest in local communities across the region, and support thousands of jobs and the economy, giving the North West resilience in a changing world.

 Spend customers' money wisely

 Contribute to our communities

**Contributing to:**  




# Reporting methodology

Open, honest and transparent reporting is at the core of our responsible business approach, and we strive to continuously improve our reporting to meet investor and other stakeholder needs.

As a provider of essential water and wastewater services, we run our business in the interests of the public and wider society. Sustainability is a significant driver of what we do. This is intrinsically linked to our purpose – delivering great water for a stronger, greener and healthier North West – and our reporting approach reflects this integral relationship.

Stakeholder interest and expectations for sustainability-related information continue to grow, with the reporting frameworks and standards developing rapidly in response. We have further improved our sustainability-related disclosures in this year's report, with clearer alignment between our material themes, strategic priorities, and stakeholders. We also provide a voluntary disclosure against EU Taxonomy for the first time, the strong results of which further demonstrate how closely aligned our business is with wider sustainability objectives.

We have refreshed our materiality assessment, continuing to provide information on how we approach, govern, assess and monitor the top material themes under the four pillar headings that link the disclosure requirements of the International Sustainability Standards Board (ISSB), the Task Force on Climate related Financial Disclosures (TCFD), and the Task Force on Nature related Financial Disclosures (TNFD).

Our reporting methodology means that readers can find all of our sustainability related disclosures in our integrated annual report, which can be downloaded at the link below. However, we have prepared this separate sustainability report for readers that are solely interested in the sustainability related aspects of our business model and performance. This is a presentational alternative rather than additive disclosures, as we believe that fully integrated reporting provides the most accurate representation of the integrated thinking approach we take to running our business.

Our operational performance and key performance indicators are structured across the ESG headings, in alignment with the 'greener', 'healthier' and 'stronger' ambitions of our purpose. These include a comprehensive spread of metrics, which are also linked to each stakeholder group for which we create value.

To ensure it is as easy as possible for readers with targeted areas of interest to find what they are looking for, we use colour coding and iconography to enable quick and easy identification of climate, nature and other issues throughout the business model and performance review. Within our integrated annual report, page 03 signposts to where we are meeting the recommended disclosures of TCFD and TNFD, however these disclosures can also be found within this sustainability report, which mirrors the business model and operational performance contents of our integrated annual report.

# Introduction from the chair of the ESG committee

Liam Butterworth



## Environmental, social and governance (ESG) matters will continue to be a top priority.

I am pleased to introduce my first sustainability report as chair of the ESG committee, and I thank Paulette for her dedication to the committee during her tenure.

My reflections on my first year as chair are that, while external expectations may change over time, the opportunities and risks associated with the environment, our relationships with society, and how we effectively govern ourselves will remain a top priority.

This year, the committee has had a strong focus on the commercial aspects of ESG, whether with suppliers, investors or other stakeholders, with standing agenda items on stakeholder expectations and reputational horizon scanning, focus areas of our investors and market trends, and a scorecard showing our ESG performance.

We have also had deep dives on the following topics in the year:

**Risks and opportunities in our value chain** – with a step-change in the size of our AMP8 capital programme bringing increased risks and opportunities for our ESG performance throughout the supply chain, we are focused on how the company is proactively managing this risk through its United Supply Chain approach, supply chain due diligence and processes to ensure supply chain resilience.

**Nature and biodiversity** – discussion included the different opportunities associated with biodiversity net gain legislation, Ofwat's biodiversity performance commitment, and the biodiversity offsets market. We considered our ambition for 2030 on nature, targets and performance around waste management, and the impact early adoption of the TNFD recommendations.

**Opportunity for All** – we published our equity, diversity and inclusion report for 2024, sharing performance on the diversity of our workforce to help retain existing colleagues and attract a diverse pipeline of new talent to help drive innovation and growth.

**Community investment** – the company surpassed its community investment targets, directly investing £9.8 million this year (calculated using the B4SI method) for a total of £21.6 million over AMP7. The committee provided oversight to ensure that community investment is aligned to our strategic priorities to improve our rivers and contribute to communities.

**ESG reporting and regulations** – we continue to evolve our approach to ESG reporting in light of the growing expectations, in particular across the EU. This year we are pleased to include our first voluntary EU Taxonomy assessment, which can be found on page 90 to 93.

Our purpose to provide great water for a stronger, greener and healthier North West is intrinsically linked to sustainability, and this continues to be a primary focus, not just of the committee, but of the organisation as a whole.

8 million

people across the North West supported by our water and wastewater services

56,000 hectares

of land owned and managed, including areas in national parks and SSSI land

>5 times

larger environmental enhancement expenditure for AMP8 to deliver a step change

### Our online annual report

Use the link below or scan the QR code to view our online report and download the full integrated annual report and financial statements.

Visit our online report at [unitedutilities.com/corporate/about-us/performance/annual-performance-report](https://unitedutilities.com/corporate/about-us/performance/annual-performance-report)



### Our annual performance report

We report our performance in a regulatory format that helps customers and other stakeholders understand it and compare it with other companies in the sector.

Our annual performance report will be available from 15 July at [unitedutilities.com/corporate/about-us/performance/annual-performance-report](https://unitedutilities.com/corporate/about-us/performance/annual-performance-report)





## How we create value

### We create sustainable long-term value for a range of stakeholders



#### Customers

##### Resilient and continually improving service

We focus on providing a continuous, resilient and reliable service for customers, ensuring clean water is available at their taps when they need it, and wastewater is taken away when it goes down their drains. Providing clean, safe drinking water and hygienic sanitation makes a major contribution to long-term health and wellbeing across the North West. We are always looking for ways we can improve further. We proactively engage and consult with customers on their priorities, and set ambitious targets, for example to further improve drinking water quality, reduce leakage, and enhance the customer experience.

##### Sharing the cost of long-term investment

Through long-term financing and the regulatory framework, we are delivering multi-million pound infrastructure projects to improve services and resilience for the long term. We pre-fund significant amounts to ensure the cost of this is shared fairly and affordably between those that benefit now and in the future, helping to keep bills affordable.

##### Customer support

We focus on efficiency and maintain bills that are good value for money, as well as providing help and support for those who are struggling to pay, and additional help to vulnerable customers. Our summits on affordability and vulnerability help us to share ideas and best practice, and the Hardship Hub enables debt advisers to help more people and find cross-industry help more quickly, all in one accessible place. When customers need to contact us, we are helpful, friendly and supportive, talking and listening to them so that we can understand and meet their expectations, and act quickly to resolve any issues.



#### Environment

##### Reducing the environmental impact of our services

We meet increasingly stringent environmental consent levels, such as reducing the level of phosphorus in treated wastewater, and manage our land in a way that safeguards habitats and protects wildlife. Our investment in renewable energy generation and transition to a green fleet are helping us to reduce our carbon footprint and contribution towards climate change.

##### Reducing spills from storm overflows

We are investing to reduce the use of storm overflows, helping to improve the quality of rivers and bathing waters. With an industry-leading investment dedicated to this over the next five years, we aim to reduce spills by more than 60 per cent this decade, having already delivered a 39 per cent reduction since 2020.

##### Innovative long-term planning

We plan far ahead to ensure our activities and investment enhance the resilience of rural and urban environments in the North West. We are increasingly looking at blue/green nature-based solutions where practicable, and use adaptive planning to ensure we are delivering the best long-term solutions.

##### Protecting the long-term resilience of water resources

Investment in infrastructure, such as our West-East Link Main and West Cumbria pipeline, allows us to transfer water around the region more efficiently to avoid the depletion of individual water sources. We provide tools and tips to help customers reduce their consumption, and promote campaigns to educate the public and younger generations on water usage, all of which helps to protect this valuable resource and reduce usage now and for years to come.



#### Communities

##### Access and recreation

We look after beautiful rural landscapes and pockets of urban green space, and open much of our land to the public, supporting regional tourism and offering communities health and wellbeing benefits through access to relaxation and recreation in nature.

##### Giving back

We make direct community donations to support local groups, and the total taxes we pay – including business rates, employment taxes, and environmental taxes – contribute significant amounts to public finances, helping to fund essential public services.

##### Active engagement and collaborative partnership

Our operations and projects are often near homes and businesses, and we engage with these communities to build understanding and trust. Our innovative approach, as set out on page 51, has allowed us to prepare targeted plans for each of the five unique counties across our region. We also work in partnerships, enabling us to accomplish more, such as engaging people with nature and river improvements.

##### Future generations

Our graduate and apprentice programmes provide skills development and opportunities across the region. We work with teachers and children to raise awareness about water and the natural environment, giving the next generation an understanding of the true value water brings and how we can all play our part in protecting the services that nature provides. Managing land responsibly means we leave the North West region in a better condition for future generations.



#### Colleagues

##### Health, safety and wellbeing

We have a strong focus on health, safety and wellbeing and our number one priority is that all colleagues go home safe and well at the end of each day. This applies to both physical and mental health. We promote awareness of stress and other mental health issues, promoting an all-round healthy lifestyle in the long term which, in turn, reduces the burden on healthcare services in the region. We provide pension offerings that support colleagues in later life. We also provide colleagues with up to three days' paid volunteering leave per year, match individual colleague fundraising efforts to any UK-registered charity up to £200 per person per year, and cover the admin fees of payroll giving, or 'Give As You Earn'.

##### Skilled and diverse workforce

We invest in training and development to enable our colleagues to grow their skills and to keep them motivated. Investing in the development of current, and future, colleagues means we will have a workforce with the right skills for the future. Promoting equity, diversity and inclusion helps ensure we have a workforce that truly represents the region.

##### Communication and engagement

Listening to our colleagues helps to create an engaged workforce, increasing job satisfaction, and through colleague communications and conferences we update our people on business developments so they feel part of a team. As well as regular communications within teams and monthly updates from our Chief Executive, we have open channels for colleagues to raise anything they wish, and we have hosted all-colleague events on our plans for AMP8.



#### Suppliers

##### Supporting the regional economy

Our AMP8 activities will support 30,000 jobs, directly and through our supply chain, including 7,000 new jobs created. We spend significant amounts with suppliers each year, and paying invoices on time allows them to maintain cash flow and become more resilient. Supporting jobs through our supply chain catalyses the development of skills and opportunities in the North West, providing a stimulus to benefit the regional economy in the long term.

##### Partnership and innovation

We encourage and incentivise innovation within our supply chain, and have a strong track record of strategic partnerships that help us to deliver more by working in collaboration. Our Innovation Lab invites ideas, products and solutions from innovators across the world. This creates a unique opportunity for small and medium-sized enterprises (SMEs) and start ups, who we would otherwise not have worked with, to develop and test their products and ideas in a live customer environment with the potential to lead to long-term partnerships. We have enjoyed success with a range of partners through this initiative.

##### Responsible business

We act with integrity, transparency and fairness, giving suppliers confidence in the way we do business. While our operations and suppliers are mainly UK and European, so lower risk, we work closely with them to address human rights, and, in particular, modern slavery. Our United Supply Chain (USC) approach recognises suppliers as an extension of United Utilities and asks them, as a minimum, to sign up to our responsible sourcing principles.



#### Investors

##### Strong performance and sustainability credentials

Our focus on innovation drives continuous improvements, enabling us to be at the frontier of our industry. Our regulatory returns are linked to customer and environmental commitments, and we link debt investor returns to environmental and social projects through our sustainable finance framework.

##### Asset growth and inflation-linked dividend

Investors lend us their money in exchange for a share in the company's risk and return, and we provide an appropriate return through a combination of dividend income and long-term growth. The record levels of investment in AMP8 and long-term investment drivers will see a big step-up in asset growth, and the group dividend policy is to increase annually in line with CPIH inflation, having grown at least in line with inflation since 2010. Our shareholders include charities, customers, pension funds that provide income to millions of elderly people, and many colleagues through our employee share scheme. This means that the dividends that we pay are relied upon by millions of individuals and families, both directly and indirectly.

##### Long-term resilience

We plan far into the future and invest in our infrastructure to ensure sustainability, and we manage risk prudently to provide stability and resilience in the round.

##### Robust governance and reporting

We maintain a high level of quality and transparency in what we report, and we are committed to high ethical standards of business conduct, strong corporate governance and doing the right thing, so investors can have confidence in the way that we do business.



How we create value

Our activities contribute to the UN SDGs

The Sustainable Development Goals (SDGs) comprise 17 global goals to be achieved by 2030. Adopted by the United Nations in 2015, they were designed to be the blueprint to achieve a better and more sustainable future for all. Our approach to responsible business aligns naturally with the goals. Here, we set out nine that are most material to our business and where we contribute the most. We contribute to a wider selection through our investment projects, as described in our sustainable finance framework.

**SDG 8** Decent work and economic growth

We are a significant contributor to the North West economy. Our plans for the 2025–30 period (AMP8) will support the employment of 30,000 people, both directly and through our supply chain, including creating 7,000 new jobs.

We provide training and development opportunities in safe, secure working environments, graduate and apprentice opportunities, programmes for young people experiencing difficulties securing employment, offer equal opportunities to all, and value diversity among our colleagues.

**SDG 9** Industry, innovation and infrastructure

We invest heavily in infrastructure to improve the performance and resilience of our assets and operations.

The final determination for AMP8 will see us investing around £13 billion over the next five years – the biggest investment in our region’s water and wastewater infrastructure in more than 100 years.

We embrace innovation, especially in an increasingly digital world, to ensure the region in which we operate has reliable, sustainable and resilient infrastructure, now and into the future.

**SDG 11** Sustainable cities and communities

We use our understanding of customer needs and priorities to deliver services that meet their expectations and engage with communities to enhance participation in what we do.

As set out on pages 20 to 21, we plan for the very long term to prepare for increases in the population and new housing that will need connections for water and wastewater services. We are exploring ways to do this using natural solutions to manage water and wastewater, such as sustainable drainage systems (SuDS).

**SDG 12** Responsible consumption and production

We are committed to sustainably managing natural resources, including reducing leakage and encouraging and supporting customers to reduce water consumption.

We are already undertaking numerous initiatives and have made strong progress; and our plans for AMP8 include ambitious targets to go further in relation to both.

We generate renewable energy and high-quality fertiliser from bioresources, and more than 98 per cent of our waste goes to beneficial use.

**SDG 13** Climate action

Responding to the climate emergency is imperative for us all, and building a greener North West is a core feature of our purpose and one of our strategic priorities.

Both mitigation and adaptation are important to our long-term planning. This includes delivering against our carbon pledges and ambitious science-based targets to reduce emissions, while ensuring that our activities and the North West region are resilient to the impacts that a changing climate might bring.

Read our sustainable finance framework on our website at [unitedutilities.com/corporate/investors/credit-investors/sustainable-finance](https://unitedutilities.com/corporate/investors/credit-investors/sustainable-finance)

**SDG 6** Clean water and sanitation

Part of our purpose is to provide great water. This is the reason we exist, ensuring customers in the North West have safe, resilient and affordable water and wastewater services.

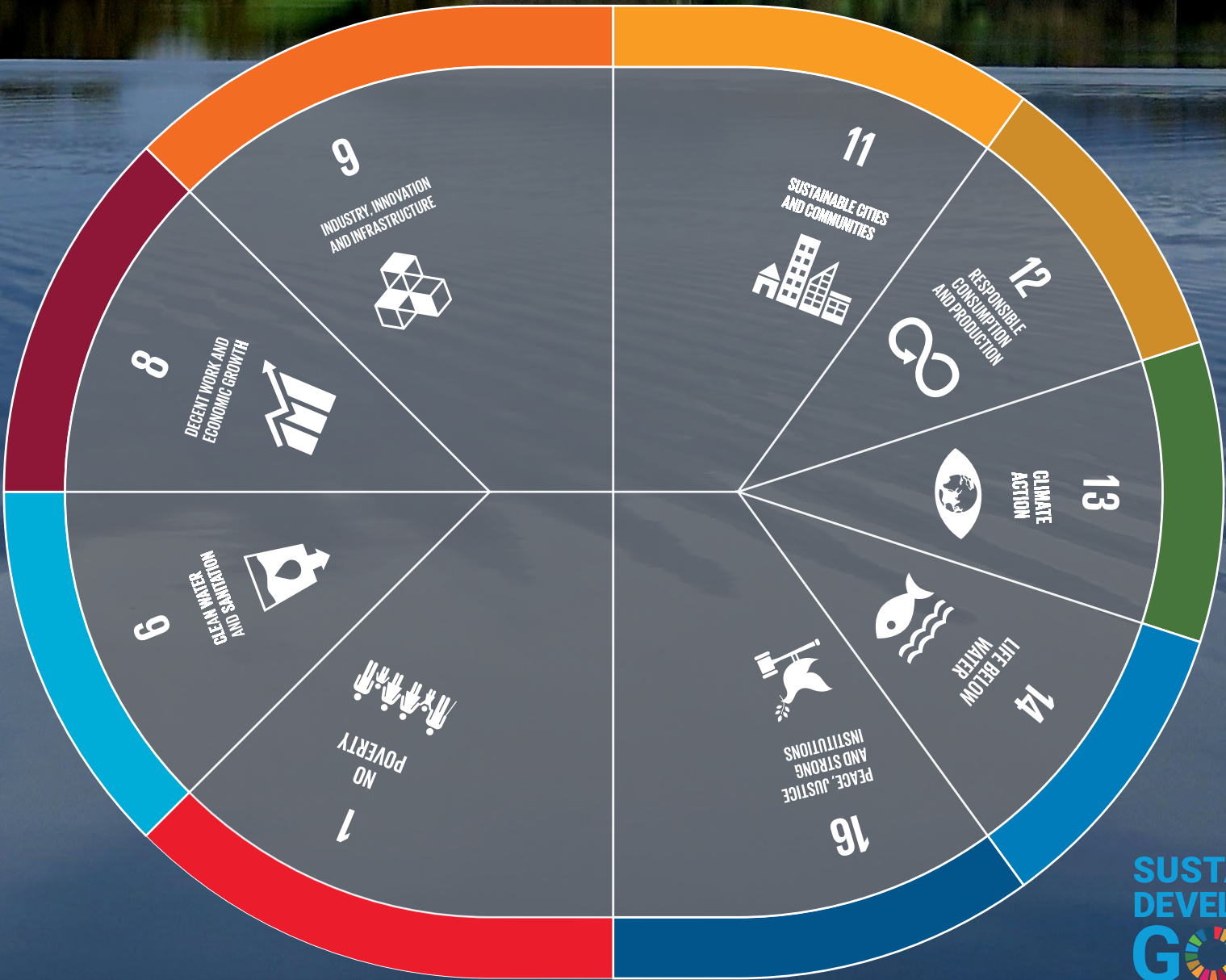
This includes avoiding wasting water, and we promote water efficiency through campaigns, advice, education and free water-saving gadgets for customers.

We protect and enhance water-related ecosystems across our region through initiatives such as our Catchment Systems Thinking approach.

**SDG 1** No poverty

The North West contains more areas of extreme deprivation than any other region, with 47 per cent of the most deprived (top 1 per cent) neighbourhoods in England.

We have a sector-leading package of affordability support, having helped 414,000 households since 2020, and our plans for AMP8 double the level of support, helping one in six households in our region. We are strong supporters of the Consumer Council for Water’s drive to implement a national social tariff.



**SDG 14** Life below water

We are sector leaders in minimising pollution, being rated ‘green’ by the EA against serious pollution incidents every year since it began its annual assessments. Our AMP8 plan targets zero serious pollutions and further reductions in total pollution incidents.

We have 34 bathing waters in the North West, and have made good progress in improving river water quality, which has a knock-on impact on our oceans. This includes reducing spills from storm overflows and addressing nutrient imbalance.

**SDG 16** Peace, justice and strong institutions

We run our business in a responsible manner, and doing the right thing is one of our core values.

We maintain high standards in corporate governance and ethical standards of business conduct – those systems and processes through which our organisation is managed, controlled and held accountable.

We are committed to open, honest and transparent corporate reporting, often voluntarily adopting disclosure guidelines early.





# Chief Executive Officer's review

Louise Beardmore



Proud to lead a high-performing company with ambitious targets to improve further

We have delivered a strong performance over the course of AMP7, making significant improvements and outperforming the regulatory contract.

Our AMP7 performance commitment targets were stretching, but overall we are very pleased to have met or beaten around 80 per cent of them across AMP7. This includes strong performance across a range of water, wastewater, bioresources and customer measures. While we are pleased with our progress overall, we still have work to do in some areas, such as volatile weather-impacted measures.

As a result of the significant improvements we have delivered for customers and the environment, we have earned a cumulative net ODI reward of £129 million for AMP7, and a cumulative return on regulated equity (RoRE) of 6.1 per cent, outperforming the 4 per cent base return.

This strong track record, improving further on the outperformance we delivered in AMP6, demonstrates our continuous improvement and position as one of the best performing companies in the sector.

## Operational highlights

We look at our operational performance across the key elements of our purpose and our strategic priorities.

39%

reduction in spills from storm overflows since 2020

4-star or 3-star

('industry leading' or 'good') ratings from the EA every year since its EPA began, including 4-star in the latest assessment

Good progress

against our ambitious carbon pledges

Reward

earned throughout AMP7 on the C-MeX measure of customer satisfaction

414,000

households helped with affordability support during AMP7 and over 540,000 on our Priority Services Register

87%

colleague engagement, outperforming the UK high performing norm

>99%

score in the CPDi assessment of our capital delivery programme

Upper quartile

across a suite of ESG indices, including A for climate and A- for water security in the latest CDP assessments

£21.6m

B4SI investment into North West communities in the last five years

## AMP8 final determination

This year, we accepted the final determination for AMP8, giving us certainty over our performance targets and allowed investment levels for the next five years, enabling us to focus on progressing what will be the largest investment in water and wastewater infrastructure in more than a century, helping us to build a stronger, greener and healthier North West.

Our £13 billion investment will help us to deliver a step change on the things that matter most to customers, communities and the environment – improving water quality, delivering significant environmental improvements, supporting jobs and the local economy, while doubling affordability support for those struggling to pay.

AMP8 marks the beginning of a higher growth phase, with capital expenditure more than double what it has been over the last five years. This growth stems from a number of long-term investment drivers, including the Environment Act 2021, tightening environmental standards, renewal and replacement of ageing infrastructure, long-term resource management, resilience to climate change, and net zero targets.

With such a large programme to deliver in AMP8, supply chain readiness is a high priority. We undertook extensive early supply chain engagement as part of our business planning process, and we have already onboarded more than 100 AMP8 delivery partners.

The final determination may have only been published in December and accepted in January, but we have been preparing for

some time now – building new capabilities and skills within the organisation, using an innovative five-county structure for our plan and delivery teams, engaging early with the supply chain and undertaking significant onboarding ahead of the start of the new period. We have already begun work on delivery, making a fast start on achieving the huge improvements that we have set out to achieve over the next five years. We are already seeing the fruits of that labour coming through as we have ended AMP7 with significant improvements in areas such as reducing spills from storm overflows.

All of this gives us confidence that we can successfully deliver our ambitious AMP8 programme. We are well placed, we are ready, and we are committed to driving a real step change for the North West.



## Protecting and enhancing the environment

Read more about our environmental performance on pages 66 to 75



Protecting and enhancing the natural environment remains a top priority, and we are really pleased to have consistently been one of the strongest performers in the EPA. We have achieved the upper ratings (3-star "good" and 4-star "industry-leading") every year so far, earning the top 4-star rating in six of the last nine years, including the latest assessment for 2023. As measurement standards continue to tighten, we are committed to doing more.

### Create a greener future

We saw periods of particularly intense rainfall in the winter of 2024, and the unprecedented heavy rainfall over the New Year caused a number of rivers to burst their banks and the collapse of part of the Bridgewater Canal, resulting in significant flooding. We took part in a multi-agency emergency response alongside emergency services, the Environment Agency (EA) and local councils, helping to minimise the impact and assist those affected.

This naturally impacted our weather-responsive wastewater performance measures – particularly sewer flooding and pollutions – but despite the heavy rainfall and challenging targets, we continue to deliver improvements, with internal sewer flooding 19 per cent lower than last year and our lowest ever level of sewer blockages. We have consistently been one of the strongest performers at minimising pollution, and the only company to have achieved 'green' status on serious pollution incidents in the EA's Environmental Performance Assessment (EPA) every year since it began.

We are at our lowest levels of leakage across the North West, and in the last year we have increased our find and fix rates by 70 per cent, using both satellite imagery and AI capability to find and trace more leaks than ever before. This has been supported by a new 'no dig' repair capability, which has proven extremely reliable in our industrial trials in the last six months – increasing the speed to fix and reducing the operational costs of repair, both of which are key areas of focus as we drive further improvements against our stretching AMP8 targets.

We have made excellent progress with our carbon pledges, and scope 1 and 2 greenhouse gas emissions are down around 10.5 per cent since 2020. We have already surpassed our 2030 peatland restoration target, completing 3,000 hectares, and we have planted more than 640,000 trees in the last five years. As well as using 100 per cent renewable electricity, with 23 per cent generated by us or with partners, we have over 400 all-electric vehicles. We are the only water company in the UK taking part in the 'Electric Freightway' project, launching four electric HGVs all powered using renewable electricity that we generate at our Manchester Bioresource Centre.

### Improve our rivers

Rivers have been an area of particular focus, with improvements delivered through our AMP7 commitments, and the fast start we have made on tackling spills from storm overflows. Between the additional AMP7 investment, accelerating delivery of our Better Rivers programme, and AMP8 investment we have brought forward targeting some of the highest spilling sites, we have made big strides.

2024 saw almost 20,000 fewer spills than 2023 and a 31 per cent reduction in duration. Despite the intense periods of rainfall during the year, spills per overflow are down 39 per cent since 2020. While excellent progress and exceeding our target of a one-third reduction by 2025, there remains a long way to go and our industry-leading AMP8 spill reduction programme will help us deliver an even bigger step change.

## Our plans for a greener North West in AMP8

Environmental improvement is one of the biggest drivers of the larger investment programme for AMP8, and we will be delivering significant enhancements. We are also finalising a number of nature pledges in addition to our climate change ambitions, and using more nature-based solutions in AMP8 than ever before. Our industry-leading investment in storm overflows will help us deliver the sector-highest targeted reduction in spills in the decade to 2030, and we are going further to protect and improve bathing waters and river water quality, including enhancing our wastewater treatment and working with others to reduce phosphorus levels. We are also targeting significant reductions in leakage, sewer flooding, and pollution incidents, as well as targeting zero serious pollution incidents.

>60%

targeted reduction in spills per storm overflow in the decade to 2030

1,500 ha

further peatland restoration activity delivering carbon capture, biodiversity and water quality benefits

30%

targeted reduction in pollution incidents





# Chief Executive Officer's review

Louise Beardmore

## Supporting society

Read more about our **social performance** on pages 76 to 81



Customers are at the heart of everything we do, and we have delivered significant improvements during AMP7, achieving consistently strong customer satisfaction scores. There is always more to do, and we have ambitious targets for AMP8 to improve things further. We continue to prioritise providing a safe and great place to work, and are pleased to have such a diverse and inclusive culture and a highly engaged team that take pride in what they do.

### Deliver great service for all our customers

We are the only UK water and sewerage company to earn the Service Mark with Distinction from the Institute of Customer Service, the Chartered Institute of Credit Management excellence in credit management and the BSI kitemark for inclusive service, maintaining our focus on service excellence for all customers.

We have maintained our position as the leading listed company on Ofwat's measure of customer satisfaction, C-MeX, and we have earned a reward against this metric in each year and the third highest reward across AMP7, demonstrating consistently strong performance for household customers. We also perform strongly on housing developer and business retailer satisfaction, D-MeX and BR-MeX, meeting our targets since reporting began and expecting to place in an upper quartile position for both.

We have been driving improvements in water quality across the region, with a 29 per cent reduction in customer contacts over AMP7, achieving our lowest ever levels. This has been helped by our company-wide culture-change programme (Water Quality First), as well as some significant investment in infrastructure. We have recently reached the halfway point in our eight-year project upgrading the Vyrnwy Aqueduct to improve water quality for a million customers. We also have a number of key strategic projects underway through AMP8 to deliver further improvements to water quality.

As well as improving our service for customers, we remain focused on supporting those experiencing affordability or vulnerability challenges. We have helped 414,000 customers with affordability support in the last five years, and around

540,000 customers are registered to receive additional tailored support through our Priority Services offering.

The work that we have been doing on our lowest bill guarantee – helping customers to lower their bills and their consumption by better understanding their usage, with targeted communications to high water users and water efficiency home audits – has helped to identify areas of high usage and internal leaks. Once fixed, this has helped drive reductions in per capita consumption where we are performing in the upper quartile.

### Provide a safe and great place to work

We have strong retention rates, successful graduate and apprentice schemes, and a continued focus on training and development, as well as health, safety and wellbeing.

Diversity breeds creativity, and we make sure we are reaching and recruiting from every part of our community. In 2024, we were placed fourth on the Inclusive Top 50 UK Employers list, in the Top 10 of the Corporate Religious Equity, Diversity & Inclusion (REDI) Index, and awarded Diversity Team of the Year at the 2024 Inclusive Awards. At 44 per cent, we exceeded our 2024 target to have 40 per cent of women on the board, ranking in the top third of 100 FTSE companies in the FTSE Women Leaders index.

Colleague engagement of 87 per cent is seven points higher than the high performing norm benchmark. Delivering as we go forward will depend on great people, and I am proud to know that we have such a highly engaged team with the right skills to help us ensure long-term success, with 91 per cent of our colleagues proud to work at United Utilities.

### Our plans for a healthier North West in AMP8

We will deliver significant improvements for customers, including improving drinking water quality for 2 million customers. We are targeting significant reductions in customer contacts about water quality, water supply interruptions, and unplanned outages, helping to deliver a better and more resilient service every day. With bill increases necessary to deliver the step change that everyone wants to see, affordability is more important than ever, particularly in the North West. As well as delivering efficiently with the third-lowest projected bill in England by 2030, we are doubling our industry-leading affordability support, and will be helping one in six households across the North West by 2030.

£525m

affordability support, helping one in six customers in the North West

30,000

homes with lead pipes replaced

40%

targeted reduction in internal sewer flooding, and 13 per cent reduction in external sewer flooding



## Responsible business and governance

Read more about our **governance performance** on pages 82 to 89



We are committed to delivering these and future improvements in the best way possible, not only for customers and the environment, but also for communities across the North West and all of our stakeholders. We continue to perform in the upper quartile across a range of trusted ESG indices, make use of our sustainable finance framework to raise efficient debt linked to our environmental improvement projects, and have retained the Fair Tax Mark for six consecutive years.

### Spend customers' money wisely

Spending money wisely is so important, and we are pleased that our capital delivery programme incentive – a key performance measure that focuses on efficiency as well as quality, delivery on time, and our carbon impact – remains very high at over 99 per cent.

The most effective and efficient way for us to deliver improvements is through collaboration and partnership working, enabling us to accomplish more together. We work closely with a broad variety of third parties, including tenant farmers to improve water quality from catchment land, projects with organisations such as Natural England and the Environment Agency, and long-term strategic partnerships. As set out on page 84, we have also established important water management partnerships with the Greater Manchester Combined Authority and the Liverpool City Region Combined Authority.

We have a number of tools and techniques to improve our efficiency further as we go forward. This includes increased use of standardised solutions to minimise design requirements and benefit from economies of scale. It also includes our 'runway model' approach to capital delivery, where we will use multiple delivery pathways (or 'runways'), using a wider range of suppliers matched to the specifics of each job. This will help to reduce contractor indirect costs, with a more efficient allocation and pricing of risk, and also gives us access to a wider pool of contractors and the ability to use more small local businesses.

We have issued £2.7 billion so far through our sustainable finance framework, which allows

us to raise financing based on our strong ESG credentials, and we have retained the Fair Tax Mark independent certification for a sixth consecutive year, 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.

### Contribute to our communities

We have directly invested more than £21 million in local communities during AMP7 (calculated using the B4SI method) – significantly exceeding the average invested over AMP5 and AMP6.

We have sought further opportunities to engage with communities across the North West, addressing some of their issues through community investment that is also strongly aligned with our strategic priorities. For example, we have seen continued success with our Better Rivers community fund, with over £80,000 shared this year.

Our approach has been different for AMP8, using innovative place-based planning to develop five plans tailored for each of the North West counties, addressing their individual and unique needs, challenges and opportunities. Engaging with customers and stakeholders in this localised way helped us to secure strong customer support for our plans, and our approach is providing more transparency and insight about our services than ever before. This is not restricted to the planning stage – we have structured our delivery teams across the five counties, with dedicated stakeholder managers for each, to help ensure effective delivery.

### Our plans for a stronger North West in AMP8

Our investment plans will support 30,000 jobs, both directly and indirectly through our supply chain, enabling strong economic growth across the region and creating an estimated £35 billion of economic value for the North West. Our county-based approach is enabling increased transparency and helping us to address the specific needs, priorities and opportunities in each of these unique communities. Our plans include significant improvements to resilience, such as increasing power resilience with backup batteries installed at key sites to avoid loss of service during power cuts on the grid, and protecting sites at risk from coastal and river erosion.

30,000

jobs supported, directly and in our supply chain, including 7,000 new jobs created

£35bn

economic value created for the North West

Five-county

approach helping communities to understand what we are delivering in their area





# Our approach to providing great water for a stronger, greener and healthier North West

Our business model sets out how we deliver our purpose, the environment we operate in, our key impacts and dependencies, and the material themes that can influence the value we contribute to society, the environment, and all of our stakeholders.

We set out how our strategy addresses these material themes, our culture and core values, our approach to risk management, and the metrics we use to monitor our performance.

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How we operate



Planning horizons

We plan across multiple horizons, using an adaptive planning approach, which helps to ensure we are delivering our purpose in a sustainable way. Short-term planning and targets for the year ahead allow us to measure progress towards our medium-term plans. Medium-term planning aligns with our five-year regulatory cycles, and these plans are created to help us towards our very long-term plans to ensure resilience.

Key resources

We depend, and strive to have positive impacts, on each of the six capitals – from sustainable natural resources across the water cycle, to our extensive network of assets, and our colleagues and supply chain.

1.8bn

litres of water supplied every day across the North West

122,000km

of water and wastewater pipes – enough to circle the earth more than three times

External environment

We are influenced by, and must adapt to, a number of external factors, including the regulatory and economic environment we operate in, and our reliance and impact on the natural environment.

5-year

regulatory cycles (AMPs), with long-term adaptive plans

40%

higher urban rainfall in the North West than average across England and Wales

1  
Sustainably sourcing water

4  
Renewable energy from bioresources

Providing great water

2  
Supplying treated water 24/7

3  
Cleaning and returning wastewater

For a  
Greener  
Healthier  
Stronger  
North West

Strategic priorities and material themes

Our strategic priorities are designed to help us deliver our purpose, and we regularly engage with stakeholders to ensure we are addressing the things that are most material to them and to the company.

Progressive

approach to ESG with strategy clearly aligned

Transparent

reporting with top material themes all covered through comprehensive disclosures

Culture and core values

We have an innovative and high-performance culture, underpinned by three core values that reflect the behaviours we believe are most important to help us deliver our purpose.

Robust

governance with culture clearly led from the top

Executive

remuneration closely linked to sustainability-related performance

Risk and resilience

Successful management of risks and uncertainties enables us to deliver on our purpose and strategic priorities, and to be more resilient across our corporate, financial and operational structures. We have a robust risk and resilience framework for the identification, assessment and mitigation of risk. This is supported by strong governance and we are focused on continual improvement.



Greener

Protecting and enhancing the natural environment in our region

We have delivered a number of environmental improvements in the last decade, including significant peatland restoration activities, tree planting, and improvements for rivers and bathing waters. AMP8 will be the largest environmental investment we have ever delivered, including an industry-leading programme to further reduce spills from storm overflows.



Healthier

Supporting society across the North West with great-quality services

We are focused on delivering reliable and resilient water and wastewater services, while continually improving these for our customers and helping families with affordability and vulnerability support. Colleague health, safety and wellbeing is a top priority, we regularly engage and develop our people, and we are committed to further improving equity, diversity and inclusion.



Stronger

Responsible business and governance supporting jobs and communities

Our activities support thousands of jobs, directly and through our supply chain, helping to grow the North West economy. We actively engage and invest in regional communities for the long term. We spend customers' money wisely, and efficiently deliver against our commitments.

Creating value for Customers

- Reliable and resilient service
- Continually improving service at an efficient cost
- Supporting vulnerable people through assistance schemes
- Sharing the cost equitably

Top

listed company and sixth ranked water and wastewater provider

£525m

affordability support helping one in six North West households in AMP8



Creating value for the Environment

- Protecting and enhancing reservoirs, catchments, rivers and bathing waters
- Minimising any potential negative impacts from our activities
- Reducing our carbon footprint

39%

reduction in spills per overflow delivered so far since 2020

>5 times

larger environmental enhancement expenditure for AMP8



Creating value for Communities

- Supporting jobs and the economy
- Opening our land to the public for access and recreation
- Building partnerships
- Working with schools and young people to develop skills

£21.6m

invested in the community during AMP7 (B4SI method)

£257m

total taxes paid in 2024/25, contributing towards public finances



Creating value for Colleagues

- Looking after health, safety and wellbeing
- Attracting, developing and retaining a diverse team
- Open and active communication to boost engagement

87%

colleague engagement, exceeding the high performing norm

£nil

pension deficit, fully funded on a low dependency basis



Creating value for Suppliers

- Investing in local infrastructure and generating jobs and skills
- Acting fairly and adhering to the Prompt Payment Code
- Working with SMEs and start ups through our Innovation Lab

99%

of supplier invoices paid within 60 days or less

30,000

jobs supported through our plans for the 2025–30 (AMP8) period



Creating value for Investors

- Investing in our assets for growth and resilience
- Providing an appropriate and progressive inflation-linked return
- Managing risk prudently
- Quality and transparent reporting

51.85p

dividend per share for 2024/25, grown in line with CPIH inflation

c.7%

compound annual growth rate for AMP8 based on final determination





# How we manage our dependencies and impacts

Delivering our purpose requires us to sustainably source, use and positively impact on resources from each of the six capitals.

## Natural capital

Every stage of the water cycle, as shown on pages 18 to 19, relies on renewable and non-renewable environmental resources including water, land, air, minerals and forests as well as biodiversity and ecosystem health.

### Water bodies

We abstract raw water for treatment and supply, and depend on water bodies to receive treated wastewater. We make long-term plans and investments to maintain resilient water resources, as well as managing periods of extreme wet or dry weather in the near term. Our catchment management programmes help us to manage the flow of water. In dry weather, our integrated supply zone allows us to move water around the region, and we encourage customers to use water efficiently. We improve final effluent quality, minimise pollution incidents, and are investing to reduce the use of storm overflows.

### Land

A lot of our catchment land is managed by tenant farmers or in partnership, and we ensure it is well managed to improve water quality and help protect habitat health and biodiversity. We also depend on land for attenuating flows to support flood management. To reduce the use of storm overflows, we must find alternative ways to cope with heavy rainfall, while avoiding flooding. Enlarging sewers or building storage tanks is carbon intensive and subject to space constraints, so we are innovating with sustainable drainage and nature-based solutions where practical.

### Natural materials

Many of our treatment and construction materials derive from natural sources, such as chemicals, wood and metals. By-products from wastewater treatment can also be used naturally. We generate renewable energy from bioreources and manage 'sludge' waste in a sustainable way, with almost all going to beneficial use such as fertiliser for land.

## Financial capital

In order to protect affordability and share the cost of significant long-term infrastructure projects fairly between generations, we use debt and equity finance as well as revenue and direct procurement for customers (DPC).

### Risk management

We maintain a robust capital structure, with a responsible mix of equity and debt that maintains gearing within our target range, which is one of the lowest in the sector. We have clear and transparent hedging policies covering credit, liquidity, interest rate, inflation and currency risk, and these are aligned with the regulatory model.

### Cash flow management

We monitor our performance against key credit ratios to help us maintain strong and stable investment-grade credit ratings, giving us efficient access to debt markets across the economic cycle. We aim to avoid a concentration of refinancing in any one year, our debt portfolio has a very long average life, and we monitor liquidity forecasts to maintain resources to cover the next 15–24 months of projected cash flow needs.

### Strong governance

Our medium-term note programme enables efficient debt issuance under pre-agreed contractual terms, our sustainable finance framework allows us to raise debt based on our strong ESG credentials, and the board delegates authority to the Chief Financial Officer so we can respond quickly to attractive financing opportunities. This helps us consistently raise efficient financing.

### Engagement

We provide regular updates to equity and debt investors and establish a two-way dialogue about matters of interest to them. We maintain relationships with a range of banks and access to a broad and diverse range of markets.

## Manufactured capital

We have a large number of assets that are essential in enabling us to provide our services to customers and protect public health, including buildings, fleet, equipment and infrastructure.

### Long-term planning and investment

The significant investment we have made in our assets since privatisation has provided substantial benefits to customers, including reduced supply interruptions, reduced sewer flooding incidents, and improved water quality. Planning for the long term helps us to understand where and when we need to invest, and we continually monitor the condition, performance and health of our assets, as well as assessing any need for new infrastructure. Our AMP8 final determination represents the biggest investment in over 100 years, and we expect to continue with a substantial investment programme for the foreseeable future, with several long-term investment drivers, as set out on page 08 in our integrated annual report.

### Efficient capital delivery

We manage our assets in a holistic way that seeks to minimise whole-life costs, and we embrace new technology and innovation. This helps us deliver efficient expenditure without compromising on quality of service or long-term resilience, saving future operating costs and minimising future customer bills. We also follow best practice approaches to be efficient and effective, such as ISO 5001 - Asset Management, and monitor it as part of our capital programme delivery incentive (CPDi) metric.

### Managing our impact

Our assets and infrastructure projects can affect people who live nearby. We consult with these communities in the planning stage and work hard to minimise any negative impact, such as odours from our wastewater treatment works.

## Intellectual capital

The knowledge and systems we have built, including our understanding of the region and the people who live here, are essential to effectively running and maintaining our assets to ensure a long-term resilient service.

### Innovation

We use a variety of methods to drive innovation. We scout ideas from other industries and from across the world, and we invite companies to bring new solutions to us through our Innovation Lab programmes. Our core values encourage colleagues to voice new ideas and we encourage innovation across the business, including our CEO Challenge programme, through which graduates develop novel ways to tackle challenges that we face. These initiatives can lead to the development of products and software that give us a competitive advantage.

### Catchment Systems Thinking

Our innovative approach encourages us to think differently and goes beyond our catchment land to look at the wider environment, pulling together a deeper understanding of the catchment. This includes incorporating natural capital decision-making to consider what is best for the environment, customers and communities by integrating risks and driving multiple natural capital benefits, and developing better ways of working through co-governance, collaboration and partnerships.

### Dynamic Network Management (DNM)

DNM is one example of how our culture of innovation has helped us to improve our services. We developed the technology to improve management of our sewer network and it helped us significantly reduce sewer flooding incidents. We then developed and applied DNM further to maximise the benefits it offers across the entire water cycle, which is in line with our Catchment Systems Thinking approach.

## Social capital

It is important that we maintain positive and constructive relationships with a wide variety of stakeholders, including community bodies, regulators, environmental interest groups, and political and governmental bodies.

### Proactive engagement

We actively engage with all our stakeholders, as set out on page 26 in our integrated annual report, and conducted extensive customer and community research in the development of our plans for AMP8. Our supplier relationship management process ensures regular discussions to help identify issues and opportunities for a smooth and productive relationship, and we engage them on sustainable and ethical issues through our United Supply Chain approach.

### Performance improvement

Part of ensuring strong and trusted relationships involves managing the quality of our service and the impact of our activities. This means delivering an improving service for customers, supporting those in vulnerable circumstances, protecting and enhancing the environment, and working with communities to minimise disruption and deliver on their priorities.

### Collaboration

We seek to work alongside others to understand their priorities, exchanging information, building partnerships and working together wherever we can. We have strategic partnerships, for example with the RSPB and Love Windermere partnership, and collaborate with organisations and community groups on shared challenges such as leakage, flooding and water efficiency.

### Transparent disclosures

Engagement helps us assess the issues that are most important to stakeholders, which feed into our materiality assessment as set out on pages 25 to 26. This helps to shape our plans and the disclosures in this report.

## Human capital

Colleagues are essential in delivering our purpose and a skilled, engaged and motivated team is fundamental to great service and colleague retention, which helps ensure efficient training and better performance.

### Providing opportunities

We offer opportunities for jobs and skills development across the North West, with our plans for AMP8 supporting 30,000 jobs both directly and through our supply chain. We have award-winning graduate and apprenticeship programmes, helping to develop talent and experience in the younger generations, and we support programmes such as 10,000 Black Interns.

### Looking after colleagues

We are an accredited Living Wage Foundation employer, providing competitive salaries and benefits, healthcare schemes, an attractive pension offering, share incentive plan, and colleagues at all levels have the same bonus measures as executive directors, so everyone benefits from the success of the company. We measure engagement through an annual survey, consistently outperforming benchmarks. We provide comprehensive training and development opportunities, offer hybrid working where practical, and are committed to protecting the health, safety and wellbeing of our colleagues and those in our supply chain.

### Inclusivity

We want our workforce to represent the local communities that we serve, with everyone feeling welcome, valued and included. We promote equity, diversity and inclusion, recruiting from the communities across the North West and supporting our colleagues with equal opportunities. Networks, representing groups of colleagues that may face specific challenges, are overseen by an executive sponsor and support colleagues through their career progression.

### AMP8 focus

- Reducing spills from overflows by >60 per cent in the decade to 2030
- Addressing nutrient imbalance and reducing phosphorus levels
- Significantly reducing operational greenhouse gas emissions
- Encouraging a reduction in consumption

### AMP8 focus

- Continue to raise financial capital to fund our significant infrastructure investment programme at an efficient cost
- Maintain gearing within our target range of 55 to 65 per cent
- Retain our current strong investment-grade credit ratings

### AMP8 focus

- Upgrading treatment works to meet new, more stringent, requirements
- Reducing leakage, sewer collapses, and unplanned outages
- Replacing lead pipes and cleaning/re-lining water aqueducts
- Protecting sites at risk from coastal and river erosion

### AMP8 focus

- Building and maintaining strategic partnerships, working with others to maximise improvements
- Continuing to innovate and utilise new ideas to improve services
- Working with the supply chain to build new blue/green nature-based solution capabilities

### AMP8 focus

- Innovative county-based approach to planning and delivery
- Using a wider range of suppliers, matched to the specifics of each job, including more small local suppliers
- Doubling our sector-leading affordability support, helping one in six households across the North West

### AMP8 focus

- Support 30,000 jobs, including creating 7,000 new jobs, directly and indirectly through our supply chain
- Continue prioritising the recruitment, development and retention of skilled and engaged colleagues
- Further improve equity, diversity and inclusion



## Our core activities

Our core activities cover each stage of the water cycle for all customers, and associated retail activities for household customers. Business retail is undertaken through our joint venture, Water Plus, through a competitive market.

### Our strategic priorities

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

### Water resources – sustainably sourcing water

We collect raw water from a variety of sources, including lakes, rivers and boreholes, but predominantly from open reservoirs. We have more reservoirs than any other UK water company – the biggest are Thirlmere and Haweswater in the Lake District National Park. We own and manage 56,000 hectares of land, much of which is catchment land (the areas immediately surrounding our reservoirs).

#### How we manage this to build a stronger, greener and healthier North West:

Reservoirs provide great raw water, but have high maintenance needs and the raw water requires

more treatment than some other sources. They are quick to fill when it rains, but more vulnerable to periods of dry weather than groundwater sources. Our water resources management plan helps us to ensure the long-term resilience of this precious resource. We manage our land and water resources in a sustainable way, protecting and enhancing local habitats. We optimise the use of our land to protect water quality, create natural carbon sinks by restoring peatland and planting woodland, and explore potential clean energy development. We also open much of our land to the public to enjoy nature and its health and wellbeing benefits.

#### Our key areas of focus and targets for AMP8

- North-south water transfer scheme to enable movement of surplus water to support other regions during times of drought
- Investing in our reservoir assets to improve safety and resilience
- Further 1,500 hectares of peatland restoration, helping to improve raw water quality as well as carbon benefits
- Conserving and enhancing biodiversity

### Water network plus – supplying treated water 24/7

We treat raw water in one of our 86 water treatment works and then store it in covered reservoirs before transporting it to homes and businesses right across the region, using over 43,000 kilometres of water pipes – that's longer than the circumference of the earth.

#### How we manage this to build a stronger, greener and healthier North West:

Every day, we deliver an average of 1.8 billion litres of safe, clean drinking water to around 8 million people and businesses. Our integrated supply network enables us to move water around the

region as needed. Along with production planning and the optimisation of storage levels ahead of anticipated demand increases, and a fleet of alternative supply vehicles, this helps us to deliver a more resilient water supply. We use sensors and artificial intelligence, and have dedicated teams to detect and fix leaks across our pipes as well as helping customers identify leaks on their property, which can save them money on their bills, as well as reducing water losses. Our Haweswater Aqueduct uses gravity to transfer water from Cumbria to Manchester, helping to reduce our carbon footprint from energy-intensive pumping.

#### Our key areas of focus and targets for AMP8

- Improving water quality for 2 million customers, helping to drive 34 per cent reduction in customer contacts
- 13 per cent reduction in leakage
- Replace 30,000 lead pipes
- £139 million to continue re-lining the Vyrnwy Aqueduct
- Construction commencing on Haweswater Aqueduct Resilience Programme (HARP) via direct procurement (DPC)

### Household retail – supporting customers

We provide household customer services including meter reading, billing, account management services, and water efficiency support.

#### How we manage this to build a stronger, greener and healthier North West:

We provide a number of ways for customers to get in touch with us, from phone numbers to social media and an online live chat, to ensure we make it as easy as possible for customers to interact

with us in the way that suits them best. We have also actively engaged with customers in the development and improvement of many aspects of the customer experience, including bill design.

We have a sector-leading affordability support package and approach to helping vulnerable customers through our Priority Services offering.

Over AMP8, we will be further increasing that support, as well as installing smart meters across the North West to help measure and manage water consumption and leakage.

#### Our key areas of focus and targets for AMP8

- Doubling affordability support to £525 million, helping one in six households in the North West
- £256 million investment in metering, rolling out around a million smart meters
- Supporting households and businesses to reduce their water consumption by 5 and 7 per cent, respectively

### Bioresources – generating renewable energy

Sludge is a by-product from the wastewater treatment process. It is transported to our bioreources treatment facilities, which use digestion technologies to safely and compliantly treat more than 200,000 dry tonnes of sewage sludge a year. The digestion treatment process produces biogas and biosolids.

#### How we manage this to build a stronger, greener and healthier North West:

We minimise waste from our water and wastewater operations to promote a circular economy.

We use biogas to generate renewable electricity, some of which is used to power our operations and some feeds into the grid to provide a green source of energy for others to access.

Self-generation reduces our carbon footprint and saves costs. We purchase electricity to cover the remaining electricity needs and 100 per cent of this is certified renewable.

We have also been trialling the use of biogas to create hydrogen and graphene, which has multiple applications such as extending the life of tyres, cutting the carbon footprint of concrete, and boosting the performance of batteries and solar panels.

We give biosolids to local farmers to use as a high-quality and effective fertiliser and soil conditioner. We seek to comply with all relevant rules and regulations, including Farming Rules for Water.

#### Our key areas of focus and targets for AMP8

- Over £1.1 billion investment in bioreources, which is more than triple that during AMP7
- Using innovation to remove water from sludge, helping to reduce transport costs and produce a higher-quality fertiliser for use in agriculture
- Achieving the highest-quality standard for biosolids
- Increasing the amount of energy produced from biogas, helping to boost self-generation and reduce energy costs, which are our biggest base operating cost

### Wastewater network plus – cleaning and returning wastewater

Every day, we collect used water from customers' toilets, emptied sinks, baths, showers and household appliances. 54 per cent of our sewers are combined, meaning they also take rainwater. We have over 79,000 kilometres of wastewater pipes and sewers that transport it to one of our 583 wastewater treatment works, where it is separated and treated, before being returned to the natural environment through rivers and streams, so that the water cycle can begin again.

#### How we manage this to build a stronger, greener and healthier North West:

We clean wastewater to a very high standard, meeting increasingly stringent environmental consents to protect and enhance nature and biodiversity in the North West. We have a long

coastline and 34 designated bathing waters in our region that we help to look after.

With more combined sewers than average, our network comes under more strain from urban water runoff when it rains. In periods of unusually high rainfall, when sewer capacity is overloaded, storm overflows are activated using a separate pipe to allow wastewater, heavily diluted with rainwater, to flow directly into rivers or the sea to help prevent flooding of streets, homes and businesses. We are investing significantly in additional storage and rainwater management solutions to reduce the need for spills, and we have already delivered a significant reduction since 2020. We are also exploring new and innovative ways of working, such as nature-based solutions and partnerships with groups such as The Rivers Trust.

#### Our key areas of focus and targets for AMP8

- >60 per cent reduction in spills from storm overflows in the decade to 2030 – the highest targeted reduction in the sector
- 30 per cent reduction in pollution incidents, and zero serious pollutions
- 40 per cent reduction in internal sewer flooding
- Upgrading 80 treatment works to reduce phosphorus levels
- Installing batteries and generators to reduce pollution incidents caused by power cuts
- Working with others to improve water quality in Windermere



## How we plan for the short, medium and long term

We plan across multiple planning horizons to protect long-term resilience and sustainability. We look at key trends and developments in the external environment, strategic priorities to deliver our purpose and other things that are material to our stakeholders. We undertake long-term horizon scanning, and use an adaptive planning approach to ensure we are delivering our commitments in the most efficient and effective way, whatever the future brings.



1 year

### Short-term planning

**We set annual, measurable targets, but retain flexibility to enable us to respond to challenges that may arise.**

Short-term planning helps us work towards our medium- and long-term goals and provides us with measurable targets so that we can continually monitor and assess our progress.

Before the start of each financial year, which runs from 1 April to 31 March, we develop a business plan with annual targets in terms of improvements in service delivery, environmental targets and efficiency. These are designed to work towards the medium-term regulatory commitments, and to help us move closer to our longer-term goals. The plan is reviewed and approved by the board.

Executive directors hold regular business review meetings with senior managers across the business to track progress against our annual targets, and key measures across each business area are monitored and reported through monthly executive performance reports.

It is vital that we retain flexibility within this short-term planning so that we can adapt to meet challenges that may arise during each year while continuing to deliver resilient and high-quality services to customers in the most effective and cost-efficient way possible. This may involve bringing enhancements forward to deliver improvements for customers early, investing further into the business to maintain service, or prioritise particular expenditure to focus our time and investment on dealing with unexpected challenges that may arise.

The extreme weather we have seen in recent years demonstrates how important it is that we retain this flexibility, as we are already experiencing the impacts of climate change and the challenges it brings. Prolonged dry periods can lead to drought levels being crossed, while excessive periods of rainfall at other times heightens the risk of flooding, and rapid freeze-thaw events during winter cold snaps put enormous pressure on pipes leading to more likelihood of leaks and bursts. Our adaptive approach to planning positions us well to tackle these challenges.

Performance against several of our stretching annual targets determines the annual bonus percentage that is awarded, both to executive directors and to all colleagues right through the organisation – this year's annual bonus metrics include performance for customers, for the environment, and for colleague health and safety, as well as financial performance. To avoid encouraging short-term decision-making and ensure management is focused on the long-term performance of the company, executive directors and senior leaders are also remunerated through a long-term incentive plan (LTP). The LTP assesses three-year performance and includes return on regulated equity (RoRE) alongside a basket of customer and environmental measures.

➤ Read more about the **annual bonus and LTP** in our **remuneration report** on pages 146 to 172 in our integrated annual report



up to 2035

### Medium-term planning

**Aligned to regulatory asset management plan (AMP) periods, including the commitments and targets in our final determination.**

The majority of the group's activities sit in our regulated water and wastewater business – United Utilities Water Limited (UUW). Our medium-term planning mostly sets out how we will deliver against the commitments in the final determination published by Ofwat for UUW for each five-year asset management plan (AMP) period, and our plans for the next one. Our medium-term plans are also designed to help us work towards our long-term delivery strategy, which accompanied our AMP8 business plan submission, to build and maintain resilience, and to help us fulfil our purpose.

To ensure we deliver for all stakeholders, including addressing customer preferences and environmental requirements, we align our plans to these priorities in line with key published methodologies. We undertake extensive research to engage with stakeholders to ensure that our plans reflect the best outcomes overall. Following scrutiny and challenge from Ofwat, we receive the final determination, which sets the price (in terms of total expenditure recovered through customer bills), service level, and incentive package that we must deliver over the five-year period, including an expected return to meet financing costs. This year, Ofwat made its final determination for the 2025–30 period (AMP8), which we will now work to deliver.

Adaptive planning is important in meeting our medium-term targets in the most effective and efficient way, and this can be within one AMP or span multiple AMPs. During the 2020–25 period (AMP7), we adapted our total expenditure (totex) in three ways:

- We accelerated our capital programme, delivering improvements early and making a strong start to our plans;
- We extended our totex by £765 million to deliver customer and environmental improvements, accelerating delivery against obligations under the Environment Act 2021 and improving performance against outcome delivery incentives (ODIs); and
- We accelerated some AMP8 investment into AMP7, helping us to speed up delivery of environmental improvements, improving river health and reducing spills from overflows.

Our strategy and position as an upper quartile performer help us to create value for our stakeholders by delivering or outperforming the final determination. Each July we publish an annual performance report (APR) which sets out details of how we have performed for the year opposite the final determination. The APR also allows stakeholders to compare performance across the sector on metrics such as the return on regulated equity (RoRE), which comprises the base allowed return and any out/underperformance.

➤ Our APR will be available at [unitedutilities.com/corporate/about-us/performance/annual-performance-report](https://unitedutilities.com/corporate/about-us/performance/annual-performance-report)

➤ Information on companies' regulatory performance can be found at [discoverwater.co.uk](https://discoverwater.co.uk)



up to 2100

### Long-term planning

**We plan far into the future, using adaptive planning pathways to ensure we can respond to risks and opportunities that may arise.**

We recognise that the future is uncertain and difficult to predict. In order to maintain a reliable, high-quality service for customers over the long term, we need to anticipate and plan for a range of things that have the potential to impact on our activities.

We monitor the age and health of our assets, keep track of innovations and advancements in technology, consider long-term customer and environmental targets and commitments, and look at current and predictive data from various sources to track key risk indicators. This includes long-term economic forecasts, population growth expectations, climate and weather predictions, and legal/regulatory consultations and changes. Depending on the context, long term can mean 25 years or up to 75 years and beyond.

We review this information as part of our long-term planning and risk management processes, through which we assess and manage opportunities and risks from developments such as climate change, population growth, increased market competition, water trading, more stringent environmental regulations, developments in technology, and combining affordable bills with a modern, responsive service. Our website has a dedicated section in which we examine key long-term challenges and how we will focus our resources and talents to meet them, including our:

- Drainage and Wastewater Management Plan – examining the risks around flooding, pollution, storm overflows, and wastewater treatment over a 25-year period;
- Water Resources Management Plan – setting out the investment needed to ensure we have sufficient water to continue supplying customers, taking into account the potential impacts of climate change, covering a 25-year period and considering consumption and climate forecasts out to 2080;
- Drought Plan – setting out the actions we will take to manage drought risk, updated every five years; and
- Adaptation progress reports – setting out the current and future predicted impacts of climate change on the business and our proposals for adapting to a changing climate.

➤ Read about our future plans at [unitedutilities.com/corporate/about-us/our-future-plans](https://unitedutilities.com/corporate/about-us/our-future-plans)

Our long-term delivery strategy, out to 2050, was embedded into our plans for AMP8. We use whole-life cost modelling and maintain a robust financing structure to ensure we can invest efficiently to meet our long-term plans. To continue to deliver great service for the long term, we also need a continuous stream of talent. Our training and development, graduate and apprenticeship programmes, and work with schools to encourage STEM careers, all help to ensure we retain the skills we need in the North West to continue delivering for our stakeholders now and far into the future.



# How our operating environment influences what we do

## Regulatory environment

The vast majority of our activities sit within United Utilities Water Limited (Uuw).

### Regulatory framework

Uuw is the second largest of 11 regulated water and wastewater businesses in England and Wales, and is subject to regulation of price, performance and compliance by various bodies, as shown in the diagram below. These bodies exist to help protect the interests of customers and the environment and assess whether companies are meeting their obligations.

Companies must prepare and maintain long-term plans for managing water resources, drought, and drainage and wastewater. We must balance incentives and requirements that can sometimes act in tension, such as the desire for rapid environmental improvements and the upward pressure this places on customers' bills. We maintain constructive dialogue to agree commitments for improvement.

The Water Industry National Environment Programme (WINEP) is developed by the Environment Agency (EA), Defra, and Natural England, in consultation with water companies and other stakeholders. It sets out the actions that water companies need to take in order to meet their future environmental legislative requirements.

The Drinking Water Inspectorate (DWI) can also put in place programmes of work to improve drinking water quality.

These long-term plans feed into business plans submitted to Ofwat as part of the price review process. Ofwat then sets each company's final determination (FD) detailing revenue, required service levels, and the incentive package for five-year periods (AMPs). Companies can either accept the FD or appeal to the Competition and Markets Authority. 2024/25 was the final year of AMP7, and we have received our FD for the next five years (AMP8). Each company reports its performance against the FD in an annual performance report (APR) in July each year. Regulators also undertake comparative assessments of companies' performance.

### Competitive retail market

Since April 2017, non-household retail activities have been open to competition, meaning businesses can choose who provides their retail services. Our non-household retail activities do not sit within Uuw, but via a joint venture known as Water Plus. Details relating to Water Plus can be found in notes 12 and A5 to the financial statements on pages 207 and 231 in our integrated annual report.

### Ofwat and EA investigations

In November 2021, Ofwat and the EA launched separate industry-wide investigations into how companies manage their wastewater assets. In July 2024, Ofwat announced that it was opening enforcement cases for a number of water companies, including Uuw, following the analysis of environmental performance and data about the frequency of spills from storm overflows. Ofwat stated that while it has concerns with the sector that it must investigate, the opening of enforcement cases does not automatically imply that companies have breached their legal obligations or that a financial penalty will necessarily follow. To date, Ofwat has not given a firm indication of the expected timeframe for its ongoing investigation or any subsequent action.

The EA has made a number of data requests and undertaken site visits as part of its industry-wide investigation, with which we continue to fully comply. This investigation is focused on environmental permit compliance at wastewater treatment works and wastewater networks, with the EA having a number of enforcement options open to it if it concludes that companies have breached their permit conditions and/or illegally polluted the environment. These include the potential for criminal prosecution and unlimited fines. As with the Ofwat investigation, this remains ongoing.

### Independent Water Commission

This year, the Government launched an independent commission with broad terms of reference to review the regulatory framework, regulators and incentives that govern the water industry model and strategic water planning, requiring consideration of the conditions needed in the private regulated model to attract the investment needed to improve environmental performance, bring more accountability, rebuild public trust and confidence, and secure a resilient, innovative water sector and framework that will work for decades to come.

Chaired by former Deputy Governor of the Bank of England, Sir Jon Cunliffe, and drawing upon a panel of experts from across multiple sectors, the commission has launched a call for evidence, to which we have contributed fully. The commission is expected to report back to the Government in the summer of 2025 with a set of recommendations.



## Natural environment

### Climate change

We are already experiencing more extreme rainfall events, freezing temperatures followed by rapid thawing, and prolonged dry periods. This increases the level of risk for water availability, flooding, and network damage. We have detailed plans in terms of both adaptation (building resilience against these changes) and mitigation (reducing our carbon footprint).

### Population growth

The North West population is already increasing, and forecast to grow by around a million by 2050. We plan well into the future and continually adapt to strengthen our long-term operational resilience. Our water resources management plan, for instance, considers consumption forecasts out to 2080.

### Protecting and restoring ecosystems

Much of the landscape in our region is legally protected for its environmental or cultural significance, including national parks and sites of special scientific interest (SSSI), and we play a role in looking after it and restoring healthy, resilient ecosystems.



## Economic environment

### Market rate movements

The impacts on our business of movements, such as interest rates and inflation, are complex. Cost increases are partly offset by increased allowances under the regulatory mechanism. £4.7 billion of our debt is index-linked, therefore impacted by inflation. Our regulatory capital value (RCV) also rises with inflation, and our £4.9 billion of fixed-rate debt increases in benefit as interest rates rise. Unlike many companies, our low dependency pension schemes are protected from market rate movements.

### Customer affordability

The economic environment also impacts customers, with the most deprived, typically, hit the hardest. The North West has 47 per cent of the most deprived neighbourhoods – more than any other region – making the industry-leading affordability support we provide even more critical. We are doubling our support in AMP8, helping one in six households in the region, and we remain strong supporters of the Consumer Council for Water's call for a national social tariff, pooling funds to help those in most need.



## Political environment

### Engagement and adaptability

Political decisions have the potential to impact on our operations, including changes to legislative obligations under environmental and competition law. We engage with regional and national politicians, and other policymakers, to understand developments and key issues, improving policy development where possible, and stay flexible to adapt as needed.

### Environment Act 2021

The Government set out an ambitious plan for reducing spills from storm overflows, as well as obligations to reduce phosphorus and address nutrient imbalance. We have already invested significant amounts to improve the quality of rivers and seas in the North West, and AMP8 will see our biggest ever environmental investment programme.

### Water (Special Measures) Act

Passed this year, this act strengthens the power of regulators to impose special measures on failing water companies, including blocking executive bonuses, imposing penalties and potential criminal charges for law breaking.



## Technology and innovation

### Developments

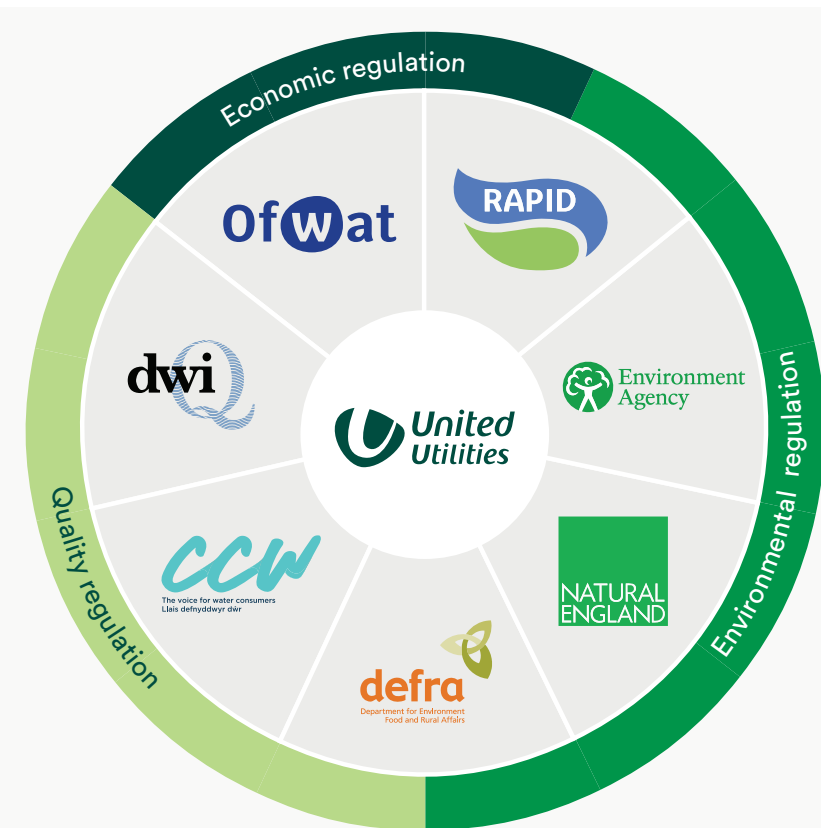
New technology and innovation can create opportunities for improvements in service and efficiency. The use of artificial intelligence and machine learning helps us to improve performance, and is central to our Dynamic Network Management approach. We work closely with suppliers and innovators from around the world to maximise the opportunities presented by new technology and ideas.

### Customer interaction

In an increasingly digital world, we must evolve our services to ensure we meet changing customer expectations. We have modernised the methods and channels through which customers can get in touch to access their bills, update their information, and receive updates on services and support.

### Cyber and data security

Technology can give rise to risks, such as the threat of cyber attacks, which has increased in recent years. Protecting infrastructure, customer information and commercial data from malicious activity is a key priority, as set out on page 53.





## How our strategy helps us deliver our purpose

Each of our six strategic priorities is linked to the delivery of one of the key elements of our purpose – helping us to make the North West stronger, greener and healthier.

These priorities reflect the key long-term drivers of our business and how we create value. They align with our materiality assessment, which is set out on the following two pages. Each of our strategic priorities addresses one or more of the themes identified, as set out below, and

by focusing on the things that matter most to stakeholders, long-term resilience, and areas of particular focus in our political and regulatory environment, our strategy directly addresses the top three material themes. Our disclosures on the top themes on pages 25 to 53 also align with our strategic priorities.

By setting out clear and actionable aims in this way, and monitoring and reporting our performance against metrics and targets that are aligned with the most material themes and the value that we create for our stakeholders, we hope to improve trust and transparency.

### Greener

#### Improve our rivers

We have a strong track record in minimising pollution, and continue to protect bathing waters across the North West. River health in the UK has grown in public interest in recent years. The industrial legacy and high rainfall in the region means that delivering the significant reduction in spills from storm overflows required by the Environment Act 2021 will be more challenging in the North West than in other areas. To address this, we have the largest investment programme in AMP8 to deliver an industry-leading reduction of more than 60 per cent in the decade to 2030. We have already accelerated work in key locations and made strong early progress, having achieved a 39 per cent reduction in average spills per overflow since 2020.

- Material themes addressed:**
- Environmental water quality and storm overflows

### Healthier

#### Deliver great service for all our customers

We strive to continually improve our service for customers. We conducted extensive engagement in the development of our AMP8 business plan to help us understand what matters most to customers, and we have ambitious targets to further improve water quality, reduce supply interruptions, fix leaks, and reduce the risk of sewer flooding. Great service also means helping customers with affordability and vulnerability, and keeping their data secure. These continue to be ongoing priorities, and our affordability support is already sector-leading and will double in AMP8.

- Material themes addressed:**
- Customer service and operational performance
  - Drinking water quality
  - Affordability and vulnerability
  - Cyber and data security

### Stronger

#### Spend customers' money wisely

We continuously challenge ourselves to improve cost efficiency in a sustainable way, so that we can keep customer bills as low as possible in the long term without compromising on service or resilience. We often look to minimise whole-life cost, using adaptive planning to deliver the best-value solutions in the long term. We exploit innovation to find better ways of working, capitalising on digital and automation opportunities. We continue to raise efficient financing and manage risk prudently. We also leverage partnerships and drive value in our supply chain – our mix of suppliers in AMP8 will help us to maximise our capital programme efficiency.

- Material themes addressed:**
- Financial risk management
  - Innovation
  - Responsible supply chain
  - North West regional economy

#### Create a greener future

We are committed to protecting nature and biodiversity, and supporting customers to reduce their water consumption. We have a net zero transition plan underpinned by carbon pledges and ambitious science-based targets. We generate clean, renewable energy from bioresources and through partners. We are also looking at how we can make the best use of our land to help deliver a greener future, be that through our pledges to create woodland and restore peatland, or increasing our renewable energy generation capacity.

- Material themes addressed:**
- Climate change mitigation
  - Water resources and leakage
  - Natural capital and biodiversity
  - Energy management
  - Waste management

#### Provide a safe and great place to work

We are committed to maintaining high levels of health, safety and wellbeing. We invest in our colleagues' training and development, helping us to attract, develop and engage great talent across the organisation, now and for the long term. We support and encourage a diverse and inclusive culture, helping to ensure our colleagues represent the communities we serve. This brings a diverse range of views and ideas, and we want colleagues to feel empowered to contribute to making things better. Our 'Call it Out' inbox enables everyone to raise any topic or suggestion for improvement directly with the CEO.

- Material themes addressed:**
- Health, safety and wellbeing
  - Diverse and skilled workforce
  - Colleague engagement

#### Contribute to our communities

We work closely with communities across the North West and we invest in those communities as well as opening our land for access and recreation. We actively engage and make use of partnerships to drive value for communities, such as our participation in the Love Windermere initiative. We produced individual business plans for each of the North West's five counties, recognising their unique and diverse needs and challenges, and we have mobilised our teams into county delivery squads to help manage these relationships in AMP8, and ensure we can deliver our planned improvements for each county with minimal disruption.

- Material themes addressed:**
- Supporting communities
  - Recreational land and waters

## How we assess and prioritise material themes

Our strategic priorities reflect the areas of highest focus for our business and our stakeholders. In order to ensure our disclosures cover all areas of material interest, we regularly refresh our materiality assessment, which ranks material themes based on their potential impact on our ability to create value for the company and for our stakeholders.

### Stakeholder views and priorities

There are a number of stakeholders who take an interest in the water industry, its role in society, and the North West region. We actively engage with these stakeholders to help us understand their views and priorities.

➤ Read more about **how we engage with stakeholders** on page 26 in our integrated annual report

Understanding what matters to our stakeholders helps us to prioritise areas for focus and investment, enabling us to factor their views into strategic decision-making at board level, as set out in our S172(1) Statement on pages 88 to 89.

This understanding feeds into our materiality assessment, giving rise to the materiality matrix on page 26, which drives the matters disclosed across this report, helping to ensure we are disclosing all material information of interest to our stakeholders.

### Other considerations

In defining the strategic relevance of a theme to the company, we continue

to adopt the integrated reporting <IR> framework definition of materiality and value creation. This means considering the impacts of the company on all of our stakeholders, alongside our dependencies, i.e. the impacts of the material themes on the company. This value may be financial or non-financial, and this approach is consistent with the concept of double materiality.

We consider the impact on value created for stakeholders (based on a balance of views from those who influence what we do and/or benefit from the value we create), in addition to the potential effect on our ability to create value as a company (based on the potential effect on our ability to create financial and non-financial value over the short, medium and long term).

Disclosure guidance from the ISSB suggests that material sustainability-related risks and opportunities are discussed using a four-pillar approach, in line with the TCFD and TNFD frameworks. We have adopted this approach to report on our most material themes (which represent areas of risk and opportunity), as set out on page 26.

### 2024/25 assessment

We have carried out a thorough review of our material themes and materiality matrix. Striking the right balance between different interests and views is not easy, but our assessment process consolidated feedback based on a balance of views obtained from all of our stakeholders.

The applicability of industry-specific topics in the Sustainability Accounting Standards Board (SASB) standards were also considered as part of this assessment, as required by ISSB S1: General requirements for disclosure of sustainability-related financial information. We also considered the UN Sustainable Development Goals that we contribute towards, as set out on pages 06 to 07.

Our materiality assessment is aligned closely with our assessment of principal risks and uncertainties, with close linkage between the themes highest in terms of company value (horizontal axis) and our top principal risks and common causal and consequence themes identified.

Our assessment process this year identified 29 material themes.

## Our materiality assessment process

### 1 Define

We reviewed current best practice in materiality reporting. The assessment criteria was confirmed as potential value creation for both the company and stakeholders. Building on our existing matrix, we evolved the matrix design to integrate fully with our strategic priorities. This assessment provides the basis for disclosures included in this report, with more detailed commentary on the most material themes.

### 2 Engage

Views were obtained from across all our stakeholder groups. Insight from consultations and data was made available through the engagement processes described on page 27 in our integrated annual report. Key internal subject matter experts and stakeholder relationship managers provided further insight on themes.

### 3 Assess

Comments and data were drawn together to form an initial view of the themes. The rationale for theme selection and its significance was reviewed and approved by the executive team. This included potential new themes, removal of themes, and movement of existing themes.

### 4 Align

We cross-referenced and aligned identified themes with SASB industry-specific topics and our principal risks and uncertainties, as set out on pages 54 to 61. Matrix visuals were then created to easily display the prioritisation of themes.

### Reporting on our material themes

One way that we use the assessment and ranking of material themes is to ensure that our disclosures, in this integrated report and across our other reports and corporate website, are comprehensive.

Information on all material themes can be found within our reporting, with the most material of these themes being covered by the fullest disclosures. The material themes matrix, and signposting to key disclosures, can be found on page 26.

The top three are overarching themes that are addressed extensively across the report.

For the remaining material themes in the top two segments of the matrix, which cover the next 15 highest areas of interest, we provide voluntary disclosures across the four pillars set out by the ISSB – strategy, governance, risk management, and metrics and targets – on pages 25 to 53.

These are grouped in line with the key elements of our purpose – greener, healthier and stronger. The 'greener' elements cover our disclosure requirements under TCFD (climate-related) and voluntary disclosures under TNFD (nature-related), as shown on page 03 in our integrated annual report.

Other material themes are addressed to the level of detail deemed appropriate.



How we assess and prioritise material themes

Material themes matrix

Themes are plotted on the matrix from higher (top right) to lower (bottom left) in terms of their potential to impact company value and impact on the value we create for stakeholders.

1 Trust, transparency and legitimacy

Our comprehensive disclosures and integrated reporting approach provide leading levels of transparency throughout this report.

2 Resilience

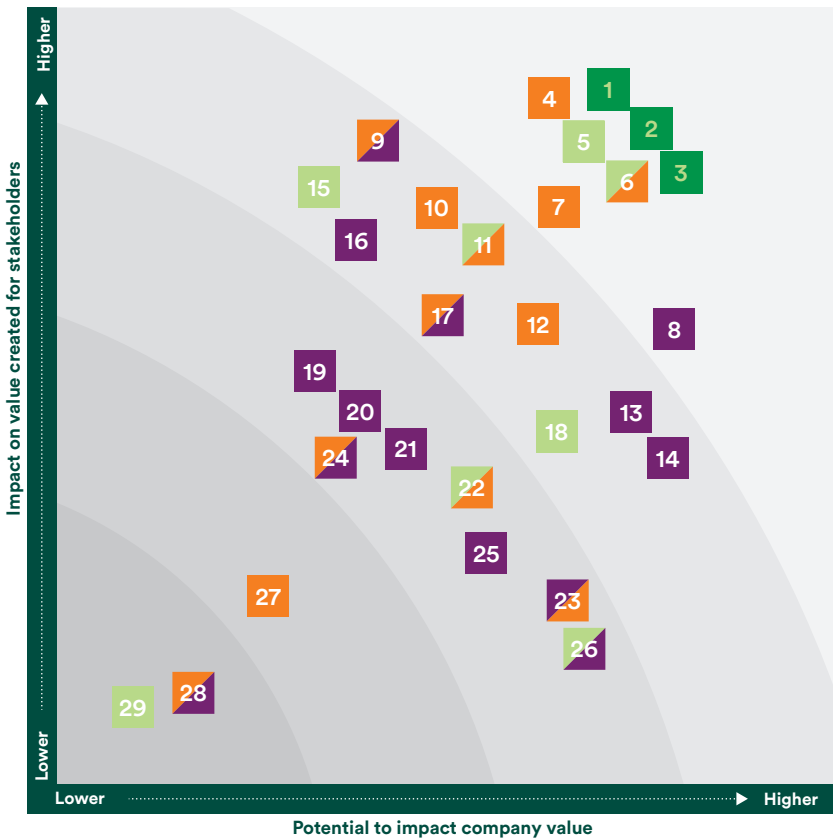
Resilience is a key consideration in our long-term planning (page 21), the way we manage our key resources (pages 16 to 17), and the ultimate focus of our risk management approach (pages 54 to 61).

3 Political and regulatory environment

Our external environment, including the political and regulatory environment, is covered on pages 22 to 23.

Key: Our material themes are aligned to one or more of the key ambitions of our purpose – stronger, greener and healthier.

Overarching theme Healthier Greener Stronger



Greener

Top material themes related to climate change are covered across the four pillars in our TCFD disclosures on pages 27 to 37

- 6 Climate change adaptation
- 15 Climate change mitigation

Other material themes related to climate change are covered in the performance section

- 26 Energy management

pages 73 to 75

Top material themes related to nature are covered across the four pillars in our TNFD disclosures on pages 37 to 45

- 5 Environmental river water quality and storm overflows
- 11 Water resources and leakage
- 18 Natural capital and biodiversity

Other material themes related to nature are covered in our water cycle, risk management and performance sections

- 22 Recycling biosolids
- 29 Waste management

pages 18, 35 and 38 to 45

page 70

Healthier

Top material themes related to customers are covered across the four pillars on pages 46 to 47

- 4 Customer service and operational performance
- 9 Affordability and vulnerability
- 10 Drinking water quality
- 12 Emerging contaminants

Other material themes related to customers are covered in the regulatory environment section

- 27 Competitive markets

page 22

Top material themes related to colleagues are covered across the four pillars on pages 48 to 50

- 7 Health, safety and wellbeing
- 17 Diverse and skilled workforce

Other material themes related to colleagues are covered in our TNFD governance pillar and performance section

- 24 Colleague engagement
- 28 Human rights

pages 76 to 79

page 42

Stronger

Top material themes related to efficiency are covered across the four pillars on page 52

- 13 Financial risk management
- 14 Corporate governance and business conduct

Other material themes related to efficiency are covered in our key resources and performance sections

- 21 Land management
- 23 Innovation
- 25 Responsible supply chain

page 16

pages 17 and 83

page 85 to 86; and 139, 144 and 175 in our integrated annual report

Top material themes related to communities are covered across the four pillars on page 51

- 16 Supporting communities

Other material themes related to communities are covered in our economic environment and stakeholder value creation sections

- 19 North West regional economy
- 20 Recreational land and waters

page 23

page 04

Top material themes related to cyber and data security are covered across the four pillars on page 53

- 8 Cyber and data security

How we respond to material themes: climate change

Strategic priorities related to climate Create a greener future

Top material themes related to climate 6 Climate change adaptation 15 Climate change mitigation

Strategy

TCFD disclosures

a. We recognise that the climate has already changed, and we are planning for the forecasted impacts at different time horizons and under multiple climate change scenarios.

b. The most significant impacts that influence planning across all areas of the organisation are those associated with the security of water supplies and increased volumes and intensity of rain to drain.

c. We are prepared for the immediate challenges and planning for future risks of a range of climate scenarios at both regional and county levels.

Climate-related planning horizons

We plan across multiple planning horizons to protect long-term resilience and sustainability, as described on pages 20 to 21. Climate-related risks that are material in the short term are already being experienced, such as increasingly frequent high volume rainfall events. Such incidents, in turn, exacerbate existing challenges such as sewer flooding, asset flooding and asset deterioration. This is why both resilience and climate change adaptation are material themes.

Our long-term horizons look far into the future because some operational assets, such as pipes and aqueducts, have very long useful lifespans. For climate risks and opportunities, we use the same horizons for short term (one year) and long term (out to 2100); however for medium term we use 2050 to align with the Met Office UKCP18 climate change projections.

Risk assessment

In 2024, we carried out a comprehensive review of all our climate-related risks. In this review, we have evolved our understanding of climate risk by incorporating the latest climate science into our risk assessment processes. We have also taken a regional approach to assessing the effects of climate change, which has enabled us to complete a more robust risk assessment that is context specific to the five diverse counties that make up the region we operate in.

We identified 68 risks and categorised them by causal factor. We evaluated both the likelihood and consequence of each risk, for each of the five counties for the present day (short term) and for two future dates (medium and long term). For the later dates, we assessed against both a benign (2°C) and an adverse (4°C) climate scenario.

Each risk assessment rated likelihood and consequence out of five using our six capital value framework. The risk score is the product of these ratings out of 25. The output of this risk assessment can be read in Appendix E of our adaptation progress report 2024, with the causal factors and actions to address them discussed within the body of the report.

Risks with material impact

The chart below summarises the profile of the 68 identified risks across six climate-related causal factors. Each risk is coloured to indicate the maximum risk score across the five county assessments and also how the regional mean scores are expected to change over the next 25 and 75 years.

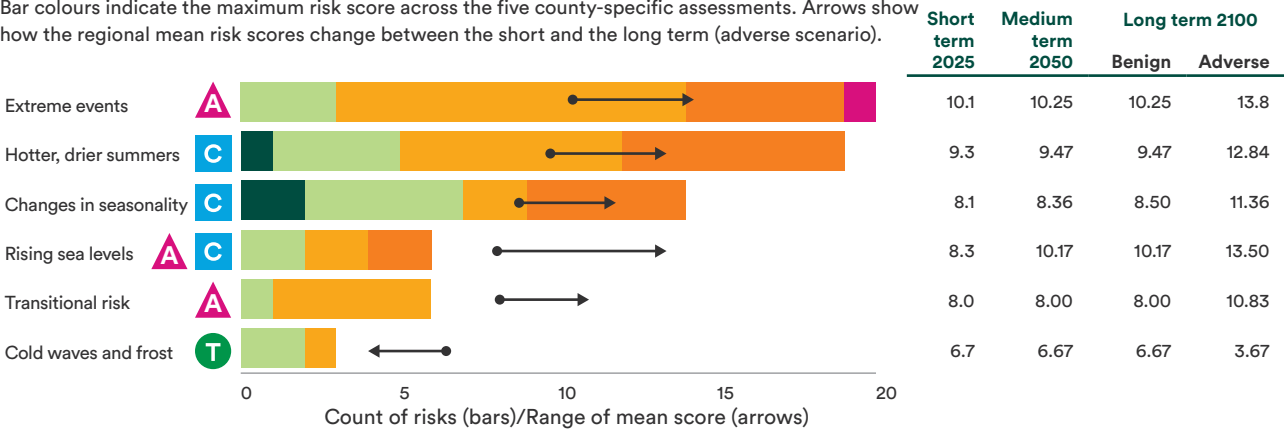
The risks assessed as having high and very high impact are all physical risks, meaning that they pose a risk to the destruction or disruption of our assets and systems. These physical risks include both acute risks, such as shocks from severe weather, chronic stresses and changes in seasonality. We are also exposed, to a lesser extent, to transitional risks associated with the move to a low-carbon economy, including policy, legal, technological, market and reputational risks.

The most material risks have a very high risk score (20 or 25) for at least one county by 2100. These four risks are:

1. Extreme events where intense rainfall overwhelms the capacity of the sewerage system and leads to flooding;
2. Extreme events where the volume of rain is beyond the capacity and asset design for the drainage network. If the use of combined sewer overflows is required to prevent sewer flooding of properties and businesses it can lead to environmental pollution;
3. Lower average summer rainfall, reducing water resource availability and necessitating greater use of supply restrictions and potential failures of the water service; and
4. Changes in seasonal weather patterns, promoting extended growing seasons which increases the likelihood and potential consequences of algal blooms.

Climate-related risks categorised by causal factor

Bar colours indicate the maximum risk score across the five county-specific assessments. Arrows show how the regional mean risk scores change between the short and the long term (adverse scenario).



Key

TCFD risk categories

- A Acute physical risks
- C Chronic physical risks
- T Transitional risks

Max score out of 25

Mean score

Short term Long term



How we respond to material themes: climate change

How geography affects the impacts of climate-related risks

Operating in the North West presents different challenges to other places in the UK. Our region is affected by some of the wettest weather in England, which, with our higher proportion of combined sewers, puts more pressure on our network and treatment infrastructure, and results in greater risks of sewer flooding and storm overflows. Around 95 per cent of our region's supply is derived from surface water rather than groundwater or aquifers. This relationship between surface water availability and recent rainfall means we are more vulnerable to hotter, drier summers.

Our region is diverse and has five distinct counties. Each county has different challenges and opportunities resulting from climate change. This was recognised in our latest risk assessment, as each risk was scored at county rather than regional level. The chart to the right illustrates how the present day climate risk scores can vary markedly by county.

Greater Manchester sits within a topographical bowl, creating challenges of flooding from rivers, sewers and surface water. The flooding risk is worsened by high

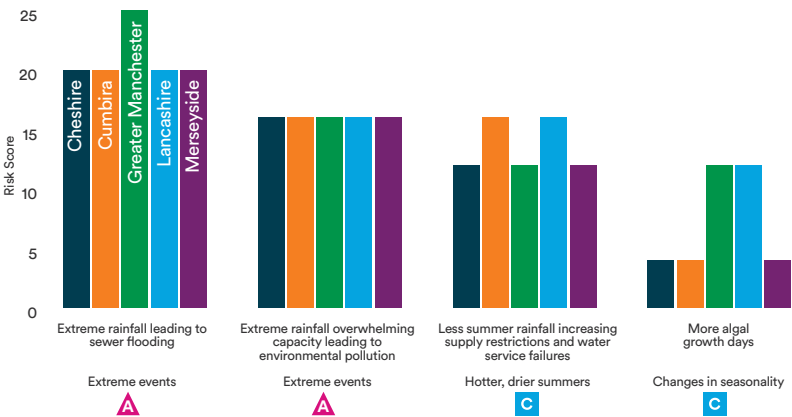
rainfall, especially as the urban rainfall in the North West is 40 per cent higher than the UK industry average. The flood risk is further compounded by Greater Manchester's rivers being affected by agriculture, industry, runoff from roads as well as sewage, and from the high proportion of combined sewer overflows situated in Greater Manchester.

Cumbria and Lancashire are key water resource hubs for United Utilities as they each have important surface water reservoirs. This means the operational impact

of lower average rainfall in these counties is even greater than in other counties.

Algal blooms are already being observed in Lancashire and Greater Manchester, resulting in increased treatment costs and impacts on the acceptability of water with customers. While not currently a significant risk in major public water supply sources in Cumbria, due to the high proportion of raw water supplied from the county, the future risk could be significant.

Risk scores for the top four climate risks by county



How climate change affects our strategies and financial planning

In the North West we are already seeing:

- temperatures, which, as an annual average, are +1°C warmer than the pre-industrial period; and
- twice the likelihood of a hot summer, with further seasonal changes in the North West projected to be greater than the average for England and Wales, with much wetter winters and, under some scenarios, much hotter and drier summers.

This means we have to consider climate change in both our short-term operational planning and our longer-term strategic planning.

We have robust and tested operational plans to minimise disruption from unpredictable events; however, incidents can happen. How quickly and effectively we respond to these events influences the customer experience or environmental impact. Our Integrated Control Centre (ICC) is central to our response and recovery capability. The ICC provides situational awareness of how the water, wastewater and bioprocessing business streams are performing in real time. This enables a timely and coordinated response, prioritising our resources to minimise the impacts.

Our public Water Resources Management Plan (WRMP), Drainage and Wastewater Management Plan (DWMP) and long-term delivery strategy (LTDS) (part of our

regulatory business plan submission) are examples of our longer-term strategic planning. In developing these plans, and seeking customer feedback on our proposals, we use a selection of future climate change scenarios and a wide range of environmental, regulatory, technological and societal possibilities. We employ advanced modelling techniques and the outputs shape our corporate and financial plans for the long term, while staying aligned with our short-term needs.

In our WRMP we detail how we are going to secure an enhanced level of drought risk resilience by 2039 – securing resilience to a one-in-500 year event. We will do this by halving leakage, improving water efficiency to 110 litres per person per day, reducing abstraction from environmentally sensitive sites and developing strategic water resource options.

In our DWMP we set out how, in the face of a growing demand, increasing urbanisation and pressures from climate change, we are going to enhance the level of environment protection and customer service – securing improved pollution and flooding performance and delivering our storm overflows discharge reduction plan by 2050. We will do this through a combination of nature-based solutions to intercept rainwater (including through increased partnership action), increasing our storm water system capacity and upgrading treatment capabilities.

Our LTDS built on our track record of effective long-term planning. It combined the WRMP and DWMP with our approach to asset management into an iterative, adaptive delivery plan, which has been certified to ISO55001:2014.

Our adaptive method, using scenario analysis, prioritises problems with evidence of impact, such as the most material climate risks, while monitoring other uncertainties. This means we can choose the appropriate timing and approach for investment as climate science and technology advances, legislation develops and our customer and stakeholder expectations evolve. This approach helped us to build an investment plan with a low and no regrets approach in the core pathway for each area, while retaining flexibility, where there is uncertainty, via the alternative pathways. See the example opposite.

Read more about water resources planning and water efficiency at [unitedutilities.com/corporate/responsibility/environment/managing-water-resources](https://unitedutilities.com/corporate/responsibility/environment/managing-water-resources)

Read our DWMP and LTDS at [unitedutilities.com/corporate/about-us/our-future-plans](https://unitedutilities.com/corporate/about-us/our-future-plans)

Our strategy for delivering our GHG emissions reduction commitment and transitioning to a low-carbon economy is set out in our net zero transition plan.

Read our [net zero transition plan](#) on pages 30 to 32

Climate risks are business risks

Climate change and further shifts in weather patterns have the potential to significantly impact our operations, the services we provide and the broader environment. This link is evident in that five of our top ten operational risks are noticeably sensitive to climate change, even in a benign climate change scenario which is likely to keep global temperature rise below 2°C by 2100. The consequence of this direct relationship is that all of our core strategies may be affected by climate risks and opportunities.

Our resilience to climate change

Our adaptive planning includes assessment of our resilience in three climate change scenarios: no change, benign (using Representative Concentration Pathway RCP 2.6, which entails a 1.6°C increase by 2081–2100) and adverse (using RCP 8.5, which predicts a 4.3°C increase). Our capacity to adapt to the impacts of climate change and take advantage of opportunities that may arise and respond to consequences is high. This is attributed to our board and management being committed to adaptation and routinely applying a systems approach to securing resilience in the round. Resilience in the round means being resilient across all

the component parts, operational, corporate and financial, and understanding the connections and interdependencies between them. This includes looking beyond our own assets to take account of cascade failure risks and interdependent services in our decision-making.

What is becoming increasingly relevant to our resilience is the impact of compound risks, where multiple risk impacts materialise within a short time frame. We are considering this through stress testing our plans using weather scenarios that combine the worst examples of weather that we have experienced. One example of this is a scenario that tests how our assets and systems would cope with consecutive hot dry summers like those of 2020 and 2021, with a dry winter like that of 1984 in between.

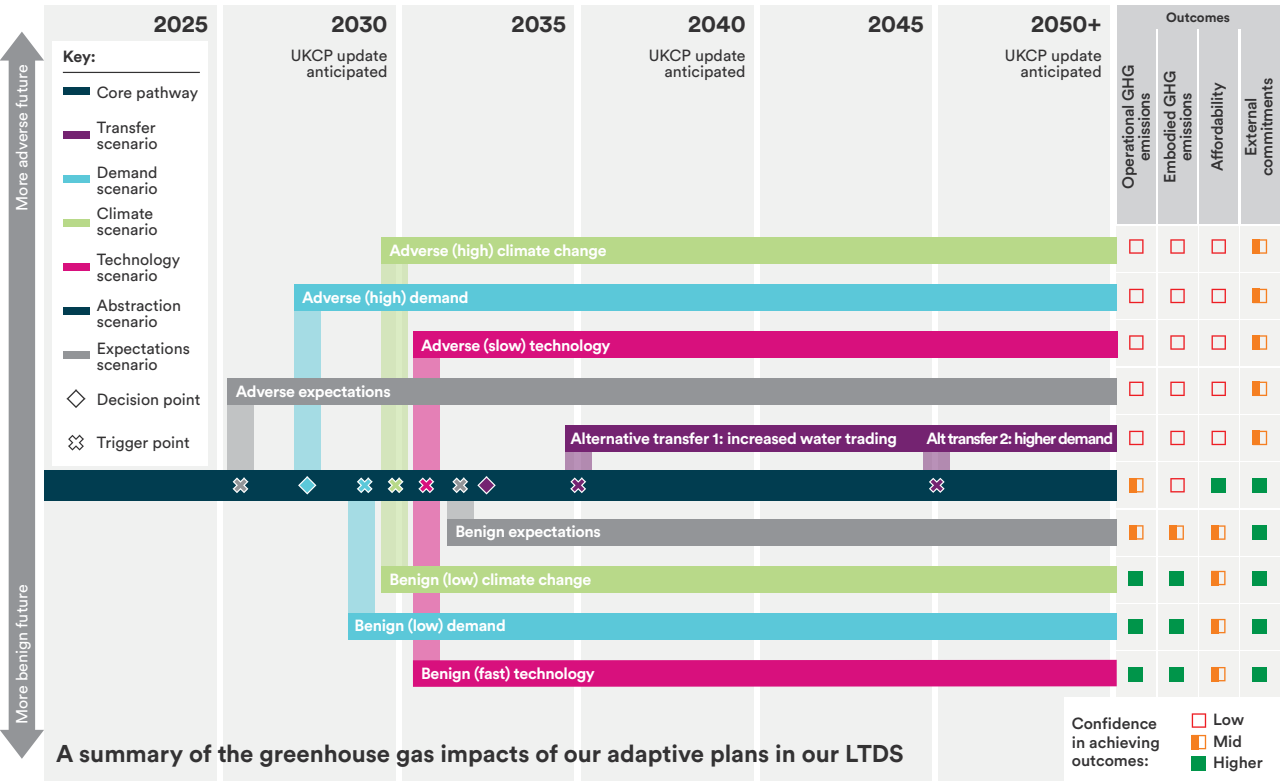
We also try to account for compound benefits, where a single intervention might have multiple benefits. For instance, sustainable drainage systems (SuDS) slow down or divert rainwater runoff, which optimises use of wastewater treatment capacity and also provides an opportunity to deliver wider social value in the community and local environment.

As well as considering physical risk scenarios, we have also estimated the likely impacts on our greenhouse gas (GHG) emissions from delivering our water, wastewater and bioresources core and adaptive plans. We have prioritised water efficiency in our business plans so that we can provide services to meet the needs of a growing population, while minimising pressure on water sources and investments and protecting rivers over the medium and long term. Consequently, our plans pose substantial growth pressures in both embodied and operational emissions. This means, to keep us on track to net zero 2050, we will need transformational innovation, more transitional investment for GHG emissions reduction and also the full valuation of GHG emissions throughout national policy frameworks.

Read more details about the impacts of climate change, and our strategies and tactics to address the climate risks, in our adaptation progress report at [unitedutilities.com/corporate/responsibility/environment/climate-change](https://unitedutilities.com/corporate/responsibility/environment/climate-change)

GHG emissions impact of alternative long-term delivery strategy (LTDS) pathways

Our adaptive plans for water, wastewater and bioresources operations each have one core pathway and multiple alternative pathways. Alternative pathways diverge at decision or trigger points at which different investment decisions would be taken in different circumstances. The impact on GHG emissions of these scenarios is illustrated below, along with the confidence in achieving key outcomes for each pathway. In the adverse scenarios, additional investment would be required to meet the water and wastewater service demands, for instance of a larger population, stringent environmental permits or peak rainfall volumes. Additional construction or chemical use, in turn, would make delivering our transition plan, in an affordable way, more difficult. Conversely, in a benign scenario for climate change, especially if with faster technological developments, our confidence in achieving our desired outcomes would be higher.





How we respond to material themes: climate change

Our net zero transition plan

The following pages describe how we intend to contribute to, and prepare for, a rapid global transition towards a low-emission economy. Our transition plan is ambitious and adaptive, aiming to achieve net zero (as defined by the SBTi Net-Zero Standard) across all three emissions scopes by 2050.

Our plan is based on our established climate change mitigation strategy and has four components: vision and visibility; ambition and commitment; demonstrating action; and beyond here and now. These define our principles, priorities and implementation approach. We have also drawn upon the guidance provided by GFANZ (Glasgow Financial Alliance for Net Zero) and the Transition Plan Taskforce framework.

Vision and visibility

**Demonstrating integrity and leadership in carbon reporting and disclosure.** Vision and visibility are the foundations of our climate change mitigation strategy and, thus, our net zero transition plan. We are dedicated to understanding how every aspect of our operations contributes to our emissions. Our aspiration is to ensure we consider the climate in all operational and strategic decision-making, influencing strategy and behaviours by including emissions management in remuneration schemes and incorporating carbon price values into our best-value framework used for decision-making.

We have a strong track record of sustainability reporting, having obtained independent, third-party verification of our GHG inventory by Achilles Group since 2008. We publish our GHG emissions and underlying energy use in our annual report as required under the Companies Act 2006 and follow the 2019 UK Government Environmental Reporting Guidelines. In recent years, we have supplemented our disclosures to meet the recommendations of the TCFD and IFRS Sustainability Disclosure Standard S2.

We are committed to reporting in an open and transparent way, aiming to be recognised as among the best in the UK. We use CDP as our benchmark of disclosure leadership and are honoured to have made it onto the A list for climate based on our 2024 response. We also improved our rating on the water security assessment, going from a B to an A- in our second response.

**Ambition and commitment**  
**Playing our part to mitigate climate change and lower our greenhouse gas emissions to help make the North West a better place to live now and in the future.**

An important element of our approach is to demonstrate our ambition and encourage others to contribute by making public commitments. In 2020, we made six carbon pledges and we are making good progress towards delivering these. Central to our pledges was to set science-based targets for all emission scopes. The Science Based

Targets initiative (SBTi) is a collaboration that defines and promotes global best practice in science-based target setting. We are proud to have been the first UK water company to have near-term targets approved by the SBTi, and, in July 2024, the SBTi approved our long-term and net zero targets as compliant with the Corporate Net-Zero Standard.

Our targets cover all three emission scopes and our emissions reduction targets are aligned with the 1.5°C ambition of the Paris Agreement. We are currently reviewing our near-term science-based targets in the context of our accepted regulatory business plan and, if needed, plan to refresh our targets in 2025.

**Demonstrating action**  
**Reducing our environmental impacts through the delivery of transformational strategies and culture change.** Our action plan to achieve the long-term ambition of net zero by 2050 (in line with climate science and the UK Government targets) is set out on page 31.

Our implementation plan has five themes to:

- Reduce GHG emissions through the efficient use of resources;
- Replace processes and resources with more sustainable alternatives;
- Remove GHGs from the atmosphere;
- Collaborate to tackle emissions in the supply chain; and
- Innovate to address current technological or market gaps.

Our intention is to reduce our absolute emissions through these actions before we use carbon units or purchase any credits to offset the residual emissions to net zero.

**Beyond here and now**  
**Innovating across processes, technology and culture.** Our strategy pillar of 'beyond here and now' reflects our objective to influence beyond our current emissions inventory and existing capabilities. To deliver our net zero transition plan, we will challenge standards and engage

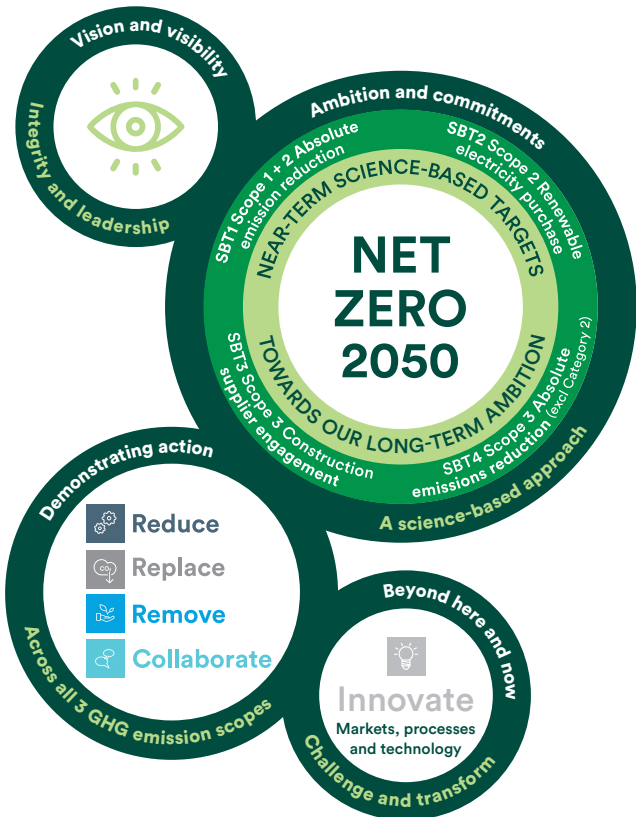
with industry peers, our supply chain, and other partners to develop markets, technologies and practices to reduce or mitigate future emissions.

We have teamed up with others in the water industry on various projects, some funded by the Ofwat Innovation Competition, exploring things such as natural coagulants for phosphorus removal and operational interventions to reduce process emissions. We co-chair the Water UK carbon network, and we have also facilitated water industry groups to understand and quantify the GHG emissions related to chemicals used and to enhance the Carbon Accounting Workbook.

An example of working with our supply chain to innovate is our Innovation Lab, a 14-week programme that provides successful applicants opportunities to test their solutions to our business challenges. Recent labs have included teams developing technology to capture methane and testing sustainable concrete incorporating graphene.

An example of evolving our practice to drive transition is in our procurement for AMP8 programme partners. All the tenders included assessments of suppliers' measurement, management and reduction of GHG emissions and favoured those with a robust and science-based approach.

Read more about how we are using innovation to tackle the sustainability challenges at [unitedutilities.com/corporate/about-us/innovation](https://unitedutilities.com/corporate/about-us/innovation)



Ambition and external factors

Our transition plan is ambitious and adaptive, aiming to achieve net zero (as defined by the SBTi Net-Zero Standard) across all three emissions scopes by 2050. Having taken into consideration the impacts and dependencies on our resources and stakeholders, we are in no doubt of the magnitude of the challenge.

As a regulated service provider and infrastructure operator, there are elements of our transition plan that are outside of our control. Our ability and approach to net zero is ultimately determined by national policy frameworks and legislative duties, such as the new Environment Act and economic regulation. Between them, these drive both the emissions growth pressures we need to counteract and the level of investment we can allocate to emissions reductions. Our transition plan, therefore, also includes engagement activities with regulators and the Government to inform effective policy that fully values GHG emissions to support sustainable development in the round.

Action

We have intended activities over the short-, medium- and long-term horizons. Having already substantially reduced our GHG emissions through using on-site generated or purchased renewable electricity, the next actions are to minimise our use of GHG intensive energy and materials. To enable future reductions, we will engage with our supply chain and other partners to make the most of emerging markets, cultivate sustainable practice and to foster innovation to address technological gaps.






We will go beyond emissions reductions and enable, encourage and reward interventions that protect and enhance the natural environment, while promoting the value of wider ecosystem services across our sphere of influence. This will include promoting the sustainable use of natural resources, and the increased application of the waste hierarchy and circular economy principles in our operational activities and infrastructure programmes.

In spite of our best intentions, it will not be possible to eliminate emissions from the biological treatment of wastewater.

To partially compensate for this, we have projects that will remove and store carbon dioxide from the atmosphere through peatland restoration and woodland creation. We intend to use the carbon units issued as an inset against our residual GHG emissions. Units will be retired from the UK Land Registry and reported in the energy and carbon report within our annual report for the relevant financial year. In the long term, we may opt to purchase carbon credits to further offset residual emissions and achieve net zero.

Accountability

While the board has oversight of the transition plan, through the ESG committee, management have the task to design, develop, deliver and govern our net zero transition plan. This is primarily done through the director-led climate change steering group who have the technical skills and competencies to manage the setting of science-based targets, in line with standards and our strategic ambition, and effectively balance the competing environmental and social responsibilities within the financial constraints of a regulated business.

Action plan	Short term including recent progress	Medium term up to 2035	Long term to 2050 and beyond
 <b>Reduce</b> consumption by careful use of resources.	<ul style="list-style-type: none"><li>Reduce natural gas consumption by using biogas from wastewater</li><li>Maintain high percentage of waste to beneficial reuse</li><li>Existing energy management programme to include carbon</li><li>Use telematics to improve driver behaviour, increase fuel economy, and inform the shape of the fleet</li></ul>	<ul style="list-style-type: none"><li>Optimise wastewater processes for GHG</li><li>Reduce volume of chemicals used</li><li>Sensitive delivery of substantial environment improvement programmes</li></ul>	<ul style="list-style-type: none"><li>Identify and implement further efficiency opportunities</li><li>Reduce use of carbon-intensive materials and techniques</li></ul>
 <b>Replace</b> processes and resources with more sustainable alternatives.	<ul style="list-style-type: none"><li>Targeted investment in renewable energy generation capability</li><li>60%+ sludge processing by lower emissions advanced digestion</li><li>Green fleet up to 400 electric vehicles</li></ul>	<ul style="list-style-type: none"><li>Expand renewables capacity</li><li>Use natural coagulants in phosphorus removal, replacing ferric sulphate with pH correction</li><li>Bioresources investment to increase advanced digestion capacity</li><li>Fuel switching to HVO, subject to costs and supply, EVs where suitable for business continuity</li></ul>	<ul style="list-style-type: none"><li>Eradicate use of fossil fuels, e.g. use hydrogen and biomethane to fuel HGVs</li><li>Nutrient-recovery initiatives</li><li>Replace processes to be more sustainable and exploit new technology and markets</li></ul>
 <b>Remove</b> GHGs from the atmosphere.	<ul style="list-style-type: none"><li>Woodland creation – successful 2025 planting season</li><li>Peatland restoration continued beyond carbon pledge</li></ul>	<ul style="list-style-type: none"><li>Complete planting of 550 hectares of woodland</li><li>1,500 hectares of additional peatland restoration activities for AMP8</li></ul>	<ul style="list-style-type: none"><li>Ongoing benefits of restored peatland and growth of woodlands</li><li>Carbon capture, use and storage</li></ul>
 <b>Collaborate</b> to tackle emissions in the supply chain.	<ul style="list-style-type: none"><li>Achieved supplier engagement SBT through work with targeted capital delivery partners</li><li>Climate-related criteria used in AMP8 delivery partner selection</li><li>Agree carbon-related targets with AMP8 delivery partners</li></ul>	<ul style="list-style-type: none"><li>Influence national approach to water environment improvements</li><li>Monitor sustainability of suppliers through performance indicators</li><li>Quantify more scope 3 emissions using product and activity data</li></ul>	<ul style="list-style-type: none"><li>Collaborate to decarbonise our infrastructure programmes and wider supply chain</li><li>Drive standards reform to enable the use of low-emission materials and techniques</li><li>Offset residual emissions</li></ul>
 <b>Innovate</b> to address current technological or market gaps.	<ul style="list-style-type: none"><li>DESNZ LOOP project to use biogas to produce hydrogen and graphene</li><li>Establish sector funding and partnerships through Ofwat Innovation competition</li><li>Support regional transition via membership of Net Zero North West</li></ul>	<ul style="list-style-type: none"><li>Explore low-carbon capital delivery options, e.g. nature-based solutions and low-carbon concrete</li><li>Process emissions monitoring</li><li>Nutrient recovery research</li><li>Research to support net zero treatment works and communities</li></ul>	<ul style="list-style-type: none"><li>Transformation in water and wastewater processing towards net zero treatment works</li><li>Extraction of biopolymers from wastewater for use in the circular economy principles</li><li>Utilise emerging Environment Attribute Certificates schemes</li></ul>



## How we respond to material themes: climate change

### Net zero enhancements

Our accepted business plan for 2025–30 included specified support for three net zero enhancement schemes.

#### Net zero catchment strategy

Development of a net zero catchment strategy for St Cuthbert's Garden Village in Carlisle to trial ways to reduce the impact of providing services to new developments across the North West. We will work with partners to develop sustainable water and wastewater master plans. These will enable the management of surface water while minimising the need for investment in the sewer network and wastewater treatment works over the long term. This could include reusing products, local composting solutions, greywater recycling, and reducing household energy requirements.

#### Process emissions

Monitor release of nitrous oxide from wastewater processes at 17 sites. This enables the introduction of innovative technologies to reduce emissions through real-time control mechanisms, such as controlling aeration blowers.

#### Peatland restoration

Restoration of around 1,500 hectares of peatland to store carbon and deliver wider benefits. Scheme will include mechanisms to allow the benefits of the intervention to be quantified.

### Decarbonising a water company's activities

Moving and treating water and wastewater are energy-intensive activities. We use electricity to power equipment such as aeration blowers in treatment works and to pump water around our network. We use natural gas and other fuels for heating, transport and to power equipment on remote sites as well as our buildings. This energy use causes significant scope 1 and 3 carbon dioxide (CO<sub>2</sub>) emissions. We are trying to reduce the emissions from burning fossil fuel; however, switching to low-carbon alternatives like hydrotreated vegetable oil (HVO) often comes at a price premium, and has other environmental and social risks such as nature degradation and modern slavery to consider.

The biological processing of wastewater before it can be safely discharged back to the environment naturally produces nitrous oxide (N<sub>2</sub>O) and methane (CH<sub>4</sub>), which have global warming potentials 265 and 28 times greater than carbon dioxide (CO<sub>2</sub>). The amounts of wastewater and sludge treated determines the estimated process emissions, so if the population increases then the emissions will increase. This means that, even if we eradicate all fossil fuel use, along with the global water industry, our scope 1 emissions would only reduce by approximately 30 per cent.

We are working with the UK water industry and the global market on monitoring projects to understand the process emissions impacts of different operational controls. The objective is to identify opportunities to reduce production or capture the gases rather than release them to the atmosphere.

Treatment of water and wastewater to increasing standards also requires use of chemicals. While this does not directly cause GHG emissions, extraction of resources, transport and production of chemicals can be energy, and therefore emissions, intensive.

Our scope 2 emissions when calculated using the market-based method are almost zero because our electricity contracts include Renewable Energy Guarantees of Origin (REGO) certificates or we pay for certificates separately to match the electricity purchased. REGOs act as proof that the electricity is from a renewable source, but as the UK growth in green generation capacity has been slower than expected in recent years the prices have increased significantly. In the medium term we intend to increase our self-generation capacity for multi-year benefits, using our land for renewables and to maximise biogas production and heat recovery. We are reviewing our policy to obtain REGOs for 100 per cent of our purchased electricity within our energy management strategy.

Our largest source of scope 3 emissions is category 2 emissions from construction and network maintenance activities. Consequently, if our infrastructure development activity increases due to a prescribed environmental programme, as is expected for AMPs 8 and 9, then our emissions will increase accordingly. We are working to tackle this through nature-based solutions, low-carbon material replacements and standardised ways of working. In this way, we aim to contribute to the technological and market readiness needed to embed and accelerate a transition to a low GHG emissions and climate-resilient economy.

### Governance

#### TCFD disclosures

- a. The board and its committees, in particular the ESG committee, consider climate-related matters when reviewing and guiding strategy, approving the business plan and annual budgets and overseeing environmental performance, including science-based targets, and adaptation progress.
- b. Managing climate-related risks and opportunities is fully integrated in the responsibilities of multiple principal management committees, including the ESG leadership group, climate change mitigation steering group and risk boards.

#### Board oversight

The climate and natural environment are critical to our purpose of “providing great water for a stronger, greener and healthier North West”, which is why multiple board committees contribute to our strategic priority to create a greener future. Climate-related matters are integrated throughout the activities of our board and the principal committees.

The board has overall responsibility for United Utilities' purpose, values and strategy and approves the business plan, annual budgets and group policies. Some responsibilities are delegated to its board committees, which allows more time to probe deeply and develop a detailed understanding.

The chart below shows examples of how the board has oversight and opportunity to

challenge on climate-related matters through either board committees or the CEO and executive team.

The ESG committee meets quarterly and, via the ESG leadership group, has oversight of all environmental, social and governance matters of the group. The committee plays a pivotal role in challenging and encouraging consideration of climate-related issues across the business. Topics discussed this year included whether to refresh our science-based targets in the context of final determination for AMP8, tracking progress of our carbon pledges, and endorsing the fourth climate adaptation progress report before publication in December 2024.

The audit committee considers climate in its monitoring of the effectiveness of the group's internal control and risk management systems. This includes oversight of the twice-yearly integrated review of the group risk profile. This activity considers the risk environment and, where needed, updates impact assessments of individual risks, including those identified as particularly sensitive to climate change (see page 35), and the risk of delivery of our carbon commitments. The outcome is collated by the corporate risk team on behalf of the group audit and risk board (GARB) and reviewed by the executive committee before informing the board. The impact of climate change on the assets and liabilities of the group are described within the accounting policy notes to the financial statements (see page 198 in our integrated annual report).

The remuneration committee has continued to incentivise carbon performance this year by supporting a new long-term plan measure to reduce fuel-related GHG emissions.

### Management role

The water industry is at the forefront of the consequences of climate change, given the intrinsic links between the weather, ecosystem health and our ability to deliver water and wastewater services; therefore, managing climate-related risk is both a strategic and everyday concern. The highest management-level position with this responsibility is our CEO.

The CEO is the key link between the board and the executive team, comprised of senior managers that report to the CEO. The executive team, through its groups and committees, is tasked with assessing and managing the climate-related risks and mitigating actions, such as ensuring the company has the necessary financial resources and skilled people in place. This often includes finding the right balance across our strategic priorities and material themes when resources are limited. An example of this is deciding how much of the biogas we produce to use generating heat in boilers, heat and electricity in CHP engines or to export to the grid.

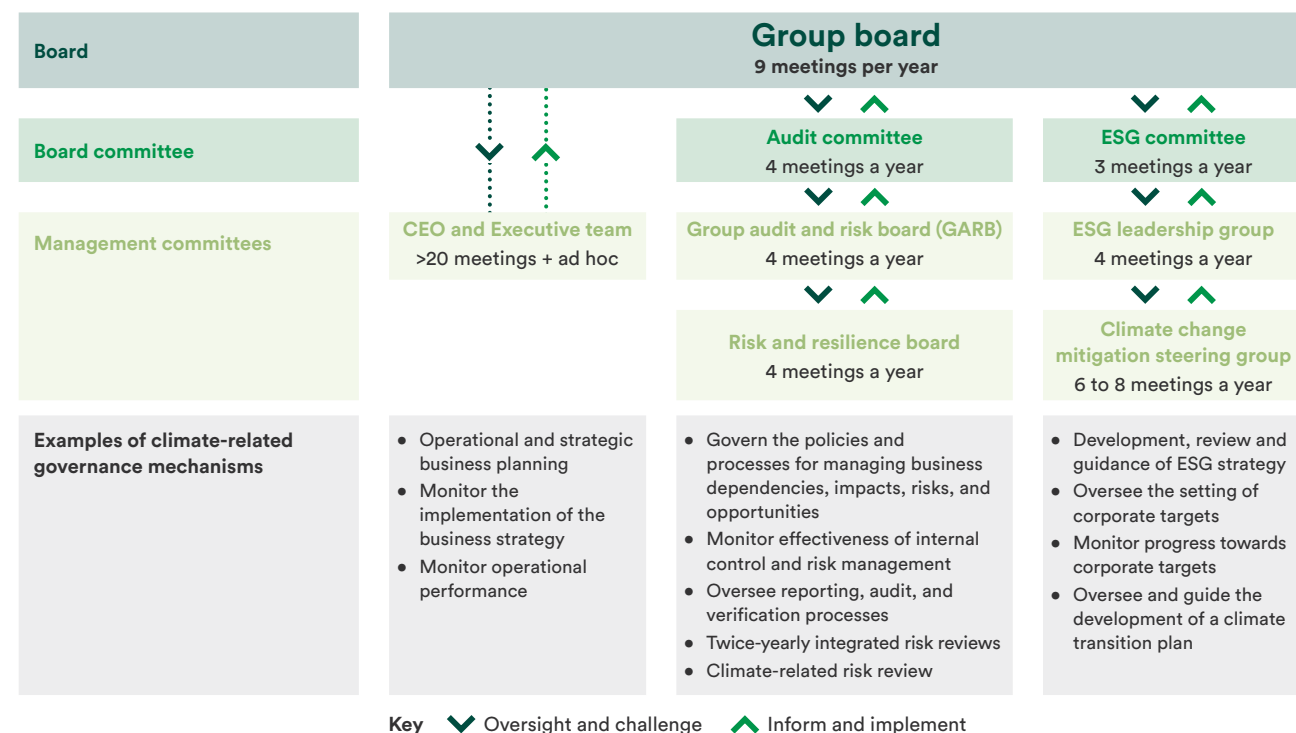
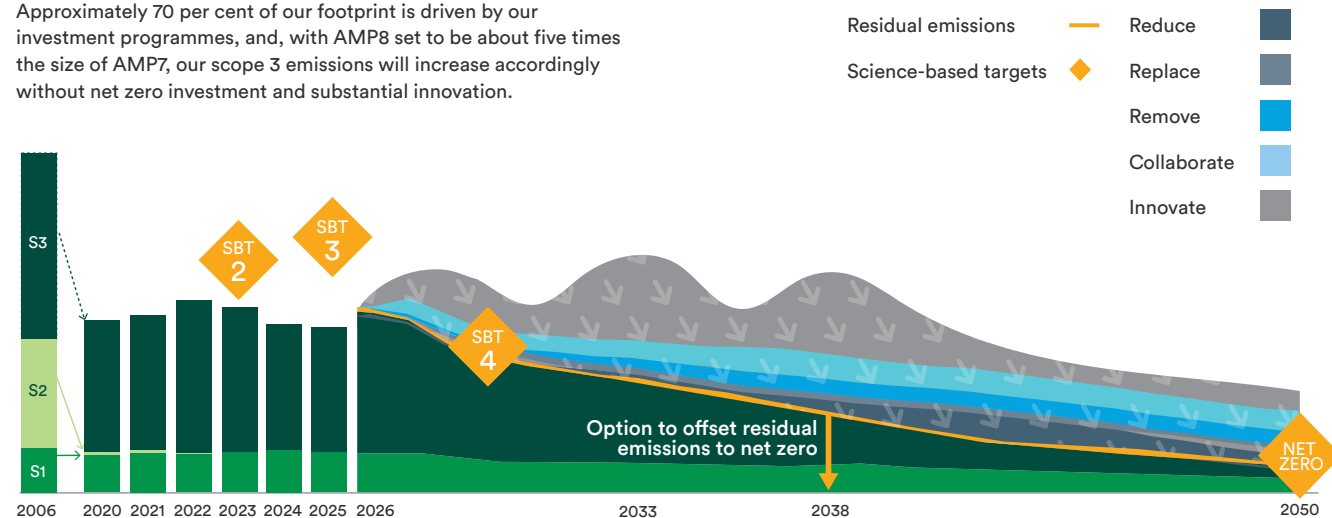
The CEO and executive team have two scheduled meetings each month, one on day-to-day performance and a second on matters of a strategic nature, along with weekly and ad-hoc communications. Each month, the CEO delivers a report updating the board on financial and operational performance. The board's directions are then cascaded as appropriate to the management committees, such as the ESG leadership group, climate change mitigation steering group, and risk and resilience board.

➤ Read more about **our committees including their ESG skills** on pages 112 to 114 and 121 in our integrated annual report

### Our route to net zero

Our long-term emissions forecast illustrated below shows the scale of our emissions challenge ahead. We anticipate significant growth from the provision of services to an increasing population, investments required to adapt our assets and infrastructure for climate change and additional legal and regulatory requirements to protect the water environment. The graph below shows how we intend for this emissions growth to be addressed using the five themes of our transition plan. The depth of each layer relates to the GHG emissions that might be avoided by interventions in our action plan. Having already taken the most commercially attractive options, we know that costs, complexity and uncertainty will increase in the medium to long term. Our plan is reliant on achieving the benefits of advances made through collaboration and innovation.

Approximately 70 per cent of our footprint is driven by our investment programmes, and, with AMP8 set to be about five times the size of AMP7, our scope 3 emissions will increase accordingly without net zero investment and substantial innovation.





## How we respond to material themes: climate change

### Risk management

#### TCFD disclosures

- a. The company operates a mature risk and resilience framework for the identification, assessment and management of all risks, including consideration of the additional threats and variability from climate change. We also carry out a periodic assessment of climate-specific risks.
- b. We manage both physical and transitional climate-related risks in our corporate business risk profile. Five of our ten most significant operational risks are directly influenced by climate change (see page 35).
- c. Managing climate-related risks is fully integrated in our overall risk management system. Climate change adaptation and mitigation are material themes (see page 26) and extreme weather/climate change is noted as a common causal theme of event-based risks.

#### Risk identification and assessment

Our framework for the identification, assessment and management of risks is described on pages 54 to 55. As our services are intrinsically linked to the natural environment, many of our business risks can also be considered climate risks. These include physical risks that impact our operations, assets or resources, and transitional risks associated with the transition to a low-carbon economy, such as evolving policies, regulation and legislation.

We use a variety of approaches to identify and evaluate risks, and tools such as PESTLE, to ensure coverage of the main external influencing factors. When assessing climate-related risks, and the climate sensitivity of business risks, we use complex and detailed models to understand and quantify the impacts that forecasted weather patterns will have on water resources, water quality, drainage and wastewater management. In turn, these impacts are translated into a financial risk exposure value (£) and non-financial risk category. In our calculation of risk exposure, we also recognise that some risk events may happen multiple times so we compare impacts over a long-term, typically 40-year, horizon. This also factors in where interdependencies between climate change and other demographic changes influence the frequency of events as well as the consequences.

#### Climate sensitivity of business risks

Following recognition of climate change as a material issue, a special review of all risks in our business risk profile was carried out in 2020 to understand the organisation's resilience to physical outcomes of climate change and the impact of transition to a

low-emission economy. This work established which risks in our business risk profile are sensitive to climate change. Climate-sensitive risks were defined as those where their likelihood and/or impact would increase with climate change – for example, a weather event that currently occurs once every five years but the climate projections predict is likely to happen twice every five years.

The climate sensitivity of our business risk profiles has recently been reassessed using the latest available climate change projections from the Met Office CP18. The outcome has been shared with the board in February. In the 2025 Special Report, climate sensitivity was individually estimated for each physical risk for two climate change scenarios. The benign scenario applied the Met Office projections for different weather characteristics in the Representative Concentration Pathway (RCP) 2.6, which entails a 1.6°C increase in average global temperatures by 2081–2100. The adverse scenario uses the RCP 8.5 or a 4.3°C increase in average global temperatures by 2081–2100.

#### Assessment of climate risks

During the preparation of our adaptation progress report 2024, the risk assessment identified and analysed 68 climate-related risks, which were categorised into six broad categories:

- Extreme events;
- Hotter drier summers;
- Changes in seasonality;
- Rising sea levels;
- Cold waves and frost; and
- Transitional risks.

Collectively these risks represent the organisation's resilience to physical outcomes of climate change and the impact of transition to a low-emission economy. The details, including impacts for each county, are outlined in Appendix E of the adaptation progress report and summarised on page 27 of this report.

📄 Read our adaptation progress report on our website at [unitedutilities.com/corporate/responsibility/environment/climate-change](https://unitedutilities.com/corporate/responsibility/environment/climate-change)

#### Managing climate-related risks

Understanding longer-term impacts through the two special reports and county-based climate risk assessment has raised the profile of climate change in risk management. This has enabled the board to consider our appetite and tolerance, choosing to mitigate and control the risks from within existing risk management processes and with the same thresholds for materiality.

A significant challenge to business planning and managing risks is the uncertainty and interdependencies associated with complex issues such as climate change, population growth, technology and changing needs. To address this, we are maturing our capabilities in long-term and adaptive planning, as discussed on page 29.

Our public Water Resources Management Plan (WRMP) and Drainage and Wastewater Management Plan (DWMP) are examples of where adaptive planning is used to shape our plans for the longer term (25 years and beyond), while staying aligned with our short-term needs. In these plans, we describe how we have used complex models to test the resilience of our services against a wide range of plausible and extreme future climates, alongside alternative demand scenarios defined by different demographics, economic trends and patterns of water use.

By recognising the causes and consequences, and quantifying the likelihood and the severity of impact (both financial and non-financial) should the risk event occur, we are able to prioritise risks and take proactive and early action to manage these risks. We can then adapt our strategies across key topic areas, such as water supply, leakage, sewer flooding and pollution, to improve performance and resilience.

#### Integration of climate-related risks into our risk management framework

Weather is fundamental to how we deliver water and wastewater services, so climate-related matters are fully integrated and firmly embedded in our overall risk management processes.

Resilience, climate change adaptation and climate mitigation are high priority material themes and extreme weather/climate change is separately identified as one of the seven common causal themes of event-based risks. Four of the twelve principal risks are climate-related risks (see pages 58 to 59) and we have an additional corporate risk for the potential event that we fail to meet our carbon commitment and liabilities.

Climate influences the financial planning across all business horizons and physical and transitional climate risks are considered in the preparation of financial statements and in the measurement bases of the assets and liabilities, such as in the valuation of the property, plant and equipment held by the group (see page 198 in our integrated annual report).

By continually maturing our understanding of risk and uncertainty, we are building and maintaining long-term resilience across the corporate, financial and operational structures of the group, including the challenges of climate change. Our integrated approach, together with our multi-capital value framework, allows us to also deliver wider environmental and social value in the community and local environment, while managing business risks – for instance, by delivering green infrastructure solutions to reduce storm overflow spills instead of more traditional built assets.

### Climate-sensitive business risks

The 2025 Special Report, prepared following the revised impact assessment for the 2024 adaptation progress report, described the climate sensitivity of the event-based risks in our business profile. Climate sensitivity was evaluated by applying Met Office projections for different weather characteristics at a seasonal and county level and noting where the frequency and/or impact increased over time. Eight of the 109 event-based risks were categorised as “Sensitive” to climate change

and a further 20 risks were categorised as having moderate sensitivity.

All business risks undergo review at least twice a year for their current likelihood and impacts, taking into consideration the controls in place. The latest values for the “Sensitive” risks are shown in the table below alongside the relative change in risk exposure by 2050 under two climate scenarios.

\* Five are in the top ten operational business risks.

Below this, we list the moderate sensitivity risks where climate change is already influencing the risk today and this impact will increase by 2050, even in a benign climate scenario.

- C** Chronic physical risk  
Changing trends in weather patterns, such as temperatures, sea level and rainfall.
- A** Acute physical risk  
Severe weather events, such as storms, heat waves and floods
- T** Transitional risk  
Associated with move to lower-carbon economy

#### Business risks categorised as “Sensitive” to climate change

Business risk	Description of climate sensitivity	2025 risk assessment			Change by 2050	
		Likelihood %	Financial Impact £m <sup>(1)</sup>	Non-financial <sup>(2)</sup>	Benign scenario <sup>(3)</sup>	Adverse scenario <sup>(3)</sup>
Water availability*	<b>C</b> Changing seasonal rainfall patterns impact water availability and warmer temperatures intensify supply challenges in dry periods because of evapo-transpiration.			5 High	↑↑	↑↑↑
Recycling of biosolids*	<b>C</b> Water logging resulting from more persistent rainfall will limit options for recycling biosolids to land for a greater part of the year. Uncovered sludge stores and stockpiles will be more vulnerable in persistent wet, winter weather, increasing the risk of environmental pollution from runoff.			5 High	↑↑	↑↑↑
Failure of the wastewater network*	<b>C</b> <b>A</b> More frequent and intense storms can overload the wastewater network and lead to severe sewer flooding. Urbanisation makes this worse due to quick runoff from hard surfaces.			4 Medium	↑↑	↑↑↑
Failure to treat wastewater*	<b>A</b> Extremely heavy rainfall, which is projected to happen more often, can exceed our wastewater treatment works capacity and result in activations of overflows to prevent flooding of assets, streets and homes.			4 Medium	↑↑	↑↑↑
Combined sewer overflows*	<b>C</b> <b>A</b> Increased rainfall, together with our significantly higher proportion of combined sewers, is highly likely to exceed the capacity of the combined sewers and lead to storm overflow activations.			5 High	↑↑	↑↑↑
Pumping stations and rising mains	<b>C</b> <b>A</b> More frequent and intense storms will increase the likelihood and impact of failures of pumped wastewater systems leading to sewage discharge into the environment or foul flooding.			4 Medium	↑↑	↑↑
Land management	<b>C</b> Deterioration in land quality due to climate change has both direct and indirect impacts. Hotter, drier summers lead to fire, flood, subsidence and landslip events, which, in turn, have associated health, safety and environmental impacts.			3 Medium	↑↑	↑↑↑
Failure of above ground water and wastewater assets (flooding)	<b>C</b> Operational sites can be flooded from sea, river or surface water sources. Climate change is expected to increase the likelihood of flooding due to average winter rainfall being projected to rise, frequent storm events and rising sea levels.			5 High	↑↑	↑↑↑

<sup>(1)</sup> Financial impact is estimated for a 40-year period (2025–2065) and the valuation includes impacts on income, capex, opex, interest, tax, penalties, and fines and incorporates inflation. The financial impact of the climate-sensitive risks above range between £10 million and £550 million.

<sup>(2)</sup> Non-financial impact to stakeholder perception on scale of 1–8. Stakeholders include customers, regulators, investors, politicians and the media.

<sup>(3)</sup> Benign climate change scenario uses RCP 2.6. Adverse climate change scenario uses RCP 8.5.

#### Moderate climate sensitive risks

Business risk	Description of climate sensitivity	Business risk	Description of climate sensitivity
Carbon commitments	<b>T</b> Additional obligations to meet climate-related policies, regulation and legislation.	Power loss	<b>A</b> Greater variation in temperatures and precipitation will cause stresses and strains to the power infrastructure leading to more asset failures.
Customer experience	<b>C</b> Climate change will increase frequency of events and incidents when customers suffer an actual or perceived poor experience.	Water production capacity	<b>C</b> Hotter, drier summers will increase the likelihood of being unable to meet the required water production capacity.
Failure of wastewater assets (serious pollution)*	<b>A</b> More events that exceed hydraulic capacity or strain assets will lead to more frequent pollution incidents.	Contamination of raw water sources	<b>A</b> More frequent events and incidents that impact raw water sources such as flooding, landslides, algal bloom, and faecal and pesticide runoff.
Water efficiency	<b>C</b> Hotter, drier summers will increase use of water due to changes in customer behaviour.	Brand management	<b>T</b> Increased frequency of events and incidents that impact operational performance.



How we respond to material themes: climate change

Metrics and targets

TCFD disclosures

- a. We track both physical and transitional metrics to assess climate-related risk and opportunities. We also monitor some of our environmental KPIs to form an understanding of our resilience to climate change.
- b. We disclose our GHG emissions and underlying energy use for 2024/25 in our energy and carbon report on pages 73 to 75.
- c. Our key climate-related targets are our six carbon pledges and our Science Based Targets. Our progress against them is summarised on page 72. Other climate-related targets and performance against them can be found on page 70.

Metrics to monitor risks

Physical metrics

As a water company, weather metrics (and forecasts) are vital inputs into our day-to-day operational planning. Rainfall volume, intensity and location directly impact the demands on water resources, wastewater and bioresources functions. To manage this, we track recent and historic patterns of weather and weather events and use the data to continually improve our understanding of how different patterns can affect demand and our ability to deliver our services. We use both short-term forecasts and longer-term projections from the Met Office, and, for our adaptive planning, consider multiple pathways and scenarios, including both a benign (RCP 2.6, <2°C) and adverse (RCP 8.5, 4°C) future.

An example of a physical metric that has been recorded in the past, is currently tracked, and the future values are forecasted, is peak rainfall volumes. This is the amount of rain that would be expected in a single 24-hour period in summer for a one-in-100-year event. In the 1960s for Manchester city centre this was, approximately, 93mm. The current level is over 94mm but by 2100, despite an overall reduction in average summer rainfall volumes, it is expected to range between 96mm (benign) and 112mm (adverse scenario). This means that a programme of surface water management needs to be initiated now to protect customers and the environment from the effects of sewer flooding due to the increased hydraulic risk our region is facing because of climate change.

Transitional metrics

Transitional risks result from a misalignment of economic factors with actions aimed at protecting, restoring and/or reducing negative impacts on nature. These risks are often prompted by changes in regulation and policy, legal precedent, technology, or investor sentiment. Therefore, we horizon

scan for changes relating to transitional risks across all four categories identified in the TCFD guidance: policy and legal, technology, markets, and reputation.

Metrics that are particularly relevant to United Utilities include availability and price for technologies to measure and reduce process and fugitive emissions, emissions reporting obligations, price fluctuations of both fossil fuels and low-carbon alternatives and the developing market (availability and cost) of alternative fuelled vehicles. The transitional metrics that we follow closely are the proportion of the UK grid electricity generation that is from renewable sources and the costs of energy attribute certificates. As the UK renewable generation increases, the price for energy attributes certificates tends to decrease, but the likelihood of power issues due to an unstable grid increases.

Opportunities

As a regulated business, climate-related opportunities are limited to ways we can avoid costs, rather than generate revenue. For example, our strategy to increase renewable energy generation is primarily focused on reducing costs to buy electricity rather than exporting more and generating revenue.

Environmental key performance indicators (KPIs)

Management of our climate-related risks is embedded throughout our governance planning and reporting processes. We manage our climate-related risks by putting in place controls, such as those described in the 2024 adaptation progress report, and the effectiveness of these controls to limit impact is seen in our operational performance metrics. The following environmental KPIs are recognised as climate-related performance metrics and are reported on page 70 or elsewhere:

- Leakage reduction;
- Per capita consumption;
- Flooding incidents;
- Storm overflow activations;
- Risk of severe restrictions in a drought;
- Sewer collapses;
- Water service supply and resilience; and
- Low water pressure areas.

Performance and remuneration

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

Annual bonuses for all colleagues are linked to the company scorecard (see pages 147 and 151 in our integrated annual report) and up to half is based on measures linked to reducing pollution, spills, or other aspects of environmental performance, which are often climate related. Furthermore, since 2022, the long-term incentive plans for senior leaders and executive directors have include a carbon measure worth 10 per cent.

Internal carbon pricing

Carbon prices can be a useful tool to assign a monetary value to carbon emissions. We use pricing in a variety of ways for different purposes. We use a shadow price mechanism in our risk assessments to quantify a range of financial impacts for if we fail to meet our carbon commitments. We use the UK Government “Carbon values for use in policy appraisal”, choosing a value for the relevant year and applying it to emissions above the committed level. We also include the potential penalty costs from failing to meet our regulatory performance commitment targets in this assessment. This price is from the UK Government carbon values and is set at £188 per tCO<sub>2</sub>e, which is 70 per cent of the central 2027 value.

In addition to the above, we use internal carbon prices to assess the financial implications of carbon emissions on operations and for future investments. Prices for REGO certificates are an implicit price that is the cost to reduce scope 2 market- based emissions. We used a shadow price to evaluate business cases for switching to HVO, a lower emissions fuel, and ways to design out emissions from construction activities such as no-dig techniques, low-carbon concrete, and air pigging – a world first when it was used in the Vyrnwy Aqueduct Modernisation Programme.

Performance measures and targets

Science-based emissions targets

Our ambition and commitments are based on international guidance and climate science. Our four near-term science-based targets (see illustration on page 36) were verified by the Science Based Targets initiative (SBTi) in July 2021. Our long-term and net zero targets have been validated against the SBTi Net Zero Standard launched in late 2021.

SBTi mandates a target review, at minimum, every five years to ensure consistency with the latest criteria. Targets should also be recalculated and revalidated when significant changes occur that could

compromise the existing target. With this in mind, we are currently reviewing our near-term science-based targets, having achieved our supplier engagement target, so that they align with our business plan and new regulatory operational GHG emissions performance commitments. It is expected this will entail changing our scope 2 accounting approach from market-based to location-based so that both SBTi and regulatory targets use the same method.

New regulatory targets

Looking forward to AMP8, Ofwat has introduced two common performance commitments related to operational GHG emissions for water activities and wastewater activities, respectively. These targets include scope 1 and 2 emissions in their entirety and some scope 3 emissions and can attract a penalty or reward of £188/tCO<sub>2</sub>e depending on performance.

We have also been successful in agreeing a bespoke performance commitment designed to measure, manage, and reduce the embodied GHG emissions arising from 57 construction projects in our AMP8 WINEP wastewater treatment, non-infrastructure programme. Reward is possible if we reduced emissions by more than 5 per cent from the baseline.

The carbon price used for the common and bespoke performance commitments are 70 per cent and 35 per cent, respectively, of the 2027 Central scenarios UK Government carbon values ‘for use in policy appraisal’.

Long-term incentive plans (LTP)

The first carbon LTP covers the three-year period that ended 31 March 2025 and had targets linked to four of our six carbon pledges. The performance and outcome of this LTP is outlined on page 161 in our integrated annual report.

The second LTP, for the period 2023–26, incentivises increasing the percentage of energy used from low-carbon sources. The most recent LTP for 2024–27, approved by the remuneration committee after final determination, is a target to reduce fuel-related emissions. It is intended that, moving forward, the three concurrent LTPs will include an emissions target, an energy-related target, and one that enables delivery of our net zero transition plan.

➤ Read about **progress against our six carbon pledges** on page 72

➤ Read our **energy and carbon report**, including the 2024/25 greenhouse gas emissions inventory, on pages 73 to 75

General disclosure requirements of the TNFD

We manage and maintain over 56,000 hectares of land across the North West, and our operational activities are highly dependent on the natural environment, so we must consider nature in our decision-making. We are committed to transparency in our reporting and have reported on our relationship with nature since 2022 via the Task Force on Nature-related Financial Disclosures (TNFD). The TNFD framework recommendations include six general requirements that apply to all four pillars of recommended disclosures: strategy, governance, risk and impact management, and metrics and targets.

**A** Application of materiality

Page 25 sets out our materiality assessment for disclosures, which includes nature and climate-related themes. The materiality of nature-related matters reflects the impact on the environment through direct operations and activities across the value chain.

**B** Scope of disclosures

Our disclosure covers activities and assets, impacted and dependent on by our direct operations; upstream value chain (e.g. materials and construction); and downstream value chain (e.g. water use and customer behaviour).

**C** Location of nature-related issues

Our direct operations impact and are dependent on the extent and condition of land across the North West, including but not limited to, the 56,000 hectares of land that we own.

**D** Integration with other sustainability-related disclosures

Our annual report has included climate-related financial disclosures (TCFD) since 2020, and we were an early adopter of nature-related financial disclosures (TNFD) in 2022. We report on nature loss in the World Economic Forum (WEF) risk index. We also report on both climate and water in our annual CDP response.

**E** Time horizons considered

As set out on pages 20 to 21, we plan over short-, medium- and long-term horizons:

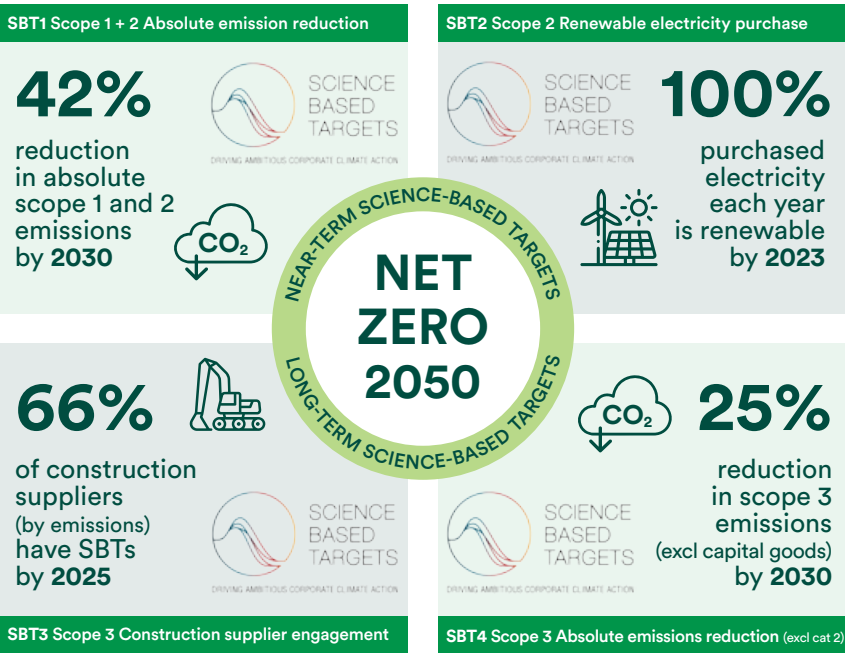
**Short term** – up to one year

**Medium term** – up to 2035

**Long term** – beyond 2035, typically to 2050, 2080 or 2100

**F** Engagement of stakeholders on nature-related issues


We engage with customers to inform our decisions, with environmental issues at the heart of our business planning research. Our five counties model has a key focus on stakeholder management, to strengthen relationships with local community groups in order to help us meet their needs.






How we respond to material themes: nature

Strategic priorities related to nature

Improve our rivers

Create a greener future

Top material themes related to nature

5Environmental river water quality and storm overflows

11Water resources and leakage

18Natural capital and biodiversity

Strategy

TNFD disclosures

a. We have identified our most material nature-related matters across all biomes. Our strategies are built to consider nature over the short, medium and long term.

b. Nature-related dependencies, impacts, risks and opportunities are considered when developing our strategic plans and inform our investment decisions.

c. Our long-term adaptive plans support investment in the resilience of the ecosystems we impact and depend on.

d. Our direct operations, upstream and downstream value chains are within the UK.

Identifying our nature-related dependencies, impacts, risks and opportunities

Protecting and enhancing the natural environment is at the heart of our purpose and strategy. Providing great water for a greener North West means we aim to protect and enhance the natural environment and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive. Our strategic priorities to ‘create a greener future’ and ‘improve our rivers’ drive us to go above and beyond our regulatory requirements to maximise value for the environment. We aim to protect and enhance the natural environment by investing in our assets, driving performance improvements, adopting best practice in asset management, and investing in nature-based solutions.

Our environmental policy is underpinned by a framework of strategies and long-term plans in response to nature-related risks and opportunities. We are highly dependent on nature, with potential for material positive and negative impacts. We manage nature-related impacts and dependencies by creating long-term adaptive plans that support investment in the resilience of the ecosystems we depend on. Through adaptive planning, horizon scanning and natural capital accounting, we have identified the most material nature-related impacts and dependencies in our direct operations, upstream and downstream from our value chains.

Biome	We depend/rely on it	We can impact on it
Freshwater	<ul style="list-style-type: none"><li>To source clean water from reservoirs, rivers, and boreholes, from which abstraction licences permit us to take water to be treated and supplied to customers.</li><li>To receive cleaned wastewater back into the environment.</li></ul>	<ul style="list-style-type: none"><li>By improving the condition of rivers and water bodies.</li><li>Through our abstractions, final effluent quality, overflows, pollution incidents, and asset failure.</li><li>By cleaning our waterways through our River Rangers and volunteer activities.</li></ul>
Land	<ul style="list-style-type: none"><li>To store and clean sources of water.</li><li>To recycle biosolids, to host engineered or nature-based interventions, and to attenuate water flows.</li><li>To provide resources, such as chemicals, cement, metals and energy.</li></ul>	<ul style="list-style-type: none"><li>By improving the condition of the land we are stewards of, including improving habitat health and biodiversity.</li><li>By storing greenhouse gases (GHGs) in our land, e.g. soils, peatland, and woodland.</li></ul>
Atmosphere	<ul style="list-style-type: none"><li>To provide a healthy and safe work environment.</li><li>For temperature regulation.</li><li>To reduce our fossil fuel consumption through wind power.</li></ul>	<ul style="list-style-type: none"><li>By restoring habitats that sequester carbon, such as peatland and woodland.</li><li>By releasing GHG emissions, and other atmospheric pollutants, thereby contributing to climate change and impacting the health of people and nature.</li></ul>

Biome	Material risks	Risk key:	<div><div>A</div>Physical Acute</div>	<div><div>C</div>Physical Chronic</div>	<div><div>T</div>Transitional</div>			
Physical								
Freshwater	<div><div>A</div></div>	<ul style="list-style-type: none"><li>Lack of ecosystem resilience, leading to damage to assets and infrastructure from adverse climate-related events.</li></ul>						
	<div><div>C</div></div>	<ul style="list-style-type: none"><li>Reduced raw water quality, leading to increased treatment burden.</li><li>Runoff from agriculture, leading to increased difficulty of meeting river water quality targets.</li><li>Reduced raw water availability, leading to more frequent drought risk.</li></ul>						
Land	<div><div>A</div></div>	<ul style="list-style-type: none"><li>Fire events in the catchment, leading to catastrophic impact on peatlands and water quality.</li></ul>						
	<div><div>C</div></div>	<ul style="list-style-type: none"><li>Reduced natural flood management, leading to more engineered interventions or more instances of flooding.</li><li>Increase in invasive non-native species, leading to reduced ecosystem resilience and impact on water treatment and flood management.</li><li>Landscape change, leading to reduced ecosystem resilience and impact on water treatment and flood management.</li><li>Increased risk of landslides, leading to disruption at our operational sites.</li><li>Biodiversity loss and nature degradation.</li></ul>						
Atmosphere	<div><div>C</div></div>	<ul style="list-style-type: none"><li>Reduced air quality ecosystem regulation, leading to worse impacts on customers, colleagues and society from our operations.</li><li>Reduced wind ecosystem regulation, leading to physical impacts at our sites or infrastructure.</li></ul>						
Transitional <div><div>T</div></div>								
<ul style="list-style-type: none"><li>Increasing pace of change towards a nature-positive economy, leading to difficulty in attracting finance.</li><li>Evolving expectations and requirements on reporting, leading to additional resources needed.</li><li>Existing technology not fit for requirements or out-paces natural replacement rates, leading to additional investment requirements.</li><li>Changes in statutory compliance, leading to additional requirements such as biodiversity net gain.</li></ul>								

Material opportunities	
Sustainable and efficient use of resources	<ul style="list-style-type: none"><li>Adoption of nature-based solutions such as sustainable drainage systems (SuDS), catchment interventions, and natural flood management.</li><li>Application of circular economy principles to design out waste, circulate products and materials, and regenerate nature.</li><li>Investment prioritisation through a value-based approach, which maximises value to customers, society and the environment at an efficient cost.</li><li>Transition to processes with lower negative impacts on nature and/or increased positive impacts on nature, including reducing resource extraction.</li></ul>
Markets	<ul style="list-style-type: none"><li>Delivery of broader impacts through partnership working and collaborative approaches, such as the Integrated Water Management Plan in Greater Manchester.</li><li>Access to new and emerging markets, such as renewable and carbon/biodiversity markets.</li></ul>
Capital flow and financing	<ul style="list-style-type: none"><li>Access to nature-related green and sustainability funds, bonds or loans, for example through our sustainable finance framework.</li><li>Use of financial incentives for suppliers to improve nature and ecosystem management.</li><li>Improved performance against regulatory objectives.</li></ul>
Social capital and trust	<ul style="list-style-type: none"><li>Building trust with stakeholders through partnerships where different organisations come together to deliver shared outcomes.</li><li>Actions that create positive changes in sentiment towards United Utilities due to impacts on environmental assets and ecosystem services that have impacts on society.</li></ul>
Ecosystem protection, restoration, and regeneration	<ul style="list-style-type: none"><li>Direct and indirect restoration, conservation or protection of ecosystems or habitats. For example, improving peatland, woodland and other Sites of Special Scientific Interest (SSSIs).</li><li>Protection and conservation of native threatened species and management of invasive non-native species.</li><li>Investment in blue-green and traditional infrastructure for nature-positive outcomes.</li><li>Enhancing biodiversity and strengthening the presence of nature in an urban setting, through rainwater management.</li></ul>

Integrating nature in our business planning activities

Natural capital accounting

Understanding the socioeconomic benefits nature provides is a valuable tool for our strategic planning and informs our long-term investment decisions. We have embedded a value-based decision-making approach and incorporate environmental metrics throughout our direct operations and value chains. We use natural capital accounting to understand the extent of our natural assets. In our latest account, the ecosystem services modelled were valued at over £4.5 billion in total, this is a combined benefit for us, our tenants, and wider society. The findings from our natural capital account highlight the importance of understanding our relationship with nature and benefits we all utilise, such as carbon reduction, climate regulation, and cultural services. We own and maintain over 56,000 hectares of land; most of this is open to the public, providing significant benefit to communities by providing natural open spaces for access, recreation, and tourism. Our natural capital account valued those benefits at £2.3 billion, modelled over 60 years.

With over 83 per cent of our land within water catchments areas and over 75 per cent of our land under a form of statutory designation, we have a responsibility as stewards to make investment decisions based on the benefits and impacts our operations have on the nature and the value we can create for customers, society and the environment.

**Biodiversity and invasive non-native species**  
All new developments in our capital programme requiring planning permission must deliver a 10 per cent uplift on biodiversity. To achieve this, we are applying the biodiversity gain hierarchy prioritising the delivery through the creation and buying of on-site and off-site units. We are also prioritising how we can conserve and

enhance biodiversity across our business for inclusion in the AMP8 biodiversity performance commitment.

After loss and destruction of habitat, invasive non-native species (INNS) are considered the second biggest threat to biodiversity worldwide. Invasive non-native species are known to pose a risk to the ability to provide safe drinking water and return treated wastewater safely back to the environment. As part of our role in helping to prevent the spread and mitigate the impacts of INNS, we have proactive biosecurity processes in place across our operations. It is important that the presence of harmful species on our land is reported appropriately to understand the extent of the spread, education and training is, therefore, a key part of our strategy. We engage with the other UK water companies to share knowledge and lessons learnt regarding biosecurity and the management of INNS, incorporating best practice approaches into our land management strategy.

**Investing towards a greener North West**  
Our plan aims to protect and grow the value we deliver to the environment, driving value with wide-ranging social and environmental benefits. Our largest-ever investment programme was developed through prioritising value-based decision-making and long-term adaptive planning.

**Investing in the North West:**

- Storm overflows – £2.4 billion to further reduce spills from storm overflows.
- Carbon enhancement peatland restoration – £20 million investment to restore 1,500 hectares of peatland benefiting net zero, biodiversity, water quality and resilience.
- Rainwater management – £224 million through the advanced WINEP programme in Greater Manchester, and an additional £49 million allowance to support climate change resilience.

- Windermere – We are proposing to spend £200 million to further protect water quality by improving wastewater treatment at a number of our treatment works around Windermere.

**Upstream value chain**  
We collaborate with our supply chain through our United Supply Chain approach, underpinned by our responsible sourcing principles (RSP) which set out our ambitions across a range of environmental, social and governance matters. As a signatory to our RSP, suppliers commit to developing their own supply chain by sharing resources, training, and up-skilling their colleagues, while working with United Utilities to assure this approach by identifying and mitigating risk. As a leader against our RSP, suppliers commit to go further by demonstrating their commitment to the principles, collaborating with us in improving practice and identifying new ways of working to enhance the value delivered to customers.

To embed our responsible sourcing principles within our procurement processes, we have worked with our external partner Supply Chain Sustainability School to create pre-qualification and invitation to tender questions specific to each principle. These questions will be identified following a sustainability risk assessment, which is undertaken as part of the strategy development. We use this mechanism to mitigate and manage ESG-related risks within the procurement processes and post contract award, building the principles into our supplier relationship activities. Our tier one suppliers are primarily based in the UK; we are working towards engaging directly with our suppliers to understand our full value chain and trace products to their source location where we can then evaluate the impacts and dependencies on the environment.

Business model

Material themes

Greener

TNFD

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How we respond to material themes: nature

Downstream value chain

We have many schemes and strategies in place to support customers in considering their water use at home or at work, helping to reduce the demand for abstraction. Blockages in the wastewater network are identified as a key risk from our downstream value chain. Flushed products, such as wet wipes, and cooking fats, oils and grease poured into drains build up in sewers causing significant blockages. These blockages can lead to sewer flooding in homes and local communities and pollution in the environment. To reduce the number of blockages in the sewer network, we have delivered a programme of campaign activity to raise awareness of the impact of flushing products and pouring cooking fats and oils down the drain. Our ‘Stop the Block!’ campaign regularly runs adverts on radio, digital TV, social media channels, ITV weather sponsorship and our fleet vehicles.

We also deliver hotspot campaigns targeting areas in our region with a high incidence of blockages; campaign activity includes social media, leaflet drops, primary school educational sessions and community events.

Resilience of our strategy to nature-related risks

**Adaptive planning**  
Future proofing our water and wastewater service is critical to supporting economic growth and prosperity for the region. We have been developing long-term adaptive plans that are agile in responding to changes in climate science, customer behaviour, and regulatory challenges. Reviewing our risks and reporting progress against our actions along with embedding our improved county risk assessments into our long-term planning decisions and future business plans is the next step to securing a stronger, greener and healthier North West.

**Transitioning to a nature-positive economy**  
The environment is a fundamental consideration in our long-term business planning and decision-making. We are committed to doing our part to achieve the Global Biodiversity Framework targets of reducing biodiversity loss and restoring degraded ecosystems by 2030. We are investing in nature through our Water Industry National Environment Plan (WINEP), SSSI enhancement schemes, nature-based solutions, and peatland restoration projects.

Scenario planning

We are dependent on nature’s capability to regulate water, for example slowing the natural flow of water, flood mitigation, providing reliable and clean water for us to treat and supply to our customers. Scenario planning helps us prepare for the uncertainty of changes in the state of nature, modelling future scenarios demonstrating different levels of resilience informs our long-term strategies and adaptive plans. The two scenarios we have chosen to assess are: a future where nature is depleted beyond acceptable levels, and a future where nature is restored and resilient to climate change. Here, we model the physical risks associated with ecosystem service degradation and the potential impact on our services.

Degraded impermeable future  
Scenario description

The destruction of nature caused by deforestation, land use change, urbanisation, and over exploitation of natural resources has led to landscapes with poor water regulating capacity. The environment is dry, arid and unable to cope with rain where it falls, causing fast-flowing water and flooding events. The inability of the land to retain water results in significant changes in water availability in the environment, increasing the likelihood of drought conditions.

Impact on our service

In this scenario, there would be higher costs associated with sourcing and distributing potable water. This increases the need to implement short-term solutions such as water rationing and emergency water imports from other regions. As a result of water shortages and disruptions, customers could become increasingly dissatisfied with the service we provide. Interruptions in water available for use (WAFU) can lead to financial penalties and increased regulatory scrutiny.

When the environment is unable to mitigate heavy rainfall, our assets are at risk, which can also lead to service disruptions and increased costs. If the flood levels reach a certain depth, there is a risk of contamination of water assets, pollution events and access issues, posing a risk to public health and requiring extensive clean-up and treatment efforts.

Our response

Our Water Resources Management Plan 2024 (WRMP24) delivers a one-in-500-year drought resilience by 2039, incorporating the impacts of climate change on water availability. We are also developing strategic water resource options and reducing abstractions from environmentally sensitive sites. The WRMP24 plans to meet all individual targets included in the Environmental Improvement Plan, including those relating to business demand.

Our Drainage and Wastewater Management Plan (DWMP) integrates risk assessments, infrastructure resilience, climate change adaptation, and emergency preparedness, to help create a more resilient and adaptive future capable of managing the challenges posed by flooding. Across both the water and wastewater sides of our business, we are investing in rainwater management at key sites. Nature can support our resilience to extreme weather, for example, by investing in upland restoration, or urban sustainable drainage.

Resilient nature future  
Scenario description

Nature is protected, restored and prospering as a result of nature-positive economic changes. Rivers are restored to their natural meandering state with leaky dams installed to help slow the flow of water downstream. Water catchments are healthy and spongy, slowing the flow of water through the landscape. Vegetation is diverse and tree planting initiatives have increased flood resilience across various habitats. Nature-based solutions such as SuDS are pervasive across urban and rural settings, delivering multiple benefits, including flood resilience and access to green space.

Impact on our service

When water management strategies are effective in conserving water, there is consistent and reliable access to raw water sources, posing minimal environmental impact. In a sustainable water future, there is a positive societal behavioural change towards water conservation and management. The improved water-regulating capability of landscapes helps keep rainwater where it lands, topping up ground water levels and avoiding overloading the North West’s combined sewer systems, reducing the use of storm water overflows. The mitigating impact that nature has on the effects of climate change will support our services in being resilient, reducing costs associated with incident response.

Our response

Since 2005, we have taken a sustainable catchment management-based approach to water-quality improvement, working in partnership with government, NGOs and other stakeholders with the aim of protecting and enhancing the water environment through managing the surrounding land. We are managing land across the North West strategically, to improve raw water quality and tackle pollution at the source, improving the quality in lakes and rivers.

Our AMP8 investment programme adopts a wide range of approaches to improve our service while enhancing the resilience of the environment to climate change. We are delivering these improvements through a combination of grey and blue/green solutions such as asset health improvement, nature-based solutions, nature restoration, catchment management, and sustainable drainage system approaches – working to manage rain where it falls, reducing the impact of increased rainfall, and reducing the likelihood of flooding.

Spotlight on: environmental water quality and storm overflows



Taking action on storm overflows

Improving rivers across the North West is one of our strategic priorities, and we are targeting an industry-leading reduction in spills from storm overflows.

The North West’s wastewater network has 54 per cent combined sewers, meaning they receive a mix of sewage and rain. In some areas, like Merseyside, the network can be more than 80 per cent combined. This compares with the industry average of 33 per cent. We also have 40 per cent higher urban rainfall than the average for England and Wales, so considerably more surface water runs off into our sewers.

This mix of rainwater and sewage goes through our wastewater treatment works, and treated water is returned to the natural environment. If the flow exceeds the capacity of the works, it is stored in tanks until the incoming flows have returned to normal levels, and then the tanks are emptied and the water is treated.

When rainfall is very heavy and the tanks fill to capacity, storm overflows activate allowing the excess rainwater and heavily diluted sewage to enter a separate pipe, which flows into a river or the sea. These have been an important part of the sewerage network for over 150 years, not just in the UK but the rest of Europe and across the world. They act as a safety valve to protect homes, businesses and land from pollution events. However, this can affect river and bathing water quality, and it needs to change.

With climate change bringing more extreme rainfall events, and significant population growth expected over the next 25 years, our wastewater network will be receiving more sewage and rainwater and, if investment needs were not addressed, the use of storm overflows would increase.

The legacy infrastructure in the North West means we have significantly more storm overflows than the industry average to tackle, and the significant change that is needed will not happen overnight. We are committed to driving a step change, and have a long-term investment plan that will increase capacity and transform the region’s sewer system, reducing the need to use storm overflows and creating new ways of storing and dealing with excess water at times of heavy rainfall.

We have set up a storm overflow taskforce dedicated to reducing both the number of spills and their duration. We are increasing storage with new and bigger storm tanks, increasing treatment capacity, and looking at innovative ways to reduce the amount of rainwater entering our sewers. We have also increased monitoring, with every overflow monitored and visible on a live public portal.

Recognising the scale of the work that is needed and the importance of this to many stakeholders, we accelerated investment at high-priority sites and we are already seeing the benefits of this.

In 2024, despite experiencing periods of intense heavy rainfall, we have seen almost 20,000 fewer spills and a reduction in the duration of about 31 per cent compared with 2023. The average number of spills from storm overflows is down 39 per cent compared with 2020.

This is really strong progress, but there remains a lot of work to be done. Our final determination approved the largest AMP8 investment in storm overflows of any company in the industry, helping us to reduce spills from hundreds of overflow locations across the region and deliver a more than 60 per cent spill reduction in the decade to 2030 – the highest targeted reduction in the industry.

This is a really ambitious plan, and, alongside other wastewater investment we are making, such as reducing phosphorus levels in final effluent, this will go a long way towards improving our rivers and helping to build a greener North West.



How we respond to material themes: nature

Governance

TNFD disclosures

- a. Nature is embedded in our governance structure and regulatory commitments. This is overseen and challenged by the board and its committees.
- b. Interactions with nature through our operations are managed in multiple principal management committees across the business.
- c. We actively work with our supply chain through our responsible sourcing principles to encourage our suppliers to operate in a sustainable way.

Oversight of nature-related dependencies, impacts, risks and opportunities

As with climate-related matters, our CEO, Louise Beardmore, has overall accountability for nature-related matters with tracking, monitoring and management of impacts and dependencies on nature spread across our board and principal management committees. For instance, the executive team is responsible for regulatory performance that relates to nature, the ESG leadership group is responsible for matters such as land management and biodiversity, and the political and regulatory group is responsible for monitoring existing and emerging legislation on nature.

Assessing and managing nature-related issues

Natural capital and biodiversity matters are primarily managed by the ESG leadership group, with risks identified through natural capital accounting, climate adaptation planning, and our natural capital risk assessment process. Identified risks and opportunities are fed into our corporate risk register and overseen and escalated as necessary by the executive team. To support biodiversity enhancement and nature recovery across business functions, we have established a biodiversity governance structure that facilitates discussion, decision-making, and risk management. Biodiversity and nature recovery are embedded in our decision-making and strategic planning processes throughout the organisation.

Our performance and progress in priority locations, such as delivery of the WINEP, wider improvement in wastewater treatment, catchment management, our progress towards 100 per cent of Sites of Special Scientific Interest (SSSIs) having favourable or recovering status, peatland restoration, woodland planting, and our operational environmental performance, are shared monthly with the executive team.

Storm overflows and river water quality

We have a dedicated director to manage the end-to-end process of our Better Rivers programme to improve river water quality and reduce storm overflow operation.

The Better Rivers programme is overseen by the executive team, with regular updates and challenge from the board and its committees.

Local communities and stakeholder engagement

The decisions, development, and delivery of our business plan are scrutinised by an independent customer and stakeholder challenge group, YourVoice. The environmental and social capital sub-group meets periodically throughout the year to review our environmental proposals, outcomes and performance, ensuring that we are optimising the value of natural and social capital in our activities. A full history of the agenda and minutes can be found on the YourVoice website.

Approach to human rights

Our CEO has overall responsibility for compliance with human rights and modern slavery laws and best practice, with oversight from the board. The political and regulatory group and the ESG leadership team both have human rights and modern slavery within their remit. Last year, we completed 34 site audits with modern slavery due diligence checks on our construction partner sites as well as a focused review on workers' rights provisions with one of our Capital Delivery Partners (CDPs). All roles identified as relevant must complete role-specific training on modern slavery awareness, focusing on customer and community-facing roles to raise awareness of potential modern slavery risks.

Risk management

TNFD disclosures

- a. We use horizon scanning, natural capital accounting, and land management approaches to identify, assess, and prioritise nature-related risks and opportunities.
- b. We identify, assess and prioritise nature-related matters in our upstream and downstream value chain at site and corporate level using a range of controls.
- c. We manage and monitor identified matters in the near term through our business planning process and over the long term through our drainage and water resources management plans.
- d. Nature is fully integrated into our risk management process and informs the development of our short- and long-term strategic plans.

There are five drivers of nature change: climate change; land and freshwater use change; resource use and replenishment; pollution and pollution removal; and invasive non-native species. We consider nature-related impact drivers in our most significant group risks; a list of our principal risks can be found on pages 58 to 59. Identified risks and opportunities are managed, prioritised and integrated into our overarching risk management framework through a range of preventative and responsive controls.

Direct operations

Short-term and medium-term physical risks, at specific locations across the North West, are captured on an ongoing basis through our internal asset management systems. Our long-term risks are captured and managed as part of our long-term planning activities, such as our Drainage and Wastewater Management Plan (DWMP) and Water Resources Management Plan (WRMP), which look over a 25-year time horizon and are reviewed every five years.

We incorporate the drivers of nature change in our risk management process. For example, we have evaluated the risk of invasive non-native species across our operations and have developed a strategy to control and mitigate the presence. In this strategy, we have preventative controls in place, such as training and biosecurity protocols, and responsive controls such as direct management and removal at the source.

Upstream value chain

We have reviewed the Tier 1 suppliers within our upstream value chain areas, such as purchased goods and services, capital goods, construction, and energy. In each area, we assessed the top ten suppliers, by spend and quantity, on how they interact with nature at a broad scale. One of the most pertinent areas within the supply chain for the water industry is the supply of the chemicals used in the process of treating water and wastewater. We have a robust process to monitor the resilience of our chemicals supply and we regularly track the resilience of raw materials at each country of origin through our chemical risk and resilience register. This process is updated daily, tracking UUW specific risks at site level. We also receive monthly input from the National Chemical Steering Group, monitoring risks to UK chemicals availability. To mitigate impacts and improve the resilience of our supply, we aim that our supplies originate from multiple sustainable sources.

We will continue to review our full supply chain to identify specific dependencies and impacts relating to nature and adapt our strategies to reduce our risks and impacts. Through our United Supply Chain and responsible sourcing principles, we will continue to encourage our suppliers to also identify their impacts on nature and demonstrate best practice in the management of the natural environment, preventing loss and moving towards net gain of biodiversity.

Downstream value chain

Blockages in our wastewater network are identified as a key risk from our downstream value chain. Products that should not be flushed can build up in the pipes, and, when combined with fats, oils and grease, cause significant network blockages, potentially leading to sewer flooding and pollution in the environment. To avoid blockages, our 'Stop the Block!' campaign runs adverts on live TV, social media channels, our fleet vehicles, ITV weather sponsorship, and in the community via pop-up stands.

In addition to our educational campaigns, we actively engage in the development of standards and policy. We collaborated with the Water Research Centre (WRC) to help define what is 'Fine to Flush' for the accreditation scheme; this certification will help customers with their decisions when purchasing products and avoid putting 'unflushables' into our network. We will continue to engage in future research into new technologies and utilise innovations in the water sector.

How nature-related risks are integrated into and inform our risk management processes

Once our material risks are identified, we evaluate and prioritise our operational and strategic dependencies and impacts over short-term (one year), medium-term (up to 2030), and long-term (beyond 2030) time horizons. The identification, analysis and management of risk is integrated in our overall risk framework and often gives rise to opportunities that will positively affect our performance. All upside and downside risks are monitored through our business risk management processes, as outlined on pages 54 to 61.

Nature-related matters discussed at our internal senior management meetings over the past 12 months

Biome	Dependencies discussed	Impacts discussed
Freshwater	<ul style="list-style-type: none"><li>WRMP24 – Defining our strategy to achieve a long-term, best-value and sustainable plan for water supplies in the region. Ensuring we meet future demand expectations from 2025 to 2085 and supply a system that is resilient to drought.</li></ul>	<ul style="list-style-type: none"><li>Improving the condition of water bodies through our Better Rivers, WINEP investment programme.</li><li>Tackling our regulatory commitments on raw water quality, leakage, pollution, spills, and internal sewer flooding.</li><li>Reviewing our strategies on our chemicals investigation programme, emerging contaminants, PFAS, and microplastics.</li></ul>
Land	<ul style="list-style-type: none"><li>Reviewing our bioresources strategy where we treat and recycle sludge to land for use as a high-quality fertiliser for local farms.</li><li>Collaborating with our suppliers to embed our circular economy principles and promote responsible sourcing and sustainability throughout our supply chain.</li></ul>	<ul style="list-style-type: none"><li>Keeping informed on the emerging changes in guidelines and standards for nature-related reporting – we are not currently pursuing science-based targets for nature but will keep informed on the progress and review this decision periodically.</li><li>Our AMP8 mobilisation programme invests in improving the condition of nature, habitat health, and biodiversity.</li></ul>
Atmosphere	<ul style="list-style-type: none"><li>Relying on renewable energy to power our production processes and tracking progress towards our green fleet ambitions for 2028.</li></ul>	<ul style="list-style-type: none"><li>Progress towards our net zero performance and how we will achieve our targets.</li><li>On-site renewable energy generation through solar, wind, and hydro installations.</li><li>Developing a position statement on the use of HVO alternative fuel within our direct operations and supply chain.</li></ul>

Our supply chain modern slavery risk assessment is available on our website at [unitedutilities.com/corporate/responsibility/our-approach/human-rights](https://unitedutilities.com/corporate/responsibility/our-approach/human-rights)

See how **nature-related matters are considered within our governance structure** on page 33





How we respond to material themes: nature

Metrics and targets

TNFD disclosures

- a. We track and monitor our nature-related risks and opportunities through our risk management framework, long-term strategic planning, and nature-related reporting.
- b. We set short-, medium-, and long-term nature-related targets that align with regulatory expectations.
- c. Performance against our environmental KPIs can be found on page 70.

Risks and opportunities

We monitor a wide variety of metrics and set targets to help track and assess nature-related risks and opportunities. To measure our performance, we demonstrate delivery against contributing targets from a number of statutory requirements, such as the condition of protected sites, biodiversity net gain, and environmental performance. We manage our material nature-related risks through the controls set out on pages 54 to 55.

Impacts and dependencies

We embed our impacts and dependencies on nature and total value into decision-making. One of the ways we do this is through natural capital accounting to assess the extent and value of the benefits our land provides to us and the rest of society. As we

update our account in future, we can track changes to our natural assets and quantify improvements from our investments.

We use disclosure and assessment metrics to monitor our regulatory performance and inform our short-, medium- and long-term strategic planning activities. Our targets are developed to achieve best value for our customers while aligning with regulatory expectations.

The table below discloses relevant local level nature-related metrics, including sector-specific metrics, as set out by the TNFD. Where applicable, we present our targets and describe our progress towards these targets. Performance towards our full list of environmental key performance indicators (KPIs) is reported on page 70.

TNFD metric no.	Driver of nature change	Metric	Position at end March 2025	Commentary
C1.0	Land/ freshwater/ ocean use change	Total spatial footprint (hectares)	56,000 hectares	Our Corporate Natural Capital Account asset register shows that our estate is made up of 37 per cent grassland, 33 per cent mountain moorland and heath, 12 per cent woodland and 10 per cent enclosed farmland – the remainder is a combination of freshwater, urban and coastal margins. Our services are also dependent on over 550,000 hectares of catchment land across the North West Region, not under our ownership or management. <b>Target:</b> We do not currently have a target to increase or decrease our owned and managed land; any major land sales or acquisitions will be reported via our next Corporate Natural Capital Account.
C1.1		Extent of land use change	3,000 hectares of peatland restored	We have restored natural processes on core upland sites owned by UUW and also on land we depend on, through large-scale planting and natural regeneration, peatland restoration and re-establishment of historic river systems. <b>Target:</b> Further 1,500 hectares of peatland restoration by 2030.
			91% favourable or unfavourable recovering condition SSSIs	Our estate includes 22,523 hectares of SSSI sites; in 2004, 14 per cent of total SSSI sites were in favourable or unfavourable recovering condition, we have increased this to 91 per cent through the delivery of our Sustainable Catchment Management Programme (SCaMP) initiative and significant investments in priority locations over the last five years. <b>Target:</b> Achieve 100 per cent favourable or unfavourable recovering status by 2030. We will do this through our AMP8 investment programme.
			640,252 trees planted	Woodland creation boosts biodiversity, protects water quality, improves air quality and helps with flood mitigation. We continue to identify suitable locations for further tree planting. <b>Target:</b> Plant 500,000 trees by 2030.
C2.0	Pollution/ pollution removal	Pollutants released to soil	Not measured	We do not currently measure this activity; we will closely monitor progress in this area in future and act accordingly.
C2.2		Waste generation and disposal	98.3% waste to beneficial use	All of our sewage sludge is treated to required standards before recycling to local agricultural land as biosolids for use as a fertiliser. Our biosolids comply with the Biosolids Assurance Scheme and have a 99.9999 per cent pathogen reduction.
C2.3		Weight of plastic bottles provided to customers	9 tonnes	We provide bottled water to our customers during periods when water supply is interrupted or may be unfit for consumption. The bottles we supply contain at least 25 per cent of recycled materials and are 100 per cent recyclable by users.
C2.4		Non-GHG air pollutants	0.9 NOx/GWh	Through the implementation of cleaner engine technology at our two largest Combined Heat and Power engine (CHP) facilities, Manchester and Liverpool, we have reduced the amount of NOx in the combustion gas being emitted from our engines by 50 per cent per cubic metre of gas produced (from 500mg down to 250mg NOx per m³). This resulted in a reduction of tonnes of NOx emissions per GWh of electricity generation. We calculated that, through our actions, we have avoided 120 tonnes of NOx emissions over the AMP compared to FY2019/20. <b>Target:</b> 1.42 NOx/GWh (three-year rolling average)



TNFD metric no.	Driver of nature change	Metric	Position at end March 2025	Commentary
C3.0	Resource use/ replenishment	Water withdrawal and consumption from areas of water scarcity	0 megalitres	According to the Environment Agency classification, our operations do not reside in areas of water scarcity.
C3.1	Invasive alien species (IAS) and other	Quantity of high-risk natural commodities sources from land/ ocean/freshwater	2	We identified the use of cement and steel throughout our capital programme as high-risk natural commodities or products where production can have a significant negative impacts on nature. These were identified using the SBTN High Impact Commodity List (2023). We are working towards a full assessment of our supply chain to determine the status of raw materials we use and the impact of resource extraction on the environment at the source.
C4.0		Proportion of high-risk activities operated under appropriate measures to prevent the unintentional introduction of IAS	Not measured	We do not currently report on the proportion of high-risk activities. We have identified areas where unintentional spread of invasive non-native species (INNS) can occur within our operations and are developing a strategy to tackle INNS.
Sector-specific disclosure indicators and metrics				
A3.2	Resource use/ replenishment	Water reduced, reused or recycled	Not measured	We do not currently measure this activity; we will closely monitor progress in this area in future and act accordingly.
WU.C2.11	Pollution/ pollution removal	Sanitary sewer overflows and recovery	39% reduction in spills per overflow	As part of our commitment to improve storm overflow performance and reduce spills impacting on the environment, we have a large overflow investment programme, reducing spills through the use of blue-green or hybrid solutions <b>Target:</b> Over 60 per cent reduction in spills per overflow in the decade to 2030.
A3.3	Resource use/ replenishment	Water loss mitigated	9% leakage reduction	We are at our lowest levels of leakage across the North West, and in the last year we have increased our find and fix rates by 70 per cent, fixing more leaks than ever before. <b>Target:</b> Further 13 per cent reduction by 2030.
WU.A6.0	Ecosystem condition	Clean drinking water provision	3.5% reduction in per capita consumption	In AMP8, we aim to reduce per capita consumption (PCC) to 110 litres per person per day by 2050, in line with the Government's Environmental Improvement Plan 2023. Customer behaviour to reduce water consumption plays a key role in reducing overall demand and this, combined with our efforts to reduce leakage, helps to ensure a sustainable supply of water across the North West. <b>Target:</b> Reduction in per capita consumption of 5 per cent for households and 7 per cent for businesses by 2030.



## How we respond to material themes: customers

### Strategic priorities related to customers



Deliver great service for all our customers

### Top material themes related to customers

4

Customer service and operational performance

10

Drinking water quality

12

Emerging contaminants

9

Affordability and vulnerability

### Strategy

Providing great water is the building block of our purpose, and delivering great service for all our customers is one of our six strategic priorities. Our day-to-day service for customers encompasses a variety of different activities, and our strategy focuses not only on the fundamentals like providing clean, safe drinking water and sanitation, but also on providing comprehensive and compassionate support for customers in vulnerable circumstances.

Customer engagement at the planning stage has helped to ensure our key focus areas for AMP8 and beyond are aligned to the things that matter most to our customers, and these investment priorities and regulatory targets are important drivers of our strategy. We are focusing investment in a number of areas, including improving water quality, reducing leakage, replacing lead pipes, reducing sewer flooding, and affordability support.

Drinking water quality is a top priority, requiring attention from sources to tap. Our AMP7 investment and Water Quality First programme has achieved a significant reduction in discolouration, with our improvement recognised by the Drinking Water Inspectorate (DWI) and helping to significantly reduce customer complaints. We continue to drive forward with this important strategy, ensuring everyone right across the business, and including our supply chain, understands the role they can play in improving water quality, and embedding this as part of our culture.

We are replacing 900 kilometres of water mains during AMP8, upgrading seven of our water treatment works, and have a programme to replace 30,000 lead pipes. We are continuing with a programme of re-lining the Vyrnwy Aqueduct, as well as supporting the start of construction on the Haweswater Aqueduct Resilience Programme (HARP), which will see large sections of this critical supply line being replaced through direct procurement for customers (DPC). This year, the DPC contract was awarded to the preferred bidder, as set out on page 89, with construction due to commence in AMP8.

We already look after the raw water quality in the way we manage our catchment land, and we are keeping abreast and working across the sector to understand the potential impacts of emerging contaminants, including per- and polyfluoroalkyl substances (PFAS) – a vast group of synthetic ‘forever chemicals’ of growing global concern and stakeholder interest (see page 60). Valued for their thermal resistance and oil- and

water-repellent properties, these are found in a wide range of industrial and consumer products, such as non-stick cookware and firefighting foams, but they build up in the environment and get into water resources. There are no regulatory standards for these emerging contaminants in drinking water in England and Wales, but the Drinking Water Inspectorate (DWI) issues non-statutory guidance to water companies and we factor this into our adaptive planning.

Leakage is a high priority for customers and for us. We have a dedicated focus on finding and fixing leaks and a long-term target to halve leakage by 2050. We will undertake a major mains replacement programme in AMP8, as well as installing smart meters, which will help us measure and locate leaks more accurately, and using innovative solutions to drive down leakage, such as satellite technology and no-dig repairs.

While we have significantly reduced sewer collapses and blockages, sewer flooding continues to be an area where we need to drive further big improvements. In AMP8, we are upgrading rising mains and CCTV camera sets, expanding our Dynamic Network Management capabilities further with 10,000 sewer-level sensors, and installing property-level flood alert sensors in every flooded property.

We have an industry-leading package of affordability and vulnerability support for customers, with a wide range of affordability schemes that have supported more than 414,000 customers in AMP7, and over 540,000 customers signed up to our Priority Services Register.

We use a variety of methods to help customers access the best schemes for them, and our use of Open Banking makes it quicker and easier for customers to verify their eligibility for support schemes. We pioneer cross-sector collaborative approaches through our annual affordability and vulnerability summits and the Hardship Hub platform, which we developed to help debt advisers access all the help that is available across multiple sectors in one easily accessible place.

With higher levels of investment needed going forward to deliver customer and environmental improvements, supporting customers that struggle to pay their bill has never been more important. We’ve introduced new social tariffs, such as our Low Income Water Discount, and we are doubling our financial assistance in AMP8 to £525 million, helping one in six households across the North West.

We also remain strong supporters of the call for a national social tariff, which would share the support that is available more fairly across the country to ensure the most vulnerable are able to access the support they need, regardless of where they live.

### Governance

Overall responsibility for operational performance, including drinking water quality, sits with the CEO, and an update on performance against a range of key metrics and targets for the different operational performance areas is presented to the board every month in the executive performance report. The report uses a traffic light system to show performance in-month, year-to-date, and changes from the prior month, with accompanying narrative. This enables progress to be tracked and any potential issues, developments or opportunities to be fully understood and swiftly addressed.

Each operational performance area has a responsible director and strategic leadership team responsible for the day-to-day delivery of our operational targets and commitments.

We have established a director-led Emerging Contaminants Steering Group, which feeds into the wider ESG Leadership Group, to ensure the appropriate governance and coordination of all activities linked to PFAS and other emerging contaminants across water, wastewater and bioresources. We also collaborate with relevant industry groups, and our Chief Scientific Officer sits on the Water UK PFAS steering group.

Additional governance oversight of our performance on drinking water quality is provided by the DWI, as quality regulator, who has recognised the significant improvements we are making. Operational performance is also overseen by other regulators, as detailed on page 22.

The customer services management team has responsibility for the delivery of our affordability and vulnerability schemes, including our certification to ISO 22458 for our Priority Services scheme. Schemes are continuously monitored and performance is reported to the executive performance meeting and the board on a monthly basis. Affordability and vulnerability are reviewed by the board twice a year.

### Risk management

Being so fundamental to our day-to-day service, customer and operational performance permeate many of our top risks. Seven of our principal risks, as set out on pages 57 to 59, are directly linked to our material customer themes:

- Strategic aqueduct failure;
- Failure to treat and transport wastewater;
- Cyber;
- Water availability;
- Treatment of water;
- Recycling of biosolids to agriculture; and
- Programme delivery

Drinking water quality is particularly impacted by the risks around ‘strategic aqueduct failure’ and ‘water availability’, while all will have an impact on customer service and operational performance.

Other principal risks around dam failure, terrorism, and process safety also have potentially significant impacts on these material themes.

We also look at the broader spectrum of risks in relation to common causal and consequence themes, as detailed on page 56.

Several common causal themes are focused on material customer themes:

- ‘Asset health’ has the potential to heavily impact both drinking water quality and customer service and operational performance.
- ‘Demographic change’ and ‘economic conditions’ both have the potential to impact affordability and vulnerability as well as customer service and operational performance.
- ‘Extreme weather/climate change’ can have significant impacts on customer service and operational performance.
- ‘Legislative and regulatory change’, and ‘technology and data’, both have the potential to influence material customer themes as a result of their impact on our adaptability, efficiency, security and resilience.

The common consequence theme of ‘service delivery’ is all about customer service and operational performance, and ‘suppliers’ as a common consequence theme has the potential for knock-on impacts for customers.

Emerging contaminants has been identified as an emerging risk, as detailed on pages 60 and 61. It is included in all of our drinking water safety plan risk assessments, which inform our monitoring programmes, and we submit all of our risk assessments and data to the DWI. We also actively engage in research, such as the Chemicals Investigation Programme, so that we understand the risk and increase knowledge further to help inform solutions.

We monitor a number of risks underpinning customer service that sit outside of the top 13 listed on pages 57 to 59, including customer experience, cash collection, billing accuracy, and affordability support. These collectively take account of economic conditions, including cost-of-living pressures, providing value for money, and supporting our most vulnerable customers.

In order to achieve high levels of performance, our customer experience and debt strategy includes multiple controls, including customer consultation and surveys, affordability schemes, tariff setting policies, and reconciliation processes. The increased affordability support, alongside necessary bill increases, in AMP8 will have a significant impact on risks in relation to affordability and vulnerability going forward.

Given the fundamental nature of these customer-related themes to everything that we do, risk management of them is fully embedded into organisation-wide processes. Detail on the risk exposure, controls/mitigation, and assurance in relation to each of our principal risks can be found on pages 58 to 59.

### Metrics and targets

We have a number of performance commitments with associated customer outcome delivery incentives (ODIs), through which we monitor and assess operational performance for customers and the environment. These set ambitious annual targets for performance over the five-year regulatory period, and rewards and/or penalties for over/underperformance against those targets.

ODIs are changing in AMP8, with fewer measures overall and a shift to far more common, rather than bespoke, company-specific, performance commitments. This will introduce more comparability across companies in the sector and mean the industry is more aligned in the specific areas of focus for performance.

We monitor individual performance and overall net rewards/penalties. Detailed performance disclosures against each performance commitment can be found in our annual performance reports.

Our annual performance report will be available from 15 July at [unitedutilities.com/corporate/about-us/performance/annual-performance-report](https://unitedutilities.com/corporate/about-us/performance/annual-performance-report)

Material ODI rewards/penalties and overall net ODI performance are reported in this report, both in monetary value and percentage return on regulated equity (RoRE). Several relevant customer metrics are included as key performance indicators, including Ofwat’s measure of customer satisfaction, C-MeX, customers lifted out of water poverty, and RoRE. We also report other metrics of operational performance outside of our regulatory performance commitments.

We have ambitious targets in our AMP8 final determination to further improve performance for customers, including:

- 34 per cent reduction in customer contacts about water quality;
- Replacing 30,000 lead pipes;
- Upgrading 65 kilometres of the Vyrnwy Aqueduct in the next five years;
- Reducing leakage by a further 13 per cent;
- Supporting households to reduce consumption by 5 per cent;
- Supporting businesses to reduce consumption by 7 per cent;
- Installing around a million smart meters in the next five to give customers a greater understanding of their water usage and help them to lower their bills;
- 40 per cent reduction in internal sewer flooding;
- 13 per cent reduction in external sewer flooding; and
- Doubling affordability support to £525 million, helping one in six customers in 2025–30.

More detail on our AMP8 final determination can be found at [unitedutilities.com/corporate/investors/our-plans-2025-2030](https://unitedutilities.com/corporate/investors/our-plans-2025-2030)

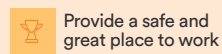
Some of these medium-term targets will help us move towards delivery of our long-term targets, including:

- Helping to reduce water demand to no more than 110 litres per person per day by 2050;
- Reducing leakage by 50 per cent by 2050; and
- Eliminating lead pipes by 2070.



## How we respond to material themes: colleagues

Strategic priorities  
related to colleagues



Provide a safe and  
great place to work

Top material themes  
related to colleagues

7

Health, safety  
and wellbeing

17

Diverse and skilled  
workforce

### Strategy

The importance of our colleagues to the success of our business is reflected in our strategic priority to provide a safe and great place to work. This means attracting and retaining a diverse and highly engaged team of people, continuously training and developing them, and looking after their health and wellbeing as well as their safety.

We believe that our strength lies in our differences, not our similarities, and we are proud to have a working environment that actively promotes and celebrates equity, diversity and inclusion. We want our workforce to reflect the local communities we serve, with all colleagues feeling welcomed, valued and included, regardless of their gender, age, race, disability, sexuality or social background. It is important to us that everyone feels they can bring their whole selves to work every day, without the fear of being excluded. This also helps us to succeed as a business, as we know that diversity ignites creativity and helps us to support all our customers in the best way that we can.

Our equity, diversity and inclusion plan sets out our strategy and targets, with five areas of focus:

- Leadership development – to support leaders to drive inclusion across our business;
- Encourage openness – to encourage colleagues to share and take action;
- Reset and refresh – to weave equity, diversity and inclusion into everything we do;
- Bring the outside in – to educate and raise awareness of inclusion; and
- Amplify our colleagues' voices – to provide a safe space for all colleagues to be heard and take action.

We have focused this year on making strong links between customers and our colleagues. Increased awareness of different cultures and faiths gave colleagues the tools to understand possible differences in water usage, helping to improve customer service. We have used our calendar of multicultural events to take key dates into consideration when planning work, and continued to develop our colleague British Sign Language (BSL) training, raising awareness and helping our colleagues to communicate effectively with customers.

We have a focused approach to improving the gender diversity of our workforce – attracting, supporting and developing women across all areas of the business, helping to bring long-term improvements in our gender pay gap and building on the positive improvements we've already seen.

We support strong female role models at all levels of our organisation. Our membership with WB Directors (formerly Women on Board) provides a range of practical tools, career advice and events to help under-represented groups advance their careers on boards, irrespective of their gender, age, job role or ethnic background.

In our industry, we need to attract individuals with an interest in science, technology, engineering and maths (STEM). To inspire young people from a wide range of backgrounds into STEM-related careers, we continue to run our award-winning 'Engineering Masterclass' competition with secondary schools from the local area – some of which have a high number of pupils from deprived and disadvantaged backgrounds, thereby helping to improve social mobility.

As well as attracting diversity and talent, we are committed to continuously training and developing colleagues to ensure we have the skills to keep delivering a great service for customers long into the future. We provide ongoing training and development for colleagues relevant to their role, as well as regular training that applies to all roles across the business.

Our digital training platforms have been promoted for accessibility and meet a diverse range of learner requirements. In the last year we also welcomed 19,000 attendances for classroom training across all our sites. Our Bolton Technical Training Centre has now celebrated its ten-year anniversary, having run 5,000 training events with 25,000 attendances over that decade. We have trained more than 420 apprentices at the site, and it is home to our Energy and Utility Skills accredited Competent Operator Scheme, which covers water treatment and networks. We also have practical facilities at satellite sites around the region.

The safety of everyone that works for and with us is, of course, paramount. Our safety programme, Home Safe and Well, reminds us of the importance of working safely and looking out for each other so that everyone goes home safe and well at the end of the day. Over a number of years, this programme has helped us build a solid foundation with colleagues across the business, sharing the ambition that 'nothing we do is worth getting hurt for'.

As we enter AMP8, it's an exciting time, but one that comes with a huge increase in activity to ensure we deliver the largest investment programme and upgrade of our infrastructure in more than a century. This increased activity means an increased risk to people's health, safety and wellbeing. That's why, as part of Home Safe and Well, we're developing a company-wide three-year programme that will help us rise to this challenge and focuses on the things we can all do to make a difference.

We have engaged with thousands of colleagues, looked carefully at the issues we can face here at United Utilities, and aligned our company values (as set out on page 27 in our integrated annual report) with a simple set of three safe behaviours and 12 life saving rules, as set out on the next page.

The life saving rules focus on our biggest risks, the ones most likely to cause serious injury. They are non-negotiable for anyone working for, or with, United Utilities and if work cannot continue without breaking one of the rules then it should stop immediately.

This is supported by a just and fair culture, where speaking up about issues is valued and encouraged, the focus is on learning from mistakes when accidents or safety issues occur, and everyone is empowered to stop work for safety reasons.



### Our 12 life saving rules

#### Confined spaces

I only enter a confined space when it is confirmed that it is safe to do so.

#### Fire and explosion

I control all ignition sources when working with fire and explosion risks.

#### Isolation

I only work on equipment after confirming all energy sources are isolated.

#### Working near water

I only work near water or hazardous areas if I am trained and able to follow the correct procedures.

#### Service with respect

I remove myself from any situation where I feel threatened.

#### Moving vehicles and plant

I always keep a safe distance from moving equipment or vehicles.

#### Do the right thing

I do it safely, or I don't do it

This means undertaking a risk assessment, ensuring colleagues have the correct tools and equipment, and stopping work if there is a safety risk. If something doesn't feel safe then it probably isn't, so we encourage colleagues to raise safety concerns and will always support anyone who stops a job for safety reasons.

#### Make it happen

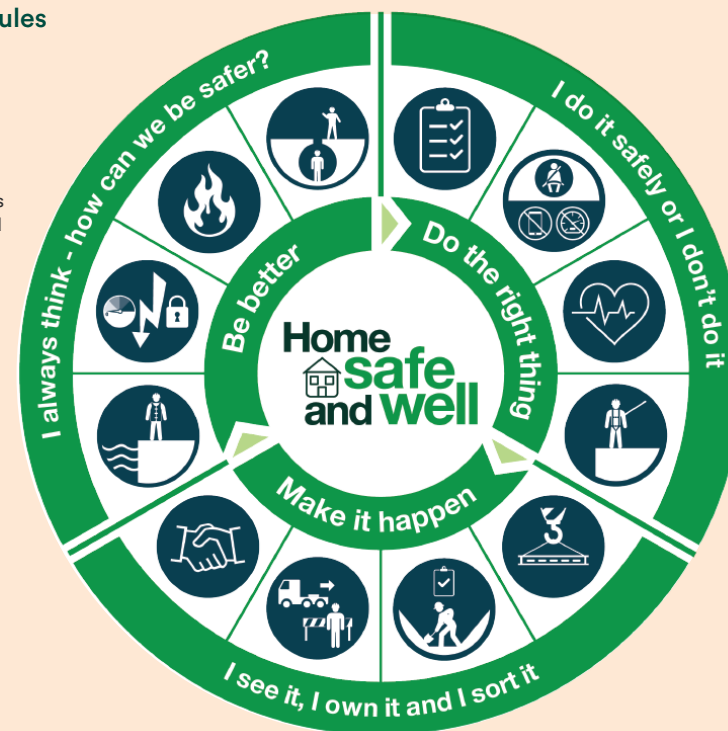
I see it, I own it, and I sort it

This means moving trip hazards, cleaning up spills, challenging any unsafe behaviour and responding positively to challenge. It's important that any hazard is made safe and/or reported, and we encourage everyone to challenge anything that isn't safe, from a position of respect and care, and have the confidence to intervene.

#### Be better

I always think, "how can we be safer?"

This means sharing ideas or suggestions, collaborating with each other to make sure we are working in the safest way possible, and recognising good practice. We encourage colleagues to share their skills, knowledge and ideas to make things better and safer for everyone.



**Safe system of work**  
I identify all hazards and implement effective controls before I start work.

**Driving**  
I respect the speed limit, wear my seat belt and avoid driving when tired or distracted.

**Wellbeing**  
I am fit and healthy to perform my tasks.

**Working at height**  
I always use the correct fall protection when working at height.

**Lifting operations**  
I ensure a safe lift and keep the areas clear under a suspended load.

**Excavations**  
I always check for services before digging, and only enter safe excavations.

We actively work to support and improve the wellbeing of our colleagues, and have number of wellbeing benefits available to our colleagues.

Around 4,000 people have signed up to the free virtual GP service, which offers free help and advice to colleagues and their immediate family members, and hundreds of colleagues have downloaded the menopause support app. We provide discounted gym offerings as well as an on-site gym facility at our head office. We are also increasing the paid leave available for both maternity and paternity, providing more support for families during this important life-changing transition.

We continue to focus on colleagues' mental, as well as physical, health. We have 400 trained mental health first aiders across the business, an employee assistance programme where colleagues can access talking therapy, and we actively promote mental health conversations and support services such as Andy's Man Club, Belisama's Retreat for armed forces veterans, and Hub of Hope.

Recognition for our colleagues is also important. A number of our customer service

colleagues have received numerous WOW! award nominations from customers for exceptional service, and we have introduced a company-wide recognition scheme – the ACE awards – where colleagues can be nominated for living our values and doing a great job. Since September, we have seen more than 6,500 ACE award nominations, with a monthly winner selected and rewarded from each business area. This is a great way to recognise the incredible work our colleagues are doing every single day.

### Governance

Relevant health, safety and wellbeing matters, including policies and our accreditation to ISO 45001, are managed through the health, safety and wellbeing team.

With the increase in activity and workload in AMP8, we have formed an executive Health and Safety Committee, chaired by the CEO. Progress on key health and safety performance metrics and strategic programmes is reported monthly to the committee and to the board, with a detailed review going to the board twice a year.

Each director across the business has developed and implemented targeted health and safety plans relevant to their business areas, reinforced through regular field visits to engage and celebrate excellent health and safety performance. Our operations and capital project teams have introduced 'Team Tuesdays' where, on a weekly basis, colleagues engage with their local leadership teams to review site specific issues and jointly develop solutions to enhance our approach to risk management and reinforce the importance of permit to work systems.

The nomination committee is responsible for board succession, to ensure the right mix of skills and experience, including a designated non-executive director on the board who had overall responsibility for workforce engagement. Day-to-day responsibility sits with our people director.

Our leaders play a critical role in championing equity, diversity and inclusion (ED&I) using our adopted inclusive language of 'Opportunity for All', with executive directors who continue to drive the delivery of our strategy and role-model inclusivity.



How we respond to material themes: colleagues

Managers across the business undertake inclusive leadership training to help them understand the impact and influence they have on inclusion, plus disability awareness training to improve ways of working for people with differing abilities.

Each of our colleague networks works with two executive sponsors, who provide support and escalated action. The networks support colleagues within minorities, and focus on educating, raising awareness and celebrating key events throughout the year. Our colleague networks meet with their sponsors to review progress and with the people director who provides insight and feedback.

The inclusion steering group, run by the ED&I manager, is responsible for the overall ED&I plan, providing updates on delivered plans and tracking progress. The people director sponsors the plan and tracks progress against our 2030 targets. Regular updates are provided to the ESG committee by way of real-time dashboards that give access to data including new starters, attrition, and training.

We ensure all our colleagues have a way of raising anything where there is room for improvement, and everyone is empowered to stop work for safety reasons and will not get into trouble for doing so. When accidents or safety issues occur, our focus is on learning from mistakes and improving the system, not punishing individuals.

There are many forums and communication channels to support colleagues in raising issues, including:

- line managers;
- engagement champions;
- annual engagement survey;
- Call It Out mailbox (where suggestions or issues can be raised directly to the CEO);
- colleague HR portal (AskHR);
- health, safety and wellbeing portal for reporting accidents or near misses (AIRline); and
- whistleblowing hotline (Safecall).

Risk management

Providing a safe and great place to work, and maintaining a diverse, skilled and engaged workforce, is important in managing a number of our principal risks. For instance:

- ‘Programme delivery’ – the size and scope of our AMP8 programme is significantly greater than we have delivered before, and our colleagues across the business (as well as our supply chain) will be essential in delivering it both effectively and efficiently.
- ‘Cyber’ – we rely on our colleagues being cyber safe to help protect our network from attempted attacks. Therefore, ensuring everyone working for us is appropriately trained and skilled in how to spot and avoid these attempts is very important to ensuring our assets are safe from cyber attacks.

- ‘Process safety’ – ensuring our colleagues are appropriately skilled is particularly important when dealing with inherently hazardous processes, which is why we place so much focus on compliance with mandatory training, and home safe and well, including the 12 life-saving rules.
- ‘Treasury risk’ and the risk of ‘misstatement of reported information’ – both of these material risks are heavily reliant on effective governance and checks from appropriately skilled colleagues.

Details on our risk exposure, controls/mitigation, and assurance in relation to the top risks can be found on pages 58 to 59.

Health and safety risks can be categorised into three types: personal safety; process safety; and health and wellbeing. These represent all the key hazards, both from a severity and frequency basis, and include occupational health and mental health. Mitigation includes our health, safety and wellbeing culture, which is built upon six key principles: active leadership; engaged, empowered colleagues; clear expectations; safe, healthy working environments; simple effective systems; and continuous improvement.

Several common causal themes are focused on material colleague themes:

- ‘Asset health’ monitoring, and planning for where upgrades are needed, is reliant on skilled and engaged individuals.
- ‘Culture’ is hugely important, and having a diverse and motivated workforce with a high performance culture is critical to our success.
- ‘Extreme weather/climate change’ can require an emergency response, and we are pleased with how resilient and adaptable our colleagues are when we need to deal with these events.
- ‘Legislative and regulatory change’, and ‘technology and data’, both require adaptability and vigilance amongst our colleagues, particularly where the pace of change is high.

The common consequence theme of ‘people’ is all about our colleagues, and protecting the diversity, skills, engagement, and health, safety and wellbeing. Avoiding non-compliance through an inadvertent breach is also heavily reliant on the skills and dedication of our colleagues.

Metrics and targets

Health, safety and wellbeing is one of the things we assess in our annual colleague engagement survey and we regularly monitor various safety metrics, including lost-time injuries (both one-day, and seven-days, the latter being RIDDOR reportable) and near misses. These are monitored for both colleagues and contractors, and we target reductions in both. Our overarching aim is that every person working for us, or on our behalf, goes home safe and well.

We also monitor programmes to maintain accreditation with the Workplace Wellbeing Charter, and track to ensure correct levels of training and competency.

Colleague training is monitored through a training and development portal. This gives everyone access to a wide range of training courses, and anyone who is due to come out of certification for mandatory training, and needs to undertake any refresher or new training, receives regular reminders from three months prior.

We monitor a variety of metrics on the inclusive nature of our workforce, including gender, ethnicity, disability, social mobility and LGBT+. In our annual engagement survey, we target scoring against our diversity and inclusion questions in line with other UK and utility companies, and we target improvements in our diversity statistics, including closing the gender pay gap. Our external equity, diversity and inclusion report, ‘Opportunity for All’, details the progress we have made and our commitments and plans to go further still, with measurable and actionable ambitions for the medium term.

By 2027	
5%	Ethnic minority – executive and direct reports
By 2030	
5.4%	Ethnic minority – total workforce
40%	Females – total workforce
44%	Females on the board
50%	Female executives
50%	Female direct reports to executive

We also remain focused on fully supporting candidates and colleagues from all characteristics and social backgrounds, and we continued to track metrics in relation to disability and lifelong conditions, social mobility, and LGBT+.

Read more at [unitedutilities.com/corporate/responsibility/employees/diversity](https://unitedutilities.com/corporate/responsibility/employees/diversity)

How we respond to material themes: communities

Strategic priorities related to communities

Top material themes related to communities

Contribute to our communities

16 Supporting communities

Strategy

We work in, and with, communities right across the North West, and we support them with improved services, active engagement and communication, as well as direct financial support in community projects and partnerships.

The strategic importance of supporting communities across the North West is reflected in its inclusion as one of our six strategic priorities – contribute to our communities – and also in our unique place-based planning approach for AMP8.

In developing our business plan, we conducted extensive engagement with 95,000 customers and other stakeholders across the North West communities. We created five individual plans for each of the diverse and wonderful counties across our region – Cumbria, Lancashire, Merseyside, Greater Manchester and Cheshire – shaping our plans to address the things that they told us matter most, and setting out how we plan to tackle each county’s specific needs, challenges and opportunities.

Adopting this approach means we will deliver outcomes that are tailored for customers in the places where they live.

We also believe this approach is fundamentally important to the successful delivery of our plan, and we have mobilised our teams into a five-counties structure ahead of the start of AMP8 to promote successful delivery of the performance improvements and scale of investment included in our AMP8 business plan.

Governance

With significant growth in our investment programme for AMP8, compared with what we have delivered in the past, community engagement and support will be more important than ever. We need to secure planning permission for large infrastructure projects, minimise disruption, and actively engage with the communities.

Communicating and executing our plans through this county-based approach helps customers to understand what the work we are doing in their community, and the money from their bill, is going towards in a way that is more personal and meaningful to them.

We have appointed dedicated stakeholder managers and delivery squads for each county, with this overall county strategy overseen by our head of regional engagement. These teams will be responsible for monitoring and managing delivery of our plans in each county.

Risk management

This material theme plays into several of our principal risk areas as we are reliant on the support of communities and successful planning permission to deliver our improvement projects. This is a key driver in enabling successful delivery of our AMP8 investment programme – ‘programme delivery’, and also impacts the risks of ‘failure to treat and transport wastewater’ and ‘treatment of water’.

The causal theme of ‘demographic change’ reflects the make-up of the communities that we serve, and the causal theme around ‘economic conditions’ can have varying degrees of impact across the unique counties.

Pages 57 to 59 detail how we are managing our principal risks, and our county delivery squad structure and dedicated stakeholder managers will be key to managing these.

Metrics and targets

Community investment is one of our operational key performance indicators, and our target for AMP7 was to increase our investment by at least 10 per cent compared with the average over AMP5 and AMP6, which we have surpassed as set out on pages 82 and 83.

We also monitor other community support metrics, such as the number of children benefitting from our education materials.

We have set ambitious targets for what we will deliver in each of the five counties during AMP8, demonstrating how we will go even further to support these communities in the five years to 2030. We will continue to monitor performance at a county level as well as at the overall business level.

Delivering for our communities in:

1 Cumbria

Supplying over a third of our water, we are increasing resilience and improving water quality in Cumbria, including significant improvements around the Windermere catchment.

2 Lancashire

With its popular beaches and areas of outstanding natural beauty, we are improving bathing waters and river water quality, and restoring peatland.

3 Merseyside

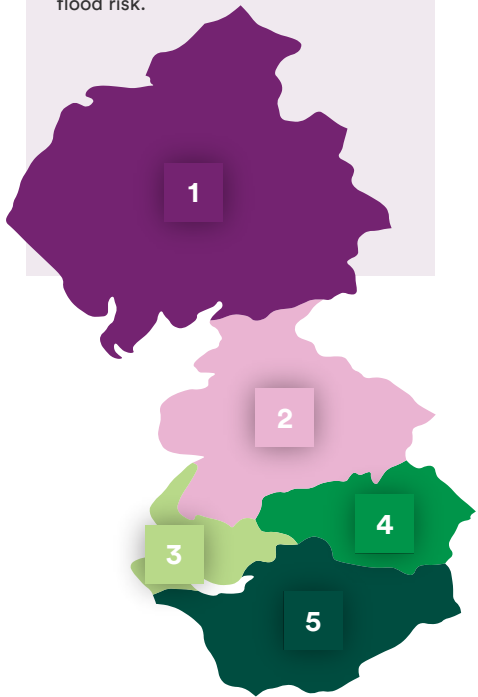
We are investing to support growth, resilience to climate change, and tackling overflows as well as helping those that need affordability support.

4 Greater Manchester

With 38 per cent of the North West’s population and 37 per cent of our overflows, we are supporting growth, improving rivers, and working to secure a more resilient supply.

5 Cheshire

With a dominant agricultural industry, we are collaborating with farmers on sustainable catchment management and working with partners to reduce flood risk.

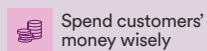


Read more on our county-based plans at [pr24.unitedutilities.com](https://pr24.unitedutilities.com)



## How we respond to material themes: efficiency

### Strategic priorities related to efficiency



Spend customers' money wisely

### Top material themes related to efficiency

13

Financial risk management

14

Corporate governance &amp; business conduct

### Strategy

With the increase in size and scope of what we need to deliver in AMP8, our focus on efficiency has only intensified as we look for new and innovative ways to make things simpler, smarter and better, including:

- Technology – making better and increased use of data, sensors and artificial intelligence, developing our data and analytics team and in-house apps team.
- Runway model – using a much wider mix of large and small suppliers suited to the specific level of design and risk involved for each project, helping us to allocate and price risk more effectively, including build-only projects that allow us to access more small, local suppliers.
- Make vs buy decisions – optimising the circumstances where we are better insourcing or outsourcing to fit the new AMP8 capital programme.
- Standardised solutions – reducing upfront design costs and giving economies of scale for ongoing replacement parts.

Our 'Call it Out' mailbox also allows colleagues across the business to highlight scope to improve efficiency directly to the CEO, allowing us to draw on their knowledge and experience, and act quickly on opportunities.

Financial risk management is important for:

- ensuring our financing costs are efficient;
- hedging electricity commodity prices to manage volatility in power costs, which is our largest base operating cost;
- raising efficient finance to fund our large capital projects; and
- maintaining adequate liquidity to ensure we can cover all expenses as they fall due.

We have robust treasury policies, targets and thresholds covering the key financial risks: liquidity risk, credit risk, market risk (inflation, interest rate, electricity price and currency), and capital risk. These are designed to avoid excessive volatility and risk, align with the regulatory model, maintain strong credit ratings, and deliver efficient financing.

▶ Read more about our **financial risk management policies** in note A3 to our financial statements on pages 218 to 225 in our integrated annual report

Strong corporate governance is important to ensure we are delivering efficiently and maintain customers' trust that we are spending their money wisely. More information can be found in our corporate governance report on pages 104 to 172 in our integrated annual report.

### Governance

Responsibility for monitoring operational efficiency sits with the executive team with regard to the day-to-day running of the business, and the capital investment committee with regard to expenditure on our capital programme. The board is regularly informed of progress, with monthly executive performance reports on key metrics and targets across each business area including efficiency metrics.

With regard to financial risk management, the board is responsible for treasury strategy and governance, which is reviewed annually. The treasury committee has responsibility for setting, and monitoring the group's adherence to, treasury policies. Policies are reviewed on at least an annual basis, or following any major changes in treasury operations and/or financial market conditions.

Day-to-day responsibility for operational compliance with the treasury policies and the targets set therein rests with the group treasurer. An operational compliance report is provided monthly to the treasury committee, detailing our performance and compliance with these policies, and highlighting the level of risk against the appropriate risk limits in place, with more detailed management information provided quarterly.

The group's treasury function does not act as a profit centre and does not undertake any speculative trading activity.

### Risk management

The main principal risk that is reliant on efficiency is 'programme delivery' – we have a significant programme to deliver, which comes with increased risk and opportunity, and with the necessary increase in customer bills to fund the improvements we need to deliver, it is more important than ever that we demonstrate that we are spending that money wisely.

The principal risk 'recycling of biosolids to agriculture' also has a potentially significant impact on the efficiency of our operations.

Efficiency is central to common causal themes including 'asset health', and 'technology and data'. 'Extreme weather/ climate change' also has a major impact on how efficiently we are able to operate.

The material 'treasury risk' is another of our principal risks, and the ability to raise efficient debt finance in all economic conditions is critical to the long-term principal risk around 'programme delivery'. The controls in our financial risk management policies and processes provide a high degree of mitigation and protection from market volatility, enabling us to raise finance across the economic cycle. Our debt has a long average life with maturities spread to avoid a high concentration of risk in any year.

### Metrics and targets

Efficiency is a core focus of our capital programme delivery incentive (CPDi), which is a key performance indicator and bonusable measure. As well as numerous metrics that we monitor internally, we also report on pages 84 and 86 against partnership leverage, which helps to drive improved efficiency.

We continuously monitor a variety of financial metrics, such as return on regulated equity (RoRE), which can be found on pages 92 and 97 in our integrated annual report. This includes total expenditure versus the regulatory allowance, as well as financing costs against the allowed cost of debt.

We operate within financial risk management policy targets, including a liquidity range, target proportion of index-linked and fixed rate debt, and energy price hedging. We set individual credit risk targets based on levels of risk to ensure we are not over-exposed to any counterparty. We target a 55 to 65 per cent gearing range, which supports our credit rating targets. Performance against our financial risk management targets is monitored monthly, with more detailed analysis quarterly. We monitor financial ratios regularly, consider the impact on these metrics within our business planning processes, and monitor and forecast performance to ensure we maintain compliant with relevant financial covenants, primarily in relation to historic borrowings from the European Investment Bank (EIB), including interest cover and gearing metrics.

We also monitor and report against various metrics and targets in relation to corporate governance, including a suite of investor indices, compliance with the Corporate Governance Code, and accreditations to the Fair Tax Mark, Living Wage, and Pension Quality Mark+.

## How we respond to material themes: cyber

### Top material themes

8

Cyber and data security

### Strategy

Our cyber security strategy is largely focused on the security requirements within the Cyber Assessment Framework created by the National Cyber Security Centre (NCSC). This outlines 39 security controls that are required to achieve an industry standard of compliance. These are driven from an EU-defined maturity scale of best practice that is reflected across all European operators of essential services. We have had a strong, dedicated programme of work in place for five years aimed at meeting and maintaining compliance, and have met regular expectations at all times.

Our longer-term strategy and investment plan aim to bolster our broader security posture by focusing significant effort on people, process and technology. Our current technology services portfolio includes a number of security-specific enhancements aimed at bolstering our existing profile for cyber. Our AMP8 plans for cyber have been well received by our regulator and are intended to achieve full compliance with the extended requirements within the framework.

We maintain a good relationship with the NCSC through our dedicated contacts and ensure we have up-to-date visibility of developing and long-term threats at all times, which helps shape our approach to security.

### Governance

The board is responsible for the oversight of cyber security and updates are provided at each of its scheduled meetings, with a presentation given by the chief security officer twice a year. The executive team is updated on performance on a monthly basis.

The security steering group (SSG) meets monthly to consider changes to digital and physical security risks and mitigating actions, and to review any incidents. Members of the committee include the company secretary, who has responsibility for security matters and is in attendance at all board meetings, the chief security officer, and representatives from each business unit. The SSG reports security metrics on a quarterly basis to the GARB, and six-monthly to the board. As it is one of our principal risks, an update on cyber security is provided every six months to the board. The chief security officer reports to the customer and technology director and, along with the information security team, works closely with the digital services team.

Our information security policies and compliance are aligned to ISO 27001. As a provider of essential services for UK Critical National Infrastructure, we are governed by the Network and Information Systems Regulations, which came into force in 2018 and focus on cyber security compliance. We are making good progress with our programme of work to comply with these regulations and are satisfying all our regulators' requirements. We are required to comply with the Security and Emergency Measures Direction (SEMD) to maintain plans to provide a supply of water at all times, and this includes security components. A SEMD report is submitted annually to the DWI, with prior independent attestation.

### Risk management

'Cyber' is one of our principal risks and 'technology and data' is one of the common casual themes identified.

We have not experienced a material breach in our IT security to date, and we undertake a number of mitigating actions including:

- Enhanced physical security measures to counter general criminality and potential terrorism as appropriate.
- We monitor and review alerts and guidance issued by the NCSC and the US Cybersecurity and Infrastructure Security Agency, and implement new security technologies, where needed, to address growing threats, such as upgrades to our firewalls and multi-factor authentication to access our systems. We maintain strong information-sharing links with the broader UK water industry, security partners and vendors, and the wider information security community.
- We have a structured security policy framework, including detailed guidance to allow all users, administrators, and moderators to operate within a clearly communicated, best practice ruleset. Internal audits are regularly carried out to ensure compliance is maintained.
- Colleague training, including mandatory 'Security Seven' training, cyber incident training, and enhanced training for incident first responders. We improve colleague awareness with regular cyber incident response exercises, phishing tests and associated training, as well as running regular cyber-related events. We retain a dedicated, third-party cyber incident responder to be deployed in the event of a major cyber incident.

- Our cyber security incident response plan is incorporated into business continuity and incident management plans and processes, and we have a dedicated business-wide cyber security incident response team. Our incident response plans are regularly tested using independent incident exercise providers, ensuring our teams are prepared for all the most likely cyber incident scenarios.
- Strong, independent assurance, including a continuous annual schedule of penetration testing, red team exercises for both physical and cyber and regulatory audits against our operational assets, and independent assurance and guidance against our regulatory security commitments as part of our annual security assessments. We have a comprehensive supply chain security assurance process, and work with suppliers to help them reach the required security level where needed.

### Metrics and targets

We monitor a number of security metrics and have targets against each. Many are aimed at meeting or exceeding national recommendations or comparative performance, such as targets for security patching recommended by the National Cyber Security Centre, and our phishing test platform where we monitor comparative performance on clicks, compromises and reports.

We target (and achieve) zero malware outbreaks and use a series of technical and process controls to ensure we achieve this. We aim to have all our major suppliers' security assured to our standards, and maintain a dynamic and live assessment of our supply chain through dedicated assessment tools and resources.

We are measured annually by our regulators against NIS security targets and have remained compliant since this was introduced. As a tier two PCI-DSS merchant, we are measured annually by our payment industry stakeholder against PCI-DSS and have remained compliant to requirements for many years.



## Our approach to risk management

### Our risk and resilience framework

We have a robust framework for the identification, assessment and mitigation of risk.

#### Our approach to risk and resilience

Successful management of risks and uncertainties enables us to deliver on our purpose to provide great water for a stronger, greener and healthier North West, and be more resilient across our corporate, financial and operational structures. A key objective of our approach to risk and resilience is to support the sustainable achievement of the strategic priorities (see page 24) that underpin our purpose.

Focused on creating and protecting value, our risk and resilience framework provides the foundation for the business to:

- anticipate threats and variability to delivering an effective service in these challenging times;
- understand the interrelationships and interdependencies for an integrated approach;
- apply preventative measures to limit loss, or increase resistance and reliability; and
- respond and recover effectively when risks materialise.

Key components of the framework include:



#### Governance and reporting process for risk management

We have a well-established governance and reporting structure for risk and resilience. In line with the Corporate Governance Code, the board has overall responsibility for establishing, maintaining and monitoring the risk management and internal control systems, with our CFO having executive responsibility for implementing the enterprise risk and resilience framework. This includes the development and roll out of the risk and resilience policy; establishing associated governance and steering groups; and employing dedicated risk and resilience teams, in particular the corporate risk team, which is responsible for the embedment of the overarching risk and resilience framework and processes.

The board undertakes a comprehensive review of the business risk profile twice a year in line with the full and half-year reporting cycle. This review considers:

- A strong and well-established governance structure giving the board oversight of the nature and extent of risks the group faces, as well as the effectiveness of risk management processes and controls.
- Defined roles and responsibilities, with executive members and business unit heads being accountable for sponsoring risk management activity in their business unit; risk sponsors who are responsible for the assessment of risk and the implementation of control/risk mitigation; control and action owners who are typically subject matter experts who have the remit to mobilise resource; and a network of risk leads and coordinators who support the corporate risk team in the coordination and facilitation of the risk management process.
- An embedded group-wide risk management process (which is aligned to ISO 31000:2018 risk management guidelines) along with a portfolio of policies, procedures and guidance to enable a consistent approach to risk management.
- Regular training on risk management ranging from feedback sessions to address specific points, or more formalised training relevant to three levels of requirement:

awareness, working knowledge, and practitioner. In addition, to support directors fulfil their responsibilities with regards to risk management, new appointments to the board receive training on key aspects of the risk and resilience framework, and a reminder of the framework's key principles is provided as a supplement to the biannual risk profile report.

Continuous improvement is a key feature of the framework, which incorporates an annual maturity assessment against a defined model to identify areas to enhance. Based on risk management capabilities relative to five levels of maturity, we continue to enhance risk and resilience through:

- maturing the escalation and alignment of data from operational risk assessment with strategic and tactical corporate risk;
- reinforcing non-financial impact using the six capitals and consideration of stakeholders (representing the impact on trust);
- improved cross-business involvement in the assessment and mitigation of risk;
- standardisation of controls for cross-business analysis; and further development of tactical risk appetite and tolerance statements.

the key features of the risk profile; the nature and extent of the group's principal risks (see pages 57 to 59) relative to the most significant event-based group and operational risks; risks relative to financial risk appetite limits; and new and emerging risks (see pages 60 to 61). The board also regularly undertakes reviews and deep-dives of specific risks. In combination, the board's biannual risk profile review and specific risk reviews supports decision-making, and enables it to:

- decide on the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives;
- ensure appropriate controls and mitigation are in place, and test the appropriateness of plans to manage risk and realise opportunities;
- report on the long-term viability of the company in an informed manner (see page 126 in our integrated annual report); and

- monitor and review the effectiveness of risk management and internal control systems (see pages 124 to 125 in our integrated annual report).

Prior to the full and half-year review by the board, the executive-led GARB provides an initial oversight of the risk environment, undertaking a 'top-down' assessment of the risk profile, and we consult with professional services, national risk registers, trade associations for new and emerging risks and issues. Key points and themes are then fed into a series of director-led integrated risk reviews (IRRs) for the 'bottom-up' assessment of risks, controls and the determination of further mitigation actions. The IRRs include senior managers and subject matter experts to ensure a holistic consideration of correlating risks, the interdependency of controls, and new and emerging circumstances. The resulting risk profile and key messages are then collated by the corporate risk team and reviewed by the executive before escalation to the board.

The effectiveness of risk management and internal control systems is formally reviewed on an annual basis, in accordance with the code. The assessment, which takes into account relevant governance, risk management processes, internal control

systems and assurance factors, is undertaken by the GARB before escalation to the audit committee, which acts on behalf of the board on this matter. See pages 124 to 125 in our integrated annual report for further details of the effectiveness review and

outcome. The internal audit team provides periodic independent assurance on the effectiveness of risk management. This was last undertaken in 2023 for both risk management and risk appetite and tolerance.

#### Risk appetite and tolerance

Focused on supporting decision-making, the risk appetite and tolerance framework consists of a package of measures.

The overarching strategic appetite statement emphasises the board's principal intent is to be compliant with legal and regulatory requirements. Beyond this principal intent, the statement reflects a balanced approach of protecting and creating value relative to multiple stakeholders and associated obligations, with the differing approaches directing

the extent of control applied based on four descriptors:

- **Averse:** a strong opposition to accept risk.
- **Prudent:** a careful and cautious acceptance of risk within tight boundaries.
- **Moderate:** willingness to accept risk provided this is within reasonable limits.
- **Accepting:** willingness to accept risk.

As a regulated company providing essential public services, we will not follow an 'Accepting' risk appetite in any capacity.

From the initial platform provided by the strategic appetite descriptors

and statement, the framework looks to determine set parameters that can be used to evaluate risk and support decision-making. As part of the full- and half-year risk reporting to the board, the risk status against target is assessed and the potential range of impact of event-based risks are compared to agreed general risk appetite financial limits. In addition, specific parameters and tolerances for each risk are in the process of being determined relevant to the day-to-day operational activity across corporate, financial and operational structures, which will further support a consistent approach to implementing risk management strategies.

#### How we assess and manage risk

We have a number of mechanisms in place to identify risk, including: consideration of primary and supporting activities which make up our inherent risk areas; the water cycle; cross-business horizon scanning forums; review of national and sector risk registers; and consultation with professional service firms and risk forums. Understanding the context of risk relative to our objectives and obligations is a fundamental part of the assessment. Assessment of risk takes into account new and emerging circumstances from the internal and external business environment and utilises 'bottom-up' information from operational and project risk assessments where appropriate. Risk assessments are also supported by 'top-down' assessments as described in the governance and reporting process section on page 54. This integrated 'top-down, bottom-up' approach ensures that reporting reflects the risks facing the company, serves to calibrate the risk assessments, and enables assessment of the risks relative to our appetite.

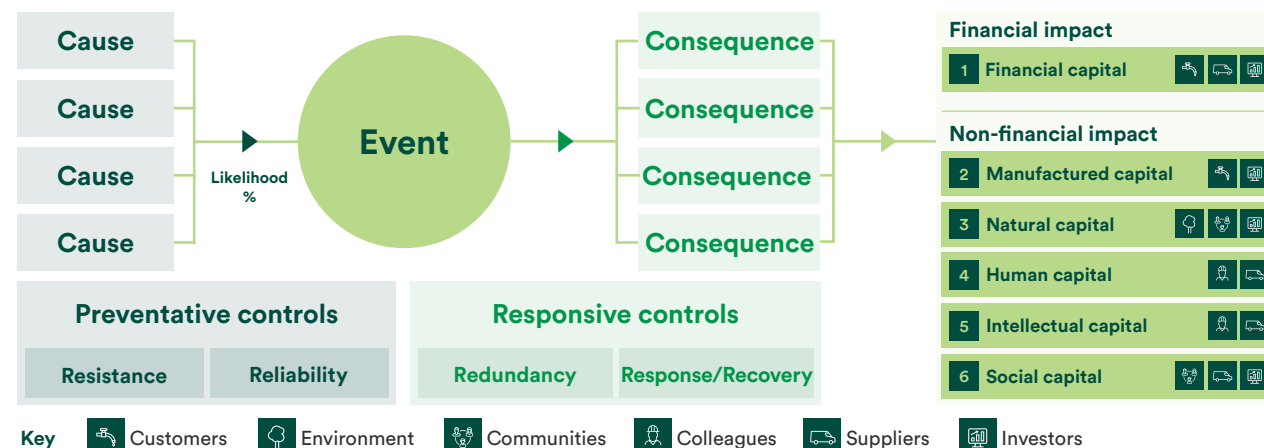
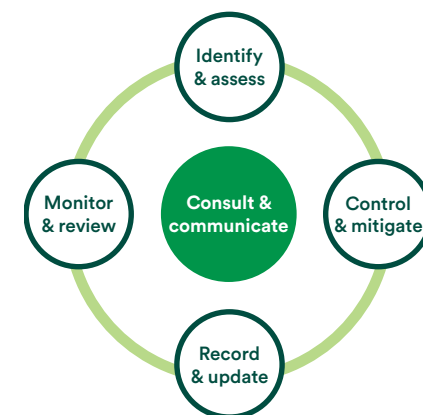
Following evaluation of the risk context, the process then quantifies the risk for likelihood and impact by considering the components

of risk using a risk bow tie as illustrated in the diagram below. The likelihood of the event occurring is based on the causal factors with the financial and non-financial impacts reflecting the consequences of the event should it occur. Financial impact includes loss of revenue, additional costs, fines, regulatory penalties and compensation. Non-financial impacts align to the six capitals (see pages 16 to 17) to ensure a holistic consideration of where value can be gained, lost or preserved across the wider environment and society, and represents the impact on trust (reputation) of a wide range of stakeholders. The full range of financial and non-financial impact is considered from a minimum (best case) to a maximum (worst case) scenario. Out of this range, the most likely impact scenario is assessed.

Comparing the current risk position against the desired target state, in combination with the strengths, weaknesses and gaps of the control environment, supports the decisions for further mitigation. Further mitigating action will target either the likelihood of occurrence, the impact, or a combination of both, through new or improved preventative or responsive controls. Each further mitigating action has a defined owner, specified 'resolve by' dates and progress status indicators to support monitoring.

#### Identifying opportunities

Factors from both the internal and external business environment may give rise to opportunities that will positively affect our performance and future prospects. The identification, analysis and management of upside as well as downside risk will further support the achievement of the strategic priorities.





Our approach to risk management

Our risk profile

A key feature of the business risk profile is inherent risk areas. These are categories of risk that are based on the value chain of the company, reflecting the interrelationship of the primary (water service and wastewater service including bioresources), and supportive activities or areas of responsibility (such as finance,

supply chain, environment, and health and safety), where value can be gained, preserved, or lost. As a result, the inherent risk areas support the identification and/or gap analysis of all types of risks, facilitate analysis of correlation and interdependency, and provide the platform for determining risk appetite and tolerance, which, in turn, helps us to articulate our direction and priorities to support decision-making around risk and

resilience. Underpinning the inherent risk areas are, approximately, 100 event-based risks, which are inherent to the company's objectives and obligations, and cover core elements of the production lines, systems, networks and activities across the business. Each event-based risk remains dynamic by reflecting new and emerging circumstance relative to the ever-changing external threats and internal vulnerabilities.



Common risk themes

Recognising the value of an integrated approach to risk and resilience management, we consider common themes across the event-based risks.

We have identified a number of common causal and consequence themes that relate to multiple risks. This allows us to understand correlating risk enabling us to take a holistic view of the strengths, weaknesses and gaps in our controls, and to consider the short-, medium- and long-term implications of risks materialising. Categorisation indicates seven causal themes and six consequence themes as summarised below.

Common causal themes

- **Asset health:** Asset deterioration, technological obsolescence and operating assets beyond their optimal capacity to cope with increased demand (population growth and/or climate change) affect operational efficiency and resilience.
- **Climate change/extreme weather:** Climate change projections highlight increased temperatures, rainfall, wind and more frequent extreme weather patterns with the potential to affect our service delivery and the environment that we strive to protect and enhance.
- **Culture:** Internal company attitude and behaviour, and external perception and wider society expectations can lead to increased threat and vulnerability as an organisation, relative to service delivery, capital programmes and reputation.
- **Demographic change:** Population growth/shift, evolving age profiles, and industrial developments can impact the capacity and capability of water and wastewater treatment and network assets, can affect demand on water resources, and can increase uncertainty in relation to pension obligations.
- **Economic conditions:** Macroeconomic events can have multiple financial implications, including lower revenue, reduced cash collection, increased operational cost through inflationary pressures and scarcity of supply, and increased cost of borrowing.
- **Legislative and regulatory change:** Changes in, or the interpretation of, legislation and regulation can have implications for our business model, asset base and ways of working.
- **Technology and data:** Ageing technology assets, and poor-quality data can threaten efficiency and security. In addition, the pace of technological change (including artificial intelligence), and seeking opportunities through increased automation and system integration, can provide challenges in the adaptability of the workforce and increase security threats.

Common consequence themes

- **Environmental impact:** The potential impact to air, soil, water and biodiversity in the short and long term, based on our assets, activities, carbon emissions and waste.
- **Investors:** The financial, ethical and environmental performance of our activity has implications for the value of investments and the market perception of the company.
- **Non-compliance:** The potential inadvertent breach in legislation or regulation when undertaking our activities.
- **People:** The diversity, skill set, engagement and wellbeing of our colleagues, and the health and safety of our people and the public relative to both our culture and activities.
- **Service delivery:** The quality of our service delivery, capital programmes and communication, and the effect on customer experience and trust with the wider community.
- **Suppliers:** The sustainability and resilience of suppliers can be affected by our culture and activities.

Our principal risks

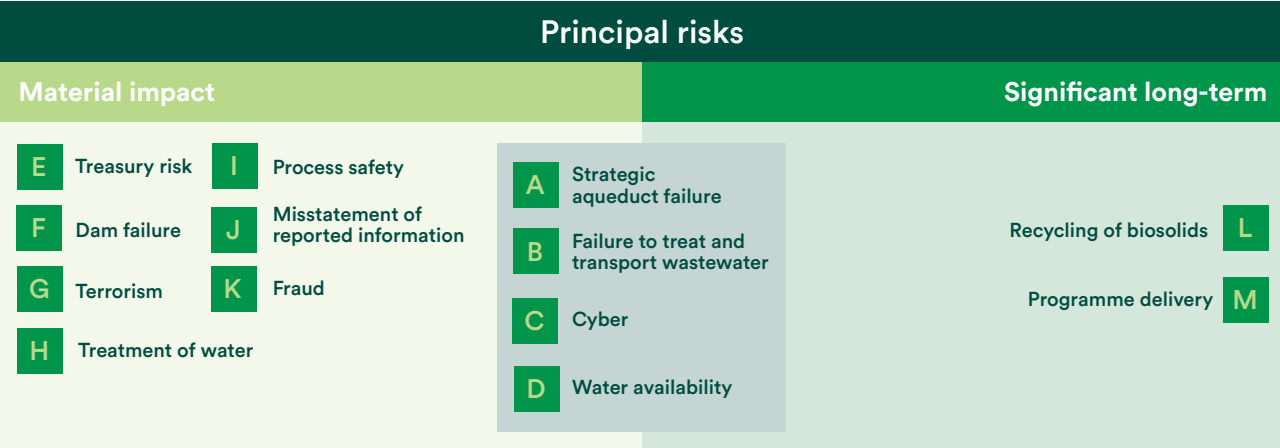
In January 2024, the FRC published a revised UK Corporate Governance Code (the code), with the most significant change being in respect of Provision 29, which relates to the board monitoring the risk management and internal control framework. In accordance with the revised code, the board will make a declaration of the effectiveness of material controls from financial year 2026/27, which will supplement the existing annual assessment of risk management and internal control systems (see pages 124 to 125 in our integrated annual report). As we take steps in preparation for the material controls declaration, we have renewed our definition of which event-based risks, individually or collectively, are to be considered as a principal risk:

- **Material impact risks** – risks, which in the maximum worst case, have severe one-off financial and non-financial impacts; and/or
- **Significant long-term risks** – risks with significant exposure (likelihood of occurrence of the event multiplied by the most likely financial impact over the long term after consideration of the current control environment).

Our principal risks, therefore, represent those risks, which, in a remote but plausible scenario, could initiate corporate failure (material impact risks) and those risks that are likely to have a significant long-term impact on company value if they were to crystallise. As our definition of material impact risks highlights those risks that have the most significant impact (if they crystallise in the worst case), it naturally identifies risks

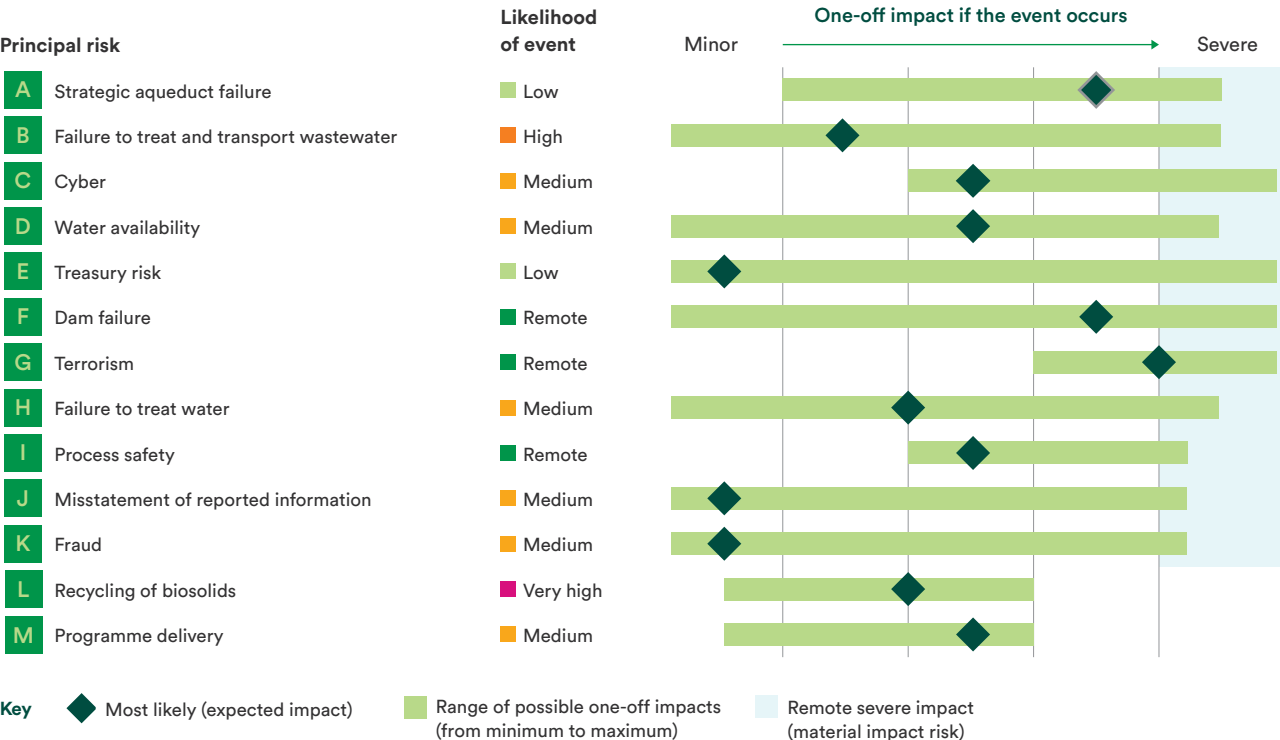
which place significant reliance on mitigating controls. Therefore, our future material controls declaration will be in respect of the key controls which mitigate our material impact risks.

The overlap between the material impact and significant long-term risks is represented in the diagram below. A summary of the principal risks and associated mitigation/control is provided on pages 58 to 59.



Principal risk exposure

The bar chart below illustrates the likelihood of each event-based risk occurring (relative to its causal factors) and the indicative full range of potential one-off financial impacts (from minimum to maximum) should the risk materialise. Each of the multiple impacts in the range is subject to an individual post event probability, the most likely of which is illustrated by the diamond. Where the remote maximum impact is both financially and non-financially severe (as highlighted by the blue box), it is regarded as being material, constituting a material impact risk.





Our principal risks

Principal risk	Risk exposure	Control/mitigation	Governance and assurance
<div><div>A↔</div><div>Strategic aqueduct failure</div><div><div>MATERIAL IMPACT</div><div>LONG TERM</div></div></div>	We own and operate nine aqueducts, which transfer water from major treatment works and large service reservoirs to the wider network. Asset deterioration and damage (caused by third party or natural event) are key risk factors to water supply and/or quality relative to large proportions of our customer base. The Haweswater Aqueduct is the most significant asset of this type and currently has the lowest level of resilience.	We are committed to delivering a resilient supply of water. Material controls are: <ul style="list-style-type: none"><li>• <b>Rehabilitation/restoration:</b> Current initiatives include the Haweswater Aqueduct Resilience Programme and Vyrnwy Aqueduct Modernisation Programme.</li><li>• <b>Contingency plans:</b> Plans to minimise environmental damage and deploy alternative supply options.</li></ul> Other controls include protective easements, inspections, and monitoring of flow, pressure and turbidity via sensors and alarms.	<b>Governance</b> <ul style="list-style-type: none"><li>• Water quality first board<sup>M</sup></li><li>• Water price control<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Engineering team technical reviews<sup>2</sup></li><li>• Assurance team reviews<sup>2</sup></li><li>• Cyclical internal audits<sup>3</sup></li></ul>
<div><div>B↑</div><div>Treatment and transportation of wastewater</div><div><div>MATERIAL IMPACT</div><div>LONG TERM</div><div>TCFD</div></div></div>	We own and operate network and treatment assets to collect and treat wastewater before it is safely returned to the environment. Risk factors to the hydraulic and operational capacity include: population growth; extreme weather (amplified by climate change); increased surface runoff due to residential and commercial developments; improper or harmful use of the sewer systems; and inherent asset health issues. Consequential failure, now subject to tightening legislation, can result in unpermitted storm or emergency overflow activations, sewer flooding and environmental damage.	We focus on providing reliable and resilient wastewater services. Material controls are: <ul style="list-style-type: none"><li>• <b>Serviceability:</b> Desilting, cleaning and maintenance of sewers and wet wells.</li><li>• <b>Maintenance:</b> Inspection, servicing, repair and replacement of assets due to proactive and reactive activity.</li><li>• <b>Dynamic Network Management:</b> Proactive decision-making and action driven by machine learning system monitoring of strategically placed sensors.</li><li>• <b>Licence to operate:</b> Training and competence.</li></ul> Other controls include customer awareness, trade effluent management and emergency response. In addition, our Better Rivers programme focuses on improving river water quality and reducing spills from storm and emergency overflow operation.	<b>Governance</b> <ul style="list-style-type: none"><li>• Wastewater Price control<sup>M</sup></li><li>• Flood committee<sup>M</sup></li><li>• Pollution committee<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Assurance team reviews<sup>2</sup></li><li>• Cyclical internal audits<sup>3</sup></li></ul>
<div><div>C↔</div><div>Cyber</div><div><div>MATERIAL IMPACT</div><div>LONG TERM</div></div></div>	As we continue to develop our digital capability, we become more reliant on connected technology, not only in the way we operate, but also the way in which we communicate with our customers and the wider community. Cyber incidents continue to grow in all industries with a constantly changing threat landscape. The potential for data and technology assets to be compromised is a key risk to business processes and operations.	We employ a multi-layered control environment. Material controls are: <ul style="list-style-type: none"><li>• <b>Infrastructure access controls:</b> Perimeter and internal firewalls, and intrusion detection systems.</li><li>• <b>System access controls:</b> Restrictions to systems, data and internet usage.</li><li>• <b>Point protection:</b> Anti-malware suite and mail gateway service, which includes malware detection, transmission protocols, and endpoint actions.</li><li>• <b>Monitoring and response:</b> Capability to identify and respond to threats via our Security Operation Centre.</li></ul> Other controls include awareness training, and business continuity plans.	<b>Governance</b> <ul style="list-style-type: none"><li>• Security steering group<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Security team reviews<sup>2</sup></li><li>• Annual internal audit<sup>3</sup></li><li>• External reviews<sup>3</sup></li></ul>
<div><div>D↔</div><div>Water availability</div><div><div>MATERIAL IMPACT</div><div>LONG TERM</div><div>TCFD</div></div></div>	Water availability is a long-term risk for the UK relative to climate change and increased demand from population growth and increasing industrial usage. It is one of the most sensitive risks to climate change with lower-than-average rainfall and changing seasons affecting water resources, while extended periods of hot weather increases evaporation and demand. Both the environment and the capacity to supply water can be affected with the potential for water use restrictions to be implemented. Changing environmental legislation on abstraction and compensation is also a factor.	We are committed to the sustainability and resilience of water resources. Material controls are: <ul style="list-style-type: none"><li>• <b>Strategy:</b> Our Water Resources Management Plan (WRMP) takes account of climate and demographic change over short-, medium- and long-term horizons.</li><li>• <b>Production planning:</b> Proactive activity to balance water availability and production capacity against forecast demand.</li><li>• <b>Contingency plan:</b> The Drought Plan sets out the actions we will take in a drought situation.</li></ul> Other controls include abstraction and leakage management, and water efficiency programmes.	<b>Governance</b> <ul style="list-style-type: none"><li>• Water quality first board<sup>M</sup></li><li>• Water price control<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Assurance team reviews<sup>2</sup></li><li>• Internal audits<sup>3</sup></li></ul>
<div><div>E↑</div><div>Treasury risk</div><div><div>MATERIAL IMPACT</div></div></div>	We are inherently exposed to liquidity, market, credit and capital risk due to our debt financing, cash and derivative holdings, defined benefit pension scheme and a significant annual commodity spend, notably energy. Risk factors include market fluctuations, cost or revenue shocks, process or system errors or failures (internal or counterparty), and company or sector poor performance. Impacts can be conflated and range significantly relating to: wholesale revenue; the cost of goods and services; the cost of debt; the group's Regulatory Capital Value; defaults and breach of covenants; inability to access debt or cash deposits; and ultimately insolvency.	We have a robust and prudent approach to financial risk management. Material controls are: <ul style="list-style-type: none"><li>• <b>Approved limits:</b> Interest, inflation, commodity exposure limits, and credit rating and financial ratio tolerance levels.</li><li>• <b>Control of work:</b> A management system that includes authorisation, transaction parameters, segregation of duties and supervision.</li><li>• <b>Licence to operate:</b> Training and competence.</li></ul> Other controls include company business planning and monitoring of both internal and counterparty performance. The banking resolution regime also provides protection in the event of bank failures.	<b>Governance</b> <ul style="list-style-type: none"><li>• Operational Compliance review<sup>M</sup></li><li>• Executive performance meeting<sup>M</sup></li><li>• Treasury committee<sup>B</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Cyclical internal audit<sup>3</sup></li></ul>
<div><div>F↔</div><div>Dam failure</div><div><div>MATERIAL IMPACT</div></div></div>	We own and operate a fleet of over 100 dams and service reservoirs, many of which fall under statutory regulations due to their significant capacity. The integrity of all dams is fundamental to water availability, and the safety of society and property downstream. Flood damage, overtopping, earthquake or erosion could, in remote circumstances, result in an uncontrolled release of a significant volume of water with catastrophic implications.	We are focused on maintaining extremely low probabilities of individual dam failure. Material controls are: <ul style="list-style-type: none"><li>• <b>Portfolio Risk Assessment (PRA):</b> Assessment of individual dams in the context of societal risk.</li><li>• <b>Inspections:</b> Regular monitoring by catchment teams and Supervising Engineers.</li><li>• <b>Remedial work:</b> Fixes based on PRA or statutory requirements “in the interest of safety” (ITIOS).</li></ul> Other controls include ground maintenance to manage vegetation and erosion, and contingency plans.	<b>Governance</b> <ul style="list-style-type: none"><li>• Dam safety group<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Assurance team reviews<sup>2</sup></li><li>• Cyclical internal audits<sup>3</sup></li><li>• Panel engineer inspections<sup>3</sup></li></ul>
<div><div>G↔</div><div>Terrorism</div><div><div>MATERIAL IMPACT</div></div></div>	The water industry is classed as one of 13 ‘Critical National Infrastructure’ (CNI) sectors, which are defined as facilities, systems, sites, information, people, networks and processes, necessary for a country to function and upon which daily life depends. Within this definition, a number of specific UU assets are assigned a CNI or ‘National Infrastructure’ (NI) designation, which, although deemed as remote, could if compromised, lead to severe economic and social consequences.	We employ a multi-layered approach in accordance with the Security and Emergency Measures Direction (SEMD) of the Water Industry Act. Material controls are: <ul style="list-style-type: none"><li>• <b>Physical access controls:</b> These include gates, fences, security guards, CCTV and access control systems.</li><li>• <b>Monitoring and response:</b> Security alarm management via our Integrated Control Centre.</li></ul> Other controls include the physical hardening of assets based on priority and operational site inspections.	<b>Governance</b> <ul style="list-style-type: none"><li>• Security steering group<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Security team reviews<sup>2</sup></li><li>• Assurance team reviews<sup>2</sup></li><li>• Cyclical internal audits<sup>3</sup></li><li>• External reviews<sup>3</sup></li></ul>

Principal risk	Risk exposure	Control/mitigation	Governance and assurance
<div><div>H↔</div><div>Treatment of water</div><div><div>MATERIAL IMPACT</div><div>TCFD</div></div></div>	Threats to water treatment include asset health, process failure and the contamination (natural, chemical or biological) of raw water. Climate change is a key factor of raw water contamination due to intensifying catchment erosion and runoff, more frequent wildfires and increasing algal bloom, which can produce taste and odour problems. Failure to treat water can lead to non-compliance with regulatory standards, rejection of water by consumers for aesthetics or, in extreme cases, public health issues.	We are committed to providing wholesome drinking water. Material controls are: <ul style="list-style-type: none"><li>• <b>Sampling and testing:</b> Occurs across the entire system to ensure water is safe and compliant.</li><li>• <b>Sensors and alarms:</b> Monitors deviations from acceptable levels with alarm triggered response.</li><li>• <b>Maintenance:</b> Inspection, servicing, repair and replacement of assets due to proactive and reactive activity.</li><li>• <b>Licence to operate:</b> Training and competence.</li></ul> Other controls include an end-to-end risk assessment process, contingency plans, and the monitoring of the regulatory position on emerging contaminants.	<b>Governance</b> <ul style="list-style-type: none"><li>• Water quality first board<sup>M</sup></li><li>• Water price control<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Scientific service team reviews<sup>2</sup></li><li>• Assurance team reviews<sup>2</sup></li><li>• Cyclical internal audits<sup>3</sup></li></ul>
<div><div>I↔</div><div>Process safety</div><div><div>MATERIAL IMPACT</div></div></div>	Our activities include chemical, biological and physical processes that are inherently hazardous, with the storage of toxic and explosive gases across multiple sites (two of which fall under the Control of Major Accident Hazard (COMAH) regulations). An unintentional release of chemicals, energy, or other potentially dangerous materials (including steam) during these day-to-day activities could, in the worst case, have a serious effect on people, plant/equipment, and the environment.	We are committed to improving health and safety performance, with process safety being a primary area of focus. Material controls are: <ul style="list-style-type: none"><li>• <b>Control of work:</b> A management system that includes authorisation, isolation and permit to work.</li><li>• <b>Management of change:</b> Risk assessment and safe, effective implementation of changes.</li><li>• <b>Maintenance:</b> Inspection, servicing, repair and replacement of assets due to proactive and reactive activity.</li><li>• <b>Licence to operate:</b> Training and competence.</li></ul> Other controls include monitoring through sensors and alarms and emergency/contingency plans.	<b>Governance</b> <ul style="list-style-type: none"><li>• Process safety group<sup>M</sup></li><li>• Health &amp; safety board<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• H&amp;S team reviews<sup>2</sup></li><li>• Assurance team reviews<sup>2</sup></li><li>• Cyclical internal audit<sup>3</sup></li></ul>
<div><div>J↔</div><div>Misstatement of reported information</div><div><div>MATERIAL IMPACT</div></div></div>	We are bound by legislation and regulation to provide statutory financial accounts and regulatory reports to demonstrate financial health, performance, compliance with legal and regulatory requirements, and provide information to stakeholders for their ongoing interest and/or investment in the company. Failure to provide accurate and/or complete information is reputationally damaging and, depending on the nature of any misstatement or misreport, could accrue significant penalties and additional scrutiny.	We are committed to reporting in an open, compliant and transparent way. Material controls are: <ul style="list-style-type: none"><li>• <b>Financial controls:</b> A management system including journal procedures, analytical reviews, and control accounts.</li><li>• <b>Regulatory reporting framework:</b> A set of principles relating to reporting criteria, accountabilities, data capture, governance and assurance.</li><li>• <b>Validation:</b> The identification of potential errors and reconciliation of financial parameters.</li></ul> Other controls include accounting policies, schedules, risk assessment and management of queries.	<b>Governance</b> <ul style="list-style-type: none"><li>• Executive performance meetings<sup>M</sup></li><li>• Audit committee<sup>B</sup></li><li>• Compliance committee<sup>B</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Financial control team review<sup>2</sup></li><li>• Regulation and compliance team review<sup>2</sup></li><li>• Internal audits<sup>3</sup></li><li>• External audit<sup>3</sup></li></ul>
<div><div>K↔</div><div>Fraud</div><div><div>MATERIAL IMPACT</div></div></div>	The scale of UU's operations presents multiple opportunities for fraud to be perpetrated from inside and outside of the company, potentially impacting us, our stakeholders and third parties. Fraud can be committed by individuals or groups with examples including false representation, unauthorised disclosure of personal information, the supply of inferior products / false invoices, and misuse or theft of company property. The Economic Crime and Corporate Transparency Act 2023 introduced a new corporate offence for failure to prevent fraud, which can carry an unlimited fine.	We are committed to preventing fraud. Material controls are: <ul style="list-style-type: none"><li>• <b>Control of work:</b> A management system that includes authorisation, delegated authority, segregation of duties, supervision and data protection procedures.</li><li>• <b>System access controls:</b> Restrictions to systems, data and internet usage.</li><li>• <b>Procurement &amp; purchasing standards:</b> Strict procedures to procure services and purchase goods.</li><li>• <b>Verification:</b> Checks on invoices, bills and refunds.</li></ul> Other controls include awareness training, confidential reporting and a fraud risk assessment.	<b>Governance</b> <ul style="list-style-type: none"><li>• Security steering group<sup>M</sup></li><li>• Whistleblowing committee<sup>M</sup></li><li>• Audit committee<sup>B</sup></li><li>• Group board<sup>B</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Departmental review<sup>2</sup></li><li>• Cyclical internal audit<sup>3</sup></li><li>• External review<sup>3</sup></li></ul>
<div><div>L↑</div><div>Recycling of biosolids</div><div><div>LONG TERM</div><div>TCFD</div></div></div>	Wastewater treatment generates significant quantities of sludge, which is subsequently treated to produce biosolids, the majority of which are recycled to agriculture as the most practical environmental option. A reduction in the landbank could have significant implications to strategy and operations with a total loss being the worst-case scenario. Threats include: the quality of biosolids; changes in public or political perception; changes in regulations associated with emerging contaminants and climate change; and/or the willingness of farmers or landowners to receive biosolids.	Treatment, sampling and testing ensures that quality standards are met, and we work closely with farmers, landowners and contractors to ensure compliance with regulations (notably the Biosolids Assurance Scheme). We are also investing in our sludge treatment assets to ensure capacity, reliability and environmental compliance is upheld. In addition, we continue to work closely with regulators to influence policy. We are also developing contingency plans should regulation change in the near term, with a notified item included in the final determination enabling an interim determination (IDOK) if significant investment is required to develop alternative disposal outlets before 2030.	<b>Governance</b> <ul style="list-style-type: none"><li>• Bioresource team review of BAS compliance<sup>M</sup></li><li>• Executive performance meetings<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Assurance team reviews<sup>2</sup></li><li>• Cyclical internal audit<sup>3</sup></li><li>• External BAS audits<sup>3</sup></li></ul>
<div><div>M↑</div><div>Programme delivery</div><div><div>LONG TERM</div></div></div>	The capital programme involves significant investment in the development and improvement of point and linear assets through a series of projects to improve water supply and wastewater services. Delivery to time, cost and quality is under constant challenge due to ongoing exposure to natural hazards and the capacity and capability of third parties, partners and internal resource. This risk is amplified by the significant scale of the capital programme across this and future asset management periods (AMPs) coupled with challenging cost allowances and performance commitments.	Our capital programme operating model involves multiple construction and design partners, and a large supplier base, providing both efficiency and resilience. With strong emphasis placed on safety and the environment, we adopt a supplier relationship management framework to manage contracts and performance, a runway approach for project allocation, and category management for the supply of products and materials. Performance is measured through our capital programme delivery incentive and monitoring performance commitment deliverables. For operations, a transformation programme is in development with five clear areas of focus within an agreed prioritisation framework.	<b>Governance</b> <ul style="list-style-type: none"><li>• Project management office<sup>M</sup></li><li>• Capital investment committee<sup>M</sup></li><li>• Executive performance meetings<sup>M</sup></li></ul> <b>Assurance</b> <ul style="list-style-type: none"><li>• Assurance team reviews<sup>2</sup></li><li>• Cyclical internal audit<sup>3</sup></li></ul>
Key	<b>Risk Categorisation</b> <div><div>MATERIAL IMPACT</div>Material impact<div>LONG TERM</div>Significant long-term exposure</div> <b>Change in risk exposure over the year</b> (see page 60 for explanation) <div>↔ Stable ↑ Increased</div>	<b>Governance</b> <div>M Management committee B Board committee</div>	<b>Assurance</b> (refer to pages 139 to 141 in our integrated annual report) <div>2 Second line assurance activity 3 Third line assurance</div>

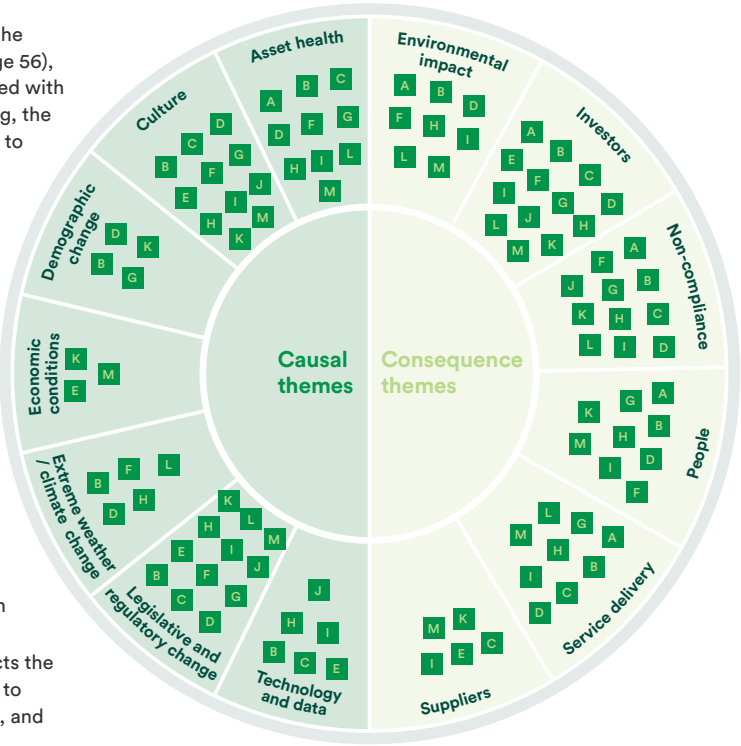


## Our principal risks

The wheel diagram illustrates how the principal risks relate to the common causal and consequence themes (as described on page 56), demonstrating how new and emerging circumstances associated with the themes can influence the likelihood of a risk event occurring, the impact should the event occur, and the capacity and capability to respond through control/mitigation.

Nine of the thirteen principal risks have remained relatively stable in the last year with the following four risks demonstrating an increase in exposure:

- **Failure to treat and transport wastewater:** Despite improvement programmes, the increase in risk exposure reflects tightening interpretation of legislation and regulation, climate change, and population and industrial growth relative to the time required to deliver capital schemes.
- **Treasury risk:** The increase in risk reflects the need to raise larger volumes of debt in more diverse markets to fund the growth in capital investment, along with the instability of the water sector.
- **Recycling of biosolids:** The increased uncertainty regarding the continued availability and size of the landbank coupled with increasing volumes of biosolids.
- **Capital delivery programme:** The increased exposure reflects the scale of the current and future capital programmes required to enhance our water, wastewater and bioresource capabilities, and the associated inherent delivery risk.



Key		E	Treasury risk	J	Misstatement of reported information
A	Strategic aqueduct failure	F	Dam failure	K	Fraud
B	Failure to treat and transport wastewater	G	Terrorism	L	Recycling of biosolids
C	Cyber	H	Failure to treat water	M	Programme delivery
D	Water availability	I	Process safety		

## New and emerging risks and opportunities

Recent assessments of new and emerging risks and opportunities can be categorised into four areas: regulatory change, emerging contaminants, technological innovation, and geopolitical issues.

We define new and emerging risks and opportunities as those that have not previously been apparent or those existing risks and opportunities that are undergoing unprecedented growth/development or prominence, with long-term implications for the group and/or sector.

Horizon scanning activity is a key feature of the risk and resilience framework. It is undertaken routinely as part of external research and benchmarking, the assessment of event-based risks, and through dedicated forums such as the new and emerging risk forum and the compliance working group.

Where there is more understanding, assumptions can be allocated to inform the development of strategies and applied to the assessment of existing, or the new development of, risk and opportunities.

### Regulatory change

While our high-quality and ambitious business plan is positive mitigation, overall sector performance and risk of contagion continues to emerge, which is currently manifesting in regulatory change.

In February 2025, the Water (Special Measures) Act was enacted, providing new risk and uncertainty in terms of the interpretation and enforcement of key provisions which include: automatic and severe penalties for wrongdoing; bringing criminal charges against persistent law breakers; monitoring of all sewage outlets; and potential implications for executive pay and reward.

In addition, an emerging risk and potential opportunity relates to the Cunliffe Review, which was initiated in October 2024 with the aim of overhauling the water sector by addressing inefficiencies and environmental issues with a focus on sector regulation and improving the health of water bodies.

We are keeping a watching brief over both areas of regulatory change, and as mitigation we continue to focus on delivering service improvements and meeting required targets.

### Emerging contaminants

Emerging contaminants are chemicals or materials that are present in the water cycle and threaten the environment and/or human health. The majority are man-made (e.g. poly or perfluoroalkyl substances (PFAS), plastics, pesticides, pharmaceuticals and personal care products); however, climatic changes may also facilitate increased production of natural contaminants in previously non-impacted catchments.

There continues to be focus on understanding the sources of emerging contaminants, their pathways and potential impacts, along with developing effective detection, remediation, and prevention strategies.

Read more about emerging contaminants and PFAS at [unitedutilities.com/pfas](https://unitedutilities.com/pfas)

Uncertainty relates to the timescale and extent of any corresponding changes to specific water and wastewater regulations and the associated impact on existing operations, as well as the potential effect on recycling biosolids to land.

We have aligned our operational risk assessments to emerging contaminants and participate in multiple research and industry planning activities. In addition, we have developed biosolids contingency plans and there is a notified item as part of the final determination enabling an interim determination (IDOK) if significant investment is required to develop alternative biosolid disposal outlets this AMP.

### Technological innovation

We recognise technological innovation as an opportunity to improve efficiency, service levels and resilience. Artificial intelligence and machine learning is already central to our Dynamic Network Management approach that we have adopted across our wastewater system, and we continue to evolve our digital services to customers.

Technological development can also result in new and emerging risk, in particular with regards to the security and accuracy of information and the potential implications for our operations and service. In addition, our ongoing digital expansion could increase the exposure to cyber attacks. Hydrogen generation and the data centre market

(driven by factors such as the expansion of artificial intelligence and cloud computing) are expected to grow substantially, both of which require significant amounts of water –putting further unprecedented demand on water resources.

### Geopolitical issues

Geopolitical issues continue to emerge with recent developments in tariffs compounding the existing geopolitical tensions and supply chain complexities associated with conflicts in Ukraine and the Middle East. Emerging risks relate to potential further changes in global trade policies which may impact economic stability and inflation (which affects costs in the short term but presents a financial opportunity in the long term due to the regulatory mechanism).

We already have multiple suppliers, category management, and framework agreements in place, which provide protection for inherent volatility in the supply chain; however, we will continue to monitor the situation and work with our partners and supplies to ensure we continue to efficiently source key goods and materials.



### Material litigation

The group robustly defends litigation where appropriate and seeks to minimise its exposure by establishing provisions and seeking recovery wherever possible. Litigation of a material nature is regularly reported to the group board. While our directors remain of the opinion that the likelihood of a material adverse impact on the group's financial position is remote, based on the facts currently known to us and the provisions in our financial statements, the following three cases are worthy of note:

- In relation to the Manchester Ship Canal Company matter reported in previous years, the Supreme Court issued a ruling in July 2024 that overturned a number of rulings in lower courts that had previously gone in UUW's favour. This latest Supreme Court ruling provided clarity in relation to the rights and remedies afforded to the parties and others in relation to discharges by water companies into the canal and other watercourses, and brought the long-running litigation to a close. Specifically, the ruling clarified that common law claims in nuisance/trespass may be brought by MSCC (and those with proprietary rights in watercourses/water bodies) against water and wastewater companies where the relevant legal thresholds for bringing a claim have been met. No such common law nuisance/

trespass claims have been received by UUW to date from either MSCC or any third party, with the likely receipt of any such claims, and their potential success and any financial implications, being unclear at the reporting date.

- As reported in previous years, in February 2009, United Utilities International Limited (UUIL) was served with notice of a multi-party 'class action' in Argentina related to the issuance and payment default of a US\$230 million bond by Inversora Eléctrica de Buenos Aires S.A. (IEBA), an Argentine project company set up to purchase one of the Argentine electricity distribution networks that was privatised in 1997. UUIL had a 45 per cent shareholding in IEBA, which it sold in 2005. The claim is for a non-quantified amount of unspecified damages and purports to be pursued on behalf of unidentified consumer bondholders in IEBA. The Argentine Court has scheduled various hearings to receive the testimony of fact witnesses and experts (starting in May 2023 and ongoing). UUIL will vigorously resist the proceedings given the robust defences that UUIL has been advised that it has on procedural and substantive grounds.
- As disclosed in the group's annual report for the year ended 31 March 2024, collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against United Utilities

Water Limited ('UUW') and United Utilities Group PLC on behalf of, approximately, 5.6 million domestic customers following an application by the Proposed Class Representative ('PCR'), Professor Carolyn Roberts. The PCR alleges that customers have collectively paid an overcharge for sewerage services during the claim period as a result of UUW allegedly abusing a dominant position by providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against UUW (including interest) for household customers is at least £141 million. On 7 March 2025, the CAT unanimously concluded that claims could not proceed on the basis that the claims brought forward are excluded by section 18(8) of the Water Industry Act 1991. Subsequently, the PCR has applied to the CAT for permission to appeal the decision at the Court of Appeal. If permission is granted, this could result in an appeal towards the end of 2025 or in 2026. UUW believes the claim is without merit and will robustly defend it, should the certification decision be overturned on appeal. Separate letters before action were issued on 20 December 2024 in relation to similar claims in respect of non-household customers; however, it is not clear how these will proceed following the CAT's decision not to certify the claims brought in respect of domestic customers.



How we report our performance

Operational performance

In order to assess our operational performance, we look at a variety of metrics to measure how effectively we are delivering against our purpose and strategic priorities. Operational performance in this integrated report is structured according to the key elements of our purpose – greener, healthier and stronger. This also provides alignment with environmental, social and governance (ESG) matters.

For each of these elements, we have selected three key performance indicators (KPIs) and also report on a comprehensive table of other metrics that are of material interest to our stakeholders. In selecting these, we give consideration to what stakeholders tell us matters most, as well as our contribution to wider value and global goals such as the UN SDGs and climate change mitigation goals. We also disclose the key stakeholder for each metric.

We provide performance data for the last three years to enable movements and trends to be observed, and we rank performance against our targets using a traffic light system – either green, amber or red.

As this is the integrated annual report and financial statements for United Utilities Group PLC, the metrics we report relate to all activities undertaken by the group unless stated otherwise in the performance tables. Those that are not group metrics relate solely to the water and wastewater activities of our regulated entity, United Utilities Water Limited (UUW). In particular, we report against a number of regulatory performance measures, and these relate only to UUW as the regulated entity. UUW performance is, in most instances, the same as group performance for these metrics, as UUW makes up the vast majority of group activities, with only a small amount of non-regulated activity undertaken outside of UUW.

For each section – greener, healthier and stronger – we also provide a case study to help bring to life the value we are creating. This year, we have focused on areas that will be of particular importance going forward, to provide some insight into areas where we expect to particularly improve performance.

**Greener** – we bring to life some of the important improvements we are making around Windermere, both through our investment plans and through our work with partners and third parties around the lake.

**Healthier** – we demonstrate how we are building on our already industry-leading affordability support to help even more customers across the North West.

**Stronger** – we describe the ways we are adapting our supply chain approach to help deliver our significant capital programme, and how we have started work to ensure supply chain readiness.

Operational KPIs

Operational KPIs can be found on pages 66, 76 and 82.

As this was the final year of the 2020–25 regulatory period, AMP7, our operational KPIs remain unchanged. Next year, with the start of the new 2025–30 regulatory period, AMP8, we expect to refresh the list of KPIs and associated targets, many of which will align with regulatory targets set out in our AMP8 final determination.

Other operational metrics

Other material metrics can be found on pages 70, 80 and 86 and a selection of ESG metrics can also be found on our corporate website:

Read more at [unitedutilities.com/corporate/responsibility/our-approach](https://unitedutilities.com/corporate/responsibility/our-approach)

TCFD and TNFD

Performance against our climate and nature targets, together with our environmental KPIs, can be found within the Greener section of operational performance. These include our greenhouse gas emissions inventory and relevant local level metrics recommended by the Task Force on Nature-related Financial Disclosures (TNFD) to enable comparison.

Regulatory performance metrics

With the regulated entity UUW making up the majority of group activities, many of the metrics that are material to our stakeholders are regulatory performance metrics and, therefore, we disclose several of these in this report.

Performance against our regulatory contract is monitored and assessed each year, and more detailed information and narrative is reported within our separate annual performance report (APR), which is published in July of each year. The APR includes performance for the current year and cumulative performance across the AMP.

This was the last year of AMP7; therefore, next year's APR will be reset to align with the performance commitments set out in the final determination we received for AMP8.

Our previous year APRs are available on our website, and the APR for 2024/25 will be published in July 2025.



Our annual performance report will be available from 15 July at [unitedutilities.com/corporate/about-us/performance/annual-performance-report](https://unitedutilities.com/corporate/about-us/performance/annual-performance-report)

Financial performance

We look at a variety of measures across income statement, balance sheet, cash flow, regulatory, and other financial metrics.

We provide some underlying metrics that give a more representative view of our true business performance. More information on these alternative performance measures (APMs), and a reconciliation showing the adjustments to their IFRS equivalents, can be found on pages 98 to 99 in our integrated annual report.

As with operational metrics, we rank financial performance against our targets using a traffic light system – either green, amber or red. For financial metrics, some targets are not externally disclosed due to commercial sensitivity. In these instances, the ranking is against our internal one-year business plan targets.

Financial KPIs

Financial KPIs can be found on page 92 in our integrated annual report. These assess both profitability and financial resilience, including income statement, balance sheet and shareholder performance metrics, and are unchanged from last year.

Financial framework and guidance

Upon acceptance of the final determination, the board sets our financial framework with performance targets or forecasts against certain key financial measures. This includes our target gearing range, dividend policy, and estimated asset growth based on the regulatory total expenditure allowance.

We also provide one-year forward guidance on key financials including income statement measures, outcome delivery incentives (ODIs), and capital expenditure.

These can be found on page 93 in our integrated annual report, which includes performance against the AMP7 financial framework as well as the framework elements that have been disclosed for AMP8. All forward-looking information should be viewed in accordance with the cautionary statement on the inside back cover of this report.

Financial information contained in the APR

It is worth noting that there is financial information contained within the APR, which relates only to the regulated company, UUW, and its appointed activities, and is calculated in accordance with the regulatory accounting framework. This differs from IFRS reporting, and a reconciliation to IFRS reporting is provided in the APR.

For the avoidance of doubt, the financial metrics in this report relate to performance at the group level, and are calculated within the definitions given herein.

Return on regulated equity (RoRE)

RoRE is a key measure relating to the regulated activities of UUW. It measures the regulatory returns (after tax and interest) that companies have earned by reference to the notional regulated equity (calculated as 40 per cent of the regulatory capital value (RCV) in AMP7, 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/minus any outperformance or underperformance. It is reported on an annual and cumulative basis throughout each five-year asset management plan (AMP) period.

The base return is set as part of the final determination for each AMP. For AMP7, this was 3.97 per cent (real) on average, including an uplift for being a fast-track company. For AMP8 it will be around 5.15 per cent (real) on average, including an uplift for our quality and ambition assessment.

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 (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 (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, which has been updated this year to reflect the recalculated tax allowances published by Ofwat in March 2025.

We have a history of outperformance, having delivered 1.4 per cent above the base return in AMP6 and 2.1 per cent above the base return in AMP7 (both on a real basis).

RoRE is both a regulatory and financial performance measure, and one of our financial KPIs, but there are operational performance components that feed into it, particularly through ODI rewards/penalties.

Executive remuneration is linked to our RoRE performance through its inclusion in the Long Term Plan (LTP). Elements that contribute to RoRE performance (ODIs and C-MeX) are also part of the annual bonus for all employees.

Remuneration linked to sustainability performance

Part of being a responsible business and delivering our purpose involves making sure that remuneration for our executive, and for all colleagues, is based on sustainability-related metrics as well as financial performance, reflecting our performance for a variety of stakeholders.

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

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

Many of the remuneration metrics are closely aligned to our operational and financial KPIs and other operational metrics, and we report alongside our metrics whether they are linked, either directly or indirectly, to remuneration through the bonus and/or LTP.

Read more about our **bonus and LTP in the remuneration report** on pages 146 to 172 in our integrated annual report

Assurance of performance metrics

All of the performance metrics disclosed have received an appropriate level of assurance, such as independent third-party verification, regulatory reporting assurance processes, or through our own internal audit team. The performance tables on pages 66 to 86 state the form of any assurance has been obtained for each metric.

The sections of this report that have received external limited assurance are marked as such on the relevant pages, including the figures in our energy and carbon report and our remuneration report.

The relevant audit opinions can be found on our website at [unitedutilities.com/corporate/responsibility/our-approach/esg-performance](https://unitedutilities.com/corporate/responsibility/our-approach/esg-performance)

Benchmarking our ESG performance

We measure ourselves against national and international benchmarks of responsible business practice, and align ourselves to recognised management standards and accreditations to give confidence in the way we are operating. We actively participate in a range of global ESG ratings, indices and frameworks to benchmark our approach against best practice and emerging sustainability challenges. Our performance across a range of trusted indices is one of our operational KPIs. Our strong consistent performance against these external benchmarks demonstrates our commitment to operating in a responsible manner.

Many of the ESG indices draw their data from this report. We collate, monitor and report publicly on a wide range of performance measures across ESG categories. In addition to the wealth of disclosures and performance data throughout this report, further information on certain frameworks can be found on our website as follows:

World Economic Forum (WEF) International Business Council (IBC)

The WEF IBC has proposed a set of common metrics for the consistent reporting of sustainable value creation in mainstream annual reports. We already integrate many of these metrics in our integrated annual report and to make this easier for those searching for the information we have collated them into one place on our website.

Read more at [unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/wef](https://unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/wef)

Sustainability Accounting Standards Board (SASB)

SASB standards aim to standardise disclosure of material sustainability information mainly for companies based in the United States. As many of our shareholders are located in North America we publish comparable SASB data on our corporate website. This covers the main SASB data points for the water utilities industry, of which we are a part.

Read more at [unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/sasb](https://unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/sasb)



# Our performance against environmental, social and governance measures

Our continued strong performance is helping to protect and enhance the natural environment and support society across the North West, and we maintain a responsible approach to business and financing.

We monitor our performance against the core pillars of our purpose – **greener**, **healthier** and **stronger** – which closely align to ESG.

We also report our first voluntary assessment against EU Taxonomy this year, the results of which further demonstrate the strong alignment of our activities with broader sustainability goals.

## Our performance in 2024/25

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How we’re delivering our purpose: greener

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 70.

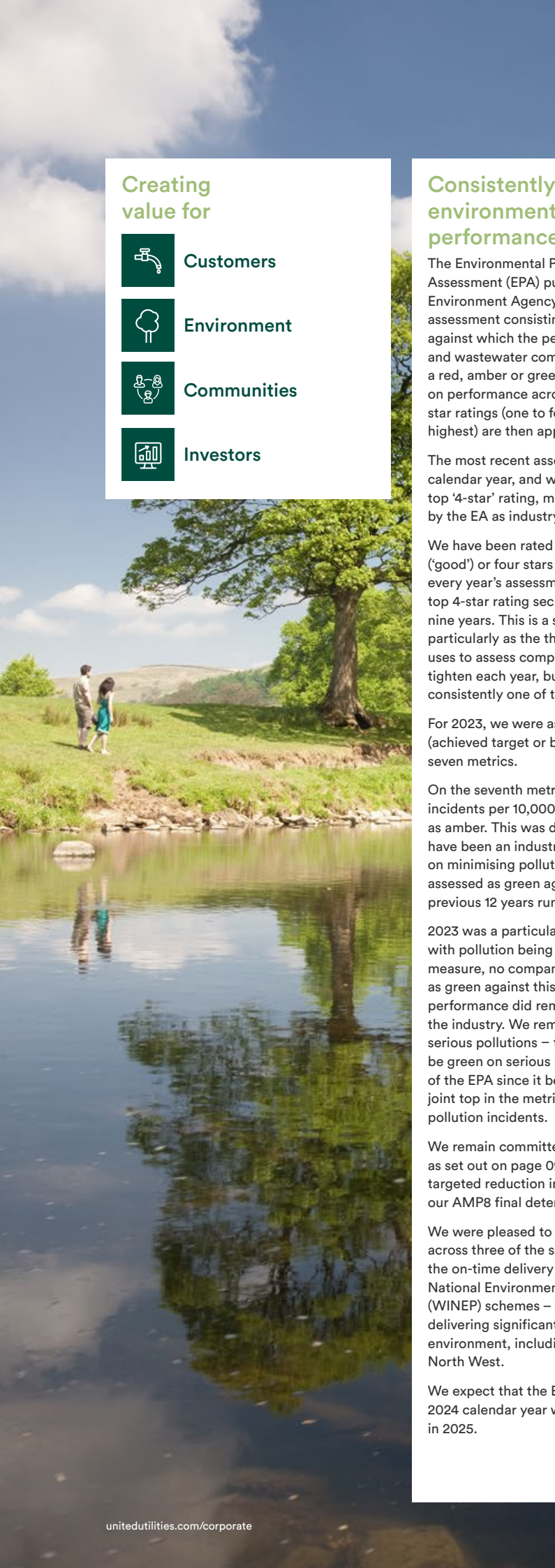
<p><b>Better Rivers: Better North West commitments</b></p> <p>The percentage of in-year milestones delivered as part of our Better Rivers programme.</p>	<p><b>Carbon pledges</b></p> <p>Six pledges to reduce our carbon footprint. Activities include peatland restoration, woodland creation and reducing the reliance of fossil fuels of our fleet.</p>	<p><b>EA’s Environmental Performance Assessment (EPA) rating<sup>(1)</sup></b></p> <p>The Environment Agency’s annual assessment across six, key sector, environmental performance measures.</p>
<p><b>Target</b></p> <p>At least 95% of programme milestones delivered by 2025</p>	<p><b>Target</b></p> <p>Individual targets for each of the six carbon pledges, as set out on page 72</p>	<p><b>Target</b></p> <p>Upper quartile performance within the water industry each year</p>
<p><b>Annual performance</b></p> <p><b>100%</b></p> <p>All of this year’s Better Rivers programme milestones have been delivered.</p> <p>2023/24: 100 per cent of milestones for the year</p> <p>2022/23: 100 per cent of milestones for the year</p>	<p><b>Annual performance</b></p> <p><b>Good progress</b></p> <p>We have met three of the six pledges, and continue to make progress with the remainder. We have over 200 battery electric vehicles on the road and a further 200 ordered, 83 hectares of woodland will have been created by the end of the 2025 planting season, and we have reduced our scope 1 and 2 emissions by 10.5 per cent since 2020.</p> <p>More information can be found on page 72</p> <p>2023/24: Pledges 2, 4 and 6 met</p> <p>2022/23: Pledges 2 and 6 met</p>	<p><b>Annual performance</b></p> <p><b>4-star ‘industry-leading’ rating</b></p> <p>The most recent assessment is for 2023, when we were one of only three companies awarded the top 4-star rating, meaning we were classed by the Environment Agency (EA) as an industry-leading company.</p> <p>The EA will publish its annual assessment for 2024 later in 2025.</p> <p>2022: Joint second (3-star)</p> <p>2021: Joint first (4-star)</p>
<p><b>Status</b></p> <p>Met expectation/target</p>	<p><b>Status</b></p> <p>Met expectation/target</p>	<p><b>Status</b></p> <p>Met expectation/target</p>
<p><b>Key stakeholder</b></p> <p>Environment</p>	<p><b>Key stakeholder</b></p> <p>Environment</p>	<p><b>Key stakeholder</b></p> <p>Environment</p>
<p><b>Relevant material themes<sup>(2)</sup></b></p> <p>Environmental river water quality and storm overflows</p> <p>Political and regulatory environment</p> <p>Trust, transparency and legitimacy</p>	<p><b>Relevant material themes<sup>(2)</sup></b></p> <p>Climate change mitigation</p> <p>Energy management</p> <p>Trust, transparency and legitimacy</p>	<p><b>Relevant material issues<sup>(2)</sup></b></p> <p>Customer service and operational performance</p> <p>Trust, transparency and legitimacy</p> <p>Political and regulatory environment</p>
<p><b>Link to remuneration<sup>(3)</sup></b></p> <p>Bonus</p>	<p><b>Link to remuneration<sup>(3)</sup></b></p> <p>LTP</p>	<p><b>Link to remuneration<sup>(3)</sup></b></p> <p>LTP</p>
<p><b>Assurance<sup>(4)</sup></b></p> <p>Internal audit team</p>	<p><b>Assurance<sup>(4)</sup></b></p> <p>Independent third-party verification</p>	<p><b>Assurance<sup>(4)</sup></b></p> <p>Independent third-party verification</p>

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

<sup>(2)</sup> Read more about our materiality assessment on pages 25 to 26.

<sup>(3)</sup> Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172 in our integrated annual report.

<sup>(4)</sup> Read more about the assurance over our performance metrics on page 63.



Creating value for

- Customers
- Environment
- Communities
- Investors

Consistently strong environmental performance

The Environmental Performance Assessment (EPA) published by the Environment Agency (EA) is an annual assessment consisting of seven metrics against which the performance of water and wastewater companies is assessed on a red, amber or green (RAG) basis. Based on performance across all of the metrics, star ratings (one to four, with four being the highest) are then applied to each company.

The most recent assessment is for the 2023 calendar year, and we were awarded the top ‘4-star’ rating, meaning we were classed by the EA as industry leading.

We have been rated either three stars (‘good’) or four stars (‘industry-leading’) in every year’s assessment so far, with the top 4-star rating secured in six of the last nine years. This is a strong achievement, particularly as the thresholds that the EA uses to assess companies’ performance tighten each year, but we have remained consistently one of the best in the industry.

For 2023, we were assessed as green (achieved target or better) on six of the seven metrics.

On the seventh metric, total pollution incidents per 10,000km<sup>2</sup>, we were assessed as amber. This was disappointing, as we have been an industry-leading performer on minimising pollution, and had been assessed as green against this metric for the previous 12 years running.

2023 was a particularly wet year and, with pollution being a weather-responsive measure, no company was assessed as green against this metric, but our performance did remain one of the best in the industry. We remained green against serious pollutions – the only company to be green on serious pollutions in every year of the EPA since it began – and we were joint top in the metric for self-reporting of pollution incidents.

We remain committed to improving further, as set out on page 09, with a 30 per cent targeted reduction in pollution incidents in our AMP8 final determination.

We were pleased to achieve 100 per cent across three of the seven metrics, including the on-time delivery of our Water Industry National Environment Programme (WINEP) schemes – a programme that is delivering significant improvements for the environment, including rivers, across the North West.

We expect that the EA’s assessment for the 2024 calendar year will be published later in 2025.

Improving environmental water quality and reducing spills from overflows

We are dedicated to improving rivers, bathing waters, and other water bodies across the North West, and this is reflected in our strategic priorities and the commitments we have made as part of our Better Rivers programme, with four pledges supported by around 30 commitments to kick-start a river revival in the region.

Spills from storm overflows are an area of particular concern for many stakeholders across the UK, and we are committed to changing this century-old feature of wastewater networks. This is a significant change to the way these networks have operated for the last 150 years, not just in the UK but across the world, and it will not happen overnight.

In the North West, with more rainfall and more combined sewers (receiving rainwater in the same pipe as sewage) than average in the country, delivering the significant reduction in spills from storm overflows required by the Environment Act 2021 will be more challenging in the North West than in other areas. This is why we have an industry-leading spill reduction programme for AMP8, and have been accelerating work at high-spilling sites to deliver meaningful improvements as quickly as possible.

2024 was the first year with full monitoring across the entire period, as we completed fitting monitors to all of our storm overflows by December 2023. To improve transparency, we also published a map that shows the location and operational status of each overflow in near-real time.

View our map of overflows across the North West at [unitedutilities.com/better-rivers/storm-overflow-map](https://unitedutilities.com/better-rivers/storm-overflow-map)

The investment and dedication we have put into spill reduction is delivering significant improvements. In 2024, we had almost 20,000 fewer spills than in 2023, amounting to more than 205,000 fewer hours, which is a 31 per cent reduction in the duration of those spills.

Despite experiencing periods of particularly intense rainfall and four named storms in the last three months of the year, spills per overflow were down 39 per cent compared with the 2020 baseline. This surpasses our AMP7 target of a one-third reduction by 2025, and demonstrates the great progress we are making.

However, there is still a long way to go. Our AMP8 plans include the UK’s biggest storm overflow spill reduction target, to deliver a reduction of more than 60 per cent in the decade to 2030, with an industry-leading £2.4 billion of investment dedicated to this in our final determination for the next five years.



# How we’re delivering our purpose: greener

Another area that is particularly high on stakeholders’ priorities for environmental water quality improvement is reducing phosphorus levels. Phosphorus can enter bodies of water from a number of sources, including agricultural runoff, industrial discharges, and wastewater. It can cause problems, particularly in static bodies of water such as lakes, where it stimulates the growth of algae. This is worsened by warmer weather, which also encourages algal bloom, so climate change will continue to increase this issue.

We have already delivered significant reductions in phosphorus levels from treated wastewater through our WINEP delivery, and our AMP8 plans include upgrading 80 wastewater treatment works to remove phosphorus at the highest technically achievable limit, and a further 28 per cent targeted reduction in phosphorus by 2030.

We have been innovating with more sustainable ways to remove phosphorus, including natural plant-based coagulants to replace some of the chemicals that are traditionally used, and FujiClean – an innovative version of a septic tank, which provides a full wastewater treatment system in a box, removing phosphorus without the use of chemicals. More on FujiClean can be found on page 71. We are also working with partners and third parties to help reduce phosphorus from other sources.

**Focus on Windermere**  
Windermere is an iconic lake at the heart of the Lake District National Park and a popular tourist attraction, and its water quality has attracted a great deal of interest. We have been working to protect and improve Windermere’s water quality for many years, taking responsibility for everything within our control and supporting others to help safeguard the lake for generations to come.

In 2024, despite rainfall in Cumbria being heavier than it was in 2023, we reduced both the number and the duration of spills around Windermere, and our AMP8 plans will see significant further improvements.

We are investing £200 million to improve water quality in the Windermere catchment – tackling phosphorus and other nutrients as well as reducing spills from storm overflows. Our investment will bring every wastewater treatment works in the catchment up to the highest possible standard there is, using new innovative technologies, and increase storage capacity at each of our storm overflows to achieve the long-term target of ten spills or less per year.

In addition to this investment to tackle our impact, we are also working in partnership with Love Windermere to help address other sources of pollution into the lake from private households and commercial sites.

More information on the innovative technologies we are using around Windermere can be found on page 71.

**Innovative interventions to reduce pollution**  
We are increasingly making use of innovative technology and techniques, including artificial intelligence (AI) and machine-learning, to help us predict and resolve issues across our wastewater network before they lead to sewer flooding or pollution incidents.

Our investment in Dynamic Network Management (DNM) has helped us to clear record numbers of predictive and proactive blockages, leading to a significant reduction in reactive blockages, particularly in the last three years. We are now deploying the same DNM logic, tools, and systems to predictively and proactively detect and resolve pollutions, and we are already seeing positive results from this.

We have also now mobilised our Drone Squad to help detect pollution incidents and their sources, whether these be from United Utilities-owned assets or from external third-party sources. Our seven drones have varying capabilities, including infra-red, internal pipe inspections, and LIDAR surveillance.

Around a third of our pollution incidents are caused by power outages, and part of our AMP8 investment programme involves deploying back-up generators and large-scale batteries to ensure that key sites and assets can continue operating when there are outages on the grid, helping us to minimise pollution incidents. This is in addition to further potential benefits of this increasing power resilience, including tariff management opportunities.

**Conserving water**  
We are at our lowest levels of leakage across the North West, and in the last year we have increased our find and fix rates by 70 per cent, fixing more leaks than ever before.

We are using a number of innovations including satellite imagery, artificial intelligence, and a new ‘no dig’ repair capability. This has shown extremely strong results in trials over the last six months with a 92 per cent success rate, helping us to reduce both the time taken to fix leaks and halving the operational costs of repair. Both of these are key areas of focus as we drive further improvements against our stretching AMP8 targets.

We have also been working with customers to better understand their usage, helping them to lower their consumption and their bills. This includes targeted communications to high water users and water efficiency home audits. This work has helped us to identify areas of high usage and internal leaks and, once fixed, these have helped drive reductions in per capita consumption, where we are an upper quartile performer.

**Net zero target and environmental pledges**  
Our net zero transition plan, set out on pages 30 to 32, is ambitious and adaptive, and aims to achieve net zero (as defined by the SBTi Net-Zero Standard) across all three emissions scopes by 2050.

In 2020, we made six carbon pledges, and have already achieved three of these, as initial priorities to reduce our carbon footprint. Our activities include switching to low-carbon electricity, changing our fleet to green vehicles, restoring peatland, and creating woodland.

Our peatland restoration and woodland creation 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.

This year, the Science Based Targets initiative (SBTi) validated that our science-based greenhouse gas emissions reduction targets conform with the SBTi Corporate Net Zero Standard, meaning we are the first (and only) UK water company to have approved science-based targets for the near term, long term and net zero.

Our net zero ambitions will be supported by £55 million of net zero enhancement funding approved in the AMP8 final determination to support the delivery of a net zero catchment strategy for St Cuthbert’s Garden Village, explore technologies to monitor nitrous oxide release from wastewater processing, and restore a further 1,500 hectares of peatland.

Building on our carbon and Better Rivers pledges, later this year we will finalise a set of nature pledges to make clear our continued action to restore, enhance and connect habitats across the North West. As set out on page 72, these nature pledges will include activities that support the Government’s commitment to the global ‘30 by 30’ target – protecting 30 per cent of land and ocean by 2030.

**Working with our supply chain to reduce scope 3 emissions**  
Building close relationships with our supply chain is helping to drive innovation, deliver value for our customers, and take steps to decarbonise the work that we do.

One example of this collaboration has taken place on our Vyrnwy Aqueduct Modernisation Programme sites, where our supplier Avoxe has been trialling hydrotreated vegetable oil (HVO) as an alternative fuel source for their equipment. This has given great insights on the potential of using HVO as a reliable fuel source, as well as reducing carbon emissions.

Another supplier, Costain, has been using low-carbon solutions on our sites during the construction phase. This has included the use of hybrid generators and low-carbon materials, which have helped reduce carbon emissions and improve our understanding of what innovative technology and practices can be adopted for future use.

In early 2025, we sent out our first carbon questionnaire to a select number of suppliers to understand their maturity, journey so far, and decarbonisation plans. This has provided insight into our suppliers’ decarbonisation strategies, allowed us to understand more granular data in relation to supplier emissions, and identified potential opportunities for collaboration.

**Climate resilience**  
We are proud to be contributing to the UK’s efforts to mitigate climate change, but we remain conscious that adapting to more extreme and variable weather is a significant challenge. We are already seeing the effects of climate change on the region’s weather, with increasing summer temperatures, wetter winters, and more extreme rainfall events. It is, therefore, important that we also continue to adapt and enhance the resilience of our assets, processes and customer services to its effects.

The risks of climate change are examined in our adaptation reports. We published our fourth adaptation report in 2024, setting out our approach to assessing the likely future impacts of climate change and the steps we are taking now, and expect to take in the future, to adapt to the challenges.

In our latest report, we have further developed our understanding of climate risk by incorporating the latest climate science into our risk assessment processes. Taking a regional approach to assessing the effects of climate change has enabled us to complete a more robust risk assessment that is context specific to the five diverse counties that make up the region we operate in.

We have also integrated our improved understanding of the impacts of climate change into our other long-term plans. Our investment plans for AMP8 will help us to significantly improve climate resilience as well as environmental performance. We account for climate change impacts on our water supply and demand balance in our Water Resources Management Plan (WRMP), and apply the same approach in our Drainage and Wastewater Management Plan (DWMP), with our plans to intercept rainwater, increase storm tank capacity, and upgrade treatment works. In our long-term delivery strategy, within our PR24 business plan, we have used an adaptive planning approach to demonstrate how our services might be resilient to a range of plausible climate change scenarios.

We also hosted the inaugural Resilience Community of Practice to help raise awareness for the need to adapt to climate change. The event brought together industry leaders, experts, and passionate individuals focused on building resilience across various sectors. We built a collective view on progress to date in climate change adaptation, and explored our ambitious plans to build a more climate-resilient region.

**Rainwater management**  
With more urban rainfall, increasing challenges from climate change, and an ever-growing population, we need to find new ways to manage rainwater. We were really pleased to have investment of more than £250 million approved in our final determination for rainwater management and climate resilience.

Part of our rainwater management strategy is to develop initiatives that capture, remove and slow rainwater to impact the rate at which it enters our sewers, helping to relieve the pressure placed on the system and alleviate flood risk. This also helps to improve biodiversity, provides green spaces for human mental and physical health benefits, and makes communities more resilient in the face of climate change impacts.

As part of our Green Recovery programme, we have delivered sustainable drainage (SuDS) schemes in partnership with local authorities. For example:

- Raingardens and permeable surfaces to manage rainwater in Oldham, also providing public realm improvements with a new park area, disability ramp, seating and a cycling route with cycle racks.
- 242 SuDS-enabled tree pits across Blackpool town centre to re-direct surface water runoff from the highway gullies into street trees on the associated pavements, and achieve health, wellbeing and natural capital benefits for the local area.
- Raingardens, permeable surfaces, recreation seating, cycleway and SuDS-enabled trees in the centre of Altrincham.

We are working in partnerships with combined authorities in Greater Manchester and Merseyside to improve rainwater management in these urban areas, as mentioned on page 84.

Property level interventions can also make a difference in some areas. We are carrying out our biggest property level supply-and-install trial in Hale, part of Cheshire, where we are installing rainwater planters at customer properties to build household resilience against high rainfall events by providing rainwater retention capabilities.

**39%**  
reduction in spills per monitored storm overflow compared with 2020 baseline

**4-star industry leading**  
in the EA’s annual assessments for 2023

**Strong progress**  
against carbon and river pledges, and in the process of finalising a set of new nature pledges



How we’re delivering our purpose: greener

Status key

Performance against target Met expectation/target Close to meeting expectation/target Behind expectation/target

Stakeholder key

Customers Environment Communities Colleagues Suppliers Investors

Measure	2025 target	Performance				Assurance <sup>(6)</sup>	Link to remuneration <sup>(2)</sup>	Key stakeholder	Status
		2024/25	2023/24	2022/23					
Pollution incidents per 10,000km sewer network <sup>(1)</sup>	19.5	36.2	27.93	16.29		RRA	LTP		
Reduction in spills per storm overflow monitored	33% sustainable reduction <sup>(4)</sup>	39%	24%	41%		IAT	Bonus		
Treatment works compliance <sup>(1)</sup>	99%	98.46%	99.0%	98.5%		RRA	LTP		
Leakage reduction <sup>(1)</sup>	15% <sup>(3)</sup>	9%	9%	6%		RRA	LTP		
Reduction in per capita consumption <sup>(1)</sup>	6.3% <sup>(4)</sup>	3.5% decrease	2.5% decrease	0.5% increase		RRA	PC		
Internal flooding incidents per 10,000 sewer connections <sup>(1)</sup>	1.34	3.52	4.35	2.32		RRA	PC		
External flooding incidents <sup>(1)</sup>	5,859	7,315	7,063	5,916		RRA	PC		
Waste to beneficial use	98%	98.3%	98.3%	98.3%		IAT	n/a		
Enhancing natural capital for customers <sup>(1)</sup>	£4 million	£5.386 million	£15.777 million	£0		RRA	PC		
Number of trees planted	500,000	640,252	600,466	565,733		IAT	n/a		
Carbon pledge 1: reduction of scope 1 and 2 GHG emissions	14% reduction <sup>(5)</sup> (42% by 2030)	10.5% reduction	3.4% reduction	3.7% reduction		ITV	n/a		
Carbon pledge 2: renewable electricity purchased	100% by 2023	100%	100%	100%		ITV	n/a		
Carbon pledge 3: green fleet	100% by 2028	204 vehicles	91 vehicles	33 vehicles		IAT	LTP		
Carbon pledge 4: peatland restoration	1,000 hectares (ha) by 2030	3,000 ha	1,211 ha	585 ha		ITV	LTP		
Carbon pledge 5: woodland created	550 hectares (ha) by 2030	83 ha	37 ha	37 ha		ITV	LTP		
Construction services suppliers with science-based targets	66%	78%	23%	23%		IAT	LTP		
Better air quality: nitrogen oxides (NOx) emissions per unit of renewable electricity generated <sup>(1)</sup>	1.42	0.87	0.96	1.07		RRA	PC		
Energy generated directly, and with partners, as a percentage of used	25% at 2026	22.5%	22.4%	23.0%		ITV	LTP		

<sup>(1)</sup> Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited. Total uncapped performance delivered.

<sup>(2)</sup> Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172 in our integrated annual report. 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.

<sup>(3)</sup> As measured against a 2017/18 baseline.

<sup>(4)</sup> As measured against a 2019/20 baseline.

<sup>(5)</sup> As measured against science-based target baseline year 2019/20.

<sup>(6)</sup> 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: Innovative wastewater treatment comes to Windermere

We’re delivering the largest ever upgrade to wastewater services in the Windermere catchment – through a £200 million package, which will improve and help protect this iconic lake’s water quality.

As part of this investment, we’re bringing world-leading innovations to Windermere. We’re the first water company in Europe to introduce an innovative low-carbon, chemical-free wastewater treatment process – which is almost like a treatment works in a box – and Near Sawrey will be one of our first sites to have this technology installed.

FujiClean, which was developed in Japan, is a chemical-free phosphorus removal solution, originally developed as an alternative to septic tanks. The technology was discovered by one of our senior engineers at a conference which showcased wastewater innovations from all over the world. He then worked with the founding company to trial the system for United Utilities.

Our wastewater county business leader for Cumbria said: “The system offers a much more enhanced wastewater treatment option that provides phosphorus removal without the use of chemicals. The treated wastewater is much better quality and we can now remove phosphorus in the same system. An added benefit of the design is that it doesn’t need emptying as much. This, combined with not needing chemical deliveries, means fewer vehicle movements to our small sites – a win for the environment and rural communities.”

Our innovation team has already trialed the technology a test site in Cheshire, with promising results. Work will begin to install FujiClean at Near Sawrey later this year.

It’s not just at Near Sawrey that we’re installing innovative techniques to improve river water quality. At Langdale, an innovative biological approach is being introduced that uses renewable plant material to support the growth of the bacteria used to treat wastewater. Mobile Organic Biofilm™ (MOB™) will enhance the treatment processes at Langdale Wastewater Treatment Works, also enhancing Windermere’s water quality. We are already seeing great results in Cheshire where this technology is helping to improve water quality in the River Bollin.

There are ten wastewater treatment works that collect and clean the sewage of homes and businesses around the Windermere catchment. The largest, at Tower Wood, treats the wastewater of around 18,000 properties. It’s already treating the wastewater to the best technically achievable standard there is, and, as part of the £200 million investment, the remaining nine sites will also be upgraded. Many of those are much smaller and some serve populations in the low hundreds or less.

In AMP8 we’ll be tackling the storage capacity at all six of the storm overflows which can operate around Windermere, to reduce spills to less than ten per year, by, or before, our regulatory requirements. Once all six schemes are delivered, this largest-ever upgrade will deliver an 89 per cent reduction in storm overflow spills. It will also mean a significant reduction in nutrients, with more phosphorous removed per year, as the vast majority of the wastewater around Windermere will be treated to even higher standards, using the best global technology.

Alongside these plans, we’re working in partnership with Love Windermere to help address other sources of pollution, with a plan to help others, including private household septic tanks or packaged treatment plants used by larger commercial sites.

Delivering value for

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

Read more about what we’re doing to help improve Windermere water quality on our website at [unitedutilities.com/my-local-area/news-in-your-area/cumbria/windermere/action-windermere](https://unitedutilities.com/my-local-area/news-in-your-area/cumbria/windermere/action-windermere)



How we’re delivering our purpose: greener

Pledges towards a greener North West

Across the five counties, we own over 56,000 hectares of land, which delivers several ecosystem service benefits such as water supply, timber, air quality regulation, and recreation. Demonstrating our commitment to protect and enhance this value, we have made carbon and Better Rivers pledges, and we will finalise new nature pledges later this year.

Carbon

Five years ago, we made six pledges with our initial priorities for our part towards a low-carbon future. We have since set four near-term targets and long-term targets, all of which have been validated by the Science Based Targets initiative (SBTi). We have also incorporated measures into our remuneration via our Long Term Plan.

**Pledge 1: 42 per cent reduction of scope 1 and 2 emissions by 2030** 10.5 per cent reduction since 2020

We have achieved three of our six carbon pledges and are making good progress to deliver the rest.

Creating and maintaining even small pockets of woodland can deliver natural flood management, provide habitats for wildlife and boost biodiversity in addition to climate benefits. Our planting does not prioritise carbon sequestration, as that can promote high-growth monoculture woodland; instead, we value actions that have broader sustainability or conservation merit. We choose appropriate species mixes and planting density, to create the best woodland for our land holding. Our current estimate is that we will have created our pledged 550 hectares of new woodland by the end of the 2030 planting season.

We have met our scope 3 supplier engagement SBT with 78 per cent of category 2 suppliers by emissions having set near-term targets aligned to SBTi criteria.

**Pledge 2: 100 per cent renewable electricity by 2021** Achieved in 2021

All electricity bought through contracts has been renewable since October 2021. Science-based targets covering all scope 3 emissions were approved by the SBTi in 2021 and, so far, we have 3,000 hectares of peatland under restoration meeting this pledge and the associated LTP target.

**Pledge 3: 100 per cent green fleet by 2028** 204 vehicles; 8 per cent of our fleet

**Pledge 4: 1,000 hectares of peatland restoration by 2030** Achieved in 2024

**Pledge 5: Plant one million trees to create 550 hectares of woodland by 2030** 640,252 trees planted and 83 hectares of woodland created since 2020

Advanced telematics mean we now have a better understanding of our transport needs and can optimise the number and types of vehicles while accelerating the decarbonisation of our fleet. Once recent orders are delivered, we will have over 400 all-electric vehicles, including four HGVs, while continuing to trial alternative fuels such as hydrogen and HVO.

**Pledge 6: Set a scope 3 science-based target by 2021** Achieved in 2021

Better Rivers

In 2022, we launched our Better Rivers: Better North West programme and made four pledges, underpinned by around 30 commitments, to improve river water quality, leading to 115 miles of improved waterways.

**Pledge 1: Ensuring our operations progressively reduce impact to river health**

We are continuing to grow our team of River Rangers who proactively patrol North West riverbanks, checking on our assets, taking part in litter picks, building relationships with our partners, engaging with community groups, and taking water samples at a variety of locations.

Woods. We work with groups to improve the environment and river water quality through activities such as Himalayan balsam bashing – pulling up and destroying this invasive non-native species.

**Pledge 2: Being open and transparent about our performance and our plans**

**Pledge 3: Making rivers beautiful and supporting others to improve and care for them**

We also have sensors installed to monitor the operation of every one of our more than 2,250 storm overflows, and the data is published on our interactive, near real-time map.

Our Better Rivers community fund, set up as one of our commitments, supports groups who know and care for waterways. For example, Bollin and Birkin Flyfishers, in Cheshire, successfully applied to the fund for safety equipment, water testing kits, and information boards, to help them act and raise awareness of the need to protect and support better rivers in the area.

**Pledge 4: Creating more opportunities for everyone to enjoy rivers and waterways**

We are forging close links with local communities and organisations, such as Mersey Rivers Trust and Friends of Bluebell

Nature

Later this year, we will finalise several nature pledges to clearly set out our dedication to restore, enhance and connect habitats across the North West.

Our nature pledges will focus on both land with special designations, and habitats that are prominent in our region, and include activities that:

- support the government commitment to the global ‘30 by 30’ target, protecting 30 per cent of land and ocean by 2030;
- enhance biodiversity;

- create and improve the condition of woodland; and
- restore peatland.

Energy and carbon report

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 2024 to 31 March 2025. This includes the subsidiaries listed in section A7 on page 238 in our integrated annual report.

Energy data

	2024/25 GWh	2023/24 GWh	2022/23 GWh	2021/22 GWh
<b>Energy use</b>				
Electricity	822.4	819.6	818.8	803.3
Natural gas	14.2	34.1	33.6	33.8
Biogas in boilers	16.4	n/a	n/a	n/a
Stationary fossil fuels (gas oil, kerosene, diesel)	49.1	51.4	55.8	50.5
Energy for transport (from fuel used or distance travelled)	76.0	75.8	74.8	72.6
Low-carbon alternatives (HVO, LPG, EVs)	0.27	0.25	0.05	0.20
<b>Total energy used<sup>(1)</sup></b>	<b>978.3</b>	<b>981.1</b>	<b>983.0</b>	<b>960.4</b>
<b>Electricity purchased</b>				
Grid renewable <sup>(1)</sup>	680.1	657.6	655.6	611.0
Grid standard tariff <sup>(2)</sup>	0.13	0.09	0.13	22.3
<b>Total purchased</b>	<b>680.2</b>	<b>657.7</b>	<b>655.7</b>	<b>633.3</b>
<b>Renewable energy generated</b>				
CHP	105.2	120.4	123.0	133.8
Biogas in boilers	16.4			
Solar	42.0	47.3	46.4	47.8
Wind	4.7	5.2	5.1	4.8
Hydro	6.3	7.6	6.9	7.2
Biomethane	45.6	40.2	44.7	48.9
<b>Total generated</b>	<b>220.2</b>	<b>220.7</b>	<b>226.1</b>	<b>242.5</b>
<b>Renewable energy exported</b>				
Electricity	16.1	18.6	18.3	23.5
Biomethane	45.6	40.2	44.7	48.9
<b>Total exported</b>	<b>61.7</b>	<b>58.8</b>	<b>63.0</b>	<b>72.4</b>

<sup>(1)</sup> All contractually purchased electricity since October 2021 has been bundled with, or backed by, separately purchased, REGO certificates.

<sup>(2)</sup> Grid standard tariff electricity is the consumption on interim tariffs for newly adopted sites.

<sup>(3)</sup> All energy was consumed in the UK and if calculated from volume or distance used net calorific values.

Energy efficiency actions

We have an integrated approach to energy efficiency across site operations, engineering and energy services to achieve successful outcome through the continuous improvement of:

- people – optimising ways of working;
- systems – improving visibility of use and analysis of data systems; and
- technology – targeted investment to improve efficiency.

Our energy management programme sets a common approach for benchmarking performance and develops action plans to optimise energy use. The programme also includes operational carbon e-learning and a comprehensive energy performance reporting and analysis capability.

A key feature of the programme are local workshops where specialist teams of energy engineers work with operational staff to identify problems and opportunities on their site. The opportunities identified are collated into a company-wide database for assessment and to develop business cases for future projects.

Energy strategy

Our energy management strategy has four objectives:

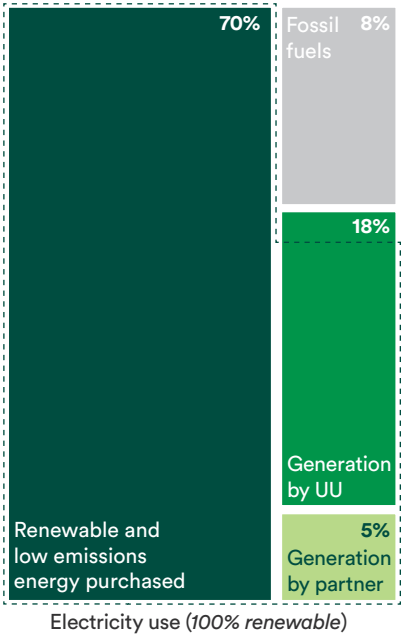
- Efficient use of energy;
- Maximising self-generation and direct supply opportunities;
- Minimising costs; and
- Building supply resilience to ensure we can deliver our services.

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.

To support our aims to switch to clean, green energy, last year, we introduced an energy metric and included it in the 2023 Long Term Plan (LTP) for executive directors. This target incentivises energy efficiency, switching away from fossil fuel, and clean energy generation. For the 2024 LTP, the remuneration committee has approved a direct measure to reduce the fuel-related GHG emissions to further encourage switches to low-emission power sources.

Switch to clean, green energy

As illustrated below, only 8 per cent of our total energy used is from fossil fuels. We aim to reduce this further through our energy management strategy.





How we’re delivering our purpose: greener

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<sub>2</sub>e). Tools and values used in 2025 include UK water industry Carbon Accounting Workbook v19, the 2024 UK Government GHG conversion factors for company reporting, global warming potentials from IPCC 5th Assessment report and Global CEDA (Comprehensive Environmental Data Archive) v7. 100 per cent of our emissions are related to activities and energy consumption in the UK.

Our greenhouse gas inventory, and the underlying energy 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](https://unitedutilities.com/corporate/responsibility/environment/climate-change)

		2024/25	2023/24	2022/23	2021/22	SBT baseline
		tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	2019/20
Scope 1 and 2 greenhouse gas emissions <sup>(4)</sup>						
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		15,922	20,188	21,166	19,207	15,247
Process and fugitive emissions – including refrigerants		90,633	96,173	94,915	96,020	96,186
Transport: Company-owned or leased vehicles		17,785	17,838	17,665	16,507	15,739
Scope 2: Emissions from purchased electricity including for use in vehicles						
Purchased electricity – generation	Market-based <sup>(1)</sup>	47.2 <sup>(5)</sup>	32.9 <sup>(5)</sup>	9.3 <sup>(5)</sup>	4,201	11,789
	Location-based <sup>(2)</sup>	140,847	136,183	126,813	134,492	164,521
Purchased electricity – vehicles	Market-based	31.1	6.8	1.7	<0.1	0
	Location-based	31.1	6.8	1.7	<0.1	0
Gross scope 1 and 2 emissions total						
	Market-based	124,418	134,239	133,757	135,936	138,961
	Location-based	265,218	270,389	260,561	266,226	291,693
Net emissions reductions						
Renewable electricity exported <sup>(3)</sup>		-2,726	-3,101	-2,888	-4,317	-3,979
Biomethane exported	Location-based	-8,479	-8,439	-9,360	-10,283	-9,302
Green tariff electricity purchased <sup>(3)</sup>	Location-based	-132,127	-136,162	-125,746	-133,197	-164,210
Net scope 1 and 2 emissions total						
	Market-based	121,693	131,138	130,869	131,619	134,982
	Location-based	121,887	122,687	122,567	118,429	114,202

<sup>(1)</sup> Market-based figures use emission factors specific to the actual electricity purchased. For electricity supplied on a standard grid tariff, we use CO<sub>2</sub>e per kWh from suppliers’ public fuel mix disclosures.

<sup>(2)</sup> Location-based figures use average UK grid emissions to calculate electricity emissions and are shown in *green italics*.

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

<sup>(4)</sup> From 2023/24 emission factors use IPCC AR5 global warming potentials where CH<sub>4</sub> = 28, N<sub>2</sub>O = 265. Earlier years use AR4 where CH<sub>4</sub> = 25, N<sub>2</sub>O = 298.

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

		2024/25	2023/24	2022/23	2021/22	SBT baseline
		tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	2019/20 tCO <sub>2</sub> e
Scope 3 greenhouse gas emissions						
Category 1: Purchased goods and services <sup>(6)</sup>		239,757	233,480	250,189	292,946	213,442
Category 2: Capital goods <sup>(6)</sup>		106,250	99,962	138,182	112,498	128,286
Category 3: Fuel and energy-related emissions <sup>(7)</sup>						
Purchased electricity – well to tank and transmission and distribution		46,383	46,536	44,704	50,020	38,865
Fuel (excluding electricity) – well to tank		7,820	6,653	8,742	8,928	6,397
Category 4: Upstream T&D – sludge transport <sup>(7)</sup>		8	6	35	103	3,374
Category 5: Waste generated in ops: including sludge disposal <sup>(7)</sup>		28,357	26,135	27,454	25,458	27,936
Category 6: Business travel: public transport, private vehicles and hotel stays <sup>(7)</sup>		1,503	1,464	1,486	1,138	3,508
Category 7: Employee commuting and homeworking <sup>(8)</sup>						
Employee commuting		4,676	4,631	4,974	2,990	2,405
Homeworking		572	505	361	1,076	1,703
Scope 3 total		435,326	419,372	476,128	495,158	426,039
Scope 3 SBT measure (excludes category 2)		329,076	319,410	337,946	382,660	297,753

<sup>(6)</sup> Categories 1 (excluding chemicals) and 2 use the latest Global CEDA (v7 for 2024/25) to estimate emissions based on the amount spent by spend category. CEDA is a multi-region, environmentally extended input-output database, that has global coverage and is a CDP recommended tool.

<sup>(7)</sup> Categories 3, 4, 5 and 6 use activity records and 2023 UK Government GHG conversion factors for company reporting.

<sup>(8)</sup> Category 7 uses EcoAct models to estimate emissions from employee commuting and homeworking based on company FTE figures and home, site, and hybrid working policies.

		2024/25	2023/24	2022/23	2021/22
		tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e
Greenhouse gas emissions intensity					
Gross scope 1 and 2 emissions per £m revenue	Market-based	58.0	68.9	73.3	73.0
Net scope 1 and 2 emissions per £m revenue	Market-based	56.7	67.3	71.7	70.7
Net water operational emissions per megalitre water treated <sup>(9)</sup>	Location-based	172.1	177.6	101.4	106.9
Net wastewater operational emissions per megalitre sewage treated <sup>(9)</sup>	Location-based	198.5	209.0	158.8	144.2

<sup>(9)</sup> UK water industry intensity metrics. The method for calculating these was redefined by Ofwat in 2024. Emission units are kg CO<sub>2</sub>e.

Scope 1 emissions

Wastewater and sludge processes cause over 70 per cent of our scope 1 emissions as the gases released, nitrous oxide (N<sub>2</sub>O) and methane (CH<sub>4</sub>), have much greater global warming potential than carbon dioxide (CO<sub>2</sub>). Our wastewater process emissions are proportional to the population and the sludge produced, therefore emissions rise as population numbers increase. We believe the method all UK water companies use underestimates emissions, however, to address this, we have successfully obtained AMP8 net zero enhancement funding to monitor N<sub>2</sub>O release, identify ways to improve the estimation method, and reduce or capture those emissions for beneficial use.

Scope 2 emissions

As all our contract purchased electricity is currently REGO backed, the only market-based scope 2 emissions are those from interim supply tariffs and from public and home charging of electric vehicles. Note we are currently reviewing our commitment to buying REGO certificates for all our electricity purchase.

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. With the exception of chemicals, we estimate these emissions based on the value of goods and

services bought and their spend category using a multi-region, environmentally-extended input-output database, Global CEDA v7. This provides an estimate that is determined by the scale and timing of our investments rather than our design or supplier choices. We are, however, increasing the use of sustainability as a criteria in both supplier and product selection and in parallel are developing ways to recognise the benefit of such management decisions on our emissions.

The next highest category is the indirect emissions from fuel and energy so switches to more efficient processes and the use of low carbon alternative fuels will reduce both scope 1 and 3 footprints.

**Fuel and energy**  
**15,922 tCO<sub>2</sub>e + 54,203 tCO<sub>2</sub>e**  
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.

910

**Transport 17,785 tCO<sub>2</sub>e**  
We have a growing infrastructure to support our fleet transition to low-carbon fuels. By summer 2025, we will have 400 electric vehicles and are exploring options to fuel HGVs, including hydrogen and HVO.

8

**Sludge and biogas 36,260 tCO<sub>2</sub>e**  
Treatment of sludge produces biomethane. The majority of our facilities use advanced anaerobic digestion which captures more of this biomethane to power and heat our processes or generate electricity. This reduces methane emitted both during treatment and after disposal.

7

**Wastewater processing 54,123 tCO<sub>2</sub>e**  
The biological processes used in wastewater treatment produce N<sub>2</sub>O and CH<sub>4</sub>, both potent GHGs. Emissions are, approximately, proportional to the size of the communities producing the wastewater.

6

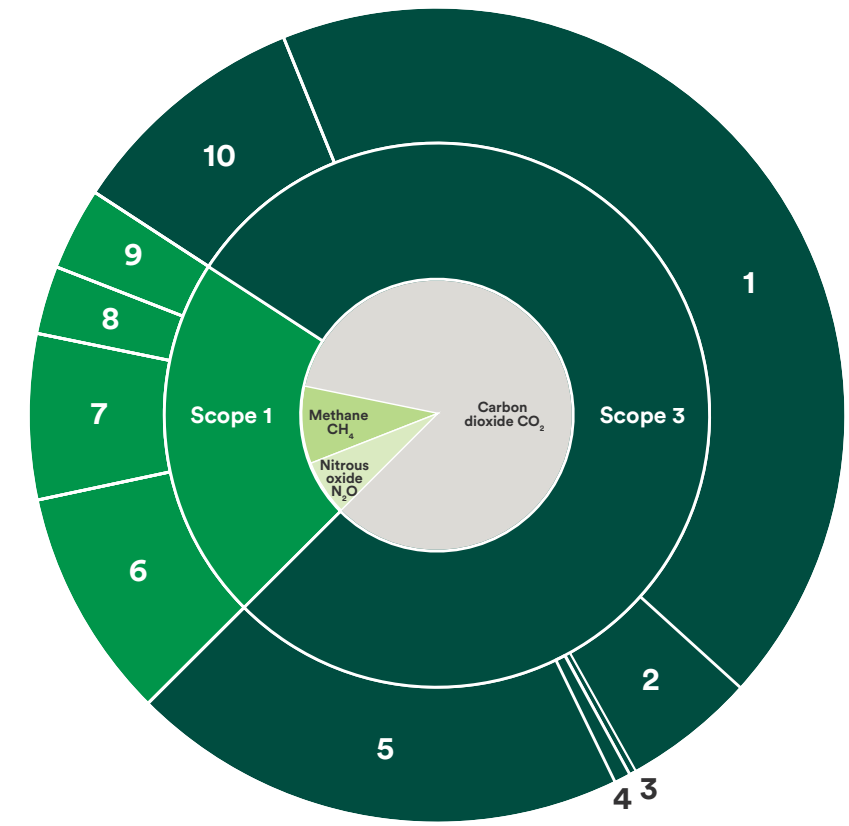
**Gas losses 250 tCO<sub>2</sub>e**  
GHG from refrigerants R410A and HFC134a.

**Capital goods 106,250 tCO<sub>2</sub>e**  
We have a significant capital programme to develop our water and wastewater services infrastructure and this construction will produce substantial emissions.

5

**Purchased goods and services 239,757 tCO<sub>2</sub>e**  
Approximately 40,000 tCO<sub>2</sub>e are from chemicals we use. As we estimate these emissions using the weight purchased and emission factors from published life-cycle carbon assessments we can identify the processes with the highest impact and influence operational decisions and research and development investment accordingly. For the rest of our purchased goods and services we use records of the amount we have spent and the environmentally extended input-output database, Global CEDA v7, to give us a comprehensive but indicative estimate.

1



**Commuting 4,676 tCO<sub>2</sub>e**  
**Homeworking 572 tCO<sub>2</sub>e**  
We use the numbers of colleagues, where they typically work (office, site or home) and the EcoAct’s UK models to estimate emissions.

4

**Business travel 1,503 tCO<sub>2</sub>e**  
Public transport, including air, train, vehicles and hotel stays.

3

**Sludge transport 8 tCO<sub>2</sub>e**  
Contracted sludge transport.

**Operational waste 28,357 tCO<sub>2</sub>e**  
Of these emissions, 97 per cent are from the disposal of sludge biosolids to agricultural land. UKWIR research shows that the industry estimation method is likely to be significantly overestimating these emissions.




2



How we’re delivering our purpose: healthier

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 80.

<b>Colleague engagement</b> Level of colleague engagement as measured by our annual colleague opinion survey.	<b>C-MeX ranking<sup>(1)</sup></b> Ofwat’s customer measure of experience (C-MeX), comprising two surveys – the customer service survey, and the customer experience survey.	<b>Customers lifted out of water poverty<sup>(1)</sup></b> 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.
<b>Target</b> At least as high as the utilities norm benchmark	<b>Target</b> Upper quartile against water and sewerage companies (WaSCs)	<b>Target</b> At least 66,500 customers lifted out of water poverty by 2024/25
<b>Annual performance</b> <b>87%</b> Colleague engagement has increased this year to a very high level, outperforming the utilities norm and seven points higher than the UK high performing norm benchmark.  2023/24: 81 per cent 2022/23: 82 per cent	<b>Annual performance</b> <b>Second quartile</b> We continue to be the highest-performing listed company, ranked sixth out of the WaSCs, and eighth out of all 17 companies.  2023/24: top listed company, fourth WaSC, and sixth overall 2022/23: top listed company, fourth WaSC, and fifth overall	<b>Annual performance</b> <b>96,937</b> We have helped nearly 100,000 customers out of water poverty so far this AMP (including 84,726 against our regulatory target and related ODI, which applies a maximum cap on the number of company-funded customers that can be included).  2023/24: 100,758 customers 2022/23: 106,936 customers
<b>Status</b>  Met target	<b>Status</b>  Close to meeting target	<b>Status</b>  Met target
<b>Key stakeholder</b> Colleagues	<b>Key stakeholder</b> Customers	<b>Key stakeholder</b> Customers
<b>Relevant material themes<sup>(2)</sup></b> <ul style="list-style-type: none"><li>• Colleague engagement</li><li>• Diverse and skilled workforce</li><li>• Health, safety and wellbeing</li></ul>	<b>Relevant material themes<sup>(2)</sup></b> <ul style="list-style-type: none"><li>• Customer service and operational performance</li><li>• Trust, transparency and legitimacy</li><li>• Political and regulatory environment</li></ul>	<b>Relevant material themes<sup>(2)</sup></b> <ul style="list-style-type: none"><li>• Affordability and vulnerability</li><li>• Customer service and operational performance</li><li>• North West regional economy</li></ul>
<b>Link to remuneration<sup>(3)</sup></b> n/a	<b>Link to remuneration<sup>(3)</sup></b> Bonus	<b>Link to remuneration<sup>(3)</sup></b> LTP
<b>Assurance<sup>(4)</sup></b> Independent third-party verification	<b>Assurance<sup>(4)</sup></b> Regulatory reporting assurance	<b>Assurance<sup>(4)</sup></b> Regulatory reporting assurance

<sup>(1)</sup> Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.  
<sup>(2)</sup> Read more about our materiality assessment on pages 25 to 26.  
<sup>(3)</sup> Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172 in our integrated annual report.  
<sup>(4)</sup> Read more about the assurance over our performance metrics on page 63.



Creating value for

-  Customers
-  Communities
-  Colleagues
-  Suppliers
-  Investors

Delivering great service for our customers

We have made a number of improvements to customer service, over the last year and across AMP7.

The performance commitment targets set out in our final determination for AMP7 were increasingly challenging year-on-year, but we have met or beaten around 80 per cent of them across AMP7, and earned a net reward against outcome delivery incentives (ODIs) in every year, with a cumulative net ODI reward of £129 million across AMP7. This has been consistently higher than average, and demonstrates a strong all-round level of service.

Some of the improvements helping us to earn this ODI reward are our strong performance on increasing reservoir resilience, mains repair and reductions in unplanned outages, lead replacement, and reducing the number of customers experiencing low water pressure. However, there are other areas where we fell short of the stretching target and are working to improve further.

We improved water quality further this year, with a 29 per cent reduction in customer contacts achieved over AMP7. Our long-term investment programme to clean and re-line the Vyrnwy Aqueduct, which will continue in AMP8, is driving a big reduction in discolouration, which is one of the main drivers of customer contacts about water quality. This has been supported by our Water Quality First programme, launched in 2021 with the aim of providing customers with industry-leading water quality, which is training and engaging colleagues right across the business and our key supply chain partners on how they can help improve water quality. However, the number of contacts was higher than targeted and there is more to do.

Our AMP8 investment programme will help us to deliver further improvements for customers. Lead pipes will be replaced in 30,000 homes, we are upgrading seven of our water treatment works as well as continuing re-lining the Vyrnwy Aqueduct, we have a major programme to replace 900 kilometres of water mains, and construction work will be starting on replacing key sections of the Haweswater Aqueduct.

We experienced periods of particularly intense rainfall in the winter of 2024, and four named storms in the last three months of the year. This, naturally, impacted our weather-responsive wastewater performance measures, particularly flooding, resulting in a £24 million ODI penalty for combined internal and external incidents. This is a challenging measure for us, but we recognise the huge impact it has on customers and continue to work very hard to improve.

Notwithstanding the penalties incurred, we have delivered around a 19 per cent reduction in internal sewer flooding compared with last year. We earned a net reward on the permanent solutions we have implemented to improve hydraulic flood risk resilience, reducing the risk of flooding due to the overloading of sewers. We have also performed well with rewards for reducing sewer blockages, which are down by around a fifth since 2020, and raising customer awareness to reduce flooding. This has been supported by our investment in Dynamic Network Management (DNM), with sensors across the wastewater network alerting us to issues so that we can proactively intervene and resolve these before customers are impacted.

This will remain an area of particular challenge during AMP8, and we have ambitious multi-faceted plans to tackle the risk of sewer flooding. We have more than £100 million targeted investment for sewer flood resilience, we are expanding the use of DNM with thousands of additional sewer-level sensors, and installing property-level flood alert sensors in every flooded property to reduce the chance of repeat incidents in these higher-risk areas.

We are also investing and working with partners on new and innovative approaches to rainwater management, particularly in heavily built-up urban areas like Greater Manchester and Merseyside where we are partnering with the combined authorities, as set out on page 84, which will help to reduce flood risk as well as contributing to reducing spills from storm overflows.

Our consistently strong all-round performance has helped us to rank highly in Ofwat’s measure of customer satisfaction, C-MeX, earning a reward against this metric in every year and achieving the third highest reward in the industry across AMP7. For this year, we placed eighth highest of all 17 companies, sixth highest water and wastewater company, and we are consistently ranked as the best of the listed companies.

We also perform strongly on developer satisfaction, D-MeX, and business retailer satisfaction, BR-MeX. We expect to finish the year in an upper quartile position for both. These are important measures of our service and, as we enter AMP8, these experience measures will increase in importance.

Underpinning our focus on service excellence for all customers, we are the only UK water and sewerage company to have earned the ServiceMark with Distinction from the Institute of Customer Service, the Chartered Institute of Credit Management excellence in credit management, and the BSI kitemark for inclusive service.



How we’re delivering our purpose: healthier

Supporting customers with affordability and vulnerability

The North West of England contains 47 per cent of the most deprived (top 1 per cent) neighbourhoods, so helping customers that struggle to pay their bills has always been a key focus area for us and we have an industry-leading approach to affordability and vulnerability support.

We have supported 414,000 households in AMP7 through our comprehensive range of affordability schemes, and we continue to lift customers out of water poverty, earning an ODI reward against this performance commitment.

We use a variety of methods to help support customers with management of their bills and highlight 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.

Our use of Open Banking enormously speeds up the time it takes for customers to clear eligibility criteria, making the process much simpler and quicker for us to get customers the right support when they need it.

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. We host annual affordability summits in January of each year, bringing together partner agencies and key stakeholders to highlight the importance of collaborative cross-sector working and discuss ways to be more joined up when it comes to helping people across the region.

With necessary bill increases to support the increased investment needed in AMP8, we proposed our biggest ever support package, doubling the financial support available to £525 million and helping one in six customers during 2025–30. We have also introduced new social tariffs, including an annual discount for low income households. More information can be found on page 81.

We also 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.


It is not just customers experiencing financial hardship that require additional support from us. There are a number of different factors of vulnerability, including medical needs, age, and language barriers. Our Priority Services Register helps to provide additional tailored support for customers experiencing vulnerable circumstances. Since the launch of the register in 2015, we have significantly increased the number of customers receiving support, exceeding

our AMP7 targets. Around 540,000 of our customers are registered for our Priority Services offering, which holds accreditation to the international consumer vulnerability standard, ISO 22458:2022 – one of the first water companies to attain this.

When conducting research for our AMP8 business plan, we included a wide range of vulnerable customers and designed our research to be representative and accessible.

As well as affordability summits we also host annual vulnerability summits, giving us an opportunity to share what we are doing to support vulnerable customers with key stakeholders across the charitable sector, local authorities and vulnerability groups.

At our third customer vulnerability summit, in May 2024, we shared our business plan and our future commitments relating to vulnerable customers with 100 organisations across the region, who provided valuable feedback and creative ideas. In June 2024, we also published a new vulnerability strategy setting out our plans, priorities and targets, as well as progress made to date.

 Read our vulnerability strategy at [unitedutilities.com/globalassets/documents/pdf/10400-priority-services-strategy-document.acc24.pdf](https://unitedutilities.com/globalassets/documents/pdf/10400-priority-services-strategy-document.acc24.pdf)

We will continue to develop our industry-leading support for vulnerable customers in AMP8, improving the quality and level of support we provide, and by 2030 we are targeting 20 per cent of our customers to be accessing Priority Services.

Providing a safe and great place to work

Delivery of our purpose is underpinned by a strong, high-performance culture and the diverse, skilled and engaged colleagues that carry out day-to-day activities.

In our annual colleague engagement survey, our overall engagement score of 87 per cent was an improvement of 6 points on last year, and exceeded all external benchmarks used in the survey (High Performing companies, UK companies, and Utility companies). Our highest performing categories in the survey were Health and Safety (94 per cent), Wellbeing (94 per cent) and Equity, Diversity and Inclusion (90 per cent), reflecting our commitment to prioritising the health, safety and wellbeing of our colleagues and improving equity, diversity and inclusion.

We were particularly pleased that 91 per cent of colleagues said they are proud to be part of United Utilities. In order to deliver the significant improvements we have planned for AMP8, we are going to need a great team of people behind us, so having such a high level of engagement will be really important.

Our ‘Call it Out’ initiative encourages colleagues to raise ideas and opportunities for improving efficiency and performance directly to the CEO, allowing swift action to be taken. We know that we are better

together, and our colleagues bring an unparalleled level of knowledge and experience to help us improve. This also helps to improve engagement, with everyone knowing that they have a voice that is valued – 87 per cent of surveyed colleagues agreed with the statement “my voice is heard”.

Following positive feedback from the all-colleague event we hosted after submission of our business plan, we hosted a follow-up event this year, once again open to everyone across the organisation, to discuss our final determination and plans for AMP8, and give all our colleagues the opportunity to ask any questions they may have had. We have a big programme to deliver, and getting everyone together to talk about how we will accomplish that and what it means for each and every colleague is an important step.

Health, safety and wellbeing continue to be key focus areas. We have engaged with more than 1,100 colleagues in face-to-face ‘standdowns’, and implemented improvements in the way we tackle occupational road risk and process safety management through cross-business ‘task and finish’ teams. We have also refreshed our Home Safe and Well programme this year, with three behaviours supported by 12 lifesaving rules, as set out on page 49.

Through collaborative effort and focus on health and safety, we have increased our health and safety engagement score to 94 per cent this year, and also reduced our colleague one-day lost time injuries frequency rate by just over 30 per cent. Our colleague RIDDOR injury frequency rate for 2024/25 was 0.078 per 100,000 hours worked, a 15 per cent improvement compared with last year, amounting to 11 injuries in the year.

Unfortunately, with the increase in workload as we ramp up to AMP8, we have seen higher incidents of contractor lost-time injuries – 24 in the last 12 months compared with 20 in the prior year. Our contractor RIDDOR injury frequency rate was 0.078 accidents per 100,000 hours worked. We are actively working with our contractor partners to learn from all incidents, and forming a joint safety forum to collaborate and share best practice to simplify and streamline our health and safety processes.

Focusing on equity, diversity and inclusion

Diversity breeds creativity, and we make sure we are reaching and recruiting from every part of our community. In 2024, we were placed fourth on the Inclusive Top 50 UK Employers list, which highlighted our commitment to equity, diversity, and inclusion through our comprehensive strategies and initiatives. We were ranked in the Top 10 of the Corporate Religious Equity, Diversity & Inclusion (REDI) Index, an international benchmarking survey that is used to track progress in embracing religion and belief (including non-theistic beliefs).

We were awarded Diversity Team of the Year at the 2024 Inclusive Awards, reflecting the significant strides we have made in advancing equity, diversity and inclusion across the company, and our focus on fostering a supportive and inclusive workplace whilst increasing diverse recruitment to build a strong diverse culture.

This year our colleague networks represented the company at Pride events within our five counties and introduced a number of new awareness campaigns including Islamophobia Month, South Asian Heritage Month, and hosting our first armed forces remembrance service. We also connected members of our networks with others in similar roles within different organisations and industries across our region, and hosted the first external colleague network session, attended by representatives from over 30 organisations, now regularly sharing many valuable examples of best practice of diversity and inclusion in the workplace.

Our workforce profile remains at 65 per cent male and 35 per cent female. At 44 per cent, we exceeded our 2024 target to have 40 per cent of women on the board, ranking in the top third of 100 FTSE companies in the FTSE Women Leaders index. In the utilities sector, we were ranked sixth in the combined FTSE 350+ Private 50 companies index. We also led the way this year with 24 per cent of engineering roles filled by women – putting us ahead of the national average by 7.5 per cent. As a result of our commitments to gender equality, we were included in the 2024 Women in Work (WiW) Gender Equity Measures Report as being an equal, fair, and supportive workplace for all women.

Our graduates and apprentices also bring a breadth of diversity, with 40 per cent of our overall graduates and 28.5 per cent of our apprentices being female. Our work to attract, support and develop women across all areas of the business will bring long-term improvements in our gender pay gap, building on the positive improvements we’ve seen since we started reporting, with our 2024 mean gender pay gap standing at 4.8 per cent. We were proud to have our first female mechanical field service engineer join our apprenticeship programme, and she was awarded the Derek Jackson Special Achievement Award for her outstanding work in the North Manchester water services team at the Young Engineer Awards.

In our latest survey, 92 per cent of colleagues – across all business areas, job roles, genders and time served within the company – said that United Utilities supports diversity and inclusion in the workplace.

Attracting and developing future talent

We have strong levels of retention, successful graduate and apprentice schemes, and a continued focus on training and development, helping us to ensure we have the right skills and a committed team of people to help us ensure long-term success.

We deliver our own apprenticeship training using the Government’s Apprenticeship Levy, and were Ofsted inspected in 2024 at our Bolton Technical Training Centre. We are very proud to have been rated ‘Good’ in all five areas of our internal apprenticeship provision. The inspection noted that our leaders are ambitious and acutely aware of industry skills shortages and the importance of succession planning, with apprenticeships providing a pipeline of talent and leaders supporting apprentices to successfully achieve their apprenticeship and to secure employment beyond it.

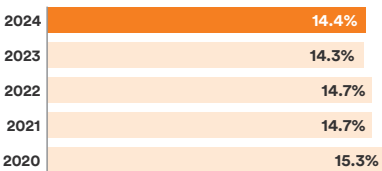
We’ve also set a new benchmark for workforce competency and operational excellence by becoming the first water company in the UK to extend the Competent Operator Scheme beyond water treatment works to include water networks.

882 colleagues secured new roles within the company this year, and we continued to recruit and train new talent through our award-winning graduate and apprentice programmes. We welcomed 127 new graduates and apprentices this year, bringing the total to 455 in AMP7, and we expect to see a further 750 in AMP8.

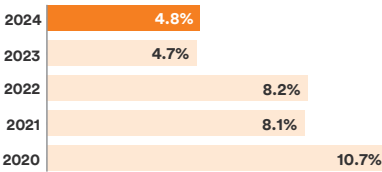
Strong female role models from all levels of our organisation volunteered to help run our award-winning ‘Engineering Masterclass’ competition with secondary schools from the local area. With a high number of pupils from deprived and disadvantaged backgrounds, this helps to improve social mobility, and its aim is to inspire young people from a wide range of backgrounds to pursue STEM-related careers.

We have welcomed 43 students from the 10,000 Black Interns programme into the business since 2021. Through a six-week placement, the programme is designed to transform the horizons and prospects of black students by offering paid work experience to undergraduates and postgraduates.

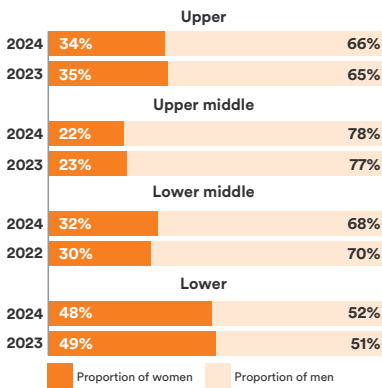
Our median gender pay gap over time



Our mean gender pay gap over time



Percentage of women and men overall and in each quartile of the pay range (figures for 2023 and 2024)



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

<sup>(2)</sup> As at 31 March 2025, there were 7 male and 5 female colleagues appointed as statutory directors of subsidiary group companies but who do not fulfil the Companies Act 2006 definition of ‘senior managers’.

<sup>(3)</sup> Wider colleagues as at 31 March 2025.



How we’re delivering our purpose: healthier

Status key

Performance against target Met expectation/target Close to meeting expectation/target Behind expectation/target

Stakeholder key

Measure	2025 target	Performance				Assurance <sup>(6)</sup>	Link to remuneration <sup>(2)</sup>	Key stakeholder	Status
		2024/25	2023/24	2022/23					
Customer ODIs <sup>(1)</sup>	Year on year improvement	£24 million	£34 million	£25 million		RRA	Bonus		
Water quality customer contacts per 10,000 population <sup>(1)</sup>	12.2	12.8	13.2	14.1		RRA	Bonus		
Supply interruptions per property per year (hours:minutes:seconds) <sup>(1)</sup>	00:05:00	00:14:18	00:09:39	00:38:44		RRA	PC		
Unplanned outages of peak week production capacity <sup>(1)</sup>	2.34%	1.78%	2.05%	1.73%		RRA	PC		
Number of household written complaints compared to WaSCs <sup>(1)</sup>	Upper quartile	Third quartile <sup>(3)</sup>	Third quartile	Second quartile		RRA	n/a		
Speed of resolution <sup>(1)</sup>	5 days	5 days	3.95 days	3.9 days		RRA	n/a		
Developer satisfaction score (D-MeX) <sup>(1)</sup>	Above industry median	Above industry median	Above industry median	Above industry median		RRA	PC		
Number of households registered for Priority Services <sup>(1)</sup>	In excess of 220,000 (7%)	540,380 (16.51%)	401,987 (12.35%)	294,490 (9.1%)		RRA	LTP		
Certification for Priority Services <sup>(1) (4)</sup>	Maintain certification	Maintained ISO22458	Maintained ISO22458	ISO22458: 2022 Verification achieved		ITV	n/a		
Helping customers look after water in their home <sup>(1)</sup>	10% increase	34.50%	34.30%	31.60%		RRA	PC		
Compliance Risk Index <sup>(1)</sup>	0.00	10.21	6.00	3.67		RRA	LTP		
Wellbeing Charter accreditation	Retain accreditation	Retained	Retained	Retained		ITV	n/a		
Accident frequency rate for colleagues (per 100,000 hours)	10% year-on-year improvement	0.078	0.092	0.072		IAT	n/a		
Accident frequency rate for contractors (per 100,000 hours)	Year-on-year improvement	0.078	0.043	0.078		IAT	n/a		
Your Opinion Survey score for diversity and inclusion questions	Upper quartile against utilities norm	Upper quartile	Upper quartile	Upper quartile		ITV	n/a		

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

<sup>(2)</sup> Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172 in our integrated annual report. 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.

<sup>(3)</sup> Latest comparative data available 2023/24.

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

<sup>(5)</sup> 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: Increasing our affordability support to help one in six households with their bills

With the scale of our investment for AMP8 requiring an increase in bill levels, we know that it’s more important than ever that we support customers who are already feeling the strain on their finances due to cost-of-living pressures.

Through the work we’ll carry out over the next five years we aim to secure improved resilience in the face of climate change, meet the demands of our growing population, and address the priorities of our customers – helping to create a stronger, greener and healthier North West. While we’ve worked to make our programme as efficient as we can, and will have the third lowest projected bill in England by 2030, delivering a step change on the things that matter most will, however, mean that bills will need to increase – and we need to have robust measures in place to extend our affordability offerings.

That’s why we’re increasing our support to £525 million for the 2025–30 period. It’s our largest ever affordability support package, and will help one in six households with their bills. Our commitment to helping those struggling to pay has been recognised by regulators, with Ofwat stating that our business plan demonstrated a “sector-leading level of ambition on affordability”.

We’re introducing two new schemes for AMP8, on top of our existing levels of support. The first of these, our Low Income Water Discount, provides a £50 annual discount on water charges for eligible

income-deprived households. As a result of our data share agreement with the Department for Work and Pensions, over 180,000 customers have already been flagged as eligible in our billing system, ready to receive the discount on their first bill containing 2025/26 charges – and we have a manual application process in place for customers not automatically identified.

Secondly, we’re launching WaterSure Plus, an extension of our WaterSure scheme which caps bills for metered customers who use a lot of water due to medical conditions or having a large family. The WaterSure Plus tariff widens eligibility beyond the current legislative scheme to include low-income customers in receipt of disability-related benefits.

On top of this, we’re working to make the affordability support process as seamless as possible for customers. We’ve launched the first phase of a new, improved assessment solution, building on our existing partnership with IE Hub. It allows us to create a more holistic affordability assessment journey, with capability for customers to self-serve where appropriate. Future phases will provide additional improvements, including the integration of open banking – which we’re already using to verify customer income in real time to

improve the accuracy and efficiency of our customer affordability assessments.

And we continue to host an annual Affordability Summit, bringing together organisations including councils, charities, housing associations and others that interact with vulnerable customers and those experiencing financial difficulty. The summits give attendees the chance to share experiences and discuss ways for their organisations to be more joined up when it comes to helping people across the region. At this year’s event, guest speakers included the credit reference agency Equifax, and the Money and Mental Health Institute. Attendees also heard from the Department for Work and Pensions on how they support customers with disabilities return to the workforce and the upcoming changes to Universal Credit.

Delivering value for



This is creating value for customers and communities.



➤ Read more about **affordability** on page 78



How we’re delivering our purpose: stronger

Key performance indicators

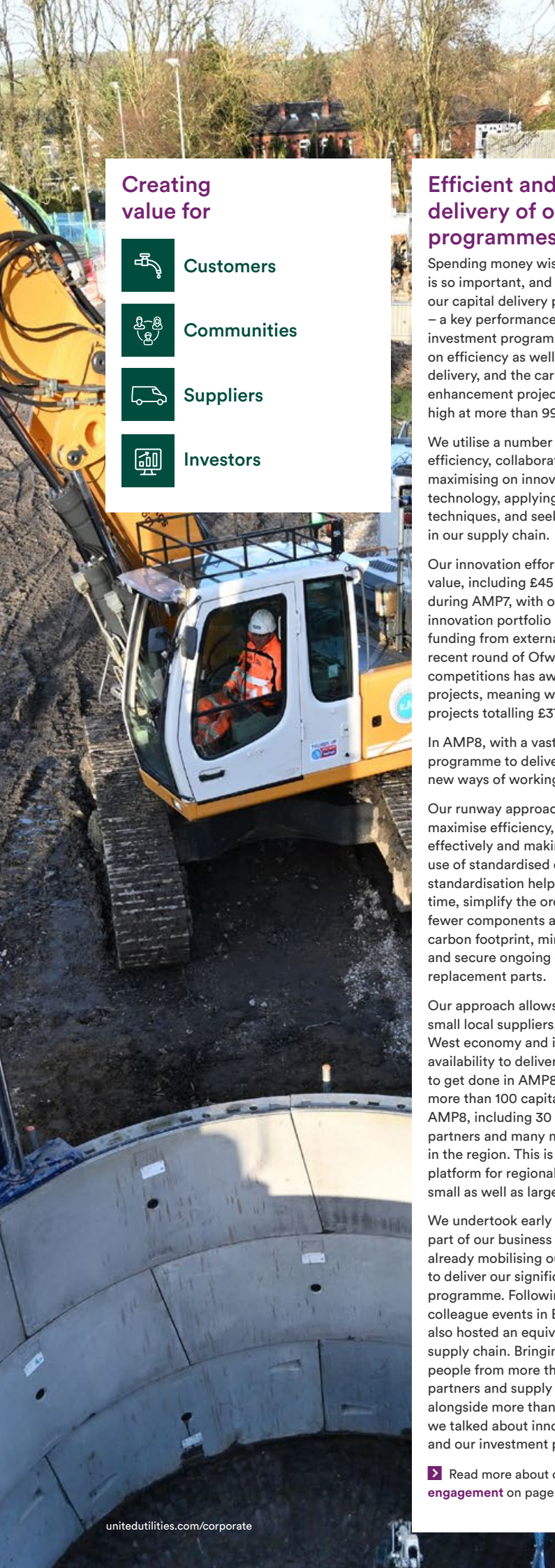
Our key performance indicators for building a stronger North West are our capital programme delivery incentive, community investment, and our ratings and rankings against a range of trusted investor indices. We report on a selection of wider governance metrics of interest to stakeholders on page 86.

<p><b>Capital programme delivery incentive (CPDi)</b></p> <p>Measures the extent to which we have delivered our capital projects efficiently, on time, and to the required quality standard.</p>	<p><b>Community investment</b></p> <p>Total community investment as measured by the Business for Societal Impact (B4SI) method.</p>	<p><b>Performance across a range of trusted investor indices</b></p> <p>Company performance relative to water and utilities sector participants in a selection of trusted investor ESG ratings and indices.</p>
<p><b>Target</b></p> <p>At least 85%</p>	<p><b>Target</b></p> <p>Average community investment between 2020 and 2025 to be at least 10% higher than the average between 2010 and 2020 of £2.56 million per annum</p>	<p><b>Target</b></p> <p>Upper quartile</p>
<p><b>Annual performance</b></p> <p>99.6%</p> <p>We have delivered a strong performance, exceeding our target again this year.</p> <p>2023/24: 98 per cent</p> <p>2022/23: 93 per cent</p>	<p><b>Annual performance</b></p> <p>£9.8m</p> <p>We have significantly increased our investment this year and surpassed our target, having invested £21.6 million cumulatively over AMP7, which is an increase of more than 50 per cent.</p> <p>2023/24: £3.99 million</p> <p>2022/23: £2.88 million</p>	<p><b>Annual performance</b></p> <p>Upper quartile</p> <p>We have maintained upper quartile performance across our selection of ESG ratings and indices.</p> <p>2023/24: Upper quartile</p> <p>2022/23: Upper quartile</p>
<p><b>Status</b></p> <p> Met expectation/target</p>	<p><b>Status</b></p> <p> Met expectation/target</p>	<p><b>Status</b></p> <p> Met expectation/target</p>
<p><b>Key stakeholder</b></p> <p>Investors</p>	<p><b>Key stakeholder</b></p> <p>Community</p>	<p><b>Key stakeholder</b></p> <p>Investors</p>
<p><b>Relevant material themes<sup>(1)</sup></b></p> <ul style="list-style-type: none"><li>• Customer service and operational performance</li><li>• Financial risk management</li><li>• Corporate governance and business conduct</li></ul>	<p><b>Relevant material themes<sup>(1)</sup></b></p> <ul style="list-style-type: none"><li>• Supporting communities</li><li>• Trust, transparency and legitimacy</li><li>• Recreational land and waters</li></ul>	<p><b>Relevant material themes<sup>(1)</sup></b></p> <ul style="list-style-type: none"><li>• Trust, transparency and legitimacy</li><li>• Corporate governance and business conduct</li><li>• Political and regulatory environment</li></ul>
<p><b>Link to remuneration<sup>(2)</sup></b></p> <p>Bonus</p>	<p><b>Link to remuneration<sup>(2)</sup></b></p> <p>n/a</p>	<p><b>Link to remuneration<sup>(2)</sup></b></p> <p>n/a</p>
<p><b>Assurance<sup>(3)</sup></b></p> <p>Internal audit team</p>	<p><b>Assurance<sup>(3)</sup></b></p> <p>Independent third-party verification</p>	<p><b>Assurance<sup>(3)</sup></b></p> <p>Independent third-party verification</p>

<sup>(1)</sup> Read more about our materiality assessment on pages 25 to 26.

<sup>(2)</sup> Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172 in our integrated annual report.

<sup>(3)</sup> Read more about the assurance over our performance metrics on page 63.



Creating value for

-  Customers
-  Communities
-  Suppliers
-  Investors

Efficient and effective delivery of our capital programmes

Spending money wisely and efficiently is so important, and we are pleased that our capital delivery programme incentive – a key performance measure for our investment programme that focuses heavily on efficiency as well as quality, on-time delivery, and the carbon impact of our enhancement projects – has remained very high at more than 99 per cent.

We utilise a number of ways to improve efficiency, collaborating with partners, maximising on innovations and new technology, applying value engineering techniques, and seeking other opportunities in our supply chain.

Our innovation efforts continue to deliver value, including £45 million of efficiencies during AMP7, with over 80 per cent of our innovation portfolio attracting additional funding from external sources. The most recent round of Ofwat Innovation Fund competitions has awarded us another two projects, meaning we now lead on nine projects totalling £37 million.

In AMP8, with a vastly different and larger programme to deliver, we are looking at new ways of working with our supply chain.

Our runway approach enables us to maximise efficiency, allocating risk more effectively and making significantly more use of standardised designs. Increased standardisation helps us to reduce design time, simplify the ordering process with fewer components and materials, lower our carbon footprint, minimise upfront costs and secure ongoing economies of scale for replacement parts.

Our approach allows us to work with more small local suppliers, supporting the North West economy and improving supply chain availability to deliver everything we need to get done in AMP8. We have onboarded more than 100 capital delivery partners for AMP8, including 30 small locally-based partners and many more with a presence in the region. This is helping to drive a platform for regional economic growth, for small as well as large businesses.

We undertook early supplier engagement as part of our business plan process, and are already mobilising our supply chain ready to deliver our significant AMP8 investment programme. Following the success of our colleague events in Blackpool, in April we also hosted an equivalent event for our supply chain. Bringing together nearly 400 people from more than 90 construction partners and supply chain organisations, alongside more than 100 of our colleagues, we talked about innovation, collaboration, and our investment plans for AMP8.

➤ Read more about our **AMP8 supply chain engagement** on page 87

Contributing to our communities

We support local communities through financial investment in environmental and community partnerships, our range of affordability schemes, delivery of education in schools, and colleague volunteering time.

This year, our direct community investment (calculated using the B4SI method) totalled £9.8 million. This means we exceeded our five-year target, delivering £21.6 million over AMP7. A key driver of this is our sustainable urban drainage projects funded from the green recovery programme, as discussed on page 69. These have realised a range of benefits including slowing the flow of rainwater, biodiversity, and creating new green spaces for local communities.

We have sought further opportunities to engage with communities across the North West, addressing some of their issues through community investment that is also strongly aligned with our strategic priorities. For example, we have seen continued success with our Better Rivers community fund. Set up in 2023, this fund offers grants of up to £2,500 to local community groups who have a connection to their local watercourse. These funds have helped pay for items such as litter picking equipment, waders and sampling kits over the past 12 months, with over £80,000 shared.

Keeping customers updated on our plans and progress is a key feature of our engagement. We have been running ‘see for yourself’ tours, providing customers and community groups the opportunity to see how we operate our wastewater treatment works and understand the technology we use to clean used water and return it safely to the environment. Our information centre on Windermere High Street provides locals and visitors with information about our plans to further improve water quality in the lake, and we’ve held events at the centre on water saving, meters, affordability support, and our graduate and apprentice schemes.

Our community investment in 2024/25 has seen us support numerous charities linked to our activities, focus on specific places such as where we are undertaking construction activity, engage in careers and skills events for the next generation, and support many environmental projects, whether that is working with the region’s Rivers and Wildlife Trusts or planting trees.

Each of our five counties has very different challenges and needs and our approach to community investment reflects this. With dedicated stakeholder managers in each county and county delivery squads, we have set ourselves up to ensure we are ready to deliver our business plan at pace, and this brings to life the improvements that we will be delivering for people in their local area.

➤ Read more about our **five-county approach** on page 51 and page 08 in our integrated annual report



# How we're delivering our purpose: stronger

## Working in partnership

The most effective and efficient way for us to deliver improvements is through collaboration and partnership working. Partnerships can bring multiple groups together all working towards a common goal. For instance, the Love Windermere initiative includes nine partnership members where we all have a strong desire to improve water quality in this iconic lake.

Working with community groups, we often find that we can deliver more for less, or partners can leverage additional funds and other resources to invest in schemes with mutual benefits that improve things for water customers as well as other stakeholders. We are better together. This is consistent with our overall catchment management approach, where we look at the end-to-end water cycle within a catchment to deliver improvements in the most effective way.

One way we measure partnership activity is through the partnership leverage ratio, which was 1:3 this year. This means that for every £1 we invest into partnerships, we attract £3 from other sources. Though slightly below our target of 1:4, we have seen a significant increase in both the quantity and value of our partnerships over the past few years.

Co-creating, co-financing and co-delivering partnership solutions are core capabilities for us, and we continue to build on this. We work closely with a broad variety of third parties, including tenant farmers to improve water quality from catchment land, projects with organisations such as Natural England and the Environment Agency, and long-term strategic partnerships. As set out below, we have also established important water management partnerships with the Greater Manchester Combined Authority and the Liverpool City Region Combined Authority.

30,000

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

99%

of invoices paid within 60 working days or less

£2.7bn

raised through our sustainable finance framework to date

## Working together to improve water management



### Greater Manchester

With the scale of the challenge to manage too much water in times of flooding, and too little water during droughts, continuing to grow, water supplies in Greater Manchester come under increasing pressure. Rainfall is predicted to rise by 59 per cent by 2050, even if carbon reduction targets are met, and in storms, with the city region sitting in a natural bowl, heavy rainfall can see water levels rise rapidly, causing flood risk. In September 2021, we signed a Memorandum of Understanding together with Greater Manchester Combined Authority (GMCA) and the EA, creating the first partnership looking to manage water differently across the city region, with an Integrated Water Management Plan (IWMP) developed by this partnership and working with others.

So far, the partnership has:

- Commissioned an integrated catchment model, with data from all three partners, to provide a shared understanding of catchment dynamics, growth and investment, and enable more integrated investment plans;
- Helped to secure an innovative, flexible rainwater management programme through the Advanced WINEP, to deliver rainwater management projects across Greater Manchester, enabling large scale regeneration to include sustainable water interventions that deliver wider benefits for the community; and
- Hosted a visit from Defra and the launch of the Independent Water Commission's call for evidence, both of which expressed an interest in this trailblazing partnership and IWMP.

### Merseyside

This year, we also signed a Memorandum of Understanding with the Liverpool City Region Combined Authority and Mersey Rivers Trust to help deliver the Government's national water quality goals and accelerate the cleanup of the River Mersey. Partners are committed to a joint five-year action plan aimed at reducing spills, improving water quality, reducing flood risks, and boosting biodiversity across the city region. This includes a joint programme of water management projects in collaboration with local authorities, developers, and community organisations, which will explore innovative nature-based solutions, such as sustainable drainage systems and natural flood management techniques, to reduce pressure on the sewer network.

We will work to ensure that local rivers meet and exceed national standards under the Water Framework Directive, supporting the aim for rivers to achieve 'Good' ecological status, and to enhance public access to the region's waterways, creating cleaner and safer spaces for communities to enjoy. This commitment aligns with our ongoing efforts to tackle pollution and reduce spills, and builds on our legacy partnership and founding membership of the Mersey Basin Campaign, which demonstrated what we can achieve when we work together.

Directly contributing to national government targets, the partnership is a model for other regions, showing how local leadership, industry collaboration, and community involvement can drive faster progress on water quality.



## External recognition and benchmarking

United Utilities Group PLC has been included in the FTSE4Good Index Series since June 2001. Latest review March 2025<sup>(1)</sup>.

In the annual review in July 2023, our status was assessed as Prime<sup>(2)</sup>.

As of November 2024, United Utilities Group PLC received an MSCI ESG rating of A<sup>(3)</sup>.

In October 2024, United Utilities received an ESG Risk Rating of 9.5 and was assessed by Sustainalytics to be at negligible risk of experiencing material financial impacts from ESG factors<sup>(4)</sup>.

<sup>(1)</sup> [lseg.com/en/ftse-russell/indices/ftse4good](https://www.ftse.com/en/ftse-russell/indices/ftse4good)

<sup>(2)</sup> [issgovernance.com/esg/ratings/badge](https://www.issgovernance.com/esg/ratings/badge)

<sup>(3)</sup> [msci.com/legal/notice-and-disclaimer](https://www.msci.com/legal/notice-and-disclaimer)

<sup>(4)</sup> [sustainalytics.com/legal-disclaimers](https://www.sustainalytics.com/legal-disclaimers)

## Working with suppliers

Our activities during AMP8 will support around 30,000 jobs both directly and through our supply chain. This includes an additional estimated 7,000 jobs, 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 around 99 per cent of our invoices paid within 60 days, and an average time to pay of 12 days. We act fairly and transparently with all our suppliers and as a signatory to the Code, comply fully with the reporting requirements.

### United Supply Chain

United Supply Chain (USC) underpins our supplier collaboration strategy to support the delivery of our sustainability goals. Its purpose is to collaborate, share knowledge and create value with our suppliers, ensuring that our responsible sourcing principles are brought to life and embedded throughout

our supply chain. As part of our procurement process, in-scope suppliers are required to commit to our responsible sourcing principles as either signatories or leaders.

As a signatory, a supplier commits to adhere to the principles and support us to identify and mitigate any risks in the supply chain. As a leader, suppliers not only agree to the responsible sourcing principles but also commit to go further by demonstrating their commitment to the principles, collaborating with us to improve practices and identify new ways of working, to enhance the value delivered to customers.

Since 2016, we have been a partner to the Supply Chain Sustainability School (SCSS). The school is free for our suppliers to join and allows access to numerous training options and resources to help embed our responsible sourcing principles through our supply chain. Our internal colleagues and supply chain have free access to learning pathways, virtual conferences, and tailored training on ESG topics aligned to our responsible sourcing principles. Our relationship with SCSS has gone from strength to strength and we have retained our Gold status with them year on year.

## Raising sustainable finance and paying our fair share of tax

Our sustainable finance framework allows us to raise financing based on our strong ESG credentials alongside conventional issuance. We have issued £2.7 billion so far through this framework, of which £1 billion was issued this year. 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](https://www.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 sixth 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 173 in our integrated annual report

## 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 component of the Dow Jones Best-in-Class World Index along with just three other companies from the Multi Utilities and Water sector. In the Sustainalytics assessment, we are classified as negligible risk and in the top 2 per cent of performers in the Utilities industry group. We are also proud to be ranked among Corporate Knights' 2025 100 Most Sustainable Corporations in the World.





























The external perspective provided by these ESG ratings goes beyond the UK water sector and compares 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.



How we’re delivering our purpose: stronger

Status key  
Performance against target Met expectation/target Close to meeting expectation/target Behind expectation/target

Stakeholders

								
Customers	Environment	Communities	Colleagues	Suppliers	Investors			
Measure	2025 target	Performance			Assurance <sup>(2)</sup>	Link to remuneration	Key stakeholder	Status
		2024/25	2023/24	2022/23				Performance against target
Credit rating - UUW senior unsecured debt (Moody's, S&P, Fitch) <sup>(1)</sup>	Baa1, BBB+, A-	Baa1, BBB+, A- (Stable outlook)	A3, BBB+, A-	A3, BBB+, A-	ITV	n/a		
Maintain sustainable finance framework	Available/continued issuance	Available	Available	Available	IAT	n/a		
Anti-bribery: percentage of identified colleagues completing required training	100%	100%	100%	100%	IAT	n/a		
Number of children benefitting from education materials	20,000	33,442	39,131	23,253	ITV	n/a		
Partnership leverage <sup>(1)</sup>	1:4	1:3	1:3	1:4	RRA	n/a		
Invoices paid within 60 days	At least 95%	98.71%	99.60%	98.91%	ITV	n/a		
Average time taken to pay invoices	<28 days	12	11	12	ITV	n/a		
Supplier Relationship Management score	90%	94%	95%	90%	IAT	n/a		
CIPS ethical mark	Retain accreditation	Retained	Retained	Retained	ITV	n/a		
Percentage of targeted suppliers signed up to United Supply Chain	100%	100%	94%	89%	IAT	n/a		
Percentage of partner and strategic suppliers that have sustainability risk assessments in place	75%	94%	78%	73%	IAT	n/a		
Percentage of suppliers in high risk categories (in sustainability risk assessments) covered by enhanced due diligence audits	5%	5%	4%	3%	IAT	n/a		
UK Corporate Governance Code	Maintain compliance	Compliant	Compliant	Compliant	IAT	n/a		
Fair Tax Mark	Retain accreditation	Retained	Retained	Retained	ITV	n/a		
Living Wage accreditation	Secure and retain	Retained	Retained	Retained	ITV	n/a		
Pension Quality Mark +	Retain accreditation	Retained	Retained	Retained	ITV	n/a		

<sup>(1)</sup> Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.  
<sup>(2)</sup> 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:  
Engaging early – our approach to supply chain engagement for AMP8

The size and scale of investment for AMP8 means we have refreshed and updated our capital delivery approach to shape projects for the right infrastructure and environmental outcomes.

A new runway model provides the ability to access a wider range of supply chain partners, from the sector’s largest construction organisations through to smaller, more agile specialists with knowledge of local areas. The model is based on a series of different ‘runways’ that match the appropriate type of supplier to the specific characteristics of a project – allowing us to adopt the right approach for delivery depending on the type of scheme to be delivered and the desired outcome.

A new runway for AMP8 is the ‘build only’ runway, which contains 30 construction partners. One of the key drivers behind the creation of this is the desire to build closer, more flexible partnerships with smaller construction firms. This encourages innovation, drives better value for clients, and allows us to tap into the local knowledge and specialist skills that smaller partners bring to the table, while supporting job opportunities and the local economy.

The biggest and most complex capital projects will be delivered by the United

Utilities Enterprise, an alliance formed of seven industry partners alongside United Utilities. This partnership brings together expertise in design, engineering, and construction to ensure we deliver projects safely, efficiently, and sustainably.

The Enterprise commercial model helps integrated teams to deliver differently and is founded on a set of commercial principles which make room for collaboration and early engagement with a diverse supply chain.

The United Utilities Enterprise team began supply chain ecosystem engagement during mobilisation, running a large-scale engagement event in Autumn 2024. The event was an opportunity to begin building key relationships and ensure the scale of opportunity for innovation, collaboration, and standardisation across programmes is well understood and communicated consistently. By working in a more joined-up way, we can share expertise, standardise processes and asset designs, and remove unnecessary delays.

We’re also working with a strong supply chain, with long-term contracts and a new commercial model that will help us make the most of the latest innovations – both in and out of the water industry.

Once the Enterprise had secured its first programme-level procurements, it launched a dedicated digital platform for suppliers. The platform provides suppliers with a single source of information, communication and point of contact to ensure a positive experience. Since then, the first programmatic procurement has successfully been secured in time for the start of AMP8.

Delivering value for









This is creating value for customers, communities, suppliers and investors.

➤ Read more about our **supply chain engagement** on pages 83 and 84, and pages 08 and 26 in our integrated annual report



## Our S172(1) Statement

### Our strategic priorities

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

### Our key decisions during the year to 31 March 2025

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

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

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

The board of directors of United Utilities Group PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2025 including:

<sup>(1)</sup> Includes our delivery against performance commitment levels and our performance for the environment in the round (including the Environment Agency's annual performance assessment)

### Acceptance of the final determination for AMP8:

#### Link to strategy



#### The decision

The final determination (FD) for the asset management period 2025–30 was published by Ofwat on 19 December 2024. The UUW board accepted the FD on 29 January 2025.

#### Outcome

Based on the FD, our capital programme for the 2025–30 period is set at £13 billion. As part of this, the group will deliver a circa £5.7 billion enhancement expenditure plan, including an industry-leading £2.4 billion CSO programme to deliver a 60 per cent reduction in spills from storm overflows this decade.

#### How we engaged with stakeholders

Customer and stakeholder engagement directly informed the development of our business plan submission and strategy to deliver it through customer insight and research which was used to directly inform it. Engagement was conducted in a variety of ways, including: setting up customer focus groups, workshops, and online 'Your Water, Your Say' community panels in each of the counties across the North West served by United Utilities (Cumbria, Lancashire, Merseyside, Greater Manchester and Cheshire) to ensure that regional differences would be reflected in the construct of our AMP8 and enabling us to plan and communicate the outcomes for each county. 12 panel sessions were held in total, providing insight incorporated into the proposed business plan. At the panel sessions held after the draft business plan submission in October 2023 we shared how the insight gained from stakeholders had impacted our plan.

The draft determination was published by Ofwat on 11 July 2024. The company engaged with its regulators throughout the process, answering queries and providing further information prior to submitting its revised submission to Ofwat on August 2024, with the FD published on 19 December 2024.

#### The board's view

The board reviewed the consequences of accepting the FD in the form published by Ofwat noting the delivery challenge of a plan of this size – with the need for investment in performance, further CSO spill reduction and the accelerated plan for bioresources.

Notwithstanding the 'step-up' in average customer bills in 2025/26 was larger than anticipated, UUW's average customer bills will be the fourth lowest in the industry in AMP8 – average customer bills will increase by 32 per cent from the end of 2024/25 to 2029/30, but would enable the company to address customers' views and priorities obtained during the research and testing phases of the plan – 74 per cent of customers supported our original business plan. Notwithstanding the additional requirements in the plan, affordability support is expected to be provided to one in six households. This package of support totals £525 million, inclusive of £200 million provided by shareholders. The board carefully considered whether to challenge the FD through the appeals process. However, it determined that doing so would not best serve the long-term success of the company for the benefit of its members as a whole.

### Dividend policy for AMP8

#### Link to strategy



#### The decision

To set the dividend policy for AMP8.

#### Outcome

The board will target growth in the dividend per share, from the 2024/25 base, of CPIH inflation each year of AMP8.

#### How we engaged with stakeholders

The UUG dividend policy is closely related to UUW's dividend policy and the outcome of the FD. As set out above, the business plan was informed through extensive stakeholder engagement through the 'Your Water, Your Say' community panels, all-colleague engagement events held in Blackpool in December 2023 and March 2025, and through our offer to MPs in our region and local authority representatives to discuss the draft business plan following its submission to Ofwat. The board regularly engages with investors both directly and indirectly, including shareholders and credit investors.

#### The board's view

Payment of a dividend by UUG is contingent on the dividend paid by UUW. In its price review submission for AMP8, the board of UUW committed to further cementing its responsible approach to gearing, dividends and benefit sharing in AMP8 and more explicit alignment with the changes introduced in May 2023 by Ofwat in relation to its new powers to regulate water companies paying dividends. The UUW board will make decisions on dividends on an annual basis and will provide stakeholders

with a clear explanation of its approach and decision as part of the UUW annual performance report. When declaring or paying a dividend, the board will:

- Take account of a full range of matters including service delivery for customers and the environment;<sup>(1)</sup>
- Consider company performance in the round and over time, encompassing all aspects of delivery against its licence, including delivery against performance commitments, investment plans, cost efficiency and other areas of its operations;
- Give consideration to the company's current and future investment needs and financial resilience over the short and longer term; and
- Have due regard to whether the dividend rewards efficiency and the effective management of the business, including performance across a number of periods. The board believes the underlying approach applied by the UUW board, and therefore impacting the availability of dividends available for the UUG board to pay to its shareholders would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

### Haweswater Aqueduct Resilience Programme (HARP)

#### Link to strategy



#### The decision

The board supported the conclusion of the Full Business Case and approved its submission to Ofwat as part of the 'Control Point F' submission in the HARP procurement

process and recommended the award of the Direct Procurement for Customers (DPC) contract to the preferred bidder, the STRABAG Equitix Consortium.

#### Outcome

The board provided its assurance statement as part of the Ofwat Control Point F submission confirming that the full business case was produced in accordance with good industry practice, that it reflected the suite of procurement documents provided to Ofwat in support of the submission and that UUW had achieved a best value price through a competitive tender process, therefore offering value for money for customers. Ofwat has provided consent in principle to award the contract to the preferred bidder, subject to final consent upon receiving the final form of the contract.

#### How we engaged with stakeholders

We have secured planning permission from nine planning authorities for this complex scheme. Such an outcome has been achieved through focused engagement with communities and stakeholders explaining our plans, listening to feedback and concerns and then amending and adjusting our plans as appropriate. Prior to starting the project, we engaged with numerous stakeholders including representatives from the relevant local authorities, local highways authorities, National Highways, Natural England, Environment Agency and landowners, to help shape our plans for dealing with the risk associated with the existing tunnel sections of the Haweswater Aqueduct. Relevant councillors, community representatives and special interest groups have also been engaged and offered opportunities to meet with the project team to provide their feedback. The proposed solution was also

tested with our regulator and other parties to ensure it was the most appropriate solution.

#### The board's view

Following a series of inspections and risk assessments it was identified that there was an increasing risk of failure associated with the existing Haweswater Aqueduct, requiring the replacement of the tunnel sections of the existing aqueduct. At PR19, UUW proposed the DPC approach to procure a Competitively Appointed Provider (CAP) to design, build, finance and maintain the new tunnel sections. Through AMP7, UUW progressed the design and development of the project, including working with Ofwat to develop the commercial model for DPC to ensure that the outcome delivers best value for customers. This has involved considerable engagement with bidders and other stakeholders as well as Ofwat. UUW has utilised expert legal and financial advisers throughout the project's development and ensured the necessary assurance at each stage, including the establishment of an oversight committee, consisting of external experts with experience of major project finance initiatives and large and complex capital infrastructure projects. The board has been kept updated along the journey and is of the view that replacing the tunnel sections of the Haweswater Aqueduct continues to be the preferred option which best meets its strategic objectives and that the company has achieved a best value price through a competitive tender process, therefore offering value for money for customers and would be most likely to promote the long-term success of the company for the benefit of its members as a whole.





# How we're creating long-term sustainable value

## Our EU Taxonomy disclosure

We have undertaken our first voluntary assessment this year of how we align with the EU green taxonomy.

The EU Taxonomy provides a common language and framework for assessing whether an economic activity is environmentally sustainable. Its aim is to prevent greenwashing and help investors make informed sustainable investment decisions in order to direct investments to the economic activities most needed to meet the EU's climate and energy targets for 2030 and the objectives of the European green deal. The taxonomy sets out a list of activities, with detailed criteria that must be met in order to demonstrate alignment. Undertaking an assessment involves three key steps – eligibility assessment, alignment assessment, and financial mapping – as set out below.

Eligibility	We first undertook a review of the more than 150 activities to ascertain which of these we carry out through our activities. The results of this are set out on page 91.		
Alignment	<b>Substantial contribution</b> Companies must demonstrate that the way they deliver an activity makes a substantial contribution to at least one of the six environmental objectives set out below.	<b>Do no significant harm</b> Alignment requires that making a substantial contribution to one of the environmental objectives is not being achieved at the expense of another of them.	<b>Minimum safeguards</b> The company must also meet certain social and environmental safeguards, with due diligence processes to cover topics like human rights and anti-bribery.
Financial mapping	The result of the assessment must be reported in terms of three financial KPIs – turnover, opex and capex – with specific definitions of each KPI set out by the taxonomy. We map our financial data to each activity and adjust to align with the taxonomy definitions. Our results are presented on page 93.		

Our activities are naturally linked to sustainability, so the environmental objectives are things that we have been contributing towards for some time and continue to focus on.

### Climate change mitigation

Focused on reducing greenhouse gas emissions to limit the contribution to global warming.

We were the first (and only) UK water company to have approved science-based targets for the near term, long term and net zero. Our comprehensive TCFD disclosures set out our transition plan to net zero by 2050. We generate renewable energy, and have six ambitious climate pledges, including extensive peatland restoration, woodland creation, and our transition to a green fleet.

### Sustainable use and protection of water and marine resources

Promoting the efficient and sustainable use of water resources, protecting water quality and marine ecosystems.

As shown on pages 18 to 19, we operate across the entire water cycle and rely on water bodies for our core activities, so protecting their sustainability is crucial. We protect the quality of water through management of catchment land, treatment of wastewater, and our significant activity to reduce spills from storm overflows. We are also focused on conserving water through leakage reduction and helping customers to reduce consumption.

### Climate change adaptation

Focused on adapting to the unavoidable impacts of climate change, such as rising sea levels and extreme weather events.

As a water and wastewater provider we must constantly adapt to extremes of weather, managing periods of heavy rainfall, prolonged dry periods, and freeze-thaw events. We have long-term plans for managing water resources, drought, and drainage and wastewater. Our AMP8 plan includes investment that will improve our resilience further to these extreme events.

### Protection and restoration of biodiversity and ecosystems

Aiming to protect and restore biodiversity and ecosystems, including forests, wetlands, and marine habitats.

As set out on page 43, we are committed to protecting and improving biodiversity, and AMP8 final determinations include a specific performance commitment recognising how important this is in our work. The North West includes significant areas of SSSI land and areas of outstanding natural beauty, and our sustainable land management approach, as well as our woodland creation activity, deliver biodiversity benefits.

### Pollution prevention and control

Focused on preventing and controlling various forms of pollution, including air, water, and soil pollution.

We are sector leading on minimising pollution, and the only UK company to be rated 'green' against serious pollution incidents every year in the EA's environmental performance assessment. We have ambitious targets to reduce pollution incidents further in AMP8, targeting zero serious pollution incidents in every year.

### Transition to a circular economy

Encouraging the reuse, recycling, and recovery of resources to minimise waste and resource depletion.

We are committed to minimising waste from our activities. This includes our treatment of sewage sludge – a by-product from wastewater treatment activity – from which we create clean, renewable energy from biogas and recycle the residual biosolids to create a high quality fertiliser for use in agriculture. More than 98 per cent of our waste goes to beneficial use.

## Eligible activities

Given the nature of our core activities, it is not surprising that we are eligible for a large number of the activities set out in the taxonomy. Some activities are quite broad, while others are relatively narrow and specific. We have chosen to focus on the activities that best align with our core day-to-day services but, where other activities are met through what we do, we disclose these as well.

### Water supply

**Core activity:** Construction, extension and operation of water collection, treatment and supply systems. This core activity covers our provision of water services to customers from the point of abstraction, through treatment, and up to the point of supply.

There is another activity - 'Water supply' - that overlaps with this and covers the same end-to-end process, where the focus is on substantial contribution to the sustainable use and protection of water and marine resources. Given that compulsory metering is not legally permitted in our region, we felt the objectives behind our core activity were better suited than the 'Water supply' activity.

There are also a number of narrower and more specific activities that would be eligible, were they not already covered by the end-to-end process of our core activity. This includes:

- 'Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems'
- 'Renewal of water collection, treatment and supply systems'
- 'Use of concrete in civil engineering'

➤ Read more about **how we manage water resources and supply to customers** in our water cycle on pages 18 to 19

### Bioresources

**Core activities:** 'Anaerobic digestion of sewage sludge' and 'Electricity generation from bioenergy'.

The sludge by-product from the wastewater separation and treatment process is transported to our bioresources facilities.

These two core activities cover the main treatment process using anaerobic digestion to produce biogas, and the subsequent use of biogas to generate clean, renewable electricity.

➤ Read more about **how we use bioresources to generate renewable green energy** in our water cycle on page 18

### Wastewater treatment

**Core activity:** Urban wastewater treatment. This core activity covers our provision of wastewater services to customers from the point of collection, through treatment, storm water management, and up to the point of discharge of final effluent.

There is another activity - 'Construction, extension and operation of wastewater collection and treatment' - that overlaps with this and covers the same end-to-end process, where the focus is on climate mitigation and adaptation. We felt that the focus of our core activity on the sustainable use and protection of water and marine resources was better suited, given the heavy focus on protecting environmental water quality.

There are also a number of narrower and more specific activities that would be eligible, were they not already covered by the end-to-end process of our core activity. This includes:

- 'Flood risk prevention and protection infrastructure'
- 'Phosphorus recovery from wastewater'
- 'Renewal of wastewater collection and treatment'
- 'Nature-based solutions for flood and drought risk prevention and protection'
- 'Use of concrete in civil engineering'

➤ Read more about **how we manage wastewater treatment** in our water cycle on page 19

### Woodland creation and peatland restoration

**Core activities for woodland creation:** Identified as 'Afforestation' and 'Forest management'.

In addition, our woodland activities would be eligible for other activities, including:

- 'Conservation forestry'
- 'Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event'

**Core activities for peatland restoration:** Identified as 'Restoration of wetlands' or 'Conservation, including restoration, of habitats, ecosystems and species'.

➤ Read more about **our progress against woodland and peatland pledges** on page 72

### Sustainable drainage systems (SuDS)

**Core activity:** 'Sustainable urban drainage systems (SuDS)'.

Our sustainable drainage projects would also be eligible under the broader 'Nature-based solutions for flood and drought risk prevention and protection' activity, but we have focused on the more specific core activity.

With a changing climate we are seeing increasing periods of intense heavy rainfall, and we have particularly high rainfall in urban areas. We are also preparing for a continually growing population, and planning and investing to reduce spills from storm overflows and flood risk. The impact of these changes, with our largely combined sewer network, means that we will continue to see more and more wastewater and surface water runoff entering our sewers unless we find other ways to cope with rainwater. Sustainable drainage is an effective and environmentally beneficial way to ease the strain on combined sewers and better manage rainfall, an this is part of our long-term rainwater management strategy.

➤ Read more about **our rainwater management activities and use of sustainable drainage** in our TNFD disclosures on pages 37 to 45

### Property management and fleet

**Core activity for property:** 'Acquisition and ownership of buildings'. In addition, in certain years we will be eligible under 'Construction of new buildings' and 'Renovation of existing buildings'.

While the majority of our properties relate to core water and wastewater activities, we do have some outside of these, including head offices.

**Core activity for fleet:** 'Transport by motorbikes, passenger cars and light commercial vehicles'. However, our fleet is primarily used in our core water and wastewater activities and therefore we have not chosen to strip this out for alignment purposes, but note that this is also an eligible activity.

## Non-eligible activities

We have a small amount of non-eligible business activities, such as our retail services for customers. These are not covered within the list of activities for EU taxonomy purposes as they do not meet the specific environmental objectives of the European Green Deal, but we still undertake them through the lens of our commitment to sustainability. For instance, our community investment and the industry-leading affordability and vulnerability support that we provide through our household retail activities both contribute to the social element of ESG.



How we’re creating long-term sustainable value

Our EU Taxonomy disclosure

Assessment of alignment

Our assessment is the result of a collaborative process between the finance team and numerous other subject matter experts in the relevant functions right across the business.

The EU Taxonomy has detailed requirements and technical screening criteria that must be met to establish alignment. In order to improve the robustness, governance, and efficiency around our assessment we utilised specialised analysis software and expert support and advice from Celsia, part of ISS-Corporate.

This enabled us to assess and demonstrate that we met the minimum safeguards and identify where we were satisfying the criteria for making a substantial contribution, and/or doing no significant harm, for the relevant environmental objectives in relation to each eligible activity.

Initial focus

Our primary focus for this first assessment has been on our water and wastewater activities, which make up the majority of what we do. In doing so, we also separated out our sustainable urban drainage systems from wastewater and assessed these independently for alignment.

As set out on the previous page, we first identified the most suitable core activities, as defined by the EU Taxonomy, for each of these. We then undertook detailed analysis of the technical screening criteria to establish whether we met the requirements for alignment. We were pleased to see that for each of these core activities we did successfully meet the alignment criteria.

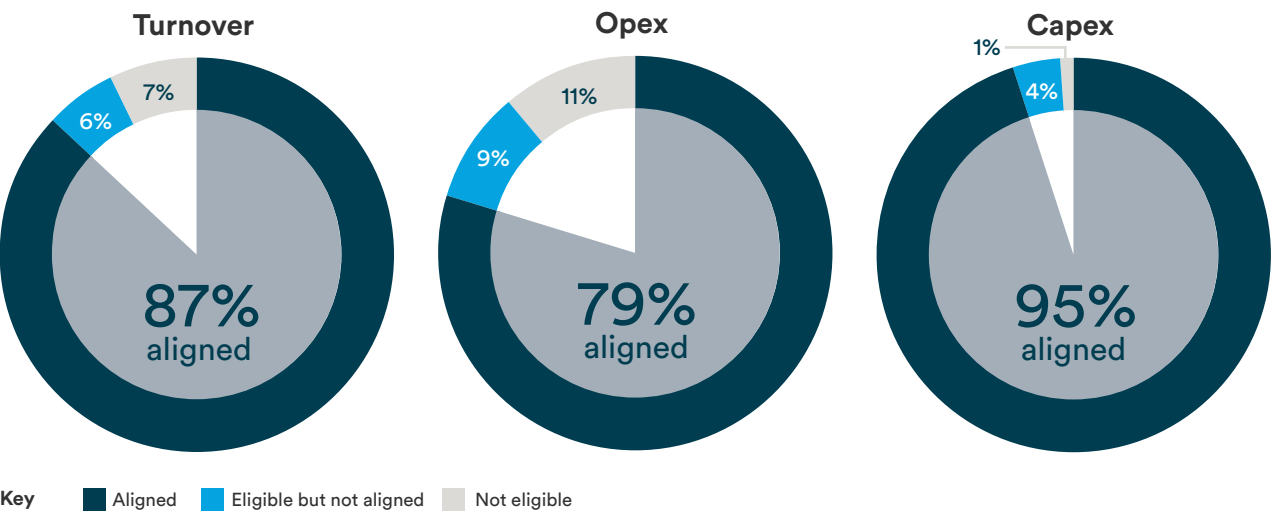
In future assessments, we will look to undertake further analysis of the technical screening criteria for activities within bioresources, woodland creation and management, peatland restoration, property and fleet.

While smaller in terms of proportionate contribution to the three KPIs, these are important areas of our business that improve environmental sustainability. In particular:

- Our woodland creation and peatland restoration both deliver important benefits for biodiversity, carbon sequestration and natural flood management, as well as protecting water quality impacted by runoff from this land.
- Our bioresources activities help to ensure our waste is going to beneficial use as well as generating clean, renewable energy.
- Our transition to a green fleet, including our recent addition of four electric HGVs, is an important step towards reducing our emissions and contributing towards climate change mitigation.

Outcome of our assessment

We are pleased to see that the inherent sustainability of our activities, and our commitment to protecting and enhancing the natural environment, is reflected with a high level of eligibility and alignment under the EU Taxonomy, as shown in the charts below.



Mapping of financial data

We have mapped financial data to the individual activities using existing systems.

The majority of our activities sit within our regulated entity, United Utilities Water Limited (UUW), for whom we are required to report to the regulator, Ofwat, under price controls. These are closely aligned to EU Taxonomy activities – for instance, the water price controls cover the construction, extension and operation of water collection, treatment and supply systems – and therefore form the initial basis of our financial data mapping.

There are instances where we have split financial data further than the price controls to enable reporting with additional granularity, for instance separating out SuDS from within the wastewater price control, and stripping out woodland activity that was in part included under the water price controls.

Regulatory reporting guidelines differ from IFRS, so we made the relevant adjustments between regulatory and statutory accounting standards, and also adjusted to include other activities that sit outside of UUW, to arrive at IFRS reported financial data at the group level, apportioned out between EU taxonomy eligible activities and other activities not eligible under EU Taxonomy.

We then made further adjustments to reflect any differences between the definitions of the KPIs reported under EU Taxonomy and IFRS reporting definitions. The general EU Taxonomy definitions, and core differences with our IFRS-reported equivalents, are set out here.

Turnover

Net turnover is defined by EU Taxonomy as the amounts derived from the sale of products and the provision of services after deducting sales rebates and taxes, such as VAT, that are directly linked to turnover. Governmental grants should be excluded, as they are not recognised as revenue under IAS1 paragraph 82(a). Any grants and contributions we receive are not included in revenue, so turnover for EU Taxonomy purposes does not differ from revenue reported under IFRS.

Capital expenditure (capex)

Capex is defined by EU Taxonomy as the total additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements. It excludes the additions resulting from revaluations and impairments, and fair value changes. The taxonomy capex definition refers to costs that are accounted based on IAS16 ‘Property, plant and equipment’, IAS38 ‘Intangible assets’, IAS40 ‘Investment property’, IAS41 ‘Agriculture’, and IFRS16 ‘Leases’. We include depreciation and amortisation as opex, therefore capex for EU Taxonomy purposes does not differ from capex additions reported under IFRS.

Operating expenditure (opex)

Opex aims to capture non-capitalised costs that relate to investments in assets and processes. It is defined by EU Taxonomy as non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repair costs, and other direct expenditure related to the company’s strategy for maintaining or improving environmental performance and resilience in respect of each activity.

This is the measure that diverges most from IFRS, and we have made a number of adjustments to meet the taxonomy definition of opex.

For example overheads are excluded, as these are not directly attributable to the activities, and we have stripped out depreciation and amortisation.

Reagents such as the chemicals used in water and wastewater treatment, and the electricity used to operate PPE, are also stripped out on the basis that these are direct costs of production and therefore must be excluded under EU Taxonomy to avoid double counting with turnover.

Activities	Turnover		Opex		Capex	
	£m	%	£m	%	£m	%
Construction, extension and operation of water collection, treatment and supply systems	887	41%	313	45%	449	35%
Urban wastewater treatment	976	46%	238	34%	764	60%
Sustainable urban drainage systems (SuDS)	1	0%	–	–	6	0%
<b>Total eligible and aligned under EU Taxonomy</b>	<b>1,864</b>	<b>87%</b>	<b>552</b>	<b>79%</b>	<b>1,219</b>	<b>95%</b>
Other eligible activities	135	6%	64	9%	56	4%
<b>Total eligible under EU Taxonomy</b>	<b>1,999</b>	<b>93%</b>	<b>616</b>	<b>89%</b>	<b>1,275</b>	<b>99%</b>
Not eligible under EU Taxonomy	146	7%	80	11%	5	1%
<b>Total<sup>(1)</sup></b>	<b>2,145</b>	<b>100%</b>	<b>696</b>	<b>100%</b>	<b>1,280</b>	<b>100%</b>

<sup>(1)</sup> The total opex differs significantly to the equivalent figure calculated under IFRS as a result of the differences in the EU taxonomy definition.



Looking ahead

This was the first year of voluntary assessment against the EU Taxonomy criteria, and as mentioned we have focused primarily on our core water and wastewater activities.

As we move forward, we will continue to refine our assessment further to improve the granularity and further examine the criteria for our other eligible activities.

If and when a UK Taxonomy is published, we will also seek to incorporate this into our assessment.

As mentioned on page 08 in our integrated annual report, we are entering a higher growth phase and will see significantly higher investment levels, with AMP8 capex more than doubling compared with AMP7. This means that our alignment under EU Taxonomy is expected to increase significantly in absolute levels in the next five-year period and beyond.

With a significant proportion of the increase in investment being required to address new environmental improvement drivers, and more nature-based solutions being used in AMP8 than ever before, we would also expect that our proportional alignment would remain very high as we continue to work towards a stronger, greener and healthier North West.



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**Front cover image:** We have planted 6,000 trees at Stybeck Farm, near Thirlmere reservoir, in partnership with West Cumbria Rivers Trust as part of our efforts to increase biodiversity and improve raw water quality in the reservoir.



## Water for the North West