Governance

Corporate Governance Code

In the following pages of this corporate governance report we set out how the board has fully applied the principles and fully complied, having provided an explanation relating to provision 10 on page 111, and reported on the provisions of the 2018 UK Corporate Governance Code (the code).

1 Board leadership and company purpose

Areas of focus for the board in 2024/25

See page 105

Our governance structure and its link to our strategic priorities

See page 112

Engagement with colleagues and other stakeholders and monitoring and assessing culture

See pages 115 to 117

2 Division of responsibilities

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

See pages 106 to 109

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

See page 118

3 Composition, succession and evaluation

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

See pages 119 to 123

4 Audit, risk and internal control

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

See pages 128 to 141

5 Remuneration

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

See pages 146 to 172

Areas of focus for the board in 2024/25

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

Bioresources strategy for AMP8

The board participated in several sessions to consider the group's long-term bioresources strategy. By rationalising ageing sludge digestion assets into fewer, larger, advanced anaerobic digestion hubs, greater efficiencies and economies of scale would be achieved, putting the group in a better position to address the requirements of the Industrial Emissions Directive (IED).

Outcome: The board reviewed the proposed plan. Management's view was that the plan would deliver significantly greater value and risk mitigation, improving asset health and process safety while reducing asset failure risks and accelerating a circa 7.5 per cent reduction in company carbon emissions in AMP8. Furthermore, it was expected that the quantity of biosolids produced would be reduced along with minimising the group's overall landbank requirement by more than 50 per cent. The board endorsed the implementation of the bioresources AMP8 strategy by 2030.

Spending customers' money wisely

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

Outcome: The board fully supported the company's plans for AMP8 readiness and enhancing operational efficiency and the excellence and improvement plans being rolled out across all parts of the business.

PR24 – Our future plan

The board participated in a number of sessions facilitated by management on the progress with the PR24 process. In particular, the board gained a clear understanding of the implications of Ofwat's draft determination that was received in July 2024.

Outcome: The board was apprised of management's analysis and proposed representations that would be made to Ofwat and presented to its board in August 2024 and, subsequently, on receipt of the final determination in December 2024 and implications for the group and its stakeholders.

AMP8 capital structure

The board considered the implications of the draft determination and the proposed representations that would be made to Ofwat and any resulting capital raising requirements, taking into account the credit ratings agencies' assessment of the group and sector and the group's AMP8 exit gearing position.

Outcome: Our proposed plan would deliver investment in infrastructure and better service with a clear focus on performance improvements to drive down leakage and pollution, and investment into storm overflows.

Overflows

The board participated in a session to gain a better understanding of the operation and performance of the company's overflow system made up of combined storm overflows (which spill when the system becomes overwhelmed with excess water from rainfall) and emergency overflows (which spill when there has been an asset issue that prevents wastewater being transported and treated at the wastewater treatment works).

Outcome: The board fully supported the company's plan to reduce total spills across its emergency overflows and proposal that the Emergency Overflow Programme would operate alongside the Storm Overflow Programme, which would reduce spills across our 2,264 storm overflows and improve the reliability and accuracy of storm overflow data. The board was apprised of the work of the Windermere taskforce to improve power resilience and reduce spills into Lake Windermere.

Haweswater Aqueduct Resilience Programme (HARP)

The board has been kept fully informed of the ongoing procurement process to identify the competitively appointed provider (CAP) who will be responsible for the design, build, financing and maintenance of tunnels for a 25-year term from the completion of the last tunnel section of the Haweswater Aqueduct.

Outcome: The board supported the conclusion of the Full Business Case and approved its submission to Ofwat and recommended the award of the DPC contract to the preferred bidder, the STRABAG Equitix Consortium.

Ofwat and Environment Agency investigation

In 2021, Ofwat and the Environment Agency (EA) launched separate industry-wide investigations into how water and wastewater companies in England and Wales manage their wastewater assets. The focus of the EA investigation was on environmental permit compliance at wastewater treatment works and wastewater networks.

In July 2024, Ofwat announced that UUW would be included in their investigation, since when information requests under s203 of the Water Industry Act 1991 have been received relating to the performance and operation of the company's wastewater assets.

Outcome: The board has been kept fully apprised of both investigations, and the group continues to comply fully with requests for information from both the EA and Ofwat as their investigation processes continue.

Quick links

Terms of reference:
unitedutilities.com/corporate-governance

Board of directors

N

Sir David Higgins

Chair

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

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

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

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

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

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

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

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

E C

Louise Beardmore

Chief Executive Officer (CEO)

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

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

Appointment to the board: May 2022.

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

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

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

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

T

Phil Aspin

Chief Financial Officer (CFO)

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

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

Appointment to the board: July 2020.

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

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

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

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

N R E C

Alison Goligher

Senior independent non-executive director

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

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

Appointment to the board: August 2016.

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

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

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

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

E N A

Liam Butterworth

Independent non-executive director

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

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

Appointment to the board: January 2022.

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

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

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

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

Board role

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

Committee membership

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

Board of directors

N A R

Kath Cates

Independent non-executive director

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

Qualifications: Solicitor of England and Wales.

Appointment to the board: September 2020.

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

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

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

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

N E

Clare Hayward

Independent non-executive director

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

Qualifications: BSc (Hons) Agricultural Marketing, MBA, DBA (h.c.).

Appointment to the board: April 2024.

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

Career experience: Clare was a co-founder of Cirrus, a leadership and talent consultancy, sold to Accenture in 2021. Prior to this, in 1993, she co-founded Academee developing it into a global leadership development consultancy. Alongside her executive responsibilities, she has held several community interest non-executive roles, including that of the Peaks and Plains Housing Trust, Cheshire and Warrington Local Enterprise Partnership (LEP) and was chair of The NP11 working across the North of England with the devolved and non-mayoral regions and as a business representative for Transport for the North.

Current directorships/business interests: Through her work with the LEPs, the public and private sectors, Clare has developed strong links with local and central government where her focus is to drive prosperity and improve the lives of those living in the North of England. She is an independent non-executive director of United Utilities Water Limited.

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

N E

Michael Lewis

Independent non-executive director

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

Qualifications: BEng (Hons) Engineering Technology, MSc Pollution and Environmental Control, MA Environmental Law, Fellow of the Institution of Mechanical Engineers (FIMechE).

Appointment to the board: May 2023.

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

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

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

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

N A T R C

Doug Webb

Independent non-executive director

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

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

Appointment to the board: September 2020.

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

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

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

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

Ian El-Mokadem

Independent non-executive director

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

Qualifications: BSc (Hons) Economics and Statistics, MBA.

Appointment to the board: with effect from 1 June 2025.

Skills and experience: Ian is an experienced CEO, having spent his career in international, industrial and services businesses along with extensive experience of operating in regulated sectors.

Career experience: Ian recently retired as CEO of AIM listed RWS Holdings plc, a global market leader in the provision of technology enabled language, content and intellectual property services to clients across a range of industries including technology, life sciences, legal and financial services, a position held since 2021. Previous roles include CEO of V. Group and Exova Group plc and Group Managing Director, UK and Ireland of Compass Group plc. During his early career, Ian spent eight years with Centrica plc, including launching and then leading the group's telecoms business, prior to that in strategy consulting with Andersen Consulting (now Accenture).

Current directorships/business interests: Ian joined the board of Diploma PLC as a non-executive director in January 2025 serving as a member of the nomination and audit committees. He was appointed as a non-executive director of Serco Group plc in 2017, where he chairs the risk committee and is a member of both the nomination and audit committees. He is a director of Roegate Consulting Limited. He is an independent non-executive director of United Utilities Water Limited.

Specific contribution to the company's long-term success: Ian's leadership experience of successfully transforming businesses and embracing technology to improve customer services and his knowledge of regulated environments and delivering essential public services will be invaluable as we deliver our ambitious £13 billion investment plan for the North West.

Board role

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

Committee membership

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

Changes to the board during the year
Clare Hayward joined the board on 16 April 2024 and Ian El-Mokadem will join the board on 1 June 2025. Paulette Rowe stepped down from the board on 19 July 2024.

Chair's letter

Sir David Higgins

The board approved the company's dividend policy targeting growth of CPIH inflation each year from the 2024/25 base, which the board believes would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Dear shareholder

The board is acutely aware of the group's relationships with its regulators, Ofwat, Defra, the Drinking Water Inspectorate, the Environment Agency and the Office of Environmental Protection (OEP). The OEP was established in November 2021 following the enactment of the 2021 Environment Act, with the purpose of protecting and improving the environment by holding government bodies and other public authorities, including water companies, to account.

By the nature of the regulatory model, the company is in regular contact with its regulators working to deliver the best outcome for shareholders, customers, communities and the environment. The company is continuing to co-operate fully with Ofwat and the Environment Agency investigations into water and wastewater companies in England and Wales.

In October 2024, the Government set up the Independent Water Commission, chaired by Sir Jon Cunliffe. The Commission was given a broad terms of reference to review the regulatory framework, the regulators and incentives that govern the water industry model and strategic water planning. It required consideration of the conditions needed in the private regulated model to attract the investment required 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". The Commission has been tasked with coming up with a set of recommendations to reform the water sector regulatory systems "to deliver the necessary reset of the water sector in England and Wales." The company contributed fully towards the evidence gathering process which sets out to improve the framework under which we invest in, manage and deliver water and wastewater services for customers and the environment, with the board being kept fully apprised of the progress of the review.

Final determination

The five-yearly price review is an extremely complex process for all those involved - with management beginning to devise plans for the next AMP while only part way through an existing AMP. The company received the final determination (FD) for AMP8 on 19 December 2024. The board was apprised in detail of the implications for all stakeholders should the FD be accepted without further challenge by the company via a referral to the Competition and Markets Authority. After much analysis and taking into account the view of management, the board concluded that the group's purpose of a stronger, greener and healthier North West was best served by not submitting an appeal to the FD.

Following receipt of the FD, the board considered the company's dividend policy for the next AMP, based on the expected level of returns from the regulated company. Payment of dividends is subject to conditions contained within its appointee licence - that dividends declared or paid will: 'not impair the ability of the appointee to finance the appointed business, taking account of current and future investment needs and financial resilience over the longer term'; 'take account of service delivery for customers and the environment over time, including performance levels and other obligations'; 'reward efficiency and the effective management of risks to the appointed business'. The board approved the company's dividend policy targeting growth in the dividend per share of CPIH inflation each year from the 2024/25 base, which the board believes would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Health, safety and wellbeing

The health, safety and wellbeing of all our employees and contractors has, again, been an area of focus for the board – holding management to account through regular presentations and discussions at board meetings. Driving the right health and safety culture and embedding the right behaviours amongst employees is vital, and even more so given the demands, challenges and new ways of operating required to deliver the £13 billion AMP8 capital programme safely. The board was pleased that, following extensive consultation with colleagues across the business, the existing 'Home Safe and Well' programme would be refreshed with leadership capability being improved to support cultural change by focusing on behaviour, engagement and compliance with the freshly articulated standards and requirements. The refreshed programme was launched at the March 2025 all-colleague event in Blackpool and a special launch event for our contracting partners was held in Blackpool in April 2025.

Haweswater Aqueduct Resilience Programme (HARP)

On 3 January 2025, it was announced that, following a competitive procurement process to deliver the project under Ofwat's 'direct procurement for customers' (DPC) arrangements, the STRABAG Equitix Consortium was the preferred bidder (PB) to be appointed as the competitively appointed provider (the CAP) with the estimated construction cost being £2.5 billion to £2.9 billion. The CAP will finance the project and recover its costs via a monthly charge to UUW, over the life of the project. This charge will be recovered from customers as part of UUW's wholesale water charges. Management have been working closely with the PB to achieve financial close at the earliest opportunity.

The CAP will design, build, finance and maintain the replacement of six single line tunnel sections of the Haweswater Aqueduct. The aqueduct is a critical asset for the supply of water to customers in Cumbria, Lancashire and Greater Manchester. DPC is a model that Ofwat is expected to roll out throughout the sector for large capital infrastructure projects in AMP8 and beyond.

Cyber security and artificial intelligence (AI)

The board has regular oversight of cyber security matters – cyber risk is a top-ten risk for United Utilities. As a provider of essential services for UK Critical National Infrastructure, the group is governed by the Network and Information Systems Regulations (NIS Regulations), which focus on cyber security compliance. Monitoring/enforcement of these regulations is within the remit of the DWI. The chief security officer, who reports functionally to the customer and technology director, presents to the board twice a year, providing the board with insight into the mitigation activities employed by the group in response to the evolving threat of cyber and physical security attacks. The protection of our customers, our people and our assets is of the utmost importance.

Board colleagues

As reported last year, Clare Hayward joined the board on 16 April 2024, with Paulette Rowe stepping down at the conclusion of the AGM on 19 July 2024. Ian El-Mokadem will join the board on 1 June 2025, bringing his considerable experience to the board of working in regulatory environments in the delivery of essential public services.

Reporting against the code

In the following pages of this corporate governance report, we set out how the board has fully applied the principles and fully complied and reported on the provisions of the 2018 UK Corporate Governance Code (the code). In relation to provision 10, we have explained below why the board considers that Alison Goligher continues to be independent notwithstanding that she will remain as a director beyond the ninth anniversary of her first appointment.

Serving beyond a nine-year term

Our £13 billion AMP8 capital programme will provide a step change for the group in comparison with its AMP7 programme. The board concluded that it would be beneficial for Alison to remain on the board, thereby retaining her experience of large capital programmes and providing a level of continuity among board members as the board oversees the group's transition into AMP8.

The board was clear, notwithstanding the length of term served on the board, that with her personal style and approach Alison continues to bring an independent perspective and mindset to board discussions. Her consistent and effective approach contributes hugely to the board's oversight role and in providing effective challenge to management. She shares her experience as a non-executive director with management and other board members through her wise counsel and pragmatism. Furthermore, she continues to be free from any conflicting interests with those of the group.

Annual general meeting

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

Sir David Higgins

Chair

Read more about **our financial performance** on pages 94 to 97

Quick facts

- Sir David Higgins met the independence criteria as set out in provision 10 of the 2018 UK Corporate Governance Code (the code) when he was appointed.
- The code requires that at least half of the board, excluding the Chair, should be non-executive directors whom the board considers to be independent. As at 31 March 2025, there were six independent non-executive directors on the board.
- The company secretary attends all board and committee meetings and advises the Chair on governance matters. The company secretariat team provides administrative support.
- The directors' biographies (see pages 106 to 109) include specific reasons why each director's contribution is, and continues to be, important to the company's long-term sustainable success.
- All directors are subject to annual election at the annual general meeting (AGM) held in July. The board concluded, following the completion of the evaluation of the effectiveness of the board, that each director continues to contribute effectively.
- The board recommends that shareholders vote in favour of those directors standing for election or a further term at the forthcoming AGM, as they will be doing in respect of their individual shareholdings.

Quick links

Schedule of matters reserved for the board: **unitedutilities.com/corporate-governance**

A copy of the Financial Reporting Council's 2018 UK Corporate Governance Code can be found at **frc.org.uk**

Governance structure for the board and the principal committees

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

Key Oversight and challenge Inform and implement

United Utilities Group PLC board

Chair – Sir David Higgins

Code principal board committees

Audit committee

Chair: Doug Webb
Contribution to our strategy:

See pages 128 to 141

Nomination committee

Chair: Sir David Higgins
Contribution to our strategy:

See pages 119 to 123

Remuneration committee

Chair: Kath Cates
Contribution to our strategy:

See pages 146 to 172

Other board committees

ESG committee

Chair: Liam Butterworth
Contribution to our strategy:

See pages 144 to 145

Compliance committee

Chair: Alison Goligher
Contribution to our strategy:

See page 143

Treasury committee

Chair: Doug Webb
Contribution to our strategy:

See page 142

Announcements committee

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

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

Chief Executive Officer – Louise Beardmore

Principal management committees

Group audit and risk board

Chair: Louise Beardmore, CEO
Contribution to our strategy:

The Group audit and risk board is responsible for reviewing governance, risk and compliance matters.

Executive team

Chair: Louise Beardmore, CEO
Contribution to our strategy:

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

Capital investment committee

Chair: Louise Beardmore, CEO
Contribution to our strategy:

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

Sustainable finance committee

Chair: Phil Aspin, CFO

Contribution to our strategy:

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

Political and regulatory group

Chair: Gaynor Kenyon, corporate affairs director

Contribution to our strategy:

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

ESG leadership group

Chair: Jo Harrison, director of strategic planning and sustainability

Contribution to our strategy:

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

Security steering group

Chair: Jon Wyatt, chief security officer

Contribution to our strategy:

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

Climate change mitigation steering group

Chair: Phil Aspin, CFO and Jo Harrison, director of strategic planning and sustainability

Contribution to our strategy:

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

Health and safety executive

Chair: Louise Beardmore, CEO

Contribution to our strategy:

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

Our strategic priorities

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

Board activities during 2024/25

In addition to the areas of board focus set out on page 105 and the S172(1) Statement on pages 90 to 91, the board has been fully apprised of the matters set out in the table below, with decisions made as appropriate.

Nine scheduled meetings are held per year (2024: 8). Papers are circulated via an electronic portal normally five days before the meeting.

Other board meetings were held as the need arose. Scheduled meetings are usually held in person, and board members are expected to attend. Similarly, they are expected to make every effort to attend ad hoc meetings, albeit virtually if needs be. On the evening before most scheduled board meetings, the non-executive directors meet together to provide a discussion opportunity outside of the formal meeting, from time to time the CEO, CFO and company secretary attend. A table of attendance of scheduled meetings is set out on page 114.

Actions	Outcomes	Cross reference	Link to strategic priorities
Leadership and colleagues			
Regular review of the progress to enhance health and safety performance through the refresh of the 'Home Safe and Well' health and safety strategy and targeted interventions to improve occupational road risk and process safety performance.	Progress has been made in supporting a transformation in H&S leadership and culture across the organisation including: leadership H&S moments, director level H&S plans and leadership visits, driver safety dashboards and interventions, a revised significant incident process and supporting project management office had been established.	See pages 80 and 110	
Review of board and executive team succession plans.	Apprised of the succession planning activities for the senior management talent pipeline with a number of opportunities being arranged for board members to meet colleagues on the talent programme.	See pages 119 to 122	
Review of the results of the annual colleague engagement survey and feedback from the Colleague Voice panel.	Insight on the views of colleagues through the engagement survey and from the Colleague Voice panel, enabling the board to focus on addressing areas where improvement was required.	See page 115	
Regular review of cultural metrics and associated made available in the monthly CEO performance report.	Monitored and assessed culture and concluded it was aligned with the company's purpose, values and strategy.	See page 116	
Strategy – stronger, greener, healthier North West			
Aim to maintain the company's long-standing debt to RCV gearing target for AMP8 within a target range of 55 to 65 per cent.	As a consequence of acceptance of the final determination, and on the assumption that each rating agency would maintain ratio/threshold guidance as published at the end of January 2025, the board noted that the group would continue to target a robust capital structure by maintaining gearing, measured as group net debt to RCV, within the target range of 55 to 65 per cent.	See page 93	
Maintaining the focus on the provision of wholesome drinking water and treating wastewater are at the heart of what we do.	Kept fully apprised of the progress made by the 'Water Quality First' and 'Better Rivers' programmes focusing on improving water quality and the security of supplies, and targeting a 60 per cent reduction in storm overflow spills in the decade to 2030.	See pages 50 to 96	
Received the refreshed equity, diversity and inclusion (ED&I) plans.	Provided the board with insight into the new 'Opportunity for All' approach to both retain our talented people and help recruit more diverse candidates.	See pages 80 to 81	
Governance			
Reviewed and debated the overall risk profile of the group, the principal and emerging risks and risk appetite.	Considered and noted management's proposal to define material risks as those which, in the worst case, had a significant (greater than £350 million) one-off financial impact and severe reputational impact with the principal risks being redefined as those identified as being material risks along with the significant long-term risks. Endorsed the nature and the management of principal risks and were satisfied that the approach to risk appetite and the risk management framework were fit for purpose.	See pages 58 to 65	
Reviewed the risk management systems, including financial, operational and compliance controls and the effectiveness of the internal control systems.	The risk management and internal control systems were considered to be effective.	See pages 138 to 141	
Reviewed and discussed the findings of the internal evaluation and review of the performance of the board, its committees and any potential conflicts of interest.	Identified action points and any ongoing training needs.	See page 123	
Reviewed the performance of the statutory auditor and recommendation for reappointment at the 2025 AGM.	Accepted the recommendation from the audit committee that KPMG be proposed for reappointment at the 2025 AGM.	See page 138	
Financial			
Noted the AMP8 business plan and approved the 2025/26 budget.	Noted the AMP8 business plan and challenge vis a vis the final determination allowance and approved the 2025/26 budget to drive performance.	See page 08	
Reviewed the half and full-year results, and associated announcements and related dividend payments.	Considered and approved the half and full-year results and the interim dividend and final dividend payments.	–	
Reviewed management's proposed going concern and long-term viability statements.	Approved the going concern and long-term viability statements for the financial year to 31 March 2025.	See pages 126 to 127	
Reviewed the annual treasury update.	Approved the group's funding requirements and potential sources of funding and endorsed the approach to managing interest rates and other exposure to market risk.	See page 142	

Governance structure for the board and the principal committees

Attendance at board and committee meetings during 2024/25

	Boards meetings[1]	Audit committee	Remuneration committee	Nomination committee	ESG committee	Treasury committee	Compliance committee
Sir David Higgins	9 / 9	–	–	2 / 2	–	–	–
Louise Beardmore	9 / 9	–	–	–	3 / 3	–	4 / 4
Phil Aspin	9 / 9	–	–	–	–	3 / 3	–
Alison Goligher	9 / 9	–	5 / 5	2 / 2	3 / 3	–	4 / 4
Liam Butterworth	9 / 9	4 / 4	–	2 / 2	3 / 3	–	–
Kath Cates	9 / 9	4 / 4	5 / 5	2 / 2	–	–	–
Clare Hayward	8 / 8	–	–	2 / 2	3 / 3	–	–
Michael Lewis	7 / 9[2]	–	–	2 / 2	3 / 3	–	–
Paulette Rowe	4 / 4	–	–	– / 1[3]	1 / 1	–	–
Doug Webb	8 / 9[4]	4 / 4	5 / 5	2 / 2	–	3 / 3	4 / 4

Meetings attended / Possible meetings

(1) Actual number of meetings attended/maximum number of scheduled meetings that the directors could have attended during the financial year ended 31 March 2025.

(2) Michael Lewis was unable to attend two board meetings due to pre-existing diary commitments.

(3) Paulette Rowe was unable to attend a nomination committee meeting due to a prior commitment.

(4) Doug Webb was unable to attend a board meeting due to a prior commitment.

Board engagement with colleagues

Colleague Voice panel

During 2024/25 Alison Goligher continued to be designated as the non-executive director for engagement with the workforce. A key element of the role is chairing the Colleague Voice panel, facilitating the opportunity for two-way dialogue between the board and the wider workforce. The activities and findings of the panel are shared with the ESG committee and the board on a regular basis. Representatives from colleague groups and networks from across the business and region attend meetings, with the membership being refreshed at regular intervals. Meetings alternate between in-person and virtual, to provide greater flexibility and ease of attendance, with in-person meetings often being held at operational sites. There is an open invitation to board members to attend panel meetings, as most of the non-executive directors have done on previous occasions.

Board

ESG committee

Non-executive director
Alison Goligher

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

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

- Board updates – information shared on key areas of focus of board discussions.
- Updates on the activities of the colleague networks.
- Discussions on colleague engagement activities.
- Regular updates on health and safety performance from the health and safety director.
- Updates on progress with the AMP8 process and final determination from the strategic and regulatory programmes director.
- Update from the Better Rivers programme director on the ongoing roll out of 'River Rangers' to improve the health of the rivers and waterways in our region.
- Results of the annual Colleague Opinion Survey shared by the head of people engagement and culture.
- Launch of the 'Opportunity for All' ED&I plans by the equity, diversity and inclusion manager.
- Technical training update by the head of training, and celebration of the ten-year anniversary of the company's bespoke training facilities in Bolton.

Alison holds regular meetings with senior trade union representatives immediately following each panel meeting. Furthermore, alongside the employee relations team, the CEO holds regular face-to-face meetings with senior trade union representatives to ensure direct two-way communication.

The group has a commercial agreement in place with a third party for the provision of agency staff and contractors. Engagement and communication in relation to these members of the wider workforce is managed directly by the third party via a dedicated third-party account manager who liaises directly with the company's human resources team. Should there be significant change activity, a representative of the third party would join the project team to ensure consistency when communicating information to colleagues, agency staff and contractors. On pages 26 and 52, respectively, is information on the company's approach to engagement with, and creating value for, colleagues. Health, safety and wellbeing is a priority, see page 80. An explanation of the company's approach to rewarding the workforce can be found on page 165.

Alison will be succeeded by Liam Butterworth as the designated non-executive director for engagement with the workforce and chair of the panel in July 2025.

30 panel members from 12 different work locations

14 women and 15 men

Representatives from all five colleague networks

Other colleague engagement mechanisms include:

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

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

All-colleague event
In March 2025, around 4,200 colleagues attended a session in Blackpool to learn about the outcome of the final determination, AMP8 capital programme and the refreshed 'Home, Safe and Well' strategy.

Breakfast with the board
From time to time colleagues from across the business included in the talent programme are invited to informal breakfast sessions with board members.

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

Executive and senior manager mentors
Members of the executive team and other senior managers offer 'mentoring' to colleagues on the talent programme.

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

Board engagement with colleagues

Confidential helpline and whistleblowing policy

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

Culture

Our values of 'doing the right thing', 'make it happen' and 'be better' continue to underpin our culture of behaving as a responsible business and articulate how colleagues are expected to think, behave and act, both individually and collectively. These values are continually reinforced by management in order that the right behaviours cascade throughout the organisation. Our colleagues are fundamental to delivering our strategy and achieving our purpose. Our Home Safe and Well strategy has been refreshed to embed the principles of safety and championing our values.

Assessing and monitoring our culture

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

Qualitative and quantitative metrics are regularly made visible to the board via a number of mechanisms, including in the CEO's monthly performance report, and, from time to time, relevant reports are provided to both the ESG and remuneration committees and the board itself.

A number of quantitative measures of culture are derived from the annual colleague opinion survey, including scores on leadership, wellbeing, values, communication and 'my voice is heard'. A number of key performance indicators are reviewed on a monthly basis by the executive team and presented at scheduled board meetings. The board was satisfied that the policies, practices and behaviours within the business were aligned with the company's purpose, values and strategy.

The following metrics, used to monitor and assess culture, are taken from the annual colleague opinion survey:

87%
Overall percentage engagement score
UK norm: 79%

87%
Overall colleague response rate
2023/24: 88%

90%
Support for diversity and inclusion in the workplace
2023/24: 87%

90%
I would recommend United Utilities as a good place to work
UK norm: 79%

78%
Agree our reward package is as good or better than the reward package I could get for a similar, or in other organisations
UK norm: 46%

91%
I can voice my opinion to my line manager
2023/24: 88%

Non-executive director's induction programme – Clare Hayward

Since joining the board in April 2024, Clare Hayward spent time with members of the executive team and met with representatives from the company's advisers in an induction programme agreed by the company secretary and CEO as follows:

Areas covered	Discussions held with
Strategic priorities, company purpose and values, and PR24/look ahead to AMP8	CEO
Financial performance, internal audit, risk and internal control and investors	Group financial controller, head of audit and risk and investor relations and clean energy strategy director
Corporate and governance structure, governance and best practice, and legal matters	Company secretary and external legal adviser
Colleague engagement and reward, organisational culture, health, safety and wellbeing	People director and health and safety director
Engineering and capital programme, and commercial activities	Commercial director
Customer services activities and technology	Customer and technology director
Water quality, treatment and supply network and visit to the company's laboratories and the operational control centre	Water services director, chief scientific officer and central operations director
Wastewater treatment and wastewater network and storm overflows	Wastewater services director
Economic regulation and compliance	Regulation and compliance director
Bioresources and green energy activities and site visit to bioresources treatment site	Bioresources and green energy director
Communication and stakeholder engagement activities	Corporate affairs director and head of regional engagement

Board engagement with stakeholders

Engagement with investors and shareholders

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

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

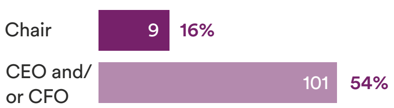
Environment: heightened regulatory/ political risk in relation to the independent review into the water sector led by Sir Jon Cunliffe.

Social: focus on customer support for bills, reputational reaction to sector media coverage and resulting concerns for colleague morale.

Governance: encouraged by management's invigorated approach to manage capital expenditure given larger project size and cost risk in AMP8.

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

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



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

In 2024, shareholders were invited to the AGM at the company's main offices in Warrington, with 45 shareholders/proxies present. At the meeting, votes were cast in relation to, approximately, 75 per cent of the issued share capital (2023: 74 per cent; 2022: 73 per cent) and all 20 resolutions were passed by the required majority. There were no significant votes cast against the board's recommendations. Votes cast in favour of the election/reappointment of each of the directors were in excess of 87 per cent.

Shareholders are encouraged to access information, particularly relating to the half and full-year results presentations and annual report and accounts, via the company's website. Our registrar Equiniti, the company secretariat team and our investor relations team are all available to help shareholders with queries. Further information is available on page 240, along with a number of useful addresses.

Engagement with banks and credit investors

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

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

Additionally, the European Investment Bank (EIB), which is the financing arm of the European Union (EU), remains a significant lender to United Utilities Water, currently providing around £900 million of loan funding supporting past capital investment programmes, with our existing EIB loan portfolio expected to 'run-off' in line with the scheduled maturities of each loan.

A greater proportion of the group's term finance is, therefore, likely to come from the debt capital markets, including funding raised under the group's sustainable finance framework that was established in November 2020. In February 2025, the group issued its second bond in the euro public market following its return to that market in 2024, after a gap of almost 20 years, further diversifying its sources of funding by issuing a €650 million, eight-year bond maturity, in accordance with the group's sustainable finance framework. An allocation and impact report is published annually in respect of any green/sustainable finance raised, which provides credit investors with details on the use of proceeds of any sustainable finance raised, along with the selected case studies on eligible projects funded.

The group currently has gross borrowings of £ 10,789 million. Given the importance of debt funding to our group, we have an active credit investor programme coordinated by our group treasury team, which provides a first point of contact for credit investors' queries and maintains a dedicated area of the company's website. One-to-one meetings are held with credit investors through a programme aimed at the major European fund managers known to invest in corporate bonds that may be existing, or potential holders of the group's debt. Regular mailings of company information are sent to keep credit investors informed of significant events. The treasury team has regular dialogue with the group's relationship banks, the EIB and the credit rating agencies.

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

Engagement with regulators and other stakeholders

During the year, the chair of YourVoice (the independent customer challenge group) provided feedback to the board confirming whether, in YourVoice's view, customers' views had been taken into account in the construct of the 2024 UUW annual performance report and the AMP8 business plan. Sir David, Kath Cates, Alison Goligher and Michael Lewis attended events for non-executive directors organised by Ofwat and Kath attended a meeting for water company chairs in relation to the Sir Jon Cunliffe review.

Board engagement with stakeholders

Division of responsibilities – board roles

The roles and responsibilities of the Chair, the CEO and the senior independent director are clearly defined and set out in the terms of reference, available on the company's website. There is a clear division of responsibility between the leadership of the board and the executive leadership of the group's business. The Chair's role is fundamental to the effective operation and decision-making of the board. Sir David was independent on appointment when assessed against the circumstances set out in provision 10 of the Code. As CEO, Louise Beardmore is responsible for managing the group's business and implementing the strategies and policies approved by the board. The responsibilities of each of the directors is summarised in their biographies as set out on pages 106 to 109.

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

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

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

Other board and committee appointments are a matter taken into consideration during the recruitment process. A candidate would not be considered if they were felt to be overboarded. The board does not specify the precise time commitment it requires from its non-executive directors – in taking on the role they are expected to fulfil their responsibilities and manage their diaries accordingly. This approach is set out in the letter of appointment that each director signs when joining the board. Each individual's circumstances are different, as is their ability to take on the responsibilities of a non-executive directorship role. Should a director be unable to attend meetings on a regular basis, considered not to be preparing satisfactorily or not contributing appropriately to board discussions, the Chair would be responsible for discussing the matter with them and agreeing a course of action. The board is content that each of the directors seeking reappointment/election at the 2025 AGM are able to fulfil their responsibilities to the United Utilities' board alongside other roles currently held.

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

Board committee membership

The board delegates certain responsibilities to its committees and appoints directors to board committees that best reflect their skills, expertise and particular areas of interest. The board has applied the board diversity policy (see page 121) to the audit, nomination, remuneration, ESG and compliance committees thereby ensuring diversity of attributes and female representation. The board is satisfied that the membership of the audit committee and the remuneration committee are in accordance with provisions 24 and 32 of the code, respectively.

Overview of the board's responsibilities

- Sets the strategy of the group, ensuring the long-term success of the group for customers, investors and wider stakeholders.
- Is responsible for challenging and encouraging the executive team in its interpretation and implementation of how it manages the business, and that it is doing so in accordance with the strategic goals the board has set.
- Has responsibility for ensuring the company's risk management and internal control systems (including financial, operational and compliance) and processes operate effectively (see pages 58 to 65).
- Must ensure that the company has the necessary financial resources and people with the necessary skills to achieve its objectives. It reviews managerial performance annually.
- Approves appointments to, and removals from, the board and membership of the committees.
- Applies the principles of the code and reports against the provisions.
- Has oversight of major capital expenditure projects that exceed £200 million, and any project that materially increases the group's risk profile, or is not in the ordinary course of the group's business.

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

Nomination committee report

Members

Sir David Higgins
Chair

- Liam Butterworth
- Michael Lewis
- Kath Cates
- Alison Goligher
- Clare Hayward
- Doug Webb

Dear shareholder

As reported last year, Clare Hayward joined the board on 16 April 2024, with Paulette Rowe stepping down at the conclusion of the AGM on 19 July 2024. On 3 March 2025, we announced that Ian El-Mokadem would join the board with effect from 1 June 2025. Ian brings a wealth of experience of working in regulatory environments in the delivery of essential public services from his executive leadership roles at Centrica and Compass Group, which will be invaluable as we deliver our ambitious £13 billion investment plan for the North West. The board viewed Ian as a strong candidate with experience of utilities and a clear understanding of the role of a non-executive director. Having served on the board of Serco since 2017, Ian's non-executive experience will strengthen the board's oversight role supporting our continued delivery for the region's communities, environment and stakeholders. He was recently appointed as a non-executive director on the board of Diploma plc, having recently retired from his executive role as CEO of AIM-listed RWS Holdings plc, a position held since 2021.

Roles and committee membership

In July 2024, Liam Butterworth was appointed as chair of the ESG committee and Clare, on her appointment, joined the nomination and ESG committees. On his appointment, Ian will become a member of the nomination, audit and compliance committees.

To look to the future and maintain an orderly and effective succession process, the committee concluded it was appropriate that Alison would relinquish the senior independent director role with effect from the conclusion of the 2025 AGM and be succeeded by Doug Webb. At the same time, Doug would take over as chair of the compliance committee and Liam Butterworth would succeed Alison as the designated non-executive director for engagement with the workforce and chair the Colleague Voice panel. Alison remains a member of the nomination, remuneration, compliance and ESG committees.

Board diversity

At 31 March 2025, the company met the board diversity target that 40 per cent of the board are women and that at least one of the senior positions on the board is held by a woman. However, our accounting reference date of 31 March 2025 fell in the intervening period between Paulette Rowe having stepped down from the board on 19 July 2024, and Ian El-Mokadem taking up his appointment to the board on 1 June 2025. As a consequence of Paulette's departure, at the reference date of 31 March 2025, the board diversity target that at least one individual on the board is from a minority ethnic background was not met as reflected in the table on page 120 set out in accordance with UKLR 6.6.6(9). However, with Ian's appointment to the board on 1 June 2025 the minority ethnic board target will be met going forward.

During the year, as recommended by the Parker Review, a target was set that by 31 December 2027, 5 per cent of senior managers and their direct reports will self-identify as minority ethnic. At 31 March 2025, 3.4 per cent of this senior manager cohort self-identified as minority ethnic (2024: nil). As set out on page 120, there have been small increases recorded in ethnic diversity among the workforce and in the proportion of colleagues who have completed our 'All about me' self-identification survey.

Sir David Higgins
Chair of the nomination committee

Quick facts

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

Main responsibilities

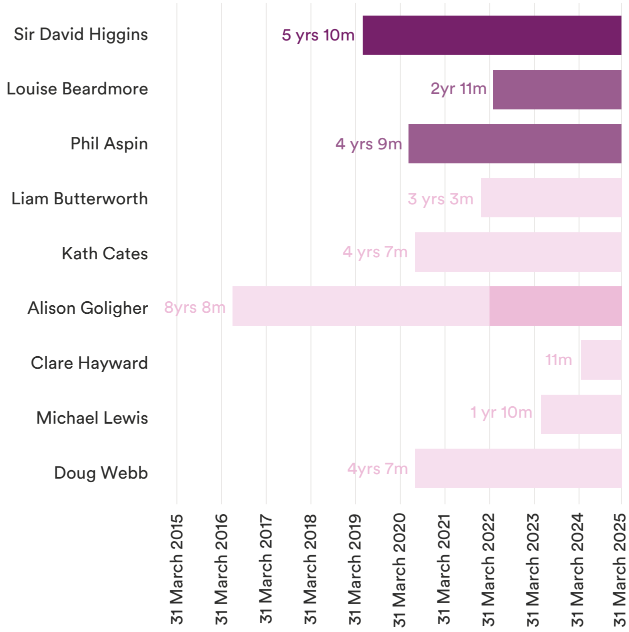
- Lead the process for board appointments and make recommendations to the board about filling board vacancies, including the role of company secretary.
- Consider the succession planning of directors and members of the executive team.
- Make recommendations to the board on refreshing the membership of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

Quick links

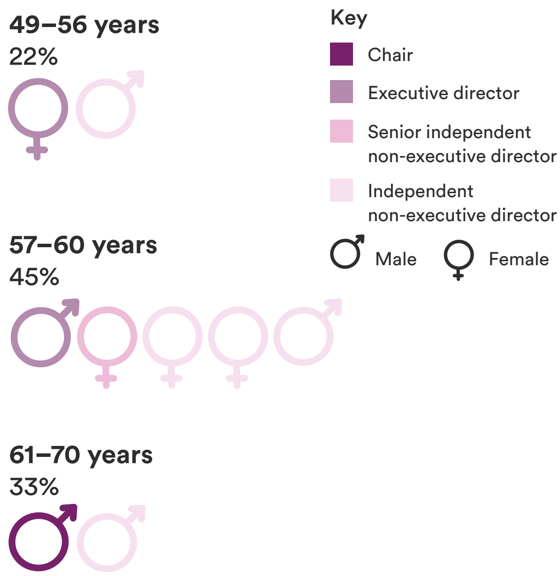
Terms of reference:
unitedutilities.com/corporate-governance

Nomination committee report

Directors' tenure as at 31 March 2025



Age and gender profile as at 31 March 2025



	At 31 March 2025
Non-executive directors' average tenure	4 years 2 months
Executive directors' average career time within the business	29 years 6 months
Average tenure of all directors	4 years 1 month
Average age of the non-executive directors	61 years
Average age of the executive directors	54 years

Numerical gender data as at 31 March 2025

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

Numerical ethnicity data as at 31 March 2025

	No. of board members	Percentage of the board	No. of senior positions on the board (CEO, CFO, SID, Chair)	No. in executive management	Percentage of executive management
White British or other White (including minority-white groups)	9	100.0%	4	9	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Data for the above tables is drawn from HR management information at 31 March 2025, with the directors and members of the executive team each having completed the company's 'All about me' equity, diversity and inclusion survey. Among those colleagues completing the survey, colleagues from a minority ethnic background represented 3.9 per cent (2024: 3.2 per cent), 89.2 per cent from a non-ethnic background (2024: 89.1 per cent) and 6.9 per cent chose not to disclose (2024: 7.7 per cent).

As required by UKLR 6.6.6(9), the company has met the following board diversity targets at 31 March 2025 other than the target set out at c. below:

a. At least 40 per cent of the individuals on the board are women;

b. At least one of the following senior positions is held by a woman: the chair; the CEO; the SID or the CFO; and

c. At least one individual on the board is from a minority ethnic background.

Summary of the board diversity policy

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

Skills matrix of board directors

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

Committee and succession planning activities during 2024/25

Actions	Outcomes	Cross reference
Reviewed the senior management succession pipeline and the refreshed approach to managing and developing talent, which would be piloted with senior managers, and, thereafter, rolled out across the wider workforce.	The succession planning activities are designed to support and align the human resource requirements of senior managers and their direct reports both on a contingency basis and for the 2025/30 asset management period.	See page 08
Review of the membership and roles of the executive team.	The membership, roles and responsibilities of the members of the executive team were restructured to better reflect the strategic priorities of the business. The chief operating officer, Matthew Hemmings, joined the business in September 2024.	See page 122
Review of the long-term succession plan for the board.	Agreed the brief and engaged Lygon Group[3] to assist in the appointment of a new non-executive director to succeed Paulette Rowe. In particular, having proven experience of working in the utilities sector was identified as a key skills gap that should be addressed by the successful candidate.	–
Received an update on the recruitment process and considered the short list of potential candidates to undertake interviews with the existing non-executive directors.	Considered and discussed feedback from the candidates' interviews with each of the current non-executive directors and agreed which candidate to take forward to meet with Ofwat representatives.	See page 122
Considered feedback from Ofwat on the suitability of the proposed candidate.	Made a recommendation to the board for the appointment of Ian El-Mokadem as an independent non-executive director.	See page 119
Reviewed the committee's terms of reference.	No changes made.	–
Discussed the findings of the committee's evaluation.	Identified points of action to be implemented in 2025/26.	See page 123

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

(2) Excludes United Utilities.

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

Nomination committee report

Board succession planning and diversity

The succession planning matrix and board skill set matrix (see page 121) capture the skills and experience of the current board members, any gaps or potential gaps that will arise as the existing non-executive directors step down and the skill sets required to meet the forecast strategic needs of the business. Details of the tenure of board members are shown on page 120. Neither the Chair, nor the CEO, would be involved in the appointment of their successor, although the committee would most likely seek to consult with the incumbent CEO given their unique knowledge of the business. Any selection process is underpinned by the application of the board diversity policy (see page 121). The policy is applied to the board committees as set out on page 118. On joining the board, non-executive directors undertake an induction programme; Clare Hayward's induction programme is set out on page 116.

Diversity, in its broadest sense, is a key consideration in our board recruitment process, and the committee is committed to ensuring that all aspects of diversity are reflected among its board members. The committee keeps attainment of this objective under review as it strives to ensure that an ethnically and culturally diverse pool of candidates is available during any executive search process. As explained on page 119, at 31 March 2025 the company met two of the board diversity targets set out in UKLR 6.6.6(9). The third target that at least one individual on the board is from a minority ethnic background was not met at the reporting date for a short period. The board is cognisant of the benefits that diversity, in its broadest sense, among its membership, brings to board discussions and in its role in overseeing and challenging management. The board recognises the benefits of equity, diversity and inclusion across the business, and there are initiatives in place to support women in the workplace. Considerable progress has been made during the year to address the ethnic imbalance of the workforce and align with our strategic priority to provide a safe and great place to work (see page 52). At the conclusion of the 2025 AGM, Alison Goligher will step down as senior independent director and chair of the compliance committee to be succeeded by Doug Webb. Similarly, Liam Butterworth will succeed Alison as the designated non-executive director for engagement with the workforce.

Executive directors and senior manager succession

The group has had a written succession plan for the executive directors and other members of the executive team, which includes outline timescales, identifies an interim internal successor to fill a role in the short term should the need arise, and addresses the longer-term development needs of potential successors to be able to fulfil a role on a more permanent basis. As with all board appointments, in aiming to appoint the best person to fulfil a role, it would be common, when recruiting for a senior role, for an external search to be conducted alongside an internal candidate recruitment process. During the year, a candidate to fill the role of chief operating officer was recruited, with Matthew Hemmings being appointed in September 2024 – see our website at **unitedutilities.com/corporate/about-us/governance/our-executive-team/**

Knowledge and training

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

Consideration of ESG issues are fundamental to our purpose of providing great water for a stronger, greener and healthier North West. In particular, all board members and members of the executive team are required to complete internally provided training entitled 'introduction to carbon'. Deep-dives on a number of topics have been held during the year.

During the year, the board received briefings from both Slaughter and May (legal and governance matters) and KPMG (governance changes relating to reporting requirements), and held sessions with a number of other advisers. Our non-executive directors are conscious of the need to keep themselves properly briefed and informed about current issues and to deepen their understanding of the business. During the year, Sir David Higgins, Kath Cates, Alison Goligher and Michael Lewis attended an event organised by Ofwat for non-executive directors. Alison, Doug Webb and Clare Hayward attended the March 2025 all-colleague event in Blackpool, and Alison has, again, during the year, chaired the Colleague Voice panel (see page 115).

New directors receive information on the key duties of being a director of a regulated water company. They are required to meet with representatives of Ofwat prior to appointment, as did Clare Hayward in February 2024 and as did Ian El-Mokadem in January 2025. Any non-executive director being appointed as the senior independent director is also required to meet with representatives of Ofwat.

Evaluation and review of the performance of the board and its committees

1 Approach: November 2024

The Chair and the company secretary discussed the internally facilitated review process questionnaire-based approach that was adopted. The company secretary discussed the content of the questionnaires with the Chair, and once drafted they were shared with the Chair, company secretary and chair of each committee for comment/approval prior to being issued.

2 Methodology: December 2024

Questionnaires (included questions to be scored and free text questions) were completed by board members assessing both the performance of the board, and that of the Chair. Members of each committee completed relevant questionnaires as did the standing attendees for each committee. Representatives from KPMG and Ellason, as statutory auditor and remuneration committee adviser, as regular attendees, were asked to complete the questionnaires for the audit committee and remuneration committee respectively. Directors were not asked to complete a questionnaire for a committee they did not routinely attend. Each director also completed a self-assessment questionnaire assessing their own performance. Questionnaires were completed via an online portal.

3 Analysis: December 2024/January 2025

The results were collated and analysed by the company secretary's team, with draft reports prepared.

4 Findings: February/March 2025

Draft reports were discussed with the Chair and circulated to the relevant committee chairs, after which, the results were presented and actions discussed by the board in February 2025. Each committee also discussed the results of the relevant evaluations and the points of action at their respective meetings in February/March 2025. The Chair reviewed the performance of the individual directors. The Chair discussed the review of the individual directors with each of them and identified any points of action. Alison Goligher, as the senior independent non-executive director (SID), led the review of the Chair. She held a discussion with the other non-executive directors without the Chair present. Detailed feedback was provided to the Chair.

Board evaluation

An external review was last conducted in 2023/24 by Independent Audit Limited, in accordance with the three-year cycle set out in the code, external review will most likely be again undertaken in 2026/27. With agreement by the Chair, the board evaluation was internally facilitated during the year by the company secretary and his team.

Outcomes

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

The board – strengths:

- Responses suggested that the board performed well and provided effective stewardship. Non-executive directors provided appropriate challenge to the executive directors and the wider executive management team, contributing alternative views and transparent and open feedback, balanced with a supportive approach, particularly given the extensive external scrutiny of the group and sector at a time when management were focused on ensuring a successful outcome from the final determination process.
- Respondents indicated that the board was well chaired and well supported by the company secretary and his team and presentations and materials presented to the board were of good quality and depth to provide directors with an informed perspective of the subject matter, and there had been improvement to the timeliness of the issue of board packs.
- Responses indicated that the board felt there was good oversight of the long-term planning process and a good routine around strategy reviews. There was good visibility of risk and oversight of the risk management process and continuation of the deep-dive programme was essential as the group transitioned to face the increased risks and challenges of AMP8. Visibility of health and safety had been maintained at board level with management driving forward heightened awareness and operational improvements.

The board – priorities for action:

- Provide visibility for the board on the progress of change being implemented to ensure the business is prepared to meet the challenges of AMP8 particularly impacting the capital delivery and engineering teams.
- Some respondents expressed the view that there was a good routine around strategy review in place, others felt more time should be spent on long-term planning beyond the next AMP on climate change and sustainable water planning.
- Responses indicated that the board would benefit from gaining a better understanding of technology strategy and the opportunities and risks presented by artificial intelligence and other emerging technologies on the strategy and operation of the business.
- Increase the opportunities for the non-executive directors to have more regular opportunities for face-to-face contact and interact with senior management and those in the talent pipeline. It was felt that more opportunities for site visits would enable non-executive directors to improve their understanding of the issues facing the business and meet with colleagues who were working in operational roles delivering services for customers, communities and the environment.

The committees – strengths and priorities for action:

- Audit committee – respondents agreed that the committee chair encourages open debate and discussion in an inclusive and professional atmosphere. Progress had been made on furthering the committee's understanding of the risk and assurance framework and how the assurance function within internal audit worked together; however, the matter should be kept on the committee's agenda as the nature of the business risks evolve.
- ESG committee – questionnaire responses showed that time had been taken during the year to prioritise the committee's agenda to ensure it addressed content most valuable to the business and its future strategy given the plethora of matters in the ESG arena. Time would now be needed to redefine the targets, themes and objectives that would be required for AMP8 with oversight by the committee but without stepping into management's role.
- Nomination committee – ensuring the committee maintained its focus on succession planning for both non-executive board appointments and executive senior management succession,
- particularly given the demands of AMP8 with the appropriate levels of process and formality to improve the effectiveness of the succession planning activities. The committee needed to ensure there was clarity in all aspects of the brief agreed at the start of the search process to ensure the process was efficient.
- Remuneration committee – respondents indicated that the committee is well chaired and works well, with healthy discussion and debate and all members contributing their views. It would be beneficial to increase liaison with other committees, particularly during an appointment process and when long-term plan performance targets were being set.
- Responses showed that the treasury committee performed strongly in all aspects, and the chair welcomed greater involvement from members of the treasury team attending the meeting as an opportunity for learning.
- Responses showed that the compliance committee was well managed and chaired and was fulfilling its responsibilities.

Key 2023/24 evaluation recommendations	Actions taken during 2024/25
Spend more board time discussing emerging issues and risk and opportunities of emerging technologies, and ensuring the group is well prepared in the event of a cyber attack.	The board receives regular updates on cyber security and mitigating actions in place. A cyber attack simulation exercise was undertaken during the year. A deep dive encompassing emerging technologies is scheduled for June 2025.
Maintain the focus on health, safety and wellbeing.	The board has been kept fully apprised of activities to support a transformation in health and safety leadership and culture across the business, which has been progressing at pace, including a refresh of the 'Home Safe and Well' strategy and targeted interventions on occupational road risk and process safety, driven forward by monthly meetings of the executive health and safety committee, chaired by the CEO.
Increased opportunities for non-executive directors to interact with senior management.	An informal event was held on the night before the AGM to allow board members and senior managers to meet and discuss points of interest. Regular deep-dive sessions held during the year have provided further opportunities for the board to spend time with senior managers.
Virtual meetings kept to a minimum.	Nine board meetings per year are now scheduled to allow more discussion time, with only one scheduled meeting held virtually as a matter of routine.

Financial oversight responsibilities of the board

The board as a whole is responsible for overseeing the financial performance of the business. The board is supported in this role by the audit committee, whose activities are described on pages 128 to 141.

The board reviews the financial performance of the company at every scheduled board meeting, receiving a report from the CFO, which provides the board with the up-to-date position of the consolidated financial statements, interpretative analysis and other key performance indicators, metrics and ratios. The board takes into account the review by the audit committee of the financial and narrative statements, and the auditor's views on the key risks and judgements identified and given particular focus in their audit work and set out in their report (see pages 179 to 190), and the information and explanations provided by management in relation to their key judgements and adjustments to APMs (see page 98). The board considered the review and assurance process undertaken by management, and was considered by the audit committee to support the application of principle N. The board concluded that, in the 2024/25 integrated annual report and financial statements, it had presented a fair, balanced and understandable assessment of the company's position and prospects, and the board was satisfied on the integrity of the financial and narrative statements. Furthermore, the board approved the accounts and provision of the directors' responsibility statement at its meeting on 14 May 2025; see page 177.

Oversight of the financial aspects of ESG

ESG and behaving responsibly, has been a long-term commitment and part of the board ethos for many years and is embedded throughout the business. It naturally flows through into the board's approach to the integrity of the group's financial reporting. As described on page 60, climate change poses a risk to the group's provision of water and wastewater services. A table of our reporting against the TCFD recommendations is set out on page 03.

As part of the processes supporting the provision of the 'fair, balanced and understandable' statement, the board determined that the levels of assurance provided by the combination of the work by internal audit and of the various third parties was satisfactory at this time – a stance endorsed by the audit committee. The impact of environmental risk and other potential risks associated with climate change on the financial statements is kept under review. The board's approach for accounting for climate change for the year ended 31 March 2025 is set out on page 198.

Board's approach to risk management and internal control

As a key part of the risk management framework, risk appetite and tolerance (see page 59) captures the board's desire to take and manage risk relative to the company's obligations, stakeholder interests and the capacity and capability of its key resources. The board discharges its responsibility for ensuring that the company's risk management and internal control systems operate effectively across the business, and that they receive an appropriate level of scrutiny and challenge through the risk and resilience governance and reporting process (see page 28). The risk profile is reviewed in conjunction with the full and half-year reporting cycle along with deep-dives and routine performance reviews. The group's risks focus on the achievement of the objectives and obligations of a regulated water and wastewater company, including those relating to service delivery, reputation, regulatory and legal compliance, and the natural environment and are relative to multiple threats and vulnerabilities, such as climate change, asset health, demographic change and security.

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

Taking into account the principal risks set out on pages 61 to 63, the ongoing work of the audit committee in monitoring the risk management and internal control systems (see pages 138 to 141) on behalf of the board (and to whom the committee provides regular updates), the board:

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

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

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

Governance

- UUW board oversight of operational and compliance risk and controls.
- Oversight and activities undertaken by each of the audit committee, the treasury committee, the ESG committee and the compliance committee, including the recommendations from each of the committees and a review of the minutes of the committees' meetings.
- Treasury committee oversight of key treasury matters, including debt, financing and interest rate management.
- The review of the minutes of meetings of the group audit and risk board (GARB) and feedback from the CEO as chair of the GARB (see page 58).
- Feedback from the CEO, the CFO, the executive team and the head of audit and risk.
- Review of the effectiveness of the internal audit function (see page 141).

Internal control

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

Risk management

- The business risk and resilience framework, including the 'bottom-up' biannual integrated risk review process and the 'top-down' assessment of risks through the group audit and risk board (see pages 58 to 59).
- Biannual review of the group risk profile, with a focus on the most significant group and operational risks, in particular those that are our principal risks (material impact and significant long-term risks) as summarised on pages 61 to 63, and new and emerging risks (see page 64).
- The risk appetite and tolerance framework (see page 59), which includes: an overarching strategic appetite statement; general financial appetite against which the board reviews the most significant risks biannually; and target state for each corporate risk.
- Details of the principal risks and other significant group and operational risks, highlighting the extent of control/mitigation and the potential to achieve a targeted position, are made available to the board biannually.
- Review of matters correlating with, and deep-dives into, specific event-based operational risks.

Assurance

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

Read more about **significant issues considered by the audit committee** on pages 131 to 132

Read more about **relations with banks and credit investors** on page 117

Financial oversight responsibilities of the board

Going concern and long-term viability

The board, following the review by the audit committee, concluded that it was appropriate to adopt the going concern basis of accounting (see page 196). Similarly, in accordance with the principles of the code, the board concluded, following the recommendation from the audit committee, that it was appropriate to provide the long-term viability statement based on an assessment period of seven years. Assurance supporting these statements was provided by the review of: the group's key financial measures and contingent liabilities; the key credit financial ratios; and the group's liquidity and ongoing ability to meet its financial covenants. As part of the assurance process, the board also took into account the principal risks and uncertainties facing the company, and the actions taken to mitigate those risks, and include emerging and more topical risks.

These principal risks are detailed on pages 61 to 63, and the risk management processes and structures used to monitor and manage them on pages 58 to 60. Biannually, the board receives a report detailing management's assessment of the most significant risks facing the company. The report gives an indication of the level of exposure, subject to the mitigating controls in place, for the risk profile of the group, while also highlighting the reputational and customer service impact. This provides the board with information in two categories: group-wide business risks; and operational risks. The board also receives information during the year from the treasury committee (to which the board has delegated matters of a treasury nature – see page 142), including such matters as liquidity policy, the group's capital funding requirements and interest rate management.

Long-term viability statement

The directors have assessed the viability of the group, taking account of the group's current position, the potential impact of the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. This assessment has been performed in the context of the group's prospects as considered over the longer term. Based on this viability assessment, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the seven-year period to March 2032.

Basis of assessment

This viability statement is based on the fundamental assumption that the current regulatory and statutory framework, and interpretation thereof, does not substantively change. The long-term planning detailed on page 21 assesses the group's prospects and establishes its strategy over a 25-year time horizon consistent with its rolling 25-year licence and its published long-term strategy. This provides a framework for the group's strategic planning process, and underpins our business model set out on pages 16 to 99.

In order to achieve this aim and promote the sustainability and resilience of the business, due consideration is given to the management of risks over the long term that could impact on the business model, future performance, credit ratings, solvency and liquidity of the group. Specifically, risks associated with current levels of economic uncertainty and climate change have been incorporated into the baseline position and factored into the various scenarios modelled as part of the group's assessment. An overview of our risk management approach that supports the group's long-term planning and prospects, together with the principal risks and uncertainties facing the business, can be found on pages 58 to 64. This approach considers the full range of categories of risk that could impact the company, such as financial, operational and regulatory risks. In addition, consideration is given to the adequacy of workforce policies and practices, all liabilities including pension liabilities, any exposure to revenue variations, and expectations of future performance taking account of past performance in delivering for customers.

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

Viability assessment: Resilience of the group

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

- the group's policy of maintaining debt to regulatory capital value (RCV) of between 55 per cent and 65 per cent, which is consistent with a robust capital structure and strong solvency position, and which in turn supports the group's current credit ratings for its principal subsidiary United Utilities Water Limited of Baa1 with Moody's (senior unsecured debt) and BBB+ (long-term issuer default) with Fitch, and BBB+ with S&P;
- the group's pension schemes being fully funded on a low dependency basis, with around 70 per cent of the liabilities hedged through buy-in contracts and the remaining liabilities fully hedged for interest rate and inflation risk;
- the group's policy of maintaining a robust liquidity position, with liquidity to cover expected cash outflows for the next 15–24 months, and flexibility to exceed the upper end of the liquidity range in periods of greater uncertainty. At March 2025, the group had £2,823 million of available liquidity covering expected cash outflows through to February 2027 and providing a significant buffer to absorb short-term cash flow impacts; and
- the current regulatory framework within which the group operates, which provides a high degree of cash flow certainty over the regulatory period and the broader regulatory protections outlined below.

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

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

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

Resilience to principal risks facing the business

The directors have assessed the group's viability based on the resilience of the group and its ability to absorb a number of 'severe but plausible' scenarios, derived from the principal risks facing the group, as set out on pages 61 to 63. The baseline plan against which the viability assessment has been performed is aligned to the company business plan. This baseline plan is then subject to further stress scenarios and reverse stress testing that takes into account the potential impact of the group's principal risks. Such risks include: environmental risks such as the occurrence of extreme weather events and other impacts of climate change, further details of which are included in the group's TCFD disclosures on page 31; political and regulatory risks; the risk of critical asset failure; significant cyber security breaches; current economic uncertainties including levels of inflation and a squeeze on the cost of living impacting the group's customer base; and the potential for a restriction to the availability of financing resulting from a capital markets crisis.

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

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

Scenario modelled	Level of stretch applied	Link to risk factors	Viability assessment: Pass/Fail (without mitigation)[1] breached?	Projected lowest credit rating (investment grade retained)[2]	Financial debt covenants breached?
Scenario 1 Totex one-off impact	£400m one-off impact in 2025/26. Assumed to be operating costs.	Broadly representing the largest 'severe but plausible' risk which is a critical asset failure.	Pass	Baa1/BBB	No
Scenario 2 Totex under-performance	An increase in totex by 10% (c£260m-£335m) per annum across the 7 year assessment period 2025/26-2031/32 (c£2.1bn cumulative)	Broadly representing the cumulative total expected NPV totex impact of the remaining top 10 'severe but plausible' risks (including environmental, cyber security and network failure risks)	Pass	Baa2/BBB-	No
Scenario 3 Lower inflation	CPIH inflation of 1.0% below baseline plan over 5 years 2025/26-2029/30.	Broadly consistent with quantum of inflation impacts modelled within top 10 severe but plausible risks	Pass	Baa1/BBB	No
Scenario 4 Increased bad debt	An increase in bad debt of £20m per annum across the 7 year assessment period 2025/26-2031/32.	Aligned to internal risk factor on debt collection.	Pass	Baa1/BBB+	No
Scenario 5 ODI penalty	Additional ODI penalty of c£90m per annum across the 7 year assessment period 2025/26-2031/32.	Assumes mid-point of UUW's baseline and PR24 final determination P90 ODI position	Pass	Baa1/BBB	No
Scenario 6 Higher interest rates	Debt refinanced as it matures, with new debt financed at 1% above the forward projections of interest rates 2025/26-2031/32.	Representing more than top 10 'severe but plausible' risk on financial outperformance.	Pass	Baa1/BBB+	No
Scenario 7 Combined scenario	50% of scenarios 2-6: • Increase in totex by 5% in each year of 2025/26–2031/32 (c£1.1bn cumulative); • CPIH inflation of 0.5% below baseline plan for five years 2025/26–2029/30; • Increase in bad debt of £10m per annum from 2025/26 to 2031/32; • ODI penalty of c£45m in each year of 2025/26–2031/32; and • New debt financed at 0.5% above the forward projections of interest rates 2025/26–2031/32.		Pass	Baa2/BBB-	No

(1) See below for examples of mitigating actions available, none of which are required to remain viable under each of the scenarios modelled.

(2) Assessment against current credit ratings of Baa1 with Moody's, BBB+ (long-term issuer default) with Fitch, and BBB+ with S&P.

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

The most extreme of the severe but plausible scenarios modelled, without any mitigating action, resulted in the group retaining investment grade credit ratings and liquidity of more than one year. In addition, there were no projected breaches of financial debt covenants.

Reverse stress testing

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

Key mitigating actions

In the event of more extreme but low likelihood scenarios occurring, there are a number of key mitigations available to the group, the effectiveness of which are underpinned by the strength of the group's capital solvency position. Use of these mitigating actions could be either in isolation or in combination, and would be dependent on the specific circumstances of the scenarios that may arise. All could potentially be applicable to each of the scenarios set out in the above table, although none are required to remain viable under the scenarios modelled.

Example mitigations:

- Reduction in discretionary totex spend – discretionary spend could be suspended to improve liquidity in the short term.
- Capital programme deferral – in the event that any adverse factors were to materialise that significantly impacts the financial position of the company, temporary deferral of the capital investment programme while considering other mitigating actions could ensure ongoing viability.
- Closing out of derivative asset position – management could closeout 'in the money' swap contracts relatively quickly, realising the value on these as a one-off opportunity.
- Restriction of dividend – if extreme circumstances merited it then the company could restrict dividend payments to conserve liquidity and improve capital solvency.

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

- Issuing of new finance – a robust capital structure should support new debt financing being raised to meet liquidity requirements in the event of adverse one-off shocks.
- Raising of additional equity – as a listed group, UUG has access to a deep and liquid equity market, and raising new equity could be a course of action to improve both its liquidity and capital solvency position.
- Sale and leaseback of fleet and property assets – the sale and leaseback of head office and estate property or fleet vehicles could generate sale proceeds, realising the value on these as a one-off opportunity.

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

Governance

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

Audit committee report

Members

Doug Webb
Chair of the audit committee

- Liam Butterworth
- Kath Cates

Dear shareholder

During the year, the committee has considered some evolutionary changes to the risk management and internal control framework reflecting the new 2024 UK Corporate Governance Code (the code) and to the company's own accounting policies and processes, which are expected to be introduced in AMP8.

Monitoring, reviewing and maintaining the effectiveness of the risk management and internal control framework

The committee has reviewed management's proposed recommendations in relation to risk management and internal control regarding principle O and provision 29 in the updated version of the Code published by the FRC in January 2024. The new Code will be applicable to accounting periods beginning on or after 1 January 2025 and against which the company will report fully in its 31 March 2026 accounts. In particular, the committee reviewed the requirement for the board to provide 'a declaration of effectiveness of the material controls at the balance sheet date' as set out in provision 29 of the Code – which will be applicable to its 31 March 2027 accounts. The committee reviewed management's recommendation to provide greater clarity in identifying the group's material risks, and the material controls to mitigate such risks. Management recommended that the material risks should be defined as 'the risks (in a worst case scenario) as being those that have a significant one-off financial impact and severe reputational impact' before application of mitigating controls. Management's view was that, by providing the board with greater clarity in identifying the material risks and mitigating controls, the board's level of confidence in making the internal control declaration in 2027 would be improved. The committee challenged management to ensure the material controls were, indeed, active controls that modified the likelihood or impact of the risk.

With the better clarification of the material risks, management proposed that the company's principal risks should be redefined as the material risks and the significant long-term risks, i.e. risks with significant exposure (likelihood of occurrence of the event multiplied by the most likely financial impact over the long-term). The resulting 13 principal risks, including fraud as recommended by the FRC, reflecting the new definition, are set out on pages 61 to 63.

Changes that will be applied in AMP8

During the year, in collaboration with its advisers, management has proposed changes to be applied during AMP8 (and commencing on 1 April 2025) for the way in which infrastructure renewals expenditure (IRE) is treated in the group's accounts. For the group, IRE relates to a range of activities carried out to ensure that the water and wastewater network continues to operate at the levels required to deliver water and wastewater services to customers. Examples of IRE activities include the replacement sections of water mains or sewer pipes where required (e.g. as a result of damage or the pipes becoming unsafe), flushing/cleaning of network assets, and ancillary activities to facilitate this. Since the adoption of IFRS, IRE has been expensed in the income statement, largely due to the infrastructure network having historically been considered as a small number of large components, and, therefore, expenditure to maintain the network has been viewed as repairs or day-to-day servicing. Alongside the revised approach to accounting for IRE, management reassessed the useful economic lives of types of infrastructure assets in accordance with the new approach of recognising that infrastructure assets are individual components, which are combined into the network as a whole.

The committee considered and endorsed management's proposal, brought about due to the improvements in the availability and granularity of data about the water and

Quick facts

- Doug Webb has chaired the committee since July 2021. He is a chartered accountant and is considered by the board to have recent and relevant financial experience, having served as chief financial officer of a number of listed FTSE companies. He retired from his most recent executive role at Meggitt PLC in 2018. Doug has more than ten years experience chairing audit committees as a non-executive director.
- All members of the committee are independent non-executive directors and the board is satisfied that the committee as a whole has competence relevant to the sector. Attendance at audit committee meetings is set out on page 114 and the relevant directors' biographies can be found on pages 106 to 109.
- Other regular attendees at meetings at the invitation of the committee include the CEO, the CFO, the company secretary, the head of audit and risk, the group controller, and representatives from the statutory auditor, KPMG LLP (KPMG). None of these attendees are members of the committee.
- The representatives from KPMG and the head of audit and risk each have time with the committee and the company secretary to raise, freely any concerns they may have without management being present.
- The chair of the committee has regular one-to-one meetings with the CFO, the head of audit and risk and the KPMG audit engagement partner.
- The committee is authorised to seek outside legal or other independent professional advice as it sees fit, but has not done so during the year.

wastewater network, to treat IRE expenditure at the individual component level for AMP8. The committee was in agreement with management that the new approach would result in more useful information being presented in the financial statements (as will be reflected for the first time in the 31 March 2026 accounts) and would better reflect the way in which the network was now operated and managed and better aligned with the approach adopted by the majority of the sector . However, it challenged management to ensure the policy disclosure reflected that different asset types within the same asset class may have useful asset lives of different lengths.

Audit quality

The committee considered the FRC's 2023/24 Audit Quality Inspection and Supervision Results and, in particular, the outcome relating to KPMG noting an increase to 89 per cent of the proportion of audits assessed as requiring no more than limited improvements, compared to the prior year 2022/23 inspection, where the same measure was 74 per cent. The report was discussed with KPMG at the meeting of the committee held in September 2024. Additionally, the committee was apprised of KPMG's audit quality framework processes, including an outline of the challenge process undertaken by the independent reviewing partner assigned to the audit known as the 'engagement quality control reviewer' (the EQCR). The committee was reminded of the outcome of the work of the ECQR for the year ended 31 March 2024. Taking into account the findings of assessment of the 31 March 2024 audit presented to the committee in September 2024, the committee concluded that the statutory audit process for 2024 had been effective.

Audit risk

At each of the scheduled committee meetings, management presents an updated view of the significant issues and areas over which it has exercised its judgement (see pages 131 to 132) following discussion between management and the auditor, many of which correspond with KPMG's key audit matters (see pages 179 to190). KPMG are present at these meetings during which they have the opportunity to critique management's judgements and contribute to the debate, thereby providing an opportunity for the committee to challenge the views of management and the auditor on their assessments. These discussions provide an opportunity for the committee members, drawing on their own experience, to informally assess the degree of professional scepticism applied by the auditor. The committee has time set aside during its meetings to meet with the auditor without management being present in order that they can speak freely and raise any concerns and to ensure the committee is kept fully informed.

In July 2024, UUW received an information request from Ofwat relating to the performance and operation of its wastewater assets. KPMG has reported this, along with the collective action claim also against a number of other companies in the sector, as part of its key audit matters for the year ended 31 March 2025.

Audit partner rotation

The 2024/25 audit has been the fifth and final year of Ian Griffiths' tenure as audit engagement partner. During the audit, Ian was shadowed by Gill Hopwood-Bell, who will assume the role for the 2025/26 audit. Both myself and the CFO met with Gill prior to her being appointed to the role. At the time of the rotation of the audit engagement partner, the committee concluded that it was not minded to conduct a competitive audit tender given its satisfaction with the service provided by KPMG, however, it challenged management when appointing other accounting firms for advisory work not to limit the firms able to participate in the tender process (which will be required in advance of the 2030/31 financial year) due to the 12-month 'cooling in' period set out in the FRC's Ethical Standard.

Main responsibilities

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

Quick links

Terms of reference:
unitedutilities.com/corporate-governance

Audit committee report

Anti-fraud policies

The new corporate offence of 'failing to prevent fraud' (introduced by the Economic Crime and Corporate Transparency Act 2023 (ECCTA)), which applies to large organisations such as UUG, will come into force on 1 September 2025. Work is well underway to ensure our fraud policies and procedures are aligned with the new requirements and associated guidance, the adequacy of which will be externally assessed by the internal audit co-source partner.

Governance

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

As chair of the committee, I am available to engage with shareholders and would welcome any comments or feedback you may have on the report that follows or the work of the committee. I intend to be present at the AGM in July 2025, and representatives from KPMG will be in attendance.

This report was approved by the committee at its meeting held on 7 May 2025.

Doug Webb
Chair of the audit committee

Read more about **accounting policies** on page 196

Read more about **climate risk assessment** on page 31

Business on the committee's agenda during the year

The committee has an extensive agenda of items of business focusing on the audit, assurance and risk processes within the business, which it deals with in conjunction with senior management, the auditor, the internal audit function and the financial reporting team. The committee's role is to ensure that management's disclosures reflect the supporting detail provided to the committee or challenge them to explain and justify their interpretation and, if necessary, re-present the information. The committee reports its findings and makes recommendations to the board accordingly. The committee is supported in this role by using the expertise of the statutory auditor, who, in the course of the audit, considers whether the financial statements have been prepared in accordance with IFRS and whether adequate accounting records have been kept. In doing so it ensures that high standards of financial governance, in line with the regulatory framework along with market practice for audit committees going forward, are maintained. Furthermore, the company's own internal audit team contributes to the assurance process by reviewing compliance with internal processes. The committee's financial reporting cycle, which starts each year in September, is shown below. There were five meetings of the committee held during the year, and the committee intends to continue to hold the two meetings in September and March virtually. Items of business considered by the committee are set out on pages 133 to 134.

Audit committee financial reporting cycle

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

- Review of the effectiveness of the external audit process relating to the prior year
- The auditor presents their audit strategy and independence letter for the forthcoming year
- The committee review the audit services provided by the auditor and negotiates and approves the audit fee for the forthcoming year

- Management present their proposed key accounting issues and judgements at the full year
- Auditor provides an update on their audit processes and confirmation of their independence
- The committee approve the long-term viability and going concern statements

- Management present the half-year financial statements
- Management present their proposed key accounting issues and judgements at the half year and confirm that the interim statements have been prepared on a fair, balanced and understandable basis
- Auditor presents the review of half-year financial statements
- Auditor confirms their independence
- Management present their planned narrative assurance activities

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

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

Material and/or judgemental areas of the financial statements

Significant issues considered	How these were addressed by the committee
Revenue recognition and allowance for doubtful receivables (See pages 197, 208, 233 and 235) – due to the nature of the group's business, the extent to which revenue is recognised and expected credit losses are recognised in relation to doubtful customer debts is an area of considerable judgement and estimation. This has particularly been the case in recent years (including in the current year) due to high levels of economic uncertainty and increases in the cost of living, which have the potential to impact on the ability of some customers to pay their bills as they become due.	• The committee reviewed the approach taken by management in estimating expected credit losses relating to household customer debt, taking into account estimates of the impact of cash collection risk associated with premises registered as void and recognising that there continues to be significant uncertainty associated with how cost-of-living challenges are impacting, and may continue to impact, customers into the future. The committee acknowledged that this is particularly the case given that bill increases for many customers came into effect from 1 April 2025 and, over the next regulatory price control period, may impact on some customers' ability to pay, albeit this risk is expected to be partially mitigated by increased levels of affordability support. • The committee sought to understand the impact of the decision taken in the previous year to amend the provisioning rates applied in estimating expected credit losses, and satisfied itself that the rates used during the year were appropriate and that the resulting allowance for expected credit losses based on these rates triangulated with an assessment of cash collection experience in recent years. In evaluating management's assessment, the committee concurred with management's recommendation to release the residual small provisioning overlay carried forward from the prior year. The majority of this judgemental overlay, which was in place to take account of uncertainty associated with cost-of-living challenges, was released in the prior year, with the remaining amount released on the basis that the recalibrated provision rates are sufficient without requiring any additional judgemental overlay. The committee agreed with management's view that such overlays should only be used in exceptional circumstances in future periods. • The committee considered the adequacy of the group's provisions for credit notes that may need issuing in respect of amounts incorrectly billed, focusing particularly on non-household customers where legacy data issues, since the non-household market opened to competition, have resulted in allowances being processed going back a number of years. Committee members attended a teach-in provided by management outside of the normal cycle of committee meetings in order to enhance their understanding of how billing and the processing of allowances in the non-household market works. This assisted them in assessing the level of judgement and estimation uncertainty associated with the non-household credit note provision and focusing their challenge in these areas.
Capitalisation of fixed assets (See pages 198, 206 to 207 and 234 to 235) – fixed assets represents a subjective area, particularly in relation to costs permitted for capitalisation, depreciation policy and the identification of abortive costs and asset write-downs.	• The committee considered management's updates on key issues and judgements associated with the capitalisation and measurement of fixed assets most pertinent for the year ended 31 March 2025, and was satisfied that appropriate processes and controls are in place to ensure that assets are capitalised and begin depreciating in a timely manner, and are reviewed for indicators that their carrying amount may not be fully recoverable. Specifically, the committee sought to understand the results of additional review processes implemented by management during the year to ensure that assets are capitalised in the correct period based on appropriate milestones. The committee sought to understand the nature of asset write-downs in the year, based on routine and scheduled reviews, including the extent to which climate-related factors may impact carrying amounts. • The committee assessed the reasonableness of the group's capitalisation and depreciation policies (including useful economic life review of asset) and, having considered the work performed by KPMG in this area, deemed this to be appropriate. • The committee challenged the approach taken to capitalising the cost of support functions in the carrying value of property, plant and equipment, particularly given the increased size of the group's capital programme during AMP8. • The committee considered the extent to which infrastructure renewal expenditure (IRE), which is currently expensed to the income statement as it is incurred, could be considered to be enhancement spend in relation to smaller components of the group's larger water and wastewater networks, for which existing assets could be derecognised based on enhanced granularity and analytical capability in respect of network asset data. The committee concluded that the approach used for the year ended 31 March 2025 remained appropriate, but noted that an alternative approach of capitalising IRE spend, where appropriate, would provide useful information going forward that reflects the better data now available to management.

Audit committee report

Significant issues considered	How these were addressed by the committee
Retirement benefits (See pages 197, 209 to 210, 225 to 230 and 236) – the group's defined benefit retirement schemes represent an area of considerable judgement, the performance and position of which is highly sensitive to the assumptions made. The group employs the services of an external actuary to determine the calculation of the net retirement benefit surplus and determine the appropriate assumptions to make.	• Having satisfied itself with the IAS 19 accounting impact of the partial buy-in transaction entered into during the prior year, which de-risks a significant portion of scheme liabilities, the committee was satisfied that it is appropriate for the associated asset loss to be recognised in other comprehensive income rather than in profit or loss as it does not represent a settlement of scheme liabilities. • Given that the partial buy-in was funded out of scheme assets, the committee challenged management on how the fair value of the remaining scheme assets, including the bulk annuity policies purchased, was arrived at. The committee expressed particular interest in this given the higher proportion of 'Level 3' pension assets (i.e. those for which a price is not observable in the market) in the schemes' portfolios relative to previous years. The committee was satisfied with management's explanation that the fair value of bulk annuity policies would be pegged to the present value of the insured scheme liabilities. For the remaining Level 3 assets, which comprise investments in private debt funds, the committee challenged management as to how it could satisfy itself that the latest valuations performed by the investment managers, which tend to be provided on a lag of several months, remained valid at 31 March. The committee was pleased to observe that retrospective checks performed by management over adjustments made to the valuations indicated that the approach of checking against relevant proxy indices confirmed that the approach taken is reasonable. • The committee sought to understand changes in financial and demographic assumptions underpinning the valuation of defined benefit obligations, and the impact of incorporating the results of the triennial actuarial valuation as at 31 March 2024. They were satisfied that the methodology used for determining financial assumptions was appropriate and consistent with prior years, and that membership data and demographic assumptions had been appropriately incorporated and were consistent with the latest valuations.
Provisions and contingent liabilities (See pages 211, 214 and 236) – the group provides for contractual, legal and environmental claims brought against it based on management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims. Judgement is also required in determining when contingent liabilities exist that require disclosure in the financial statements.	• The committee assessed and challenged the appropriateness of the basis on which provisions are recognised, particularly noting the significant public, political and regulatory focus on environmental prosecutions that has continued through the year, and concurred with management's assessment that, based on current experience and benchmarking of prosecutions brought against other companies in the sector during the year, the provisions recorded at the reporting date reflect the best estimate of potential financial outflow in this regard. • The committee considered the reasonableness of disclosures made in respect of contingent liabilities, challenging management as to whether any provision should be recognised in the financial statements for cases in which contingent liabilities disclosures are made. Particular focus was given to the separate ongoing Ofwat and Environment Agency sector-wide investigations into companies' management of wastewater assets, and the collective action claim against a number of water and wastewater companies, including United Utilities Water Limited, which was initiated during the prior year and for which a decision by the Competition Appeals Tribunal not to certify the claims is being appealed. The committee reviewed the disclosures in this area and was satisfied that they were appropriate, and that the recognition criteria for provisions in respect of these matters was not met.
Recoverability of United Utilities Group PLC's (parent company) investment in United Utilities PLC (See pages 197, 203 and 233) – the parent company's investment in United Utilities PLC makes up 97% of the company's total assets and is therefore highly material in the context of the parent company's statement of financial position. Management assess the recoverability of this investment periodically to ensure that its carrying value continues to be supported.	• The committee sought to understand management's approach to assessing recoverability, and concluded that management's assessment that an equity value based on the RCV of the group's regulated business, United Utilities Water Limited (UUW), is a reasonable basis for valuing United Utilities PLC given UUW's importance to the United Utilities PLC group.

Other matters considered	How these were addressed by the committee
Accounting for uncertain tax positions (See pages 202 to 204 and 233 to 234) – assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law and the result of negotiations with, and enquiries from, tax authorities.	• The committee considered management's accounting treatment of uncertain elements of ongoing enquiries from the tax authorities. Recognising that where enquiries remain ongoing and that elements of claims can be subject to judgement in interpreting and applying the relevant tax legislation, the committee challenged management as to how IFRIC 23 'Uncertainty over Income Tax Treatments' had been applied, and was reassured that management had made appropriate judgements in estimating the most likely amount at which the claims would settle. The committee noted the enhancement to disclosure in respect of this area in the financial statements, and agreed with management's view that this is useful information to disclose.
Accounting for the group's investment in the Water Plus joint venture (See pages 207 and 233) – the non-household retail market remains a challenging environment, and the financial performance of the group's joint venture in this space, Water Plus, has deteriorated during the year, resulting in a net liabilities position at 31 March 2025.	• The committee noted the Water Plus position for the year and challenged the application of the equity method of accounting for the group's interest in the joint venture in accordance with IAS 28. The committee scrutinised management's accounting approach, and was satisfied that, despite Water Plus being in a net liabilities position, it was appropriate to continue to recognise an asset in respect of the group's investment due to the fact that zero coupon loan notes extended to Water Plus by its joint venture shareholders are included as part of the value of the group's net investment in Water Plus. The committee noted that Water Plus's position will need to be kept under close review, and that any future losses are likely to eliminate the carrying value of the investment.

Business on the committee's agenda during the year

Actions	Outcomes	Cross reference
Annual and half-year reporting		
Reviewed, discussed and challenged the financial reporting team's reports on the financial statements, management's significant accounting judgements, the policies being applied both at the half and full year, and how the statutory audit contributed to the integrity of the year-end financial reporting.	The committee challenged management on a number of its judgements, including the bad debt provision and fixed asset capitalisation policy and sought detailed explanations of its interpretation. The committee was satisfied with the explanations provided by management. Recommendations were made to the board, supporting the approval of the financial statements.	See page 131
Reviewed and challenged the regulatory reporting process relating to the annual performance report (APR) for UUW, including the assurance provided by the technical auditor, as required to be submitted to Ofwat, and noted the differences between the regulatory and statutory accounts.	The committee met with the technical auditor to provide an opportunity for challenge by the committee whose overview contributes to the assurance process of the regulatory reporting prior to the approval of the APR by the UUW board.	–
Assessed management's presentation of APMs to enable comparability with other companies.	The committee concurred with management's approach that the APMs, as defined, were satisfactory enabling comparability with other companies.	See page 98
Reviewed and challenged the proposed audit strategy for the 2024/25 statutory audit, including the level of materiality applied by KPMG, audit reports from KPMG on the financial statements and the areas of particular focus for the 2024/25 audit, as well as the re-phasing of the audit timetable.	The committee monitored progress made by the statutory audit team against the agreed plan and challenged the auditor in the resolution of any issues as they arose. The committee reviewed and discussed the control observations set out in KPMG's auditor's report.	See pages 183 to 186
Reviewed and challenged the basis of preparation of the financial statements as a going concern and KPMG's associated control observations as reported to the committee. At the half year, the committee considered adopting a lighter-touch approach in accordance with IAS 34 'Interim Financial Report'.	A recommendation was made to the board to support the going concern statement. The committee endorsed the new approach at the half-year, subject to management providing a risk-focused bridge from the prior year end and an overview of how any new events, activities or changes to principal risks had been considered.	See page 126 and 196
Reviewed and challenged the long-term viability statement proposed by management and reasons why a seven-year assessment period was appropriate. Reviewed management's proposals to address improvements to transparency as recommended by Ofwat's 'Monitoring Financial Resilience' programme.	The committee challenged management that the length of the period continued to be appropriate, particularly in light of the assessment timeframes used by peer companies and the longer period used for the AMP8 submission. The committee was satisfied with management's preference to continue to provide a statement with greater certainty over a shorter period of time and to include further clarification in the disclosures.	See page 126
Assessed control observations made by KPMG and reviewed and challenged management's progress to address points raised.	The committee was satisfied that management was taking appropriate action to enhance controls based on KPMG's observations, which were not considered to represent significant weaknesses in the group's overall control environment.	See pages 183 to 186
Reviewed the results of the committee's assessment of the effectiveness of the 2023/24 audit.	The committee concluded that the audit was effective and a recommendation was made to the board on the reappointment of KPMG as the auditor for the year ending 31 March 2026 at the forthcoming annual general meeting.	See page 136
Reviewed whether the company's position and prospects as presented in the 31 March 2025 integrated annual report and financial statements were considered to be a fair, balanced and understandable assessment of the company's position and prospects.	The committee was satisfied that processes had been followed to provide support to the board to enable it to state that the 31 March 2025 integrated annual report and financial statements was a fair, balanced and understandable assessment of the company's position and prospects.	See pages 135 and 177
Reviewed the non-audit services and related fees provided by the auditor for 2024/25 and the policy on non-audit services provided by the auditor for 2025/26.	The committee approved the non-audit services and related fees provided by KPMG for 2024/25 and concluded that no changes were required to the policy for non-audit services provided by the auditor.	See page 137
Negotiated and agreed the statutory audit fee for the year ended 31 March 2025.	The committee approved the fee for the 2024/25 audit.	See pages 136 and 201
Considered management's proposal to apply the assurance framework to various narrative reporting sections within the 2024/25 integrated annual report, encompassing the TCFD report, the energy and carbon report, the financial oversight responsibilities of the board and the remuneration committee report.	The committee endorsed the application of the assurance framework to various narrative sections within the integrated annual report that were identified by the framework as being of higher risk of misstatement/error and would benefit from independent third-party assurance, with such assurance being applied on a limited basis.	See page 139
Management were asked to undertake desktop benchmarking of the approach taken to calculating doubtful debt among industry peers once the outcome of the final determination was known.	The exercise demonstrated that there was considerable diversity in the approach to how companies assess their future expected credit losses and associated disclosures. After review, the approach taken by management was agreed to be acceptable, and KPMG concurred with the approach.	See page 131
Reviewed the current levels and providers of assurance applied to regulatory submissions and other external statutory documentation as a first step to creating an assurance map.	Provided the committee with greater visibility of assurance obtained to support regulatory submissions and other external documentation outside of the remit of the committee.	See page 143

Audit committee report

Actions	Outcomes	Cross reference
Risk management and internal control		
Reviewed the effectiveness of the risk management and internal control systems.	Recommendation made to the board that the risk management and internal control systems operated effectively.	See page 125
The committee reviewed management's recommendation to provide greater clarity in identifying the group's material risks, and the material controls and actions to mitigate such risks, and the ongoing progress in light of provision 29 in the 2024 Code.	The Committee challenged management to ensure the material controls were active controls rather than activities and processes that modified the likelihood or impact of the risk	See page 128
Considered changes to internal control weaknesses brought to the attention of the committee by KPMG.	Challenged management to resolve any issues relating to internal controls and risk management systems.	See page 139
Monitored fraud reporting and received updates from management to ensure the adequacy of the group's fraud policies and procedures were on track to be aligned with the new requirements of the 2023 Economic Crime and Corporate Transparency Act (ECCTA) due to come into force on 1 September 2025.	Reviewed the company's anti-fraud policies and processes and alleged incidents of fraud and the outcome of their investigation and the group's progress with preparedness for ECCTA.	See page 139
Biannual oversight and monitoring of compliance with the group's anti-bribery policy.	Reviewed compliance with the company's ongoing anti-bribery programme.	See page 139
Approved the strategic internal audit planning approach on the work of the internal audit function from the head of audit and risk.	Monitored the implementation of the 2024/25 internal audit plan. Reviewed findings of specific internal audit and implementation of any resulting actions by management.	See page 140
Considered the issues and findings brought to the committee's attention by the internal audit team, with special attention given to any audit graded amber or red. Management are required to attend a subsequent meeting of the committee to explain the actions being taken to improve the controls in relation to any audit graded amber or red.	The committee was satisfied that management had resolved, or was in the process of resolving, any outstanding issues or concerns in relation to matters scrutinised by the internal audit team.	See page 140
Reviewed the quality and effectiveness of internal audit and the effectiveness of the current co-source arrangements.	The committee reviewed the process of assessment of internal audit and made certain recommendations for enhancement, further to which it was concluded that the internal audit team, supported by the PwC co-source resource, was effective.	See page 141
Reviewed and challenged the strategic internal audit planning approach and internal audit plan for 2025/26.	Approved the internal audit plan for 2025/26.	See page 140
Governance		
Review of the committee's terms of reference.	Minor changes were made to the committee's terms of reference during the year.	–
Reviewed the conclusions of the committee's annual evaluation. The evaluation was internally facilitated by the company secretary's team. The review explored the effectiveness of: the committee's composition, meetings and time management; committee processes and support; and the areas of work of the committee and priorities for change.	All elements of the self-assessment reviewed indicated the committee was working well. Points of action included continuing to enhance the process and documentation in relation to the risk management and internal control framework and keeping abreast of non-financial reporting requirements and ensuring the smooth transition of audit engagement partners. The board considered the results of the review of the committee and concluded that the committee continued to be effective.	See page 123

Audit quality

Audit quality processes and interventions embedded in the annual audit

Since 2021, KPMG have implemented an action plan to enhance and focus on audit quality, a matter regularly discussed by the committee with KPMG, who, on an anonymous basis, share best practice with the committee on the internal quality reviews it undertakes for other clients. As part of its review of the 2023/24 audit in July 2024, the committee reviewed the effectiveness of these processes and interactions as set out below, concluding they were effective.

The processes and interventions included:

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

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

Objective

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

Actions

- Reviewed early versions of the annual report at various stages during the drafting process to ensure that the key messages were aligned with the company's position, performance and strategy and the financial performance of the business as understood by the committee.
- Reviewed significant issues identified by management and whether the same were aligned with the key audit matters identified by the auditor.
- Reviewed comments provided by the member of the executive team with extensive knowledge of the business who reviewed the draft annual report ensuring the messaging was fair and balanced, and did not just focus on, or over emphasise, the positives.
- Reviewed the third-party 'limited assurance' provided in relation to the reporting against the TCFD recommendations (see the index on page 03) and the remuneration committee report (see page 146).
- Received updates on the calculation of underlying operating profit measures as one of the principal alternative performance measures (APMs) used by management, a full guide to APMs can be found on page 98.
- Reviewed regulatory key performance indicators and commitments, some of which are assured by KPMG as part of their role as auditor of UUW's annual performance, along with Jacobs the technical auditor of the UUW annual performance report.
- Took into account reporting by KPMG (under ISA (UK) 720) of any material inconsistencies between the 'other information' and 'statutory other information' presented in the annual report (i.e. in the strategic report, the directors' report and the corporate governance statement), and the financial statements, taking into account the auditor's knowledge obtained in the audit, or the auditor's understanding of the legal and regulatory requirements applicable to the 'other information' and 'statutory other information'. The TCFD and Streamlined Energy and Carbon Reporting (SECR) disclosures are deemed to be 'other information' as they are included in the company's strategic report, due to their importance to the company. Other assurance of the TCFD and SECR disclosures (see pages 31 and 75, respectively) is undertaken both by third parties and the internal audit team.
- Considered whether the key events and issues that had occurred and been reported to the board during the year, both good and bad, had been adequately referenced or reflected within the integrated annual report.

Outcome

The committee concluded that processes had been followed to provide support to the board to enable it to state that 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy' (see page 135).

Read more about our **core values** on page 27

Read more about our **financial performance** on page 66

Audit committee report

How we assessed the effectiveness of the statutory audit process

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

Professional scepticism

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

- The 'key audit matters' as included in the auditor's report (see pages 183 to 186). KPMG undertake testing of the key audit matters rather than relying on the group's internal controls. Some testing would be conducted by technical experts, e.g. the valuation of retirement benefit obligations would be tested by KPMG's actuarial specialists. KPMG report against their audit scope at subsequent committee meetings, providing an opportunity for the committee to monitor progress, question and challenge both KPMG and management;
- Throughout the year, management presents its up-to-date view of the key accounting issues and its resulting judgements to the committee. In response, KPMG informs the committee, and having robustly considered alternative judgements, whether, in its professional view, the judgements management proposes, or has taken, are appropriate. A number of these issues manifest themselves as the significant issues considered by the committee in relation to the financial statements (see pages 131 to 132); and
- At the year end, KPMG report all identified significant control deficiencies and whether they have been resolved by management along with any significant difficulties or issues that were encountered or discussed with management during the audit.

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

KPMG presented its audit quality framework to the committee, which had been developed to ensure that its employees concentrate on the fundamental skills and behaviours required to deliver an appropriate and independent audit opinion. As in previous years, the committee considered the FRC's 2023/24 Audit Quality Inspection and Supervision Results (see page 129).

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

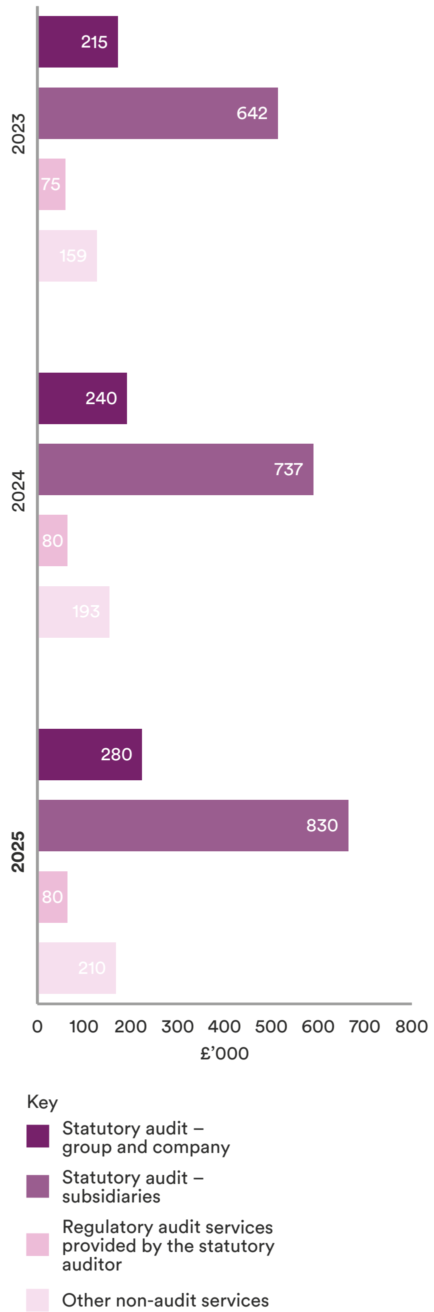
On completion of the annual audit process, the views of those involved in the audit on how well KPMG performed the audit were sought. All members of the committee, key members of the senior management team and those who regularly provide input into the audit committee or have regular contact with the auditor, completed a feedback questionnaire, thereby ensuring a wide range of views was taken into account. The questionnaire reviewing the 2024 audit process was issued in July 2024.

Views of the respondents were sought in terms of:

- the robustness of the external audit process and degree of challenge to matters of significant audit risk and areas of management subjectivity;
- whether the scope of the audit and the planning process were appropriate for the delivery of an effective and efficient audit;
- the quality of the delivery of the audit and whether planned quality improvements had been delivered and whether the committee had insight into the auditor's internal quality procedures;
- the expertise of the audit team conducting the audit and their understanding of the company's business risks to assess if there was an impact on the audit;
- whether the auditor made appropriate use of the work of the internal audit team;
- that the degree of professional scepticism applied by the auditor was appropriate;
- the appropriateness of the communication between the committee and the auditor in terms of technical issues;
- the quality of the service provided by the auditor;
- their views on the quality of the interaction between the audit engagement partner, the audit senior manager and the company;
- whether the audit process had been kept on schedule; and
- whether the statutory audit contributed to the integrity of the group's financial reporting.

The feedback was collated and presented to the committee's meeting in September 2024. The committee noted KPMG's audit quality interventions now embedded in the company's audit (see page 135). The committee concluded that the statutory audit process and services provided by KPMG were satisfactory and effective, with additional measures for further enhancement encouraged by the committee.

Statutory auditor's fees



How we assessed the independence of the statutory auditor

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

First, the committee takes into account the information and assurances provided by the auditor confirming that all its partners and staff involved with the audit are independent of any links to United Utilities. KPMG confirmed that all its partners and staff complied with their ethics and independence policies and procedures, which are fully consistent with the FRC's Ethical Standard, including that none of its employees working on our audit hold any shares in United Utilities Group PLC. KPMG is required to provide a written disclosure at the planning stage of the audit in the form of an independence confirmation letter. Their letter discloses matters relating to their independence and objectivity, including any relationships that may reasonably be thought to have an impact on its independence and the integrity and objectivity of the audit engagement partner and the audit staff. The audit engagement partner must change every five years and other senior audit staff rotate at regular intervals. 2024/25 has been Ian Griffiths' last year as audit engagement partner. He will be succeeded by Gill Hopwood-Bell for the 2025/26 audit.

Second, the committee develops and recommends to the board the company's policy on non-audit services and associated fees that are paid to KPMG. The policy has been amended during the year to reflect revisions set out in the FRC's Revised Ethical Standard (2024), which came into force on 15 December 2024. An auditor is only permitted to provide certain non-audit services to public interest entities (i.e. United Utilities Group PLC) that are closely linked to the audit itself, or that are required by law or regulation, as such services could impede their independence. Amendments to the policy include additional measures to safeguard auditor independence, including the requirement for the auditor to discuss the nature of the services to be provided, identify any threats to independence and safeguards thereto, and seek approval from the committee prior to providing non-audit services and confirm whether the proposals are compliant with the Revised Ethical Standard (2024).

Permitted non-audit services fees paid to the statutory auditor are subject to a fee cap of no more than 70 per cent of the average of the annual statutory audit fees paid in the last three consecutive financial years. The 70 per cent non-audit services fee cap has been applied to the group for the year ended 31 March 2025, with fees for non-audit services representing 25.1 per cent of the average audit fees on which the cap is based (as shown in the table below). Permitted services (which remain subject to the 70 per cent cap, and excludes the regulatory audit) can be approved by the CFO up to £10,000 per item. Individual items in excess of £10,000 require the approval of the committee.

Financial year	Audit fee
2021/22	£675,000
2022/23	£857,000
2023/24	£977,000
Average	**£836,000**
2024/25 non-audit fees	£210,020
2024/25 non-audit fees as per cent of average audit fees (three-year rolling average)	**25.1%**

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

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

Read more about **our regulatory environment** on page 24

Read our **directors' responsibility statement** on page 177

Rotation of statutory auditor to the group

1989	First auditor appointed on formation of group: Price Waterhouse
1993–1994	Audit tender
31 March 1994	Price Waterhouse retired after completion of audit
31 March 1995	KPMG Peat Marwick audit
May 2002	Audit tender
31 March 2003	Deloitte & Touche LLP audit
31 March 2006	Audit partner rotation
April 2011	Audit tender
31 March 2012	KPMG Audit Plc audit
September 2015	Audit tender review
31 March 2017	Audit partner rotation
December 2019	Audit tender
31 March 2021	KPMG LLP audit and audit partner rotation
31 March 2025	Audit partner rotation

Audit committee report

Statutory auditor reappointment for the year ending 31 March 2026

The 2024/25 year-end audit has been KPMG's 14th consecutive year in office as auditor; they were reappointed after the committee conducted a formal tender process in December 2019 and as reported by the committee in the 2020 annual report. Prior to this, a formal tender was last undertaken in 2011, and resulted in the appointment of KPMG, who, thereafter, presented their report to shareholders for the year ended 31 March 2012.

The diagram on page 137 shows the historical tendering and rotation of the role of statutory auditor. The company, as a public interest entity, is required to conduct a competitive tender process every ten years, and rotate auditors after 20 years at most; as a result, KPMG can remain as auditor until the completion of the 31 March 2031 audit. The audit engagement partner rotates at least every five years, the 2024/25 audit has been the fifth and final year for Ian Griffiths in the role. During the year, preparations were made for the appointment of the audit partner for the 2025/26. Gill Hopwood-Bell met with the audit committee chair and the CFO, who were satisfied with the appointment. Alongside the audit partner rotation, the committee took the opportunity to consider the most appropriate time for the next audit tender, which will be required in advance of the 2030/31 financial year.

United Utilities has complied fully with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 March 2025.

At its meeting on 7 May 2025, the committee recommended to the board that KPMG be proposed for reappointment for the year ending 31 March 2026 at the forthcoming AGM in July 2025. As a matter of good practice, the committee continually keeps the performance of the auditor under review and there are no contractual obligations that restrict the committee's choice of auditor; the recommendation is free from third-party influence, and no auditor liability agreement has been entered into.

Interactions with the Financial Reporting Council (FRC)

During the year, the FRC undertook a review of the company's annual report and accounts for the year ended 31 March 2024, which resulted principally in queries relating to disclosures associated with the consolidated statement of cash flows (see page 195) and the capitalisation of certain costs associated with the development of regulatory price review programmes. These queries were quickly resolved to the FRC's satisfaction, and their review was closed. To provide greater clarity, the group has, where appropriate, provided enhanced, voluntary disclosures on these and other matters in this year's financial statements. In their correspondence, the FRC states that their review provides no assurance that the company's accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Prior to this review, the FRC last reviewed and corresponded with the company in relation to the 31 March 2020 accounts.

Going concern and long-term viability

The committee challenged and scrutinised management's detailed assessment of the group's long-term viability and its ability to continue as a going concern, taking into account the risks facing the business, and its ability to withstand a number of severe but reasonable scenarios. The committee approved the long-term viability statement set out on page 126.

Risk management and internal control systems

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

Risk management systems

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

The committee receives updates and reports from the head of audit and risk on key activities relating to the company's risk management systems and processes at every meeting. These are then reported to the board, as appropriate. A diagram and explanation of the risk management governance and reporting process can be found on page 58. The CFO has executive responsibility for risk management and is supported in this role by the head of audit and risk, and the corporate risk manager and his team. The group audit and risk board (GARB) meets quarterly and reviews the governance processes and the effectiveness and performance of these processes along with the identification of emerging trends and themes within, and across, the business. The work of the GARB then feeds into the information and assurance processes of the audit committee and into the board's assessment of risk exposures and the strategies to manage these risks.

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

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

An external assessment of the risk management framework last took place in 2023 by PwC as the internal audit co-source partner.

Internal control systems

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

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

In light of the 2024 code changes to principle O and provision 29, the committee reviewed management's recommendation to provide greater clarity in identifying the group's material risks, and the material controls to mitigate such risks. Management recommended that the material risks should be defined as 'the risks (in a worst case scenario) as being those that have a significant one-off financial impact and severe reputational impact'. Management's view was that, by providing the board with greater clarity of the identity of the material risks and mitigating controls, the board's level of confidence in making the internal control declaration would be improved. The committee challenged management to ensure the material controls were active controls rather than activities and processes that modified the likelihood or impact of the risk.

Anti-fraud and anti-bribery

The audit committee is responsible for reviewing the group's procedures for detecting fraud, and the systems and controls for preventing other inappropriate behaviour. In the first instance of an incident being reported, a summary of the allegations is passed to the fraud and whistleblowing committee (consisting of the company secretary, the people director, the regulation and compliance director, the commercial, engineering and capital delivery director, the head of people services and the head of audit and risk) to decide on the appropriate course of action to be taken and investigation and by whom. An external review of whistleblowing governance and process was undertaken during 2024/25 by the internal audit co-source partner, which found the whistleblowing control environment to be satisfactory.

During the year, the audit committee was kept fully apprised in regular updates on the progress and findings of investigations of cases of alleged fraud and any remedial actions taken. Following the enactment of the Economic Crime and Corporate Transparency Act 2023 (the ECCT Act), the fraud risk assessment was updated to incorporate all the fraud offences included in the ECCT Act and following the publication of associated guidance in November 2024 the group's related anti-fraud policies and processes are being reviewed and updated as appropriate.

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

An external review of the group's fraud risk management framework was last undertaken in 2021/22. The review assessed the maturity of the framework and sought to identify any enhancements required, given the evolving nature of business processes and the working environment. An action plan to strengthen the approach to fraud risk assessment was implemented, overseen by the security steering group, with the final report presented to the committee in March 2022. In line with the group's anti-fraud culture and zero-tolerance attitude towards fraud, a cross-business fraud risk assessment is carried out through the security steering group to identify and understand potential threats, optimise the group's response and mitigation, and ensure consistency across the business. During 2022/23, internal audit reviewed the design effectiveness of controls for the most significant fraud risks in each business area – no further control weaknesses, gaps or effectiveness issues were identified as a result of the review.

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

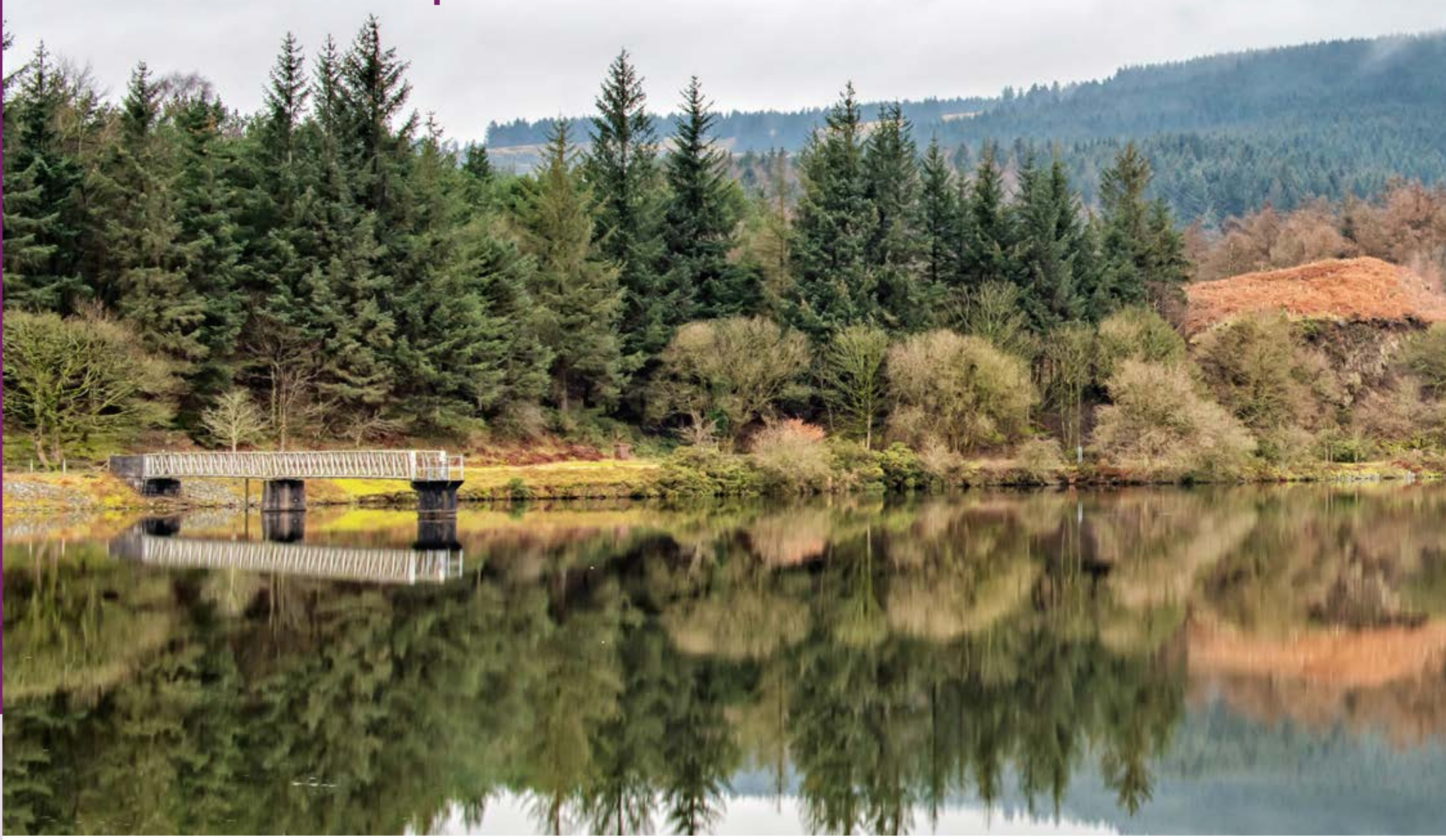
Audit and assurance framework

Given our position as a provider of essential public services, we have a responsibility to provide accurate, reliable and easily accessible information about our performance. We pride ourselves on publishing trusted information and have a proven track record of providing open, transparent and high-quality information about our performance to customers, employees, investors, regulators and other stakeholders.

We have adopted a well-established 'three lines of assurance' framework throughout United Utilities:

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

Audit committee report



An assurance framework has been devised, providing a standardised approach to identify the risk associated with the narrative disclosures in the integrated annual report and as a means of applying an appropriate level of assurance. As the level of risk increases, the governance and assurance applied to the reporting of data increases, with significant risks and issues escalated to the board, thereby ensuring that the management, control and reporting of any risks, and resulting actions identified through the process, are proportionate to the level of risk. The approach is broadly consistent with that used for the regulatory reporting of UUW, and has been implemented in identifying the proposed levels of assurance for the integrated annual report for 31 March 2025.

Internal audit function

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

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

The internal audit plan covers a broad spectrum of activities and includes a mix of annual reviews, cyclical reviews and specific management requests. The areas covered by the plan for 2025/26 include:

- regulatory compliance, submissions and reporting, e.g. charges and tariffs and the drought management plan;
- compliance with environmental regulations, e.g. trade effluent and sewer flooding;
- core operational activities and resilience, e.g. process safety and statutory asset maintenance;
- customer, including billing, e.g. BACs and cheque payment processing;
- systems, data and security, e.g. NIS-D readiness and change and release configuration management;
- programme and governance activity, including readiness for the AMP8 capital programme and HARP governance and management; and
- compliance with statutory and corporate reporting requirements including the management control self-assessment reporting and assurance of the narrative sections of the annual report.

The purpose, scope and authority of internal audit is defined within its charter, which is approved annually by the audit committee. As set out in the charter, internal audit perform their work in accordance with the Global Internal Audit Standards, and with integrity (honestly, diligently and responsibly) and objectivity (without conflicts of interest).

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

The in-house team is expanded as and when required with additional resource and skills co-sourced from external providers

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

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

Assessing the effectiveness of the internal audit function

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

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

An assessment of the quality and effectiveness of the internal audit function is undertaken by an external assessor at least every five years. The last review was undertaken in 2024 by BDO. The 2024 review examined the function's compliance with the Institute of Internal Auditor's internal audit standards, audit quality, and application of the function's methodology, undertook a gap analysis against new internal audit standards, and benchmarked against other FTSE100s' internal audit functions.

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

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

Assurance function

The assurance team provide a respected, independent second line of assurance service that supports the business in meeting its legal and regulatory obligations, while offering suggestions for continuous improvement. The function focus their assurance activity on operational activities, principally water, wastewater and construction; and assessing compliance with site standards, health and safety and regulations (e.g. permit compliance). Its findings are reported to operational senior leadership and the executive Group Audit & Risk Board. In 2023, the internal assurance team was assigned to report to the head of audit and risk, thereby, ensuring independence from operational teams.

Read more about **delivering on our purpose** on page 68

Read more about **our AMP8 business plan** on page 08

Treasury committee report

Members

Doug Webb
Chair of the treasury committee

- Phil Aspin
- Brendan Murphy

Dear shareholder

During the year, with the board's delegated authority, the committee oversaw the successful execution of the group's funding programme. Approximately, £1.8 billion of new term funding was raised in the period to 31 March 2025.

During the year, the committee continued to assess AMP8 funding requirements alongside Ofwat's PR24 draft and final determinations and UUW's associated plans for a significant increase in investment. Consequently, FY24/25 has been a very active funding year, compared with previous years, as the committee and the board are keen to ensure that the group is well advanced in its preparations to deliver the AMP8 investment programme.

Of the £1.8 billion of new financing raised, circa £575 million has come from the sterling public bond market, including a new sustainable public bond, a £350 million 27-year maturity issued in May 2025, along with circa £225 million via fungible re-openings (taps) of existing sterling bonds.

Mindful that, while the sterling market has been very supportive of the group over many years, the committee has been evaluating opportunities to broaden credit investor diversification via access to other debt markets. Building on the group returning to the euro public bond market in February 2024, for the first time in almost 20 years, issuing a €650 million long ten-year sustainable bond, in February 2025, the group issued a €650 million eight-year green bond that attracted a final investor order book in excess of €2.5 billion. This new bond issue, along with a €175m tap of the group's existing May 2024 maturity, means that the group now has just under €1.5 billion of bonds outstanding in the euro public bond market.

During the year, the committee has overseen a progressive increase in the level of bank committed facilities as we seek to optimise the efficiency of the group's liquidity mix, including executing a new £250 million liquidity facility with one of our relationship banks.

Additionally, the committee has kept up-to-date with developments in respect of each credit ratings agency's reassessment of the regulatory framework alongside Ofwat's PR24 price review, and what this meant for key credit metrics to achieve a particular rating, which helped to inform the view of the board when setting the group's financial framework for the AMP8 regulatory period.

The committee has continued to monitor financial market conditions closely as central banks started to ease monetary policy, amidst a weaker economic backdrop, heightened geopolitical tensions and more volatile markets.

The continuation of our funding programme has positioned the group well, with us making good inroads into AMP8 financing requirements, being pre-funded into 2027. The committee completed a 'deep dive' review of the group's inflation hedging policy, resulting in the board approving a policy change, whereby during AMP8, the group will transition from targeting to maintain around half of the group's net debt in index-linked form to around one-third, which aligns with Ofwat's index-linked debt assumption for its notional company.

In response to proposed changes to the UK Retail Prices Index (RPI), which are expected to be implemented by the UK Statistics Authority in 2030, and which are intended to more closely align RPI with the calculation of the Consumer Prices Index, including owner-occupier housing costs (CPIH), the group continues to engage with existing RPI-linked noteholders to discuss potential replacement fallback provisions (applicable upon cessation of, or fundamental changes to RPI) and/or potentially amend the terms and conditions of certain notes, in order to reduce the risk of the cessation of - or a fundamental change to - RPI, resulting in the redemption of existing RPI-linked notes at their indexed par value.

The group has access to debt capital markets via its EMTN Programme or by putting bespoke documentation in place. The EMTN Programme, in conjunction with our sustainable finance framework, launched in November 2020, is expected to continue to be the primary vehicle for the group accessing funding in the debt capital markets. In July 2024, the group published its fourth sustainable finance framework allocations and impact report. Details of the group's engagement with banks and credit investors can be found on page 117.

Doug Webb
Chair of the treasury committee

Quick facts

- The committee meets three times a year.
- The committee operates under terms of reference and delegated authorities approved by the board.
- The company secretary attends all meetings of the committee.
- The treasurer is a member of the committee.
- A review of the responses to the 2024/25 committee evaluation indicated that the committee was effective and its members had the appropriate skills and experience to fulfil the committee's responsibilities.

Main responsibilities

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

Quick links

Terms of reference:
unitedutilities.com/corporate-governance

Compliance committee report

Members

Alison Goligher
Chair of the compliance committee

- Doug Webb
- Louise Beardmore
- James Bullock
- Matthew Hemmings

Dear shareholder

The committee's duties are focused on providing oversight and challenge of UUW's regulatory submissions and reviewing compliance with areas of legislation or regulation.

Annual business

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

We publish an annual performance report (APR) to show how the company is delivering on the price and service package set out in the final determination of price controls. It also delivers on a range of other reporting requirements, including those embedded in the company's licence. These reports are published on the United Utilities' website.

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

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

The committee reviewed the proposed approach for the production and assurance of the APR at its meeting in April 2024, challenging management and made a number of recommendations to enhance the assurance framework. It reviewed the APR and board assurance statements at its meeting in June 2024, including the Table of Departures, and recommended the same to the UUW board for approval and for submission to Ofwat in July 2024.

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

As required by Ofwat, the board approves the publication of UUW's charges and tariffs each year. In April 2024, the committee reviewed the planned governance arrangements, and, in September 2024, the indicative charges and tariffs proposals for 2025/26. In addition, in December 2024, the committee reviewed the final charges ahead of being approved by the UUW board.

The committee has overseen the creation of a new environmental regulation and compliance capability. This team supports the committee to meet a significant elevation in regulatory, stakeholder and customer expectations around assurance and compliance. Through additional scrutiny, support and challenge, the team's activities are focused to identify and reduce risks while also identifying actions to improve regulatory performance. The committee has reviewed several compliance updates and made recommendations to further enhance the assurance approach around key environmental regulation submissions.

The committee also spent considerable time throughout the year in its review of the approach to assurance across the business, challenging management and making a number of recommendations. This included enhanced focus on a number of submissions to the Environment Agency relating to environmental performance, ensuring that assurance approaches were comprehensive and robust

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

Alison Goligher
Chair of the compliance committee

Quick facts

- The committee comprises three directors, two of whom must be independent non-executive directors and one of whom is appointed as chair.
- The company secretary attends all meetings of the committee.
- The regulation and compliance director and chief operating officer are both members of the committee.
- A minimum of two meetings are held each year. In 2024/25, four meetings were scheduled during the year.

Main responsibilities

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

Looking to the future the committee will:

- Consider and review the arrangements meeting Ofwat new AMP8 information requirements. This will include challenging management to ensure that the approach taken is appropriately identifying and addressing any risks to the provision of accurate and complete data;
- Engage with and challenge management to ensure the processes employed deliver effective and timely assurance and that these are continually scrutinised for additional improvement opportunities as part of further enhancing a proactive compliance culture; and
- Oversee the development and delivery of a procurement strategy to refresh the arrangements for third party technical assurance.

Quick links

Terms of reference:
unitedutilities.com/corporate-governance

ESG committee report

Members

Liam Butterworth
Chair of the ESG committee

- Alison Goligher
- Clare Hayward
- Michael Lewis
- Louise Beardmore

Dear shareholder

I am pleased to introduce my first report on the activities of the ESG committee in 2024/25 as chair. Paulette Rowe has led the ESG committee through a great change in the interest in ESG and sustainability over the last couple of years, navigating through changes in legislation, expectations and language. 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 shift 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.

Along with the change of chair, the committee has changed some of its areas of focus. A strong focus on the commercial aspects of ESG, whether with suppliers, investors or other stakeholders, has been core to committee meetings this year. The committee looked at the company's material themes to ensure duplication wasn't happening across the committees of the board. One example of this is river water quality and storm overflows, which is regularly discussed at group board meetings and was deemed duplicative to be featured on the agendas of the committee.

The committee now has standing agenda items on stakeholder expectations and reputational horizon scanning, focus areas of our investors and market trends, and a scorecard showing the company ESG performance. As well as these items, this year, we have had deep dives on the following topics.

Risks and opportunities in our value chain

The size of our capital programme moving into AMP8 is a step change from previous AMPs. With this increased scale, there are increased risks and opportunities for our ESG performance throughout the supply chain. The committee had a deep dive 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

The committee discussed nature and biodiversity, including the different opportunities associated with biodiversity net gain legislation, Ofwat's biodiversity Performance Commitment and the biodiversity offsets market. It advised on United Utilities' ambition for 2030 on nature and reviewed the impact early adoption of the TNFD recommendations. The committee also discussed the company's targets and performance around waste management, looking ahead to advise on ambitious targets for 2030.

Opportunity for All

The committee endorsed the company's 'Opportunity for All' report, which shares performance on the diversity of its workforce to both retain existing colleagues and attract a diverse pipeline of new talent to help drive innovation and growth.

Community investment

The committee received an update on the company's progress to meet its community investment targets for 2025, ensuring that community investment has alignment to the strategic priorities to improve our rivers and contribute to communities.

ESG reporting and regulations

In the context of growing expectations for ESG reporting, in particular across the EU, the committee had a deep dive into the company's approach to ESG reporting. The committee noted the complexities of a number of mandatory and voluntary disclosure requirements and expectations from stakeholders in our ESG reporting.

Liam Butterworth
Chair of the ESG committee

Read more about **our net zero transition plan** on page 34

Read more about **affordability support to customers** on page 83

Quick links

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

Looking to the future the committee will:

- Continue to look for opportunities to build on and develop our ESG subject matter expertise;
- Review ESG rating performance and the dashboard tracking the company's efforts to support vulnerable customers;
- Continue to examine the interaction between purpose, ESG and reputation, and review the approach to stakeholder engagement and the management of reputational risks;
- Oversee matters of general governance; and
- Undertake matters of committee governance such as reviewing its rolling calendar of agenda items, the annual committee evaluation and the committee's terms of reference.

Quick facts

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

Main responsibilities

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

Remuneration committee report

Members

Kath Cates
Chair of the remuneration committee

- Doug Webb
- Alison Goligher

Annual statement from the remuneration committee chair

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

Dear shareholder

The past year saw the conclusion of what has been a challenging but successful five-year regulatory period, in which the company has delivered strongly for stakeholders, including customers and the environment. Meeting or exceeding around 80 per cent of our performance commitments has positioned the company as a top-quartile performer, and on a great footing to make further progress during the next regulatory period.

The water sector has remained subject to significant scrutiny during the year, with continued interest from customers and wider society on pollution and spills from storm overflows in particular. It is understandable why executive pay, and performance-related pay in particular, has formed part of the discourse. As I said last year, everyone, including those working in the water sector wants to see environmental performance improve and we recognise that this is key to restoring public confidence and trust.

The committee, and indeed the whole board, agree that incentive outcomes for executives should be strongly aligned with performance to demonstrate legitimacy to all stakeholders and believe that companies should provide clear and accessible explanations about pay arrangements to enable stakeholders to understand how they operate and how incentive outcomes are determined. This is something that we have consistently sought to do in our reporting, and we remain as committed as ever to driving strong standards both within the water sector and across the FTSE more broadly.

In February 2025, the UK Government passed the Water (Special Measures) Act, requiring Ofwat to implement rules that will prohibit water companies from paying performance-related pay to board-level executives if certain standards that it sets are not met. At the time of writing, Ofwat is still consulting on the proposed executive performance pay prohibition rule and so it is not yet certain exactly what implications the eventual rule will have. The committee understands the overall aims of the Act and our responses to the initial and follow-up consultations have therefore focused on ensuring that the final rules are proportionate, fair and transparent, and that there are no unintended consequences, particularly for listed water companies which are subject to additional governance requirements and expectations.

Uncertainty over the eventual rules that Ofwat will implement following its latest consultation has impacted on the committee's decision-making during the year, most notably in regard to the renewal of our directors' remuneration policy and determining the executive directors' performance-related pay outcomes. Whilst the rules are unlikely to be known before June 2025 they will retrospectively apply from 1 April 2024 and so could potentially affect the 2024/25 bonuses, but not the 2022 Long Term Plan awards which were granted before 1 April 2024. Based on the proposals set out in the most recent consultation the committee believes that the required standards of performance have been achieved and therefore that the annual bonus outcomes in respect of 2024/25 should be permitted, and so as described later in this letter the committee has been through its usual decision-making process to determine the value of bonuses that may be payable. We are mindful however that if Ofwat's final rules are materially different to what is currently understood this could mean that the assessment we have made in good faith must be revisited. As such, whilst this report provides details about the bonuses which have been proposed, no payments will actually be made to the executive directors until the committee has all necessary information for it to be certain that the standards set out in Ofwat's rules have been met. We are monitoring the situation closely and any changes to what is set out in this report will be explained next year. Details are provided on page 160.

As in previous years, the performance-related pay outcomes that the executive directors will receive in respect of this year will not be paid for by customers.

Remuneration policy review

When setting the remuneration arrangements for executive directors, the committee has always adopted a prudent and responsible approach, which aligns to company strategy. We received significant shareholder support in 2022 for our current remuneration policy, having carefully considered then how we should align our pay arrangements (and the incentive elements in particular) with the business plan for the remainder of the five-year regulatory period 2020-2025. We have continued to receive strong support for the annual implementation of our policy since then.

On 1 April 2025 we embarked on the latest regulatory period (AMP8) which will see us

deliver what will be the largest investment in water and wastewater infrastructure in over 100 years and build a stronger, greener and healthier North West. It is therefore essential that while demonstrating transparency and legitimacy, the committee retains the flexibility to operate our remuneration policy as intended, to enable us to motivate and retain our talented and experienced leadership team to deliver on our challenging AMP8 plan and align outcomes for executives with the performance delivered for shareholders, customers and the environment.

The committee considered a number of possible changes to the current policy, however, noting the uncertainty referred to earlier over the eventual rules Ofwat will implement in relation to executive performance-related pay, we initially determined that the current policy remains broadly fit-for-purpose, remaining well-aligned to providing high standards of services for customers, protecting and enhancing the environment and continuing to support and uphold best practice corporate governance standards. Views of major shareholders and other stakeholders, including colleagues, were sought during a consultation exercise between April and May 2025, following which the committee remains satisfied that for now, our current approach remains appropriate with only minor changes to the policy being proposed, as shown on page 149. If approved by shareholders, the new policy will take effect from the July 2025 AGM.

Remuneration during 2024/25

Fixed pay

As set out in last year's report, having considered their performance and the positioning of their overall reward packages, the committee approved base salary increases of 5.0 per cent for both Louise Beardmore and Phil Aspin with effect from 1 July 2024. Their increases were less than the 5.5 per cent workforce increase for the year. The pension arrangements for both executive directors remain fully-aligned with the company's approach for other colleagues.

2024/25 annual bonus

As in previous years, a consistent bonus scorecard applied throughout the company in 2024/25, to ensure a shared focus on stretching delivery for customers and the environment.

We are pleased with the progress we have made during the year on our Better Rivers commitments, with full delivery of our Accelerated Solution programme milestones and a significant reduction in the number of reported storm overflow activations, materially exceeding our stretch target. Reducing storm overflow spills remains a key area of focus and further improvements in this area will continue to be targeted in the 2025/26 annual bonus plan. Strong performance was also achieved in the delivery of our capital programme and in the full delivery of our health and safety improvement plan for the year. However, persistent rainfall and frequent named storms throughout the year along with unprecedented heavy rainfall over the New Year naturally impacted our weather-responsive wastewater performance measures and contributed to the company not achieving the challenging targets set by the committee in respect of the outcome delivery incentives measure, so no bonus will be payable in relation to that. Whilst we maintained our position as the leading listed company on Ofwat's C-MeX measure of customer satisfaction with our above-median ranking position of 8th earning an ODI reward, the stretching nature of our targets meant that this was not sufficient for any bonus to be payable for that measure. At this stage, performance against the serious pollutions measure is undetermined until the Environment Agency publishes its report later in the year, so the bonus scorecard outcome has been provisionally calculated without any outcome for that measure.

Quick facts

- The code requires that 'the board should establish a remuneration committee of at least three independent non-executive directors'.
- By invitation of the committee, meetings are attended by the Chair, the CEO, the company secretary, the people director, the head of reward and the external adviser to the committee.
- Our proposed remuneration policy will be put to shareholders for approval at the 2025 AGM.
- The remuneration report sets out how the previous remuneration policy was applied in 2024/25 and how we intend to apply the new remuneration policy in 2025/26.
- Certain sections of the remuneration report are audited. The unaudited sections of the remuneration report, including the annual statement from the remuneration committee chair have been subject to external assurance by the remuneration committee's independent adviser, Ellason LLP. This appointment was performed as a limited assurance engagement in accordance with the requirements of the International Standard on Assurance Engagements (UK) 3000. Ellason's full assurance statement is available at unitedutilities.com/corporate/responsibility/our-approach/esg-performance

Quick links

Terms of reference: unitedutilities.com/corporate-governance

Read our **at a glance summary: executive directors' remuneration** on pages 150 to 153

Read about our **review of the directors' remuneration policy** on page 149 and our **proposed new policy** on pages 154 to 159

Read our **annual report on remuneration** on pages 160 to 171

Remuneration committee report

As shown on page 160 the provisional formulaic bonus outcome on this basis (without an outcome for the serious pollutions measure) was therefore 44.8 per cent. The committee then undertook its usual thorough decision-making process, including an assessment to determine whether the formulaic outcome of the bonus scorecard was aligned with overall performance and the experience of stakeholders, including customers and the environment. This involves the consideration of performance across a range of stakeholder lenses which are not necessarily captured in the incentive scorecards, many of which are covered as proof-points on pages 68 to 103 where we demonstrate how we're delivering our purpose (stronger; greener; healthier) using a wide array of metrics and case studies. As a result of its considerations the committee decided that the scorecard outcome fairly reflected overall performance and that it would not exercise any discretion in respect of bonus outcomes. We expect to be able to finalise our serious pollution performance later in the year and we will disclose the restated bonus figures in next year's report.

2022 Long Term Plan (LTP)
LTP awards granted in July 2022 were based 50 per cent on a basket of customer and environmental measures and 50 per cent on return on regulated equity (RoRE). The basket comprised 12 metrics – including four directly linked to our carbon pledges – selected to reflect customer priorities, demonstrate our focus on customer delivery and environmental performance, and recognise stakeholder expectations with regard to ESG matters.

The final outcome for some of the measures in the basket will only be known when all relevant information is available, including our 2024 EPA rating which is currently undetermined. The estimated vesting outcome (without an outcome for the EPA rating measure) is 73.1 per cent as shown on page 161. We will provide an update in next year's report if the eventual outcome is different to this estimate.

Again, for the reasons described earlier the committee believes that the overall LTP outcome fairly reflects the underlying performance of the company and the experience of stakeholders over the period so is not currently minded to exercise any discretion in respect of the vesting of these awards, noting that it has the opportunity to revisit this again prior to vesting. Both directors' awards will vest after the completion of a holding period taking the overall vesting period to five years from the grant date.

Looking ahead

We expect Ofwat to publish its final executive performance pay prohibition rule and implementation guidance during the summer, at which point the committee will carefully assess its potential implications.

The committee has not yet reviewed executive director salaries for the year. For other colleagues, a 4.5 per cent salary increase has been agreed.

No changes are expected to pension provisions or benefits in the year or the maximum bonus opportunity (which will remain at 130 per cent of base salary for both executive directors). Award levels and targets for the 2025 LTP award will be determined later in the summer once shareholders have had the opportunity to vote on the new remuneration policy, and details of the measures, weightings and targets will be disclosed at the time of grant. As in recent years, measures relating to environmental performance will feature prominently in our performance-related pay arrangements. I hope that you find this report a clear and helpful account of the committee's key areas of focus and decisions during the year, and our plans looking forward. I would be happy to answer any questions you may have at the upcoming AGM.

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

Kath Cates
Chair of the remuneration committee

A continued focus on setting stretching targets in our incentives

The committee has consistently sought to ensure that performance pay outcomes are well-aligned with delivering value for customers, communities and the environment, and page 151 provides explanations about why the measures used were chosen, and how they link to our strategic priorities and stakeholders.

Importantly, the committee takes steps to make sure that outcomes are based on stretching targets. A number of factors are considered when setting stretching targets, including our business plan, our historic performance and improvements required, relative sector performance, and regulatory requirements and determinations. We also recognise that performance pay measures and targets need to be set dynamically in order to calibrate performance and act as strong incentives, so the level of stretch applied will necessarily take account of the context of the specific measure selected. The Stretch targets used for the incentives vesting this year were set at an ambitious level of performance, in the context of current, past and forward-looking performance trends.

We constantly look for opportunities to evolve and improve our remuneration disclosures, so on pages 160 and 161, where we summarise our incentive outcomes for 2024/25, we have included a key to help stakeholders understand how the targets set for our customer and environmental measures are stretching.

Key
(BP) Exceed or match the company's best performance level
(CC) Exceed or meet our ambitious carbon commitments
(FD) Exceed or meet the level set by Ofwat in our AMP7 final determination
(IL) Represent industry leading performance
(IP) Represent full or substantial delivery of our challenging internal plans
(MI) Represent a material improvement compared to the prior period

Overall, 20 customer and environmental metrics featured in either the 2024/25 annual bonus or the 2022 LTP, demonstrating a substantial link to delivery for customers and the environment. Noting that a target for a measure could meet more than one of the statements shown in the key above, for the Stretch targets used in our 2024/25 performance related pay outcomes:

15 Exceed or match the company's best performance level (BP)
4 Exceed or meet our ambitious carbon commitments (CC)
4 Exceed or meet the level set by Ofwat in our AMP7 final determination (FD)
6 Represent industry leading performance (IL)
12 Represent full or substantial delivery of our challenging internal plans (IP)
10 Represent a material improvement compared to the prior period (MI)

The stretching nature of the targets set is evidenced by the fact that they have not all been achieved, and so the executives will not receive elements of the remuneration that they were potentially eligible for. See pages 160 to 161 for details.

Review of the directors' remuneration policy

Around eight million people in the North West of England rely on United Utilities to provide reliable and affordable year-round water supplies to their homes, businesses and recreational spaces.

When setting the remuneration arrangements for executive directors, the committee has always adopted a prudent and responsible approach, which aligns to company strategy. We received significant shareholder support in 2022 for our current remuneration policy, having carefully considered how we should align our pay arrangements (and the incentive elements in particular) with the business plan for the remainder of the five-year regulatory period 2020–25. We have continued to receive strong support for the annual implementation of our policy since then.

In the intervening years the water sector has been subject to increasing and significant scrutiny and concerns, with storm overflows and pollution remaining clear areas of interest for customers and wider society. Everyone wants to see environmental performance improve, including those working in the water sector.

The committee, and indeed the whole board, understands why executive pay has formed part of the debate, including among politicians and regulators. We recognise the need to restore public confidence and trust in the sector and are committed to having executive pay arrangements that demonstrate legitimacy and transparency, and reflect the expectations of our regulators. We agree that incentive outcomes for executives should be strongly aligned with performance to demonstrate legitimacy to all stakeholders and believe that companies should provide clear and accessible explanations about pay arrangements to enable stakeholders to understand how they operate and how incentive outcomes are determined. This is something that the committee has consistently sought to do in its own reporting, and we remain committed to driving strong standards both within the water sector and across the FTSE more broadly.

On 1 April 2025 we embarked on the latest regulatory period (AMP8) which will see us deliver what will be the largest investment in water and wastewater infrastructure in over 100 years, and details about our plans are set out on pages 8 and 9 of the Strategic Report. It is therefore essential that while demonstrating transparency and legitimacy, our executive remuneration approach enables us to motivate and retain our talented and experienced leadership team to deliver on this plan and to build a stronger, greener and healthier North West.

The passing of the Water (Special Measures) Act by the UK Government in February 2025, requires Ofwat to implement rules that will prohibit water companies from paying performance-related pay to board-level executives if certain standards that it sets are not met. At the time of writing, Ofwat is consulting on this proposed executive performance pay prohibition rule and so it is not yet certain exactly what implications the eventual position will have.

It is in this context that the committee has been conducting its review of the remuneration policy, as we are required to submit a new policy at our 2025 AGM. With such uncertainty prevalent over the eventual outcome of Ofwat's consultation and the associated regulatory framework for executive pay, the committee's initial conclusion was that the current policy remains broadly fit-for-purpose, remaining well-aligned to providing high standards of services for customers, protecting and enhancing the environment, being in line with best practice corporate governance standards, and continuing to support the key principles of aligning to our purpose, vision and strategy; incentivising great customer service and creating long-term value for all stakeholders.

Views of stakeholders, including major shareholders and colleagues, were sought during a consultation exercise between April and May 2025, following which the committee remains satisfied that for now, overall, our current approach remains appropriate. At the upcoming AGM, the committee therefore proposes to submit only a small number of changes to the policy framework, alongside some minor changes to facilitate the administration of the policy, for example, removing references to arrangements for legacy directors that are no longer relevant. A summary of the key elements of the policy review and its outcome are shown in the table below, with full details of the proposed policy shown on pages 154 to 159. If approved by shareholders, the new policy will take effect from the July 2025 AGM.

Element of policy	Focus/rationale for review	Position following consultation
Include explicit reference to variable incentives being subject to customer and environmental measures, in addition to financial and operational performance (in the annual bonus) and Return on Regulated Equity (in the LTP).	We are committed to delivering major improvements for customers and the environment, and the new regulatory period is a significant opportunity for us to do so. This change reinforces this commitment within the Policy by explicitly linking variable pay, in part, to customer and environmental outcomes	Stakeholders consulted raised no concerns about the proposed change, and so it is reflected in the new Policy set out on pages 154 to 159.
Reduce the level of mandatory deferral from at least 50 per cent to at least 25 per cent of any bonus earned once an executive director has met their shareholding guideline.	We recognise the need for there to be long-term alignment between the interests of shareholders and those of executives, which is achieved using our shareholding guidelines. This change provides greater flexibility for the executive directors only once they have reached their shareholding guideline, and still allows the committee to apply malus or clawback provisions if ever necessary.	The significant majority of stakeholders consulted raised no concerns about the proposed change, and so it is reflected in the new Policy set out on pages 154 to 159.

At a glance summary: executive directors' remuneration

Aligning our remuneration approach to business strategy

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

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

Our strategic priorities

Our purpose is implemented throughout our strategy

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

Stakeholders

Delivering for all our stakeholders

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

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

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

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

Our incentive framework in 2024/25 was designed to align with our business strategy and delivers for each of our stakeholder groups.

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

Element	Why it's important to our remuneration approach	Link to strategic priorities	Link to different stakeholders
2024/25 annual bonus			
Underlying operating profit	Underlying operating profit is a key measure of shareholder value.		
Reducing pollution and enhancing outcomes for customers and the environment • Outcome delivery incentives (environmental, water and customer) • Serious pollution incidents • Storm overflows: reduction of reported activations • Storm overflows: delivery of Accelerated Solution programme milestones • Capital programme delivery incentive (CPDi)	The outcome delivery incentive measure includes a range of environmental, water and customer commitments. It is based on the outperformance payments earned and financial penalties incurred by the company based on its delivery of the performance targets embedded in the AMP7 final determination. The performance targets and the financial incentives associated with them are determined by Ofwat in the expectation that achieving them means that stretching outcomes have been delivered for customers and the environment. Bonus awards are only made where the value of these payments exceeds a predetermined level, which the committee sets relative to the AMP7 determination. Non-delivery of our performance commitments can result in financial penalties being applied, which reduces the likelihood of this target being achieved. Protecting and improving the environment is a priority for the company, and minimising the extent to which our operations might cause a pollution is a crucial part of this. Improving river health continues to be a key area of focus and we have an ambitious plan to reduce storm overflows across our region. The use of bonus measures relating to the reduction of storm overflows means our executive directors are incentivised to deliver these plans. The CPDi measure incentivises the executive directors to keep tight control of our capital programmes to ensure we can provide a reliable and environmentally conscious service to our customers.		
Improving customer service and water quality • C-MeX ranking • Water quality contacts (due to appearance)	By using Ofwat's measure of customer experience executive directors are incentivised to deliver the best service to customers. Ofwat can apply financial incentives or penalties depending on our customer service performance. Customers expect the water that comes out of their tap to be clear, and when it is discoloured it can affect public confidence in the water supply. This measure helps drive improvements in this aspect of our performance.		
Looking after our people • Delivery of health and safety improvement programme	We are committed to improving health and safety performance, and driving a safety and a more caring culture to ensure our people get home safe and well. This measure is based on the delivery of our health and safety improvement programme, which is comprised of three key pillars: personal safety; process safety; and occupational health and wellbeing.		
Compulsory deferral of bonus	Requiring executive directors to defer part of their bonus into shares provides reassurance that the company is being run in the longer-term interests of shareholders, customers and the environment, including beyond the annual bonus period. It reassures shareholders and customers that some/all of the deferred bonus could ultimately be withheld if, during the deferral period, this is deemed necessary.		
2022 Long Term Plan (LTP)			
Return on Regulated Equity (RoRE)	RoRE is a key regulatory measure of performance against the final determination. Outperformance will result in an increase to RoRE, which should translate into higher returns for shareholders through share price performance. Outperformance also benefits customers and the environment through strong delivery against stretching performance commitments, efficiencies in the capital investment programme and lower long-term financing costs.		
Basket of customer and environmental measures	The basket is made up of specific performance commitments embedded in the AMP7 final determination, focusing on areas that customers have identified via our research as being most important to them. It also includes carbon measures linked to our efforts to continually strengthen the sustainability and resilience of our business. Strong delivery of the commitments benefits our customers, communities and the environment, and can result in outperformance payments from Ofwat, which is positive for shareholders.		
Additional holding period (so the overall vesting and holding period is at least five years)	Requiring the executive directors to wait a further period after the performance outcome of their award is known ensures continued longer-term alignment with shareholder interests and delivery for stakeholders, including customers and the environment. It reassures shareholders and customers that some/all of the LTP outcome could ultimately be withheld if, during the holding period, this is deemed necessary.		
Key governance mechanisms			
Discretion over outcomes	The committee retains discretion to override formulaic outcomes (including reducing down to zero) in both schemes to ensure that they are appropriate and reflective of overall performance, over the life of the policy (taking into account any evolution of the strategic goals for the company and to reflect customer and regulatory priorities).		
Withholding and recovery provisions	Bonuses and shares under the DBP and LTP are subject to withholding (malus) and recovery (clawback) provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.		
Shareholding guidelines	It is important that each executive director builds and maintains a significant shareholding in shares of the company to provide alignment with shareholder interests (during and after employment) and as a demonstration that the company is being run for the long-term benefit of all its stakeholders, including customers and the environment.		

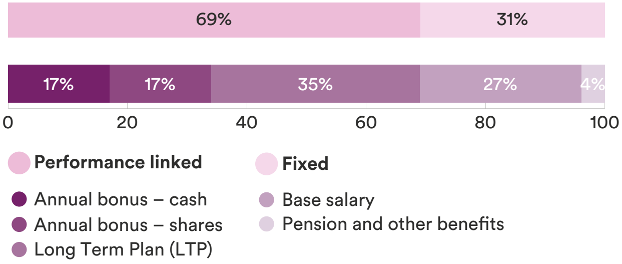
At a glance summary: executive directors' remuneration

Executive directors' remuneration policy

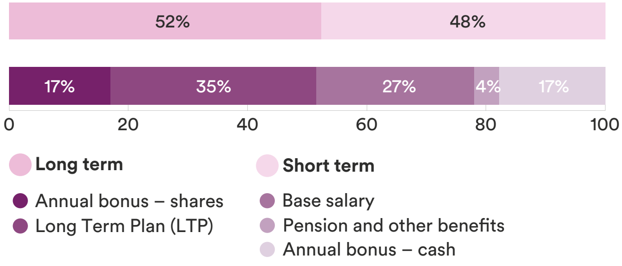
Elements of executive directors' pay for 2024/25

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

Performance-related versus fixed (%)[1]



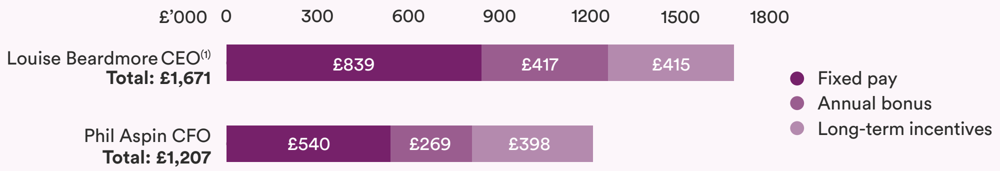
Long term versus short term (%)[1]



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

Single total figure of remuneration for executive directors for 2024/25

Fixed pay comprises base salary, benefits and pension. Further information on the single figure of remuneration can be seen on page 160.

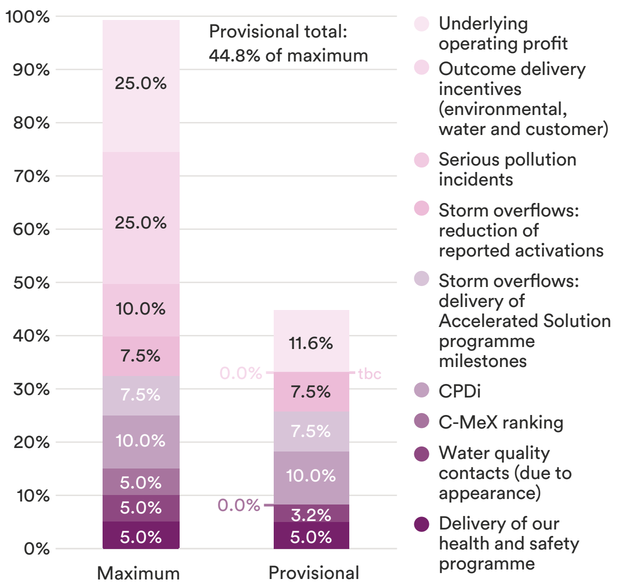


(1) For Louise Beardmore, the LTP relates to the award granted in 2022 prior to her appointment as CEO in April 2023.

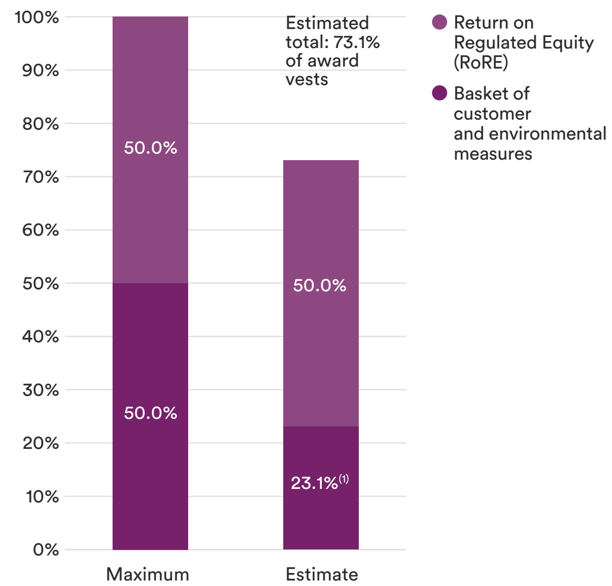
Annual bonus and Long Term Plan (LTP) outcomes

The charts below show the results of the performance against targets for the annual bonus and LTP. Further information about the annual bonus is shown on page 160 and about the LTP on page 161.

Provisional 2024/25 annual bonus outcome

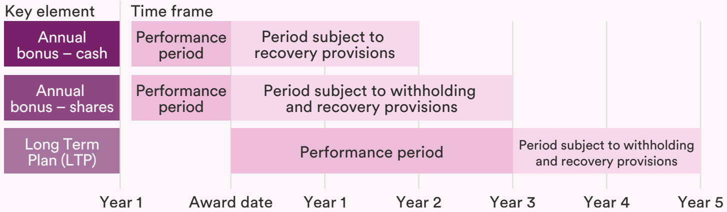


Estimated 2022 Long Term Plan (LTP) outcome



(1) Estimate does not include EPA rating outcome which is undetermined

Pay at risk



Further details on **what triggers the withholding and recovery provisions** can be found on page 157

Implementation of directors' remuneration policy in 2024/25

The table below summarises the implementation of the directors' remuneration policy for executive directors in 2024/25. For further details see the annual report on remuneration on pages 160 to 171.

Key element	Implementation of policy in 2024/25
Base salary	• Having considered their performance and the positioning of their overall reward package within the external market, Louise Beardmore and Phil Aspin each received a salary increase of 5.0 per cent from 1 July 2024. This was less than the increase of 5.5 per cent paid to the wider workforce.
Benefits and pension	• Market competitive benefits package including a green travel allowance of £14,000; health, life cover and income protection; and reimbursement of taxable expenses. • The pension arrangements for the executive directors are the same as those available to the wider workforce. Louise Beardmore has a combination of a cash pension allowance and a contribution into the pension scheme such that the cost to the company is broadly the same as 12 per cent of base salary. Phil Aspin has a cash pension allowance of 12 per cent of base salary.
Annual bonus	• Maximum opportunity of 130 per cent of base salary. • 2024/25 annual bonus outcome of 44.8 per cent (provisional). • 50 per cent of 2024/25 annual bonus deferred for three years. • Withholding and recovery provisions apply.
Long Term Plan	• Award of 130 per cent of base salary. • Estimated long-term incentive vesting of 73.1 per cent for the performance period 1 April 2022 to 31 March 2025. The awards will vest after an additional holding period, which ends no earlier than five years from the date of grant. • Withholding and recovery provisions apply.
Shareholding guidelines	• Personal shareholding for Phil Aspin is above the 200 per cent of salary minimum guideline. Louise Beardmore is building her respective shareholding and is expected to reach the minimum guideline within five years of her appointment as CEO. Post-employment shareholding requirements apply. See page 167 for further details.

Key:

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

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

(2) Average RoRE over 2022/23, 2023/24 and 2024/25.

(3) Total of the overall 2022 LTP outcome arising from performance in relation to the basket of customer and environmental measures. Estimate does not include EPA rating outcome which is undetermined. See page 161.

Aligning pay with performance

See pages 160 to 161 for details

Annual bonus – year ended 31 March 2025

Underlying operating profit[1]

£812.7m

Outcome delivery incentives (environmental, water and customer)

£24.1m

Storm overflows: reduction of reported activations

20,064 fewer spills

Storm overflows: delivery of Accelerated Solution programme milestones

100%

Capital programme delivery incentive (CPDi)

99.6%

C-MeX ranking versus the other water companies

8th out of 17

Water quality contacts (due to appearance)

5,146

Delivery of our health and safety programme

100%

Long Term Plan – three years ended 31 March 2025

Return on regulated equity (RoRE)[2]

6.78%

Basket of customer and environmental measures[3]

23.1%

Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the company, and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The policy in this report will be put to a binding shareholder vote at the AGM on 18 July 2025, and will take formal effect from that date, subject to shareholder approval. A summary of the policy development process and key changes are provided on page 149.

Overview of remuneration policy

The company's remuneration arrangements are ultimately designed to promote the long-term success of the company, without paying more than is necessary for this purpose. The committee recognises that the company operates in the North West of England in a regulated environment and, therefore, needs to ensure that the structure of executive remuneration reflects both the practices of the markets in which its executives operate, and stakeholder expectations of how the company should be run.

The committee also recognises that the success of the company is dependent on the company's ability to attract, motivate and retain senior executives of the calibre required to deliver against the business plan and long-term strategy. This requires the design and application of the remuneration policy to be fair, consistent and transparent. The committee monitors the remuneration arrangements to ensure that there is an appropriate balance between risk and reward.

There is clear and direct link between incentives and delivery of the company's business plan. If the business plan is delivered within an acceptable level of risk, the committee believes that there should be the opportunity for senior executives to be rewarded through the annual bonus and long-term incentives. If it is not delivered, then a significant part of their potential remuneration will not be paid, providing alignment with stakeholders.

The committee understands that listening to the views of the company's key stakeholders plays a vital role in formulating and implementing a successful remuneration policy over the long term.

The committee thus actively seeks the views of shareholders and other key stakeholders to inform the development of the remuneration policy, particularly where any changes to policy are envisaged. Customer and stakeholder engagement directly informed the development of our business plan on which our variable pay arrangements are based. Engagement is conducted in a variety of ways including customer focus groups, workshops, online community panels and surveys to understand the key priorities for our customers and this feedback is used by the committee to inform the choice and weighting of measures used in the annual bonus and LTP.

Account is also taken of colleague views on the policy, typically via the colleague voice panel. Additionally, the company carries out colleague engagement surveys and regular discussion takes place with union representatives on matters of pay and remuneration for colleagues covered by collective bargaining or consultation arrangements, all of which can provide insight which is of value to the committee. The general base salary increase and broader remuneration arrangements, including pension provision, for the wider colleague population are considered by the committee when determining remuneration policy for the executive directors. As outlined on page 164 processes are in place for the committee to regularly review and consider any remuneration-related matters that may arise from the activities undertaken by the board to take account of the 'colleague voice'.

Future policy for directors

Base salary

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

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

Pension

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

Operation	Maximum opportunity
Executive directors are offered the choice of: • a company contribution into a defined contribution pension scheme; • a cash allowance in lieu of pension; or • a combination of a company contribution into a defined contribution pension scheme and a cash allowance.	The maximum opportunity is aligned to the approach available to the wider workforce, currently: • up to 14 per cent of salary into a defined contribution scheme; • cash allowance of broadly equivalent cost to the company (up to 14 per cent of salary less employer National Insurance contributions at the prevailing rate, i.e. up to 12 per cent of base salary for 2025/26); or • a combination of both such that the cost to the company is broadly the same. **Performance measures** None.

Benefits

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

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

Annual bonus

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

Operation	Maximum opportunity
Until an executive director has met their shareholding requirement at least 50 per cent of any bonus earned will be deferred into company shares under the Deferred Bonus Plan (DBP) for a period of at least three years. Once an executive director has met their shareholding requirement, at least 25 per cent of any bonus earned will be deferred. Dividends or dividend equivalents accrue during the DBP deferral period and are paid upon vesting. Not pensionable. Bonuses and DBP shares are subject to withholding and recovery provisions, details of which are included as a note to this Policy table.	Maximum award level of up to 130 per cent of salary, for the achievement of stretching performance objectives. **Performance measures** Payments predominantly based on financial and operational performance, including customer and environmental performance, with the possibility of a minority to be based on achievement of personal objectives if determined by the committee. Targets and weightings set by reference to the company's financial and operating plans. Bonus outcomes are subject to the committee being satisfied that the company's performance on the measures is consistent with underlying business performance and individual contributions. The committee will exercise discretion on bonus outcomes if it deems necessary. 100 per cent of maximum bonus potential for stretch performance; up to 50 per cent of maximum for target performance; and up to 25 per cent of maximum for threshold performance. No payout for below-threshold performance.

Long Term Plan (LTP)

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

Operation	Maximum opportunity
Awards under the LTP are rights to receive company shares, subject to certain performance conditions. Each award is measured over at least a three-year performance period. An additional holding period applies after the end of the three-year performance period so that the total vesting and holding period is at least five years. Dividends or dividend equivalents accrue until awards are released to participants, to the extent that such awards vest for performance. Shares under the LTP are subject to withholding and recovery provisions, details of which are included as a note to this Policy table.	The overall policy limit is 200 per cent of salary. The normal grant level will be 130 per cent of salary per annum. An increase to the normal grant level on an ongoing basis will be subject to prior consultation with major shareholders. **Performance measures** The two performance conditions are Return on Regulated Equity and environmental measures. The weighting of each of these two components is 50 per cent. Any vesting is subject to the delivery of the dividend policy applicable to each year of the respective performance period, and the committee being satisfied that the company's performance on these measures is consistent with underlying business performance. The committee will exercise discretion on LTP outcomes if it deems it necessary. The committee has discretion to set alternative performance measures and/or weightings for future awards but will consult with major shareholders before making any material changes to the currently applied measures and/or weightings. 100 per cent of awards vest for stretch performance and up to 25 per cent of awards vest for threshold performance. No awards vest for below-threshold performance.

Directors' remuneration policy

Shareholding requirements

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

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

Non-executive directors' fees and benefits

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

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

Notes to the policy table

Selection of performance measures and targets

Performance measures for the annual bonus are selected annually to align with the company's key strategic goals for the year and reflect financial, operational and, where relevant, personal objectives. 'Target' ranges are set taking into account the business plan for the year, (following rigorous debate and approval of the plan by the board) and other relevant factors (including relative sector performance, customer priorities and regulatory expectations).

Only modest rewards are available for delivering threshold performance levels, with rewards at stretch normally requiring substantial outperformance. Details of the current measures used for the annual bonus are given in the annual report on remuneration.

The LTP structure was set by the committee following an extensive review and consultation in 2018/19, to align with the company's key strategic goals, customer priorities and the creation of long-term shareholder value. No changes are proposed to the current structure and it will remain linked to stretching delivery for customers, communities, shareholders and the environment.

Basket of customer and environmental measures

What is it?

- A basket of customer measures comprising operational, service, resilience and environmental measures to capture the delivery of performance for customers and the environment. Customer priorities are reflected in the measures selected.

Key reasons for selection

- Customers will benefit from improvements in key performance areas of importance to them, and from long-term reliability in the quality of their water supplies, and ways of working that protect and improve the environment.
- Investors will be impacted by financial rewards resulting from delivery on service commitments, and through investments made to ensure the long-term health and sustainability of our assets.

Return on Regulated Equity (RoRE)

What is it?

- RoRE is the return that the company is expected to earn relative to the equity portion of its Regulatory Capital Value.
- The return is comprehensive in that it is composed of the company's performance on expenditure, investment and financing decisions, and operational and customer initiatives undertaken over the regulatory period.

Key reasons for selection

- Directly linked to the allowable return set by the regulator, and is comparable across the sector.
- Captures financial, operational and customer performance.
- Outperformance will result in an increase to RoRE which should translate into higher returns for investors through share price performance.
- Outperformance also benefits customers through strong delivery against stretching performance commitments, efficiencies in the capital investment programme and lower long-term financing costs.

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

Flexibility, discretion and judgement

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

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

The committee retains discretion within the policy to adjust the targets, set different measures and/or alter weightings for the annual bonus and LTP and can, in exceptional circumstances, under the rules of these plans adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if an external benchmark or measure is no longer available). All assessments of performance are ultimately subject to the committee's judgement.

When determining performance pay outcomes for executives, in addition to reviewing performance against the specified measures the committee will consider other factors, including legal and regulatory requirements and the extent to which the formulaic outturns are aligned with the experience of stakeholders. Full details of this assessment and the rationale for any discretion exercised will be disclosed in the annual remuneration report.

Recovery and withholding

Cash bonuses and shares granted under the DBP and LTP are subject to withholding (malus) and recovery (clawback) provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.

These provisions may be invoked at the committee's discretion at any time within two years of the payment of a cash bonus (in respect of the annual bonus), at any time within three years of a deferred bonus award being granted (in respect of the deferred bonus), or within two years following the date in which the committee has determined that the performance targets have been satisfied for an LTP award (in respect of the LTP). The committee considers that these periods are appropriate in the context of United Utilities' business operations.

Alignment of executive director remuneration with the wider workforce

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

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

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

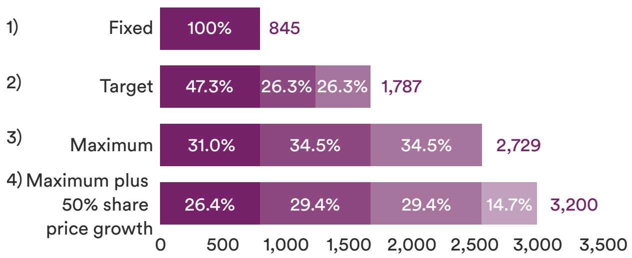
Directors' remuneration policy

Scenarios for total remuneration

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

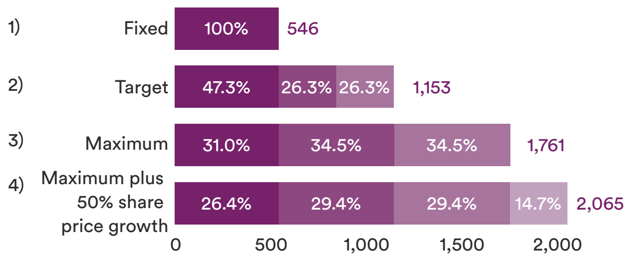
Louise Beardmore CEO

£'000s



Phil Aspin CFO

£'000s



Fixed | Annual bonus | Long Term Plan | Additional Long Term Plan value if share price grows by 50 per cent

Notes on the scenario methodology:

- 'Fixed' is base salary as at 1 April 2025 plus the applicable cash allowance in lieu of pension and the value of benefits as shown in the single total figure of remuneration table for 2024/25;
- 'Target' performance is the level of performance required for the annual bonus and LTP to pay out at 50 per cent of maximum;
- 'Maximum' performance would result in 100 per cent vesting of the annual bonus and LTP (assumed to be 260 per cent of salary in total);
- 'Maximum performance plus 50 per cent share price growth' shows maximum performance plus the impact on the LTP of a hypothetical 50 per cent increase in the share price;
- Annual bonus includes amounts compulsorily deferred into shares;
- LTP is measured at face value, i.e. no assumption for dividends or changes in share price (except in the fourth scenario); and
- Amounts relating to all-colleague share schemes have, for simplicity, been excluded from the charts.

External directorships

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

Service contracts and letters of appointment

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

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

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

Date of service contracts

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

Approach to recruitment remuneration

The remuneration package for a new executive director would be set in accordance with the terms of the company's approved remuneration policy in force at the time of appointment.

Buy-out awards

The committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the company (and therefore shareholders). Any such payments would be limited to a reasonable estimate of value of remuneration lost when leaving the former employer and would normally reflect the delivery mechanism (i.e. cash and/or share-based), time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

Maximum level of variable pay

The absolute maximum level of long-term incentives that may be awarded to a new executive director will be limited to the maximum LTP limit of 200 per cent of salary per annum. Therefore, the absolute maximum level of overall variable pay that may be offered will be 330 per cent of salary (i.e. 130 per cent annual bonus plus 200 per cent LTP). These limits are in addition to the value of any buyout arrangements which are governed by the policy above.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on remuneration.

Base salary and relocation expenses

Base salary levels for new executive directors will be set in accordance with the policy, taking into account the experience of the individual recruited and the market rate for the role. The committee has the flexibility to set the salary of a new appointee at a discount to the market level initially, with increases implemented over the following years to bring the salary to the appropriate market position, subject to individual performance in the role.

The committee may agree that the company will meet certain relocation and/or incidental expenses as appropriate.

Annual bonus performance conditions

Where a new executive director is appointed part way through a financial year, the committee may set different annual bonus measures and targets for the new executive director from those used for other executive directors (for the initial part-year only).

Appointment of non-executive directors

For the appointment of a new Chair or non-executive director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time. Non-executive directors' fees are set by a separate committee of the board; the Chair's fees are set by the remuneration committee.

Payment for loss of office

The circumstances of the termination, including the individual's performance and an individual's duty and opportunity to mitigate losses, are taken into account in every case. Our policy is to stop or reduce compensatory payments to former executive directors to the extent that they receive remuneration from other employment during the compensation period. A robust line on reducing compensation is applied and payments to departing executive directors may be phased to mitigate loss. Our policy is shown in the table below:

Provision	Summary terms
Compensation for loss of office	• An executive director's service contract may be terminated without notice and without any further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain contractually specified events such as gross misconduct. • No termination payment if full notice is worked. • Otherwise, a payment in respect of the period of notice not worked of basic salary, plus pension and green travel allowance for that period. • Half of the termination payment will be paid within 14 days of date of termination. • The other half will be paid in monthly instalments over what would have been the second half of the notice period. This will be reduced by the value of any salary, pension contribution and green travel allowance earned in new paid employment in that period.
Treatment of annual bonus on termination	• Normally, eligibility for any bonus payment will be forfeited where the annual performance period has not yet been completed. However, in certain circumstances, such as death, disability, mutually agreed retirement or other circumstances at the discretion of the committee, a time prorated bonus may be payable for the period of active service. There is no automatic entitlement to payments under the bonus scheme. Any payment is at the discretion of the committee and is subject to withholding and recovery provisions as detailed in the policy table. • Performance targets would apply in all circumstances. • If it is not possible for legal reasons to grant a deferred share award (for example, if the director is no longer employed by the company at the point of payment), the committee will seek to effect the normal deferred element in the form of a deferred cash award, but may ultimately use its discretion to pay the bonus wholly in cash.
Treatment of deferred bonus on termination	• Determined on the basis of the relevant plan rules. Full details can be found on the company's website. • The default treatment is that any outstanding awards will vest in full on the originally intended vesting date with no time prorating applying. • Deferred bonuses are subject to withholding and recovery provisions as detailed in the policy table.
Treatment of unvested long-term incentives on termination	• Determined on the basis of the relevant plan rules. Full details can be found on the company's website. • Normally, any outstanding awards where the performance period has not yet been completed will lapse on date of cessation of employment (awards which are in a holding period following the completion of the performance period will not lapse). • However, under the rules of the plans, in certain prescribed circumstances, such as death, disability, mutually agreed retirement or other circumstances at the discretion of the committee, 'good leaver' status can be applied. In these circumstances, a participant's awards vest on a time prorated basis subject to the satisfaction of relevant performance criteria, with the balance of awards lapsing. • The committee retains the discretion not to time prorate if it is inappropriate to do so in particular circumstances. The committee will take into account the individual's performance and the reasons for their departure when determining whether 'good leaver' status can be applied.
Treatment of pensions on termination	• On redundancy, an augmentation may apply in relation to benefits accrued under a United Utilities defined benefit pension scheme, in line with the trust deed and rules of the appropriate section.

Outplacement services, reimbursement of legal costs and any other incidental expenses may be provided where appropriate. Any statutory entitlements or compromise claims in connection with a termination of employment would be paid as necessary. Outstanding savings/ shares under all-employee share plans would be transferred in accordance with the terms of the plans as approved by HMRC.

Change of control

On a change of control, executive directors' incentive awards will be treated in accordance with the rules of the applicable plans. In summary:

- Bonus payments will take into account the extent to which the performance measures have been satisfied between the start of the performance period and the date of the change of control, and the value will typically be prorated to reflect the same period. Any such payments would normally be paid entirely in cash.
- Deferred bonuses will generally vest on the date of a change of control. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.
- Long Term Plan awards will generally vest on the date of a change of control taking into account the extent to which the committee assesses that any performance condition has been satisfied at that point. Time prorating will normally apply unless the committee determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.

Annual report on remuneration

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

Year ended 31 March	Fixed pay: Base salary £'000 2025	Base salary £'000 2024	Pension £'000 2025	Pension £'000 2024	Benefits £'000 2025	Benefits £'000 2024	Subtotal £'000 2025	Subtotal £'000 2024	Variable pay: Annual bonus £'000 2025[1]	Annual bonus £'000 2024	Long-term incentives £'000 2025[2]	Long-term incentives £'000 2024[3]	Subtotal £'000 2025	Subtotal £'000 2024	Total £'000 2025	Total £'000 2024
Louise Beardmore	**716**	690	**89**	86	**34**	29	**839**	805	**417**	420	**415**	190	**831**	610	**1,671**	1,415
Phil Aspin	**462**	438	**55**	53	**23**	21	**540**	512	**269**	266	**398**	479	**667**	745	**1,207**	1,256

(1) Annual bonus outcomes for the year are provisional. See details below.

(2) This relates to the Long Term Plan (LTP) award granted in July 2022. The amount is estimated as the vesting percentage for the customer and environmental measures will not be known until later in 2025 and the awards will not vest until the end of an additional holding period. The value of LTP awards has been calculated using an average share price over the three-month period from 1 January 2025 to 31 March 2025 of 986.0 pence per share.

(3) This relates to the Long Term Plan (LTP) award granted in June 2021. The figure stated in last year's report was estimated, but was subsequently confirmed at 79.1 per cent. The award for Phil Aspin will not vest until the end of an additional holding period. Dividend equivalents accrued to 31 March 2025 have been added, and the value of the award has been calculated using an average share price over the three-month period from 1 January 2025 to 31 March 2025 of 986.0 pence per share. The award for Louise Beardmore was granted prior to her appointment to the board so no holding period applied and, for the purpose of this table, the value of the award has been calculated using the share price on the vesting date of 1,058.3 pence per share.

Performance-related pay in 2024/25

As outlined on page 148, this year we are seeking to help stakeholders better understand how the targets set for our customer and environmental measures are stretching. If achieved, the Stretch targets would:

Key

(BP) Exceed or match the company's best performance level
(CC) Exceed or meet our ambitious carbon commitments
(FD) Exceed or meet the level set by Ofwat in our AMP7 final determination
(IL) Represent industry leading performance
(IP) Represent full or substantial delivery of our challenging internal plans
(MI) Represent a material improvement compared to the prior period

Annual bonus in respect of the financial year ended 31 March 2025 (audited information)

The performance measures, targets and outcomes in respect of the executive directors' annual bonus for the year ended 31 March 2025 are set out below. The table on page 151 summarises how the performance measures are linked to our business strategy, including delivery for customers and the environment. As outlined in the chair's statement (page 146) whilst some uncertainty remains, the committee currently believes that the executive directors will be permitted to receive bonus payments under Ofwat's eventual performance related pay prohibition rule and is satisfied that the formulaic outcome is aligned with overall performance and the experience of stakeholders, including customers and the environment. The committee has determined that no discretion was required over the outcomes, noting that performance against the serious pollutions measure is undetermined until the Environment Agency publishes its report later in the year, so the bonus scorecard outcome has been provisionally calculated without any outcome for that measure and the eventual outcome will be restated in next year's report.

Measure	% weighting of measure	Threshold (25% vesting)	Target (50% vesting)	Stretch (100% vesting)	Stretch target (see key above)	Actual	Vesting as a % of maximum	Outcome
Underlying operating profit[1]	25.0%	£791.5m	£816.5m	£841.5m	n/a	£812.7m	46.2%	11.6%
Reducing pollution and enhancing outcomes for customers and the environment								
Outcome delivery incentives (environmental, water and customer)[2]	25.0%	£34.0m	£44.2m	£54.5m	BP/IP	£24.1m	0.0%	0.0%
Serious pollution incidents	10.0%	2	1	0	BP/IL/IP/MI	tbc	–	–
		number of Category 1 & 2 incidents						
Better Rivers commitments (storm overflows)								
• Reduction of reported storm overflow activations	7.5%	2,000	6,000	10,000	BP/IP/MI	20,064	100%	7.5%
		fewer spills than in 2023						
• Delivery of Accelerated Solution programme milestones	7.5%	90.0%	95.0%	100%	BP/IP	100%	100%	7.5%
		% of programme milestones met						
Capital programme delivery incentive (CPDi)[3]	10.0%	90.0%	93.0%	96.0%	IP	99.6%	100%	10.0%
		Capital programme delivery incentive performance						
Improving customer service and water quality								
C-MeX ranking	5.0%	7th	6th	5th	BP/IP	8th	0.0%	0.0%
		ranking out of 17 water companies						
Water quality contacts (appearance)	5.0%	5,400	5,200	5,000	BP/IP/MI	5,146	63.5%	3.2%
		customer contacts						
Looking after our people								
Delivery of health and safety improvement programme	5.0%	90.0%	95.0%	100%	IP	100%	100%	5.0%
		% delivery of programme						
Total:								
Overall outcome (% of maximum)								44.8%
Maximum award (% of salary)								130%
Actual award (% of salary)								58.2%

	Louise Beardmore	Phil Aspin
Actual award (£'000 – shown in single figure table)[4]	417	269

(1) For bonus purposes this is based on the underlying operating profit on page 94 and excludes infrastructure renewals expenditure and property trading.
(2) The outcome of this measure has been subject to independent external assurance.
(3) CPDi is an internal measure that measures the extent to which we deliver our capital projects on time, to budget and to the required quality standard. It is expressed as a percentage, with a higher percentage representing better performance.
(4) 50 per cent of the annual bonus will be deferred for three years.

2022 Long Term Plan (LTP) awards with a performance period ended 31 March 2025 (audited information)

The 2022 LTP awards were granted in July 2022. Performance against many of the measures has been strong as detailed in the strategic report, and as outlined in the Chair's statement (pages 146 to 148) Ofwat's executive performance pay prohibition rules will not apply to this award because it was granted before 1 April 2024, so payments related to the 2022 LTP will be permitted but the final outcome will not be confirmed until summer 2025 when performance for all customer and environmental measures is finalised. As stated on page 148 the value of the awards are estimated and will be restated if necessary in next year's report.

Measure	% weighting of measure	Achieved[1] Threshold (25% vesting)	Stretch (100% vesting)	Stretch target (see key on previous page)	Estimate	Vesting as a % of maximum	Outcome
Return on Regulated Equity (RoRE)							
Average RoRE	50.0%	+0.25%	+2.00%	n/a	Average RoRE of 6.78% was +2.78% above the average allowed return	100%	50.0%
		average RoRE compared to the average allowed return set by the regulator across the three-year performance period					
Basket of customer and environmental measures[2]							
Carbon – green fleet[3]	2.5%	170	200	BP/CC/MI	204	100%	2.5%
		electric or other low-carbon vehicles deployed in our fleet					
Carbon – peatland restoration[3]	2.5%	527	644	BP/CC/IL	3,000	100%	2.5%
		hectares of peatland restored and certified to the Peatland Carbon Code (or equivalent)					
Carbon – woodland creation[3]	2.5%	77	94	BP/CC/IL/MI	83	51.5%	1.3%
		hectares of woodland created and certified to the Woodland Carbon Code (or equivalent)					
Carbon – supply chain engagement[3]	2.5%	n/a	66%	BP/CC/IL/MI	78%	100%	2.5%
		% of suppliers, by emissions within scope 3 capital goods, with science-based targets					
Water poverty[3]	5.0%	66,500	83,900	BP/FD	84,726	100%	5.0%
		customers lifted out of water poverty					
Priority Services[3]	5.0%	n/a	7.0%	IP	16.5%	100%	5.0%
		customers listed on the Priority Services Register					
Sewer flooding incidents[3]	5.0%	26.38	18.85	BP/IP/MI	24.74	41.3%	2.0%
		combined total of incidents per 10,000 connected properties					
Pollution incidents[4]	5.0%	19.50	11.80	BP/FD/IL/MI	36.2	0.0%	0.0%
		incidents per 10,000km of wastewater network					
Treatment works compliance[4]	5.0%	97.90%	99.00%	FD	98.2%	45.0%	2.3%
		% compliance					
Leakage[3]	5.0%	93.1	90.5	BP/FD/MI	96.7	0.0%	0.0%
		megalitres per 10,000km of water network per day (three-year average)					
Compliance risk index (CRI)[4]	5.0%	2.75	2.00	IP/MI	10.21	0.0%	0.0%
		CRI score					
The Environment Agency's Environmental Performance Assessment (EPA) rating[5]	5.0%	3-star rating	4-star rating	BP/IL/IP	tbc	–	–
Overall underpin Overall vesting is subject to the committee being satisfied that the company's outcome performance on these measures is consistent with underlying business performance and that the company's dividend policy has been delivered in respect of each financial year of the performance period.			✓ Assumed met. Details of the committee's preliminary assessment on the alignment of the vesting outcome to the underlying performance of the business is set out in the introductory statement from the chair of the committee. The committee will make a final assessment of the company's performance once the outcome of the basket of customer and environmental measures is known.				
Estimated vesting (% of award)							73.1%

	Louise Beardmore	Phil Aspin
Number of shares granted	51,551	49,489
Number of dividend equivalent shares	5,962	5,724
Number of shares before performance conditions applied	57,513	55,213
Estimated number of shares after performance conditions applied	42,042	40,360
Three-month average share price at end of performance period (pence)[6]	986.0	986.0
Estimated value at end of performance period (£'000 – shown in single figure table)[7]	415	398

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.
(2) Measures based on the performance commitment (PC) definitions as per the AMP7 final determination.
(3) Outcome based on performance in the financial year ending 31 March 2025 as published in our own and/or the other water companies' annual performance reports for 2024/25.
(4) Outcome based on performance in the calendar year ending 31 December 2024 as published in our own annual performance report for 2024/25.
(5) Outcome based on performance in the calendar year ending 31 December 2024 as published in the Environment Agency's published report in 2025.
(6) Average share price over the three-month period from 1 January 2025 to 31 March 2025.
(7) As the share price on vesting is less than the share price on grant, none of the value vesting is attributed to share price appreciation.

Annual report on remuneration

Deferred Bonus Plan awards made in the year ended 31 March 2025 (audited information)

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

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

The table below provides details of share awards made on 17 June 2024 to the executive directors in respect of deferred share bonus payments for the 2023/24 financial year.

Executive director	Type of award	Basis of award	Number of shares	Face value of award[(1)] (£'000)	End of deferral period
Louise Beardmore	Conditional shares	50% of bonus	20,245	£210	17.06.27
Phil Aspin	Conditional shares	50% of bonus	12,841	£133	17.06.27

(1) The face value has been calculated using the closing share price on 14 June 2024 (the dealing day prior to the date of grant), which was 1,036.8 pence per share.

2024 LTP awards with a performance period ending 31 March 2027 (audited information)

The table below provides details of share awards made to executive directors on 14 March 2025 in respect of the 2024 LTP:

Executive director	Type of award	Basis of award	Face value of award[(1)] (£'000)	Number of shares under award	% vesting at threshold	End of performance period[(2)]
Louise Beardmore	Conditional shares	130% of salary	£942	96,303	25%	31.03.27
Phil Aspin	Conditional shares	130% of salary	£607	62,115	25%	31.03.27

(1) Face value calculated using the average share price from the five-days preceding the grant date, which was 978.3 pence per share.
(2) An additional holding period applies after the end of the performance period such that the overall vesting period is at least five years.

As per the Policy, the structure of the 2024 LTP awards for the three-year performance period was 50 per cent related to return on regulated equity (RoRE) and 50 per cent related to a basket of customer and environmental measures.

While LTP awards are normally issued in June/July each year, noting the complexities (and potential risks) of setting measures and targets while the AMP8 business plan was still under development, the committee agreed to use its discretion to defer the setting of measures and targets until Ofwat's final determination for AMP8 had been approved by the board. Details about the measures, targets and underpins were published on the company website at the point of grant and are summarised in the table below.

	Targets[(1)]		
Measure	Threshold (25% vesting)	Stretch (100% vesting)	Weighting
Return on Regulated Equity (RoRE)[(2)]			
RoRE	1.00% below the average of Ofwat's allowed RoRE over the three years of the performance period	0.5% (or more) above the average of Ofwat's allowed RoRE over the three years of the performance period	50.0%
Basket of customer and environmental measures[(3)]			
Price Control Deliverables (PCD)[(4)]	90.0% of in-flight PCDs on track versus the phased milestones agreed with relevant regulators for AMP8	100% of in-flight PCDs on track versus the phased milestones agreed with relevant regulators for AMP8	20.0%
WINEP schemes delivery[(5)]	98.0%	100%	10.0%
Carbon reduction[(6)]	Reduction of 2,300 tCO_2e Equivalent to 5.0% reduction from 2023/24 baseline year	Reduction of 4,600 (or more) tCO_2e Equivalent to 10.0% reduction from 2023/24 baseline year	10.0%
Priority Services[(6)]	17.5% of our customers are listed on the Priority Services Register	18.5% (or more) of our customers are listed on the Priority Services Register	10.0%
Total			100%

Overall underpin

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

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.
(2) Targets for RoRE reflect the known impact in the first year of the performance period (2024/25) of the planned investment above the final determination totex allowance for AMP7.
(3) The basket of customer and environmental measures will be based on the performance commitment definitions as per the AMP8 final determination.
(4) Price Control Deliverables (PCDs) are specific delivery expectations on water companies set out by Ofwat in relation to AMP8.
(5) Delivery of United Utilities' schemes under the Water Industry National Environment Programme (WINEP) during the period.
(6) Based on performance in respect of the financial year ending 31 March 2027 as published in the UUG Annual Report and Accounts and/or UUW Annual Performance Report for 2026/27.

Performance-related pay in 2025/26

The performance measures used in our performance-related pay schemes during 2025/26 will remain closely aligned with our strategic priorities, and focused on delivery for our stakeholders. As in recent years, across both of our incentive schemes there will be a material weighting linked to delivery for customers and on measures that relate to our environmental performance.

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

Annual bonus for 2025/26

As is outlined on pages to 150 to 151, the measures used in our annual 2024/25 bonus arrangements for executive directors demonstrated significant alignment to stakeholder interests, but as we step into AMP8 we are focussing even more clearly on delivery in areas that customers have told us are priorities, and which will drive the best performance outcomes across the business and for all stakeholders. The main change from our previous approach is that rather than continuing with one overall measure related to environmental, water and customer delivery incentives we will use individual specific measures, with many of these being performance commitments embedded within the final determination. We are satisfied that the balanced scorecard supports our purpose of building a stronger, greener and healthier North West. Overall, 75 per cent of the annual bonus remains based on delivery for customers and the environment, and almost half of the overall bonus (45 per cent) is based on measures linked to reducing pollution, storm overflow spills, or other aspects of environmental performance.

The maximum bonus opportunity for the year commencing 1 April 2025 will be unchanged at 130 per cent of base salary, and the table below summarises the measures and weightings we will use, and how they align to stakeholders. The targets are closely linked to our strategy and so are considered commercially sensitive and will therefore be disclosed retrospectively in the 2025/26 annual report on remuneration.

	Weighting (% of award)	Link to stakeholders
Underlying operating profit[1]	25.0%	
Reducing pollution and enhancing customer and environmental outcomes		
Serious pollution incidents[2]	5.0%	
Sewer flooding[3]	5.0%	
Storm overflow activations (reduction in number of spills)[4]	5.0%	
Storm overflow programme (milestone delivery)	5.0%	
Improving water quality and minimising leakage and interruptions to supply[5]		
Leakage	5.0%	
Supply interruptions	5.0%	
Water quality contacts (due to appearance)	5.0%	
Per capita consumption	5.0%	
Improving customer service[6]		
C-MeX contactor ranking (service for domestic customers)	5.0%	
BR-MeX ranking (service for businesses)	5.0%	
Delivering our capital programme efficiently		
Capital programme delivery incentive (CPDi)[7]	15.0%	
Looking after our people		
Health and safety: colleague Lost Time Incident frequency rate	10.0%	
Total	100%	

(1) Underlying operating profit for bonus purposes excludes infrastructure renewals diversions income.

(2) The number of category 1 or 2 incidents occurring during calendar year 2025 using the Environment Agency's definitions. When assessing the outcome, the committee will consider the context of any incident, including the likely cause and extent to which the company was responsible for its occurrence.

(3) Combined total of sewer flooding incidents per 10,000 connected properties.

(4) Based on performance during calendar year 2025 compared to 2024.

(5) Based on the performance commitment definitions as per the AMP8 final determination.

(6) For C-MeX: out of 17 companies. For BR-MeX: out of 15 companies.

(7) CPDi is an internal measure assessing the extent to which we deliver capital projects on time, to budget and to the required quality standard. A higher percentage represents better performance. All of the projects covered impact environmental performance.

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

2025 LTP awards with a performance period ending 31 March 2028

Consistent with the approach since 2020, we expect the awards to be based on Return on Regulated Equity and a basket of customer and environmental measures, with each component being equally weighted at 50 per cent, and the performance period for the awards will be 1 April 2025 to 31 March 2028. The committee has decided to wait until after the new directors' remuneration policy has been approved by shareholders at the 2025 AGM to grant the awards, to take account of any feedback which may arise.

Annual report on remuneration

Supporting our colleagues' wellbeing

In recognition of the ongoing challenging financial environment, the company has continued to take action to support colleagues. Our 2024/25 pay settlement meant that around 5,100 collectively bargained colleagues received salary increases worth 5.5 per cent from 1 April 2024. In addition, the company provided all colleagues with an additional day's leave in the form of a wellbeing day providing them with an opportunity to spend time with family and friends, or to focus on themselves.

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

Physical wellbeing	• Our Virtual GP service enables colleagues and immediate family to get advice from a GP quickly and conveniently • We have extended the support we offer in relation to the perimenopause and menopause. All colleagues now have access to a menopause support app which provides personalised expert content, and to a programme of training and education to support colleagues whether they are personally affected by the menopause or they know someone who is • All colleagues can access discounted gym memberships and active discounts on sportswear and equipment at locations convenient to them across the North West • All colleagues have been able to claim back the cost of a flu vaccination • Members of our colleague healthcare scheme can claim back the cost of everyday healthcare items including support for hearing loss • Our ability network has links with local disability charities and uses a company to ensure we provide reasonable adjustments for anyone with ability needs • We delivered a number of wellbeing roadshows, ensuring colleagues across our five counties know what wellbeing support is available to them and how to access it
Mental wellbeing	• All colleagues have access to our employee assistance programme • We have a network of mental health first aiders providing support across the company • Our senior leadership and executive teams are engaged with our wellbeing calendar and we have appointed our first mental health sponsor across the business. • We have partnered with the Hub of Hope for our colleagues and customers to be able to easily access mental health support services which are local and timely when it comes to gaining wellbeing support. • We have developed a partnership with Andy's Man Club, a charity providing mental health and suicide prevention support across the UK
Financial wellbeing	• Money management tips and tools from a range of trusted financial wellbeing providers help colleagues manage their money better, including the option to borrow responsibly in appropriate circumstances, alongside financial planning courses to suit colleagues at different stages of their careers • Our discounts platform helps colleagues save money on everyday living costs

The committee is always mindful of the alignment of executive pay arrangements with those of the wider workforce and, as is demonstrated in the table on page 165, there is a high level of alignment and consistency of approach.

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

The committee has mechanisms through which it hears from and engages with the workforce on executive pay. As a member of the committee, insights related to remuneration that arise via Alison Goligher in her role as designated non-executive director for workforce engagement can be quickly and appropriately considered, and a formal report is presented to the committee at least annually. In the last year, Alison has hosted three sessions with the Colleague Voice panel, providing valuable opportunities for open discussions and feedback on a variety of topics including remuneration. See page 115 for further details. During the year, on invitation from Alison, the head of reward engages with the panel to provide an overview of relevant corporate governance and reporting requirements, summarise our executive remuneration approach and the role of the committee in setting executive remuneration, and discuss the alignment of our executive pay approach with the arrangements that apply across the wider workforce.

Cascade of remuneration through the organisation

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

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

Colleague group (number of colleagues currently covered)	Element of pay	Policy	Implementation
Colleagues at all levels (around 6,600)	Salary	We want to attract and retain colleagues of the experience and quality required to deliver the company's strategy. Salaries are reviewed annually, with executive directors normally receiving a salary increase no greater than the increase awarded to the general workforce.	In 2024, the base salary increase for colleagues was 5.5 per cent. As a real Living Wage accredited employer, all our colleagues (except those on a training scheme such as apprentices) receive at least the voluntary real Living Wage rate.
	Health and wellbeing benefits	We want to create an environment that promotes healthy behaviours and ensures that colleagues have access to early and effective treatment, advice and information to improve their health and wellbeing.	Colleagues at all levels are eligible for company-funded healthcare and an enhanced company sick-pay scheme, and a Virtual GP service is available for all colleagues and their families. All colleagues have free 24/7 access to our employee assistance programme, which provides counselling and support to them and their households. All colleagues can access discounted gym membership and a menopause support app. We have around 400 trained mental health first aiders who can listen to, and signpost colleagues to, relevant support services, and a similar number of wellbeing champions who help promote our wellbeing campaigns. Financial wellbeing is a key focus, with financial education tools and awareness courses available for all colleagues covering a broad range of money management topics such as financial planning, managing debt and pensions.
	Flexible benefits	All colleagues have access to a variety of additional voluntary benefits to suit their lifestyle, including environmental benefits such as our electric car scheme and the opportunity to buy or sell annual leave. Colleagues can choose from a range of deals and discounts all year round, and can donate to their chosen charities directly from their pay if they want to.	Around half of the workforce take up at least one of our flexible benefit options.
	Pension	Almost all colleagues participate in our company pension arrangements, which have received the 'Pension Quality Mark Plus' accreditation in recognition of their high quality.	The company doubles any personal pension contributions made, up to a maximum of 14 per cent of salary. As part of the pension scheme, colleagues receive company-funded life assurance and income protection.
	ShareBuy	Any colleague can become a shareholder in our company and share in our success by participating in our ShareBuy scheme. For every five shares purchased under the scheme, the company gives another one free.	Around half of the workforce participate in our ShareBuy scheme.
	Annual bonus – cash	Our bonus scheme provides a strong alignment to strategy throughout the organisation, with the same bonus scorecard applying at all levels.	Colleagues at all levels participate in the annual bonus scheme, receiving financial rewards based on the performance of the company and/or their personal contribution. Specific weightings and awards vary by level.
CEO, CFO and executives (12)	Annual bonus – deferred shares	Deferral of part of bonus into shares aligns the interests of executives and shareholders.	Each of the executive directors and executives is required to defer a proportion of their bonus into shares for three years.
CEO, CFO, executives and other senior leaders (around 70)	Long Term Plan (LTP)	To incentivise long-term value creation and alignment with the long-term interests of shareholders, customers, and other stakeholders.	Executives and other senior leaders may be invited to participate in the LTP. Performance conditions are the same for all participants but award sizes vary.
CEO, CFO and executives (12)	Shareholding	The committee believes that it is important for each executive to build and maintain a significant investment in shares of the company to provide alignment with shareholder interests.	All executives are subject to shareholding guidelines, aligning their interests with those of shareholders.

Annual report on remuneration

CEO pay ratios

The table below sets out the ratio of the CEO's pay to that of the 25th percentile (P25), median (P50) and 75th percentile (P75) full- time equivalent colleagues. The ratios have been calculated in accordance with option A as set out in the regulations. This is considered to be the most accurate methodology and uses the same calculation basis as required for the CEO's total remuneration as shown in the single figure table on page 160.

- We identified all colleagues who received base salary during the year and who were still employed on 31 March 2025.
- The calculations were carried out using their total pay and benefits received in respect of the year ended 31 March 2025, including bonuses earned by reference to performance in the financial year and paid in June following the end of the financial year.
- 'Base salary' includes standby pay, shift pay, overtime and on-call allowances.
- For colleagues who were employed on a part-time basis, or who were not employed for the full year, their remuneration has been annualised to reflect the full-time equivalent.
- No other estimates or adjustments have been used in the calculations and no other remuneration items have been omitted.

	Financial year					
	2024/25	2023/24	2022/23	2021/22	2020/21	2019/20
Methodology used	**A**	A	A	A	A	A
CEO	**Louise Beardmore**	Louise Beardmore	Steve Mogford	Steve Mogford	Steve Mogford	Steve Mogford
Average number of colleagues	**6,400**	6,169	6,171	5,866	5,570	5,461
Ratio of CEO single figure total remuneration:[1]						
– To colleague at the 25th percentile	**41:1**	36:1	63:1	95:1	98:1	87:1
– To colleague at the 50th percentile	**30:1**	27:1	47:1	71:1	73:1	66:1
– To colleague at the 75th percentile	**24:1**	22:1	38:1	56:1	58:1	53:1
Ratio of CEO base salary plus annual bonus:						
– To colleague at the 25th percentile	**35:1**	32:1	38:1	44:1	52:1	47:1
– To colleague at the 50th percentile	**23:1**	26:1	28:1	37:1	38:1	37:1
– To colleague at the 75th percentile	**19:1**	20:1	23:1	30:1	30:1	31:1
Ratio of CEO base salary:						
– To colleague at the 25th percentile	**23:1**	21:1	26:1	24:1	26:1	26:1
– To colleague at the 50th percentile	**15:1**	17:1	18:1	20:1	19:1	20:1
– To colleague at the 75th percentile	**12:1**	13:1	15:1	17:1	15:1	17:1
Additional details						
CEO total single figure (£'000)	**1,671**	1,415	2,316	3,276	3,381	2,925
CEO base salary plus annual bonus (£'000)	**1,133**	1,110	1,216	1,511	1,560	1,476
CEO base salary (£'000)	**716**	690	791	784	736	769
Colleagues total pay and benefits (£'000)						
– at the 25th percentile	**41**	39	37	35	34	33
– at the 50th percentile	**55**	53	49	46	46	44
– at the 75th percentile	**69**	66	61	59	58	56
Colleagues base salary plus annual bonus (£'000)						
– at the 25th percentile	**32**	34	32	34	30	32
– at the 50th percentile	**49**	43	44	41	42	40
– at the 75th percentile	**61**	55	53	51	52	48
Colleagues base salary (£'000)						
– at the 25th percentile	**31**	33	31	32	29	30
– at the 50th percentile	**48**	41	43	39	39	38
– at the 75th percentile	**57**	53	52	47	50	44

(1) The figures for 2023/24 have been restated to reflect the final vesting outcome, additional dividend equivalents and updated share price for Louise Beardmore's 2021 LTP. The figures for 2022/23 have also been restated to reflect additional dividend equivalents for Steve Mogford's 2020 LTP using the average share price over the three-month period from 1 January 2025 to 31 March 2025.

Along with the ratios comparing total remuneration, the committee keeps under review the ratios for salary and salary plus annual bonus, and tracks how these change over time. With a significant proportion of the remuneration of the CEO linked to company performance and share price movements over the longer term, it is expected that the headline ratios will depend primarily on the Long Term Plan (LTP) outcome, and, accordingly, may fluctuate from year to year. Participation in the LTP is currently limited to around 70 executives and senior leaders, with none of the individuals identified as P25, P50 and P75 in this group. On the other hand, colleagues at all levels participate in the annual bonus scheme, and so the committee considers this ratio as well as the ratio comparing only salary, to provide helpful additional context.

It is noted that when comparing this year to last year the ratios using the single figure total remuneration have increased but the ratios using base salary plus bonus and base salary only have remained broadly similar. This is explained by the fact that last year the CEO's total remuneration included a legacy LTP outcome that was granted before her appointment to the board and so was of a lower value whereas this year it includes an award granted when she was on the board as CEO Designate (but not CEO). That the other ratios have not materially changed demonstrates the alignment of our pay policies and approach across all levels of the company as shown on page 165. The committee is content that overall the ratios are appropriate and will continue to consider the pay ratios in the context of other important metrics such as the gender pay gap and colleague engagement levels. The committee will continue to consider the pay ratios in the context of other important metrics such as the gender pay gap and colleague engagement levels.

Relative importance of spend on pay

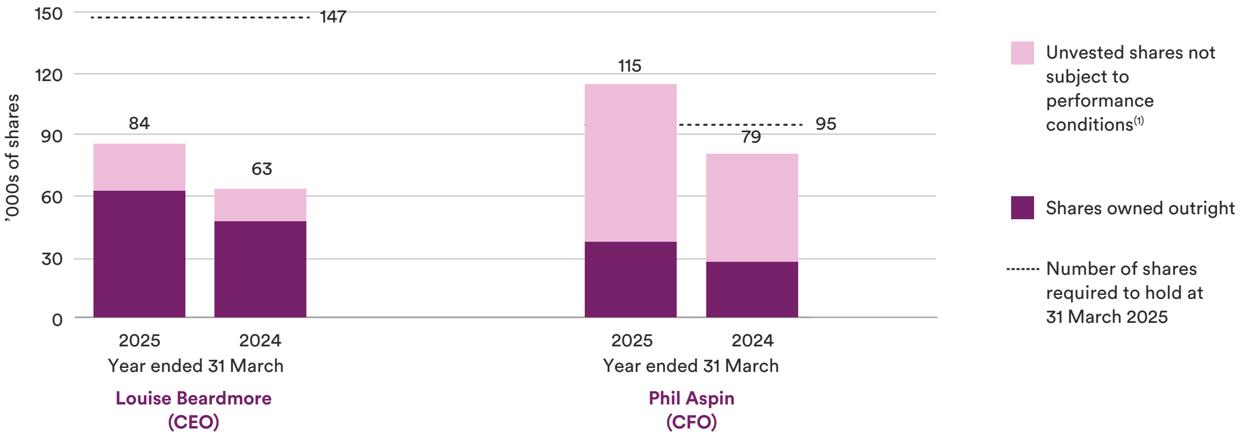
The table below shows the relative importance of spend on pay compared to distributions to shareholders.

	2024/25 £m	2023/24 £m	% change
Dividends paid to shareholders	344	320	7.5%
Colleague costs[1]	410	370	10.9%

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

Executive directors' shareholding (audited information)

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



Further details of the executive directors' shareholdings and share plan interests are given in the table below and in appendix 1 on page 172.

Director	Shareholding requirement (% of salary)	Number of shares required to meet shareholding requirement[1]	Number of shares owned outright (including connected persons) 2025	2024	Unvested shares not subject to performance conditions[2] 2025	2024	Total shares counting towards shareholding requirements[3] 2025	2024	Shareholding as % of base salary at 31 March 2025[1]	Shareholding requirement met at 31 March 2025	Unvested shares subject to performance conditions[4] 2025	2024
Louise Beardmore[5]	200%	146,957	61,679	47,073	42,759	29,355	84,358	62,648	115%	No	240,104	159,445
Phil Aspin[5]	200%	94,787	36,979	26,591	146,988	99,236	114,899	79,203	242%	Yes	172,976	165,479

(1) Share price used is the average share price over the three months from 1 January 2025 to 31 March 2025 (986.0 pence per share).

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

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

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

(5) In the period 1 April 2025 to 13 May 2025, additional shares were acquired by Louise Beardmore (28 shares) and Phil Aspin (28 shares) in respect of their monthly contributions to the all-employee ShareBuy scheme. Matching shares vest one year after grant provided the colleague remains employed.

Annual report on remuneration

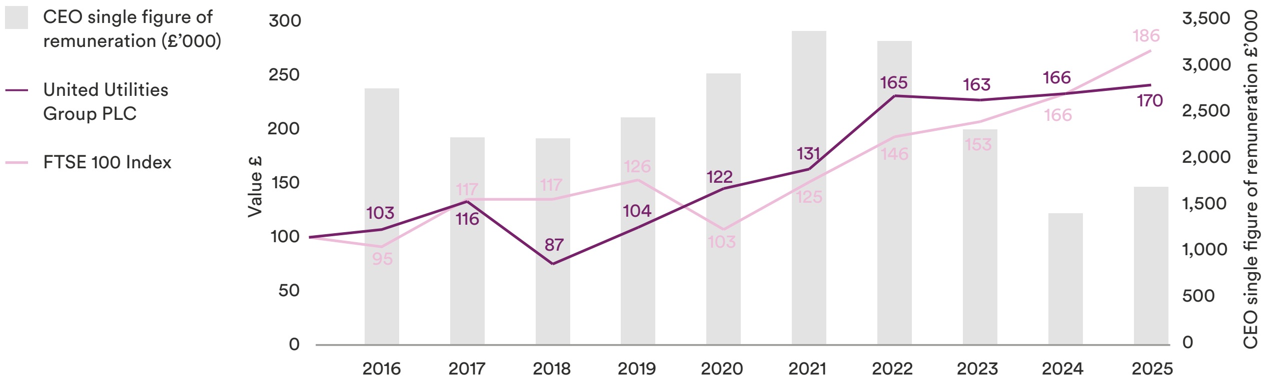
Other information

Company performance and CEO remuneration comparison

The total shareholder return (TSR) chart below illustrates the company's performance against the FTSE 100 over the past ten years.

The FTSE 100 is an appropriate comparator as the company is a member of the FTSE 100 and it is a widely published benchmark for this purpose. The chart shows the growth in the value of a hypothetical £100 holding invested in the company over the ten-year period.

The chart also shows the CEO's single total figure remuneration over the ten years ended 31 March 2025 for comparison. The table below the TSR chart shows the remuneration data for the CEO over the same period.



Year ended 31 March	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CEO				**Steve Mogford**					**Louise Beardmore**	
CEO single figure of remuneration (£'000)	2,760[1]	2,233	2,221	2,448	2,925	3,381	3,276	2,316[2]	1,415[3]	**1,671**
Annual bonus payment (% of maximum)	54.5	83.7	74.9	79.0	70.7	81.8	71.3	41.4	46.8	**44.8**[5]
LTP vesting (% of maximum)[4]	33.6	54.5	55.4	64.4	87.3	97.9	100	68.8	79.1	**73.1**[5]

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

(2) The payout from the 2020 LTP, which will vest on 30 November 2025 after the end of a two-year holding period, has been updated to reflect the additional dividends accruing on this award and the average share price of the three-month period from 1 January 2025 to 31 March 2025 of 986.0 pence per share.

(3) The payout and vesting percentage for the 2021 LTP have been restated to reflect the additional dividend equivalents accruing on the award and updated share price. See page 160 for further details.

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

(5) The 2024/25 annual bonus and 2022 Long Term Plan vesting outcomes are estimated. See pages 160 and 161 for details.

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

There have been no exit payments or payments to former directors in respect of their roles as directors during the year ended 31 March 2025 other than the vesting of legacy share awards (see page 172).

External appointments

Phil Aspin was a board member of the UK Endorsement Board and chair of the organisation's Rate-regulated Activities Advisory Group during the year ended 31 March 2025, for which he received and retained an annual fee of around £20,000.

Non-executive directors

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

	Salary/fees £'000		Taxable benefits £'000		Total £'000	
Year ended 31 March	**2025**	**2024**	**2025**[1]	**2024**	**2025**	**2024**
Sir David Higgins	**337**	321	**–**	–	**337**	321
Liam Butterworth[2]	**87**	73	**–**	1	**87**	74
Kath Cates	**91**	87	**–**	1	**91**	88
Alison Goligher	**97**	91	**12**	–	**109**	91
Clare Hayward[3]	**74**	n/a	**9**	n/a	**83**	n/a
Michael Lewis[4]	**77**	67	**6**	–	**83**	67
Paulette Rowe[5]	**27**	86	**–**	–	**27**	86
Doug Webb	**94**	90	**–**	1	**94**	91

(1) Following a change this year to how we report travel expenses to board meetings, the benefit figures for some non-executive directors appear greater than in prior years.

(2) Liam Butterworth was appointed chair of the ESG committee with effect from 19 July 2024 and received the applicable additional fees from that date.

(3) Clare Hayward joined the board on 16 April 2024.

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

(5) Paulette Rowe stepped down from the board on 19 July 2024.

Fees

Non-executive director base fees were reviewed and increased with effect from 1 July 2024 as shown below. Base fees were increased by 5.0 per cent, which was less than the 5.5 per cent increase applying to the general workforce in 2024. Additional fees for the senior independent non-executive director and the chairs of committees were not increased.

Role	Fees £'000 2024	Fees £'000 2023
Base fee: Chair[1]	341.0	324.7
Base fee: other non-executive directors[2]	77.6	73.9
Senior independent non-executive director[2]	14.3	14.3
Chair of audit and treasury committees[2]	17.0	17.0
Chair of remuneration committee[2]	14.3	14.3
Chair of ESG committee[2]	14.3	14.3
Chair of compliance committee[2]	6.0	6.0

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

Non-executive directors' shareholdings (audited information)

Details of beneficial interests in the company's ordinary shares as at 31 March 2025 held by each of the non-executive directors and their connected persons are set out in the table below.

Non-executive directors	Date first appointed to the board	Number of shares owned outright (including connected persons) at 31 March 2025[1]
Sir David Higgins	13.05.19	3,000
Liam Butterworth	01.01.22	3,000
Kath Cates	01.09.20	2,135
Alison Goligher	01.08.16	6,000
Clare Hayward	16.04.24	3,000
Michael Lewis	01.05.23	3,000
Doug Webb	01.09.20	10,200

(1) From 1 April 2025 to 14 May 2025 there have been no movements in the shareholdings of the non-executive directors.

Change in board member and colleague remuneration[1]

	Salary/total fees %					Benefits %					Bonus %				
Year ended 31 March	2025 versus 2024	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020	2025 versus 2024	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020	2025 versus 2024	2024 versus 2023	2023 versus 2022	2022 versus 2021	2021 versus 2020
Executive directors															
Louise Beardmore	3.8	62.4	n/a	n/a	n/a	18.7	34.9	n/a	n/a	n/a	(0.7)	83.5	n/a	n/a	n/a
Phil Aspin	5.5	4.4	3.6	1.2	n/a	8.9	3.7	(6.3)	67.3	n/a	1.0	18.0	(50.1)	6.4	n/a
Non-executive directors[2]															
Sir David Higgins	5.0	3.0	2.6	6.5	111.1	9.0	(37.9)	(55.6)	1,555.9	(96.6)	n/a	n/a	n/a	n/a	n/a
Liam Butterworth[3]	18.8	3.0	2.6	n/a	n/a	(55.5)	66.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kath Cates	4.4	8.3	16.5	6.5	n/a	(57.0)	66.2	(59.4)	1,555.9	n/a	n/a	n/a	n/a	n/a	n/a
Alison Goligher	7.0[4]	7.2	2.5	11.5	9.4	n/a	0	(100.0)	708.6	(81.0)	n/a	n/a	n/a	n/a	n/a
Clare Hayward[5]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Michael Lewis	5.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paulette Rowe[6]	5.2	9.0	15.0	6.5	(4.2)	n/a	(100)	(23.7)	782.1	(95.2)	n/a	n/a	n/a	n/a	n/a
Doug Webb	4.3	3.1	8.8[10]	23.6	n/a	(100)	66.2	(55.7)	1,418.0	n/a	n/a	n/a	n/a	n/a	n/a
All colleagues	7.5	9.4	6.6	3.7	4.1	35.8[7]	12.0	4.1	5.0	6.9	(2.7)	11.4	(27.3)	11.6	13.6

(1) For details about changes in prior years see the respective directors' remuneration reports.
(2) Calculated using actual fees and taxable benefits.
(3) The fee increase for 2025 versus 2024 reflects his appointment as ESG committee chair with the associated fee effective from 19 July 2024.
(4) The year-on-year fee change for Alison Goligher reflect her appointment as compliance committee chair with the associated fee during the prior year.
(5) Clare Hayward was appointed to the board on 16 April 2024 and so no year-on-year comparison is possible.
(6) Paulette Rowe stepped down from the board on 19 July 2024. To enable a meaningful year-on-year comparison for 2025 versus 2024 her fees reflect hypothetical full-year earnings in 2024/25.
(7) The year-on-year benefit change for all colleagues relates mainly to a significant increase in the cost of company-funded healthcare.

Annual report on remuneration

The remuneration committee

Composition of the remuneration committee during the year ended 31 March 2025

Member	Member since
Kath Cates (chair since 22.07.22)	01.09.20
Alison Goligher	01.08.16
Doug Webb	23.07.21

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

Activities of the remuneration committee over the past year

The committee met five times in the year ended 31 March 2025 and carried out a number of key activities:

- Approved the 2023/24 directors' remuneration report;
- Consulted with shareholders and other stakeholders on potential changes to the directors' remuneration policy;
- Wrote to major shareholders following the publication of the company's 2024 annual report and reviewed the feedback received;
- Reviewed the pay comparator group;
- Determined the remuneration arrangements for new executives falling under the remit of the committee;
- Reviewed the base salaries of executive directors and other members of the executive team;
- Reviewed the base fee for the Chair;
- Assessed the achievement of targets for the 2023/24 annual bonus scheme, set the targets for the 2024/25 annual bonus scheme and reviewed progress against the targets;
- Assessed the achievement of targets for the Long Term Plan (LTP) awards made in 2021, reviewed progress against the targets for the 2022 and 2023 LTP awards, and set the measures and targets for the 2024 LTP awards;
- Reviewed and approved awards made under the annual bonus, Deferred Bonus Plan (DBP) and LTP;
- Monitored progress against shareholding guidelines for executive directors and other members of the executive team;
- Reviewed the committee's performance during the period;
- Considered the remuneration arrangements of the wider workforce and their alignment with those of the executives, alongside feedback received from the workforce via Alison Goligher in her role as the non-executive director for workforce engagement;
- Reviewed the executive remuneration-related parts of the company's business plan submission to the regulator;
- Considered governance developments and market trends in executive remuneration, including the specific changes in the water sector (the Water (Special Measures) Act 2025 and related Ofwat guidance and consultation on executive remuneration; and
- Noted progress on the company's gender pay gap reporting.

Support to the remuneration committee

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

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

During the year ended 31 March 2025, the committee was assisted in its work by independent external remuneration advisers, Ellason, who were appointed by the committee in January 2021. They provided advice to the committee on remuneration matters including analysis of the remuneration policy and regular market and best practice updates. In addition, other services provided to the company included advice and benchmarking on non-executive director and senior leader remuneration, advice on the company's share schemes and assurance work on the directors' remuneration report for the audit committee. Fees on a time/cost basis for the advice provided to the committee during the year were around £92,000 as set out in the terms and conditions in the relevant engagement letter.

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

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

Main responsibilities

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

Quick links

The committee's terms of reference were last reviewed in November 2024 and are available on our website: **unitedutilities.com/corporate-governance**

Compliance with the UK Corporate Governance Code

Code principle – remuneration

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

Clarity

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

Simplicity

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

Proportionality

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

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

Predictability

Payouts under the annual bonus and Long Term Plan (LTP) schemes are dependent on the performance of the company over the short and long term, and a significant proportion of executive director remuneration is performance related.

These schemes have strict maximum opportunities, with the potential value at threshold, target and maximum performance scenarios provided in the directors' remuneration report.

Risk

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

Alignment to culture

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

2024 AGM: statement of voting

At the last annual general meeting on 19 July 2024, votes on the 2024/25 directors' remuneration report (other than the part containing the directors' remuneration policy) were cast as follows:

Resolution	Votes for	Votes against	Votes withheld (abstentions)	Total votes cast
Approval of the directors' remuneration report (other than the part containing the directors' remuneration policy)	475,939,168 (93.58%)	32,677,647 (6.42%)	172,048	508,618,815

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

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

The directors' remuneration report was approved by the board of directors on 13 May 2025 and signed on its behalf by:

Kath Cates
Chair of the remuneration committee

Appendix 1: Executive directors' share plan interests

1 April 2024 to 31 March 2025 (audited information)

	Award date	Awards held at 1 April 2024	Awards granted in year	Vested in year	Lapsed/ forfeited in year	Notional dividends accrued in year[1]	Awards held at 31 March 2025[1]
Louise Beardmore							
Shares not subject to performance conditions at 31 March 2025							
DBP	16.06.21	8,907	–	8,907	–	–	**0**
DBP	16.06.22	9,473	–	–	–	481	**9,954**
DBP	16.06.23	10,940	–	–	–	556	**11,496**
DBP[2]	17.06.24	–	20,245	–	–	1,029	**21,274**
LTP	30.06.21	22,022[3]	–	17,978	4,751	707	**0**
ShareBuy matching shares[4]	01.04.24 to 31.03.25	35	35	35	–	–	**35**
Subtotal		51,377	20,280	26,920	4,751	2,773	**42,759**
Shares subject to performance conditions at 31 March 2025							
LTP	29.07.22	54,728	–	–	–	2,785	**57,513**
LTP	15.12.23	82,109	–	–	–	4,179	**86,288**
LTP[5]	14.03.25	–	96,303	–	–	–	**96,303**
Subtotal		136,837	96,303	0	0	6,964	**240,104**
Total		188,214	116,583	26,920	4,751	9,737	**282,863**
Phil Aspin							
Shares not subject to performance conditions at 31 March 2025							
DBP	16.06.21	18,417	–	18,417	–	–	**0**
DBP	16.06.22	23,592	–	–	–	1,200	**24,792**
DBP	16.06.23	11,389	–	–	–	578	**11,967**
DBP[2]	17.06.24	–	12,841	–	–	653	**13,494**
LTP	30.11.20	45,803	–	–	–	2,330	**48,133**
LTP	30.06.21	58,427[3]	–	–	12,604	2,744	**48,567**
ShareBuy matching shares[4]	01.04.24 to 31.03.25	35	35	35	–	–	**35**
Subtotal		157,663	12,876	18,452	12,604	7,505	**146,988**
Shares subject to performance conditions at 31 March 2025							
LTP	29.07.22	52,539	–	–	–	2,674	**55,213**
LTP	15.12.23	52,954	–	–	–	2,694	**55,648**
LTP[5]	14.03.25	–	62,115	–	–	–	**62,115**
Subtotal		105,493	62,115	0	0	5,368	**172,976**
Total		263,156	74,991	18,452	12,604	12,873	**319,964**

(1) Note that these are subject to performance conditions where applicable.

(2) See page 162 for further details.

(3) Figures reflect a correction to the number of notional dividends applicable to the awards, prior to vesting.

(4) Under ShareBuy, matching shares vest provided the colleague remains employed by the company one year after grant. During the year, Louise Beardmore purchased 175 partnership shares and was awarded 35 matching shares (at an average share price of 1,030.5 pence per share). Phil Aspin purchased 175 partnership shares and was awarded 35 matching shares (at an average share price of 1,030.5 pence per share).

(5) See page 162 for further details.

Vesting of legacy share awards for former directors

Steve Mogford retired from the board and left the company in March 2023. In line with policy he retained a number of awards under the DBP, and as a 'good leaver', the LTP. On 28 June 2024, 150,623 shares arising from his 2019 LTP vested. On 17 June 2024, 45,332 shares arising from his 2021 DBP vested.

Dilution limits

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

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

Should the company's method of satisfying share plan vestings change (i.e. issuing new shares) then the company would monitor the number of shares issued and their impact on dilution limits set by the Investment Association in respect of all share plans (ten per cent in any rolling ten-year period) and executive share plans (five per cent in any rolling ten-year period). No treasury shares were held or utilised in the year ended 31 March 2025.

UK tax policies and objectives

Consistent with our wider business objectives, we are committed to acting in a responsible manner in relation to our tax affairs.

Our tax policies and objectives, which are approved by the board on an annual basis, ensure that we:

- only engage in reasonable tax planning aligned with our commercial activities and we always comply with what we believe to be both the letter and the spirit of the law;
- adopt a low risk approach to taxation;
- do not engage in marketed, artificial or abusive tax avoidance;
- do not use tax havens for tax avoidance purposes, including not taking advantage of any related secrecy rules that can apply to tax havens;
- are committed to an open, transparent and professional relationship with HMRC based on mutual trust and collaborative working; and
- maintain a robust governance and risk management framework to ensure that these policies and objectives are fully complied with and applied at all levels.

We expect to fully adhere to the HMRC framework for co-operative compliance.

Our Chief Financial Officer (CFO) has responsibility for tax governance with oversight from the board. The CFO is supported by a specialist team of tax professionals with many years of tax experience within the water sector and led by the head of tax.

The head of tax has day-to-day responsibility for managing the group's tax affairs and engages regularly with key stakeholders from around the group in ensuring that tax risk is proactively managed. Where appropriate, she will also engage with both external advisers and HMRC to provide additional required certainty with the aim of ensuring that any residual risk is typically low. All significant tax issues are reported to the board regularly.

Consistent with the group's general risk management framework, all tax risks are assessed for the likelihood of occurrence and the negative financial or reputational impact on the group and its objectives, should the event occur. In any given period, the key tax risk is likely to be the introduction of unexpected legislative or tax practice changes that lead to increased cash outflow which has not been reflected in the current regulatory settlement. The group is committed to actively engaging with relevant authorities in order to manage any such risk.

In any given year, the group's effective cash tax rate on underlying profits may fluctuate from the standard UK rate mainly due to the available tax deductions on capital investment. These deductions are achieved as a result of utilising tax incentives, which have been explicitly put in place by successive governments precisely to encourage such investment. This reflects responsible corporate behaviour in relation to tax. Under the regulatory framework the group operates within, the majority of any benefit from reduced tax payments will typically not be retained by the group but will pass to customers; reducing their bills.

The group's principal subsidiary, United Utilities Water Limited (UUW), operates solely in the UK and its customers are based here. In addition, all of the group's profits are taxable in the UK.

Every year, the group pays significant contributions to the public finances on its own behalf as well as collecting and paying further amounts for its 6,546 strong workforce. Details of the total payments for 2025 of around £257 million are set out below.

Taxes/contributions to public finances for 2025

Total taxes and contributions to public finances

£257m

£91m	£0m	£34m	£69m	£14m	£49m
Business rates	Corporation tax[(1)]	Employment taxes: company	Employment taxes: employees	Environmental taxes and other duties	Regulatory services fees (e.g. water extraction charges)

(1) The corporation tax paid for 2022 onwards is £nil due to the introduction of the super deduction, which was subsequently replaced with full expensing (made permanent at Autumn Statement 23).

The above tax policy disclosure meets the group's statutory requirement under Paragraph 16(2) of Schedule 19 of Finance Act 2016 to publish its UK tax strategy for the year ended 31 March 2025.

See our website for our latest separate annual tax report, which includes further details in relation to the following key areas:

- How much tax we pay;
- How we ensure that we pay the right tax at the right time; and
- How we ensure that our tax affairs are transparent for all our stakeholders.

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 have retained the Fair Tax Mark independent certification for a sixth year.

Fair Tax accredited

Directors' report

The directors present their management report, including the strategic report, on pages 01 to 99 and the audited financial statements of United Utilities Group PLC (the company) and its subsidiaries (together referred to as the group) for the year ended 31 March 2025.

Business model	A description of the company's business model can be found within the strategic report on pages 16 to 99.
Dividends	The directors are recommending a final dividend of 34.57 pence per ordinary share for the year ended 31 March 2025, which, together with the interim dividend of 17.28 pence, gives a total dividend for the year of 51.85 pence per ordinary share (the interim and final dividends paid in respect of the 2023/24 financial year were 16.59 pence and 33.19 pence per ordinary share respectively). Subject to approval by our shareholders at our AGM, the final dividend will be paid on 1 August 2025 to shareholders on the register at the close of business on 20 June 2025.
Directors	The names of our directors who served during the financial year ended 31 March 2025 can be found on pages 106 to 109 and on page 114.
Reappointment	Our articles of association provide that our directors must retire at every annual general meeting following their last election or reappointment by our shareholders, which is consistent with the recommendation contained within the 2018 UK Corporate Governance Code (the code) that all directors should be subject to annual election by shareholders. This has been the case at all the AGMs since 2011. Information regarding the appointment of our directors is included in our corporate governance report on pages 104 to 172.
Interests	Details of the interests in the company's shares held by our directors and persons connected with them are set out in our directors' remuneration report on pages 146 to 172, which is hereby incorporated by reference into this directors' report.
Corporate governance statement	The corporate governance report on pages 104 to 172 is hereby incorporated by reference into this directors' report and includes details of our application of the principles and reporting against the provisions of the code. Our statement includes a description of the main features of our internal control and risk management systems in relation to the financial reporting process and forms part of this directors' report. A copy of the 2018 version of the code, as applicable to the company for the year ended 31 March 2025, can be found at the Financial Reporting Council's website **frc.org.uk**. Copies of the matters reserved for the board and the terms of reference for each of the main board committees can be found on our website.
Share capital	At 31 March 2025, the issued share capital of the company was £499,819,926 divided into 681,888,418 ordinary shares of 5 pence each and 273,956,180 deferred shares of 170 pence each. Details of our share capital and movements in our issued share capital are shown in note 21 to the financial statements on page 213. The ordinary shares represented 71.3 per cent and the deferred shares represented 28.7 per cent respectively of the shares in issue as at 31 March 2025. All our ordinary shares have the same rights, including the rights to one vote at any of our general meetings, to an equal proportion of any dividends we declare and pay, and to an equal amount of any surplus assets, which are distributed in the event of a winding-up. Our deferred shares convey no right to income, no right to vote and no appreciable right to participate in any surplus capital in the event of a winding-up. The rights attaching to our shares in the company are provided by our articles of association, which may be amended or replaced by means of a special resolution of the company in a general meeting. The company renews annually its power to issue and buy back shares at our AGM and such resolutions will be proposed at our 2025 AGM. Our directors' powers are conferred on them by UK legislation and by the company's articles. At the AGM of the company held on 19 July 2024, the directors were authorised to issue relevant securities up to an aggregate nominal amount of £11,364,806 and were empowered to allot equity securities for cash on a non-pre-emptive basis to an aggregate nominal amount of £3,409,442.
Voting	Electronic and paper proxy appointment and voting instructions must be received by our registrar, Equiniti, no less than 48 hours before a general meeting and when calculating this period, the directors can decide not to take account of any part of a day that is not a working day.
Transfers	There are no restrictions on the transfer of our ordinary shares in the company, nor any limitations on the holding of our shares in the company, save: (i) where the company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Companies Act 2006; or (ii) where their holder is precluded from exercising voting rights by the Financial Conduct Authority's Listing Rules or the City Code on Takeovers and Mergers. There are no agreements known to us between holders of securities that may result in restrictions on the transfer of securities or on voting rights. All our issued shares are fully paid.
Major shareholdings	At 14 May 2025, our directors had been notified of the following interests in the company's issued ordinary share capital in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority:

	Per cent of issued share capital	Direct or indirect nature of holding
Lazard Asset Management LLC	9.93	Indirect
BlackRock Inc.	9.96	Indirect

Purchase of own shares	At our AGM held on 19 July 2024, our shareholders authorised the company to purchase, in the market, up to 68,188,841 of our ordinary shares of 5 pence each. We did not purchase any shares under this authority during the year. We normally seek such an authority from our shareholders annually. At our 2025 AGM, we will again seek authority from our shareholders to purchase up to 68,188,841 of our ordinary shares of 5 pence each with such authority expiring at the end of our AGM held in 2026.
Change of control	As at 31 March 2025, Ocorian Corporate Services (UK) Limited was the trustee that administered our executive share plans and had the ability to exercise voting rights at its discretion, which related to shares that it held under the trust deed constituting the trust. In the event of a takeover offer, which could lead to a change of control of the company, the trustee must consult with the company before accepting the offer or voting in favour of the offer. Subject to that requirement, the trustee may take into account a prescribed list of interests and considerations prior to making a decision in relation to the offer, including the interests of the beneficiaries under the trust. In the event of a change of control, the participants in our all-employee share incentive plan (ShareBuy) would be able to direct the trustee of ShareBuy, Equiniti Share Plan Trustees Limited, how to act on their behalf.
Information required by UK Listing Rule 6.6.1	Details of the amount of interest capitalised by the group during the financial year can be found in note 6 to the financial statements on page 201. In line with current UK tax legislation, the amount is fully deductible against the group's corporation tax liability, resulting in tax relief of £17.1 million. There are no other disclosures to be made under UK Listing Rule 6.6.1.

Directors' indemnities and insurance	We have in place contractual entitlements for the directors of the company and of its subsidiaries to claim indemnification by the company in respect of certain liabilities that might be incurred by them in the course of their duties as directors. These arrangements, which constitute qualifying third-party indemnity provision and qualifying pension scheme indemnity provision, have been established in compliance with the relevant provisions of the Companies Act 2006 and have been in force throughout the financial year. They include provision for the company to fund the costs incurred by directors in defending certain claims against them in relation to their duties as directors of the company or its subsidiaries. The company maintains an appropriate level of directors' and officers' liability insurance.
Political donations	It is the company's policy position that we do not support any political party and do not make what are commonly regarded as donations to any political party or other political organisations. The wide definition of donations in the Political Parties, Elections and Referendums Act 2000, however, covers activities that form part of the necessary relationship between the group and our political stakeholders. This can include promoting United Utilities' activities at the main political parties' annual conferences, as well as occasional stakeholder engagement in Westminster. The group incurred expenditure of £11,450 (2023/24:£8,091, 2022/23: £11,465) as part of this process. At the 2024 AGM, an authority was taken to cover such expenditure. A similar resolution will be put to shareholders at the 2025 AGM to authorise the company and its subsidiaries to make such expenditure. Relationships with regional MPs are very important to United Utilities, and as the provider of an essential service to around eight million people across the North West, customers do raise issues with their constituency MP. In 2024/25, we received 584 such MP contacts covering a wide range of topics, particularly as we face challenging times from an economic, environmental and social perspective. Our approach is to always have an open door policy with our MPs and members of their offices, to meet with us and visit our sites or land at any time. We are readily available to discuss topics, whether that is about service, climate change, environmental performance, flooding or quality, and regularly meet our MPs face to face. We engage regularly with the two devolved administrations in the North West – the Greater Manchester Combined Authority (GMCA) and the Liverpool City Region (LCR) – as well as the region's local authorities, on a range of topics of shared interest, such as tackling flooding risk, better managing rainfall, enhancing the North West's natural capital and helping customers who struggle to pay their bills. Our sponsorship of the All Party Political Groups for LCR helps bring MPs and peers of all parties together with key leaders to help maximise future investment in these areas for the benefit of local communities. In addition, the company's activities to engage with political stakeholders on matters relevant to the water industry and its operating footprint of North West England extend to its membership of trade associations. This is described in the section below.
Trade associations	We are members of a small number of trade associations. Some have a national focus, such as Water UK, the representative body of the UK water industry and others focus on specific professions such as the 100 Group representing the views of the finance directors of FTSE 100 and large UK private companies and the GC100, the voice of general counsel and company secretaries in FTSE 100 companies. The company is a member of regional bodies, such as the North West Business Leadership Team, which encourages engagement across the public and private sectors. Our total contribution to these associations in 2024/25 was £521,706 (2023/24:£394,507, 2022/23: £418,561). Through Water UK, the company has supported efforts to interact with parliamentary bodies, such as Select Committees and chairs of specific committees, to provide information on a range of topics. In the past year, we have worked closely with Water UK to share data on our storm overflow performance and what this means for river water quality in the North West. Through our membership of the North West Business Leadership Team, we have engaged with regional MPs and political stakeholders, such as local authorities and metro mayors, to explore how the business community can work more effectively with the public sector to drive economic growth in the region and tackle some of the North West's pressing social issues.
Colleagues	Our policies on employee consultation and on equal opportunities for all colleagues can be found on pages 23, 26 and 52 to 54. Applicants with disabilities are given equal consideration in our application process, and disabled colleagues have equipment and working practices modified for them as far as possible and where it is safe and practical to do so. Importance is placed on strengthening colleagues' engagement (see page 10). The effect of our regard towards colleagues in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 90 to 91. Colleagues are encouraged to own shares in the company through the operation of an all-employee share incentive plan (ShareBuy). Information on our average number of employees during the year can be found in note 3 on page 200.
Customers and suppliers and key stakeholders	Our approach to engagement with customers, suppliers, regulators and other key stakeholders can be found on page 26. The effect of our regard towards customers, suppliers, regulators and other key stakeholders in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 90 to 91. Our United Supply Chain approach sets out how we work with our suppliers, which can be found on our website at **unitedutilities.com/corporate/about-us/governance/suppliers/delivering-value/united-supply-chain** We are a signatory to the Prompt Payment Code. We publish key statistics and other information on our payment practices in line with the Duty to Report on Payment Practices and Performance on the Department for Business, Energy & Industrial Strategy's website. Information is published on a six-monthly basis. For the six months to 31 March 2025, our average time taken to pay invoices was 12 days; in the previous six months it was 11 days.
Energy and carbon report	Our energy and carbon report can be found on page 75 and is hereby incorporated by reference into this directors' report.
Approach to technology development	We are committed to using innovative, cost effective and practical solutions for providing high-quality services and we recognise the importance of ensuring that we focus our investment on the development of technology and that we have the right skills to apply technology to achieve sustainable competitive advantage and we continue to be alert to emerging technological opportunities.
Financial instruments	Our risk management objectives and policies in relation to the use of financial instruments can be found in note A3 on page 218.
Slavery and human trafficking	Our statement can be found on our website at **unitedutilities.com/humanrights**
Events occurring after the reporting period	Details of events after the reporting period are included in note 24 on page 214.

Directors' report

Annual General Meeting

The 2025 annual general meeting (AGM) will be held on 18 July 2025. Full details of the resolutions to be proposed to shareholders, and explanatory notes in respect of these resolutions, can be found in the notice of AGM. A copy can be found on our website.

At the 2025 AGM, resolutions will be proposed, among other matters: to receive the integrated annual report and financial statements; to approve the directors' remuneration report; to approve the directors' remuneration policy; to declare a final dividend; to approve the directors' general authority to allot shares; to grant the authority to issue shares without first applying statutory rights of pre-emption; to authorise the company to make market purchases of its own shares; to adopt new articles of association; to enable the company to continue to hold general meetings on not less than 14 clear days' notice and to authorise the making of limited political donations by the company and its subsidiaries.

Information given to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of the auditor

The board is proposing that shareholders reappoint KPMG LLP as the company's auditor at the forthcoming AGM and authorises the audit committee of the board to set the auditor's remuneration.

Approved by the board on 14 May 2025 and signed on its behalf by:

Simon Gardiner
Company Secretary

Statement of directors' responsibilities in respect of the integrated annual report and the financial statements

The directors are responsible for preparing the integrated annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable and, in respect of the parent company financial statements only, prudent;
- for the group financial statements state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the directors in respect of the integrated financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the integrated annual report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Approved by the board on 14 May 2025 and signed on its behalf by:

Sir David Higgins
Chair

Phil Aspin
Chief Financial Officer