United Utilities Group PLC

Integrated Annual Report and Financial Statements for the year ended 31 March 2025

United Utilities

Water for the North West

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Our reporting suite

Our online annual report

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

Visit our online report at **unitedutilities.annualreport2025.com**

Our sustainability report

Sustainability-related disclosures are integrated throughout this report, but readers that are solely interested in these can access our separate sustainability report at the link below or by scanning the QR code.

Our sustainability report is available at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

Our annual performance report

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

Our annual performance report will be available from 15 July at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

Our corporate website

Use the link below or scan the QR code to visit our corporate website **unitedutilities.com/corporate**

Our plans for the five years to 2030

An investor summary of our final determination is available at **unitedutilities.com/corporate/investors/our-plans-2025-2030**

The 2025–30 period (AMP8) will see a step change, with the highest level of investment in water and wastewater infrastructure in more than 100 years. This will help us to deliver significant improvements for customers, communities and the environment, building a stronger, greener and healthier North West.

Throughout this report, you will find some of our key focus areas and performance targets marked with the above AMP8 corner banner.

Fast facts:

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

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

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

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

Our purpose

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

Our purpose highlights how environmental, social and governance (ESG) considerations are integral to everything we do.

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

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

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

Our strategy

We have identified six strategic priorities to enable delivery of our purpose.

Our strategic priorities are aligned to the greener, healthier and stronger elements of our purpose. These permeate everything we do, and this can be seen throughout this report. For example, the stages in our water cycle, our principal risks, board and committee activities, and the measures in our remuneration policy, are all aligned to one or more of these themes.

Read more on pages 18 to 19, 62 to 65, 112 to 113, and 150 to 151

- 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

Operational highlights

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

39%
reduction in spills from storm overflows since 2020

4-star or 3-star
('industry leading' or 'good') ratings from the EA every year since its EPA began, including 4-star in the latest assessment

Good progress
against our ambitious carbon pledges

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

414,000
households helped with affordability support during AMP7 and over 540,000 on our Priority Services Register

87%
colleague engagement, outperforming the UK high performing norm

>99%
score in the CPDi assessment of our capital delivery programme

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

£21.6m
B4SI investment into North West communities in the last five years

Financial highlights

We look at our financial performance across a range of income statement, balance sheet, regulatory and shareholder metrics.

6.1%
cumulative return on regulatory equity (RoRE) over AMP7, outperforming the 4.0 per cent base return

60%
gearing and strong balance sheet providing financial flexibility

£634m
underlying operating profit (reported: £632 million)

+2.8%
Total shareholder return (TSR) for the year to 31 March 2025

49.6p
underlying earnings per share (EPS) (reported: 38.8 pence)

51.85p
dividend per share, increasing annually in line with CPIH inflation

How to navigate our strategic report

These pages help to set out the component sections of our strategic report and where readers can find relevant information.

Overview – pages 02 to 15

In the business overview, we set out our operational and financial highlights and our Chair and Chief Executive Officer (CEO) summarise their thoughts on the year and outlook for the future. Our 'at a glance' summary highlights our strong track record and opportunities in the medium and long term. We also provide an overview of our plans for the next five-year period (AMP8).

Chair's review — See pages 04 to 05
Our business at a glance — See pages 06 to 07
Our plans for AMP8 — See pages 08 to 09
How we create value — See pages 10 to 13
CEO's review — See pages 14 to 15

In the section on how we create value, we provide examples of how our activities create sustainable long-term value for a broad range of stakeholders, as set out below, and contribute to the UN Sustainable Development Goals (SDGs).

Customers | Environment | Communities | Colleagues | Suppliers | Investors

Business model – pages 16 to 65

Our business model reflects the circular nature of our activities, our long-term planning approach, and how we deliver our purpose. Within this section, we identify the top material themes on which we disclose against the four pillars of the TCFD, TNFD and ISSB reporting guidelines.

Planning horizons — See pages 20 to 21

Key resources — See pages 22 to 23
External environment — See pages 24 to 26
Sustainably sourcing water
Renewable energy from bioresources
Providing great water — See pages 18 to 19
Supplying treated water 24/7
Cleaning and returning wastewater
For a Greener Healthier Stronger North West
Strategic priorities and material themes — See pages 28 to 30, and 31 to 57
Culture and core values — See page 27

Risk and resilience — See pages 58 to 65

Performance – pages 66 to 103

We report our operational performance across the three key elements of our purpose, which are closely aligned with the sustainability principles of **environmental**, **social** and **governance** (ESG).

Greener – performance for the environment, including our energy and carbon report and a case study on our work in Windermere.

Healthier – performance for customers, colleagues and other social matters, including a case study on our affordability support.

Stronger – performance for communities, suppliers, efficiency and other governance matters, including a case study on our supply chain.

We then report our **financial** performance, financial framework and EU Taxonomy assessment.

Greener — See pages 68 to 77
Healthier — See pages 78 to 83
Stronger — See pages 84 to 91
Financial — See pages 92 to 103

Our non-financial and sustainability information statement

The table below constitutes the company's non-financial information statement, produced to comply with section 414CA of the Companies Act 2006.

It sets out where we have made our climate-related financial disclosures required by s414CB(A1) and non-financial areas of disclosure required by s414CB(1), including information on our business model, policies, principal risks and the non-financial key performance indicators (KPIs).

This table also demonstrates where we have made the recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD) frameworks.

Key: Environmental matters | Colleagues | Respect for human rights | Social matters | Anti-corruption and anti-bribery

Reporting requirement	Environmental matters	Colleagues	Respect for human rights	Social matters	Anti-corruption and anti-bribery	TCFD	TNFD
Business model, including our key resources and the external environment (pages 16 to 26).	✓	✓	✓				
KPIs relating to our environmental impact (page 68 to 72).	✓	✓	✓	✓		✓	✓
KPIs relating to customers, colleagues and other social metrics (pages 78 to 82), Gender pay report (page 81).		✓	✓	✓			
KPIs relating to communities, suppliers and other governance metrics (pages 84 to 88).			✓	✓	✓		
Strategy							
Strategic priorities (page 28) and business horizons (pages 20 to 21).	✓	✓	✓	✓	✓	✓	✓
Risks and opportunities over the short, medium and long term: Climate (page 31), Nature (pages 42 to 45).	✓					✓	✓
Impact on business strategy and financial planning: Climate (page 32), Nature (pages 42 to 45).	✓					✓	✓
Resilience to risks in different scenarios: Climate (page 33), Nature (pages 42 to 45).	✓					✓	✓
Priority locations of assets and activities (pages 42 to 45).		✓	✓	✓			✓
Governance							
Our culture and core values (page 27).		✓	✓	✓	✓		
Corporate governance: Structure and responsibilities (pages 112 to 113), Competitive base salary and benefits (page 153), Board diversity (page 120 to 121).	✓					✓	✓
Board oversight of risks and opportunities: Climate (page 37), Nature (page 46).	✓					✓	✓
Management's role in managing risks and opportunities: Climate (page 37), Nature (page 46).	✓	✓	✓	✓	✓	✓	✓
Other material themes: Equity, diversity and inclusion (pages 27 to 28 and 52 to 54), Stakeholder engagement (page 26), and S172(1) Statement (pages 90 to 91).		✓					
Risk management							
Our approach to management and our principal risks (pages 58 to 65).	✓	✓				✓	✓
Processes for identifying and assessing risks: Climate (page 38), Nature (page 47).	✓					✓	✓
Processes for managing risks: Climate (page 38), Nature (page 47).	✓	✓				✓	✓
Integration of risk management: Climate (page 38), Nature (page 47).		✓	✓	✓	✓	✓	✓
Metrics and targets							
Stakeholder metrics and targets (pages 68, 72, 78, 82, 84 and 88).	✓	✓		✓			
Metrics used to assess risks and opportunities: Climate (page 40), Nature (pages 48 to 49).	✓		✓			✓	✓
Targets used to manage risks and opportunities: Climate (pages 40 to 41), Nature (pages 48 to 49), Other themes (pages 51 and 54 to 57).		✓	✓	✓	✓	✓	✓

Policies, guidance and standards that govern our approach (*Where marked see our website, otherwise only published internally)	Environmental matters	Colleagues	Respect for human rights	Social matters	Anti-corruption and anti-bribery	TCFD	TNFD
Environmental policy*, Water Resources Management Plan*, Waste and resource use policy, Climate change mitigation policy.	✓						
Health, safety and wellbeing policy*, Equity, diversity and inclusion agenda* and report*, Flexible working policy, Agency worker policy, Mental wellbeing policy, Board diversity policy (page 121).		✓					
Human rights policy* and engagement activities (page 41 and 46).		✓	✓				✓
Colleague data protection policy, Anti-Slavery and human trafficking statement.*			✓				
YourVoice, Charitable matched funding guidance, Volunteering policy.				✓			
United Supply Chain* (page 87), Commercial procurement procedures, Responsible sourcing principles.*				✓	✓		
Anti-bribery and corruption policy, Fraud investigation and reporting processes, Internal control manual (financial), Whistleblowing policy (page 116).					✓		

Chair's review

Sir David Higgins

Resilient, high-performing, and well-placed to deliver in AMP8 and beyond

Having delivered a strong performance over the last five years and already started work on some of our key deliverables for the next period, United Utilities is well positioned as we accept the final determination and start work on our significant investment programme.

Performance review

As AMP7 has now drawn to a close, I'd like to take this opportunity to reflect back on a five-year period that brought many challenges, both for the water industry and more broadly.

With COVID-19 and an economic downturn at the beginning of the period, followed by the unprecedented weather that we have seen in the last two years, I am proud of the level of adaptability and resilience that United Utilities has maintained.

We have successfully delivered our AMP7 capital programme, consistently meeting, or beating, around 80 per cent of the stretching targets set out in our regulatory performance commitments for the last five years, which is industry leading.

We have delivered significant improvements and provided industry-leading support for customers, and we are making strong progress on a number of environmental enhancements. This includes accelerating work to reduce spills from storm overflows, where we have delivered a 39 per cent reduction since 2020 and are pressing forward with an industry-leading AMP8 investment programme to reduce this further.

More details on our AMP7 performance can be found in the Chief Executive Officer's review on pages 14 to 15.

AMP8 final determination

In January, the board accepted United Utilities Water Limited's final determination (FD) for the next five-year period, running to 31 March 2030.

The FD was received in December and assessed by the board in the round. This included consideration of the total expenditure allowance, the deliverability of a plan of this size, the required step-up in customer bills with increased affordability support being provided by the company, the high levels of engagement and customer support for our business plan, the stretching performance targets, and the level at which returns were set.

Overall, the board concluded that accepting the FD in the form published by Ofwat would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Some of the key highlights of what we will deliver in AMP8 can be found on pages 08 to 09, but it is clear that this higher investment growth period presents a significant opportunity to deliver major improvements for customers and the environment. I am pleased to see the early progress that has already been made on these ambitious plans as we transition into the new period.

United Utilities has good balance sheet strength, giving us the ability to deliver this investment growth without needing recourse to equity, and the board has confirmed its intention to retain our longstanding target gearing range of 55 to 65 per cent, and to target maintaining United Utilities Water Limited's long-term issuer credit ratings of at least Baa1 with Moody's, BBB+ with Standard & Poor's (S&P), and an issuer default rating of at least BBB+ with Fitch (senior unsecured debt rating A-).

Upon acceptance of the FD, the board also announced that we will continue to grow the group dividend by CPIH inflation annually, in line with our long-term dividend policy.

Dividend and AGM

We recognise the importance of dividend payments as a key element of shareholder returns, supporting the essential role that equity investors have in financing long-term investment programmes and supporting the efficient and effective delivery of services to customers.

The board has proposed a final dividend of 34.57 pence per share, to be paid on 1 August 2025, taking the total dividend for the 2024/25 financial year to 51.85 pence per share. This is an increase of 4.2 per cent, in line with our policy of targeting an annual growth rate of CPIH inflation.

Our group dividend is supported by strong performance opposite the regulatory contract by United Utilities Water Limited, and further underpinned by a robust financial position – as demonstrated by a responsible level of gearing, strong investment-grade credit ratings and pension surplus – which provides stability across the peaks and troughs of both the economic and regulatory cycle.

I look forward to meeting shareholders at the annual general meeting (AGM), which is being held on 18 July 2025 at the group's head office in Warrington.

"The board has accepted United Utilities Water Limited's final determination from Ofwat for the five-year period to 31 March 2030."

"Upon acceptance, we also announced that we will maintain long-standing group policies, including our 55–65 per cent target range for gearing, CPIH inflation-linked dividend policy, and will target retaining current investment-grade credit ratings."

Regulatory environment

The Water (Special Measures) Act was passed in February this year, strengthening the power of water industry regulators, and Ofwat is now consulting on this legislation. We have responded and await the outcome of this consultation. We share the Government's ambition for a step change in environmental performance, and our significant investment plans for AMP8 will help us to achieve this.

In October 2024, the Government launched an independent commission into the water sector and its regulation with broad terms of reference to review the regulatory framework, the regulators and incentives that govern the water industry model and strategic water planning. It also 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 launched a call for evidence and is expected to report back to the Government in the summer of 2025 with a set of recommendations. The company has contributed fully towards the evidence-gathering process.

The industry-wide investigations launched by Ofwat and the Environment Agency (EA) in November 2021 into how companies manage their wastewater assets remain ongoing, with Ofwat having announced in July 2024 that it was opening enforcement cases for a number of water companies, including UUW, following analysis of environmental performance and data about the frequency of spills from storm overflows. As set out on page 24, the EA has made a number of data requests and undertaken site visits as part of its industry-wide investigation, with which we continue to fully comply.

Board succession

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. Ian brings a wealth of experience of working in regulatory environments in the delivery of essential public services. Further information regarding board membership can be found on page 111.

Outlook

United Utilities has a strong history of continuous improvement, and consistent delivery of its capital programme and regulatory commitments. This is due, in large part, to the high-performing culture and dedicated team of people we are fortunate to have. On behalf of the board, I sincerely thank everyone across the company for their commitment, hard work and passion during AMP7.

As we transition into AMP8, this brings a significant step-up in terms of the level of investment and the volume of work that needs to be delivered, with ambitious targets for customer and environmental performance. I am confident that we have the best people to continue to improve for all our stakeholders.

Sir David Higgins
Chair

14 May 2025

The strategic report on pages 01 to 103 was approved at a meeting of the board on 14 May 2025 and signed on its behalf by Sir David Higgins, Chair.

51.85p

per share total dividend in respect of the 2024/25 year

+4.2%(1)

CPIH inflation-linked increase in the dividend

18 July

annual general meeting (AGM) to be held at our head office in Warrington

(1) The dividend increase is based on the CPIH element included within allowed regulatory revenue for the 2024/25 financial year (i.e. the movement in CPIH inflation between November 2022 and November 2023).

Our business at a glance

Overview

We provide essential water and wastewater services to around eight million people across the North West of England, and we are one of only three listed water companies in England and Wales.

The vast majority of our activities sit within our regulated business. The regulatory model for UK water sets revenue over five-year periods, giving a high degree of clarity and certainty over future income.

We have accepted the final determination for the 2025–30 period (AMP8), and we also plan for the very long term.

The regulatory framework offers incentives for companies that outperform through the delivery of customer and environmental outcomes, and achieve strong cost control and efficient financing.

We have consistently been one of the strongest performers in the industry against the regulatory framework. Our strong track record and sustainability credentials, alongside predictable earnings, long-term investment drivers, and robust financial resilience, all position us very well for long-term success.

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

Both our purpose and strategic priorities demonstrate our progressive approach to sustainability and clear alignment to ESG.

Strategic priorities

Greener
- Improve our rivers
- Create a greener future

Healthier
- Deliver great service for all our customers
- Provide a safe and great place to work

Stronger
- Spend customers' money wisely
- Contribute to our communities

Strong track record (up to 2025)

We have consistently earned regulatory outperformance and we maintain a robust balance sheet with low gearing, investment-grade credit ratings, and a fully-funded low dependency defined benefit pension scheme.

Gearing comfortably within our target range for the last 15 years

55–65%

Investment grade credit ratings

Moody's Baa1
Fitch A-
S&P BBB+

for UUW senior unsecured debt

AMP7 annual asset base (RCV) growth

5.2%
compound annual growth rate (CAGR)

Regulatory outperformance

£129m
AMP7 net ODI rewards

6.1%
AMP7 return on regulated equity (RoRE)

39%
reduction in spills delivered since 2020, having accelerated work to go further and faster on this important step change

4-star
in the EA's latest assessment for 2023, and 4-star or 3-star in every year to date

100%
renewable electricity

Rewarded
against C-MeX measure of customer satisfaction in every year of AMP7, and top performer of the listed companies

414,000
households supported with affordability since 2020

87%
colleague engagement score

>99%
capital programme delivery incentive (CDPi) score, demonstrating strong efficiency as well as high quality

Top quartile
across a range of trusted investor ESG indices

£21.6m
community investment since 2020

Five-year AMP8 plan (2025 to 2030)

With the next five years representing the biggest investment in water and wastewater infrastructure in over 100 years, we are entering a new period of high growth and will be delivering significant improvements for customers, communities and the environment.

Gearing target retained without the need for recourse to equity

55–65%

Credit rating targets

Moody's Baa1
Fitch A-
S&P BBB+

for UUW senior unsecured debt

AMP8 asset base growth higher

c.7%
expected CAGR based on final determination

Dividend policy unchanged

+CPIH
Continuing to grow each year in line with CPIH inflation, having risen at least in line with inflation since the start of AMP5

>60%
targeted reduction in spills in the decade to 2030

30%
targeted reduction in pollution incidents

>£250m
investment in rainwater management and climate resilience

30,000
homes will have lead pipes replaced

1 in 6
households to get affordability support

40%
targeted reduction in internal sewer flooding

Largest ever
investment delivering a step change

30,000
jobs supported

County-level
plans delivering what matters most to each community in the North West

Longer-term opportunities (after 2030)

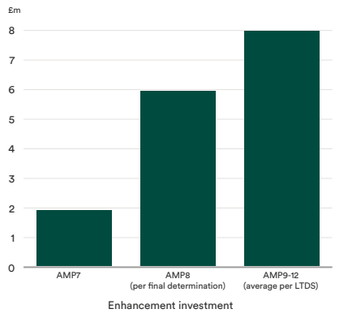
Adaptive planning

Our business is very long term by nature and we plan ahead for 25+ years, looking at consumption and climate forecasts out to 2080. We use adaptive planning to ensure we are prepared to respond to risks and opportunities that may arise far into the future, and our AMP8 plans were set in the context of a long-term delivery strategy (LTDS) out to 2050.

Read more at **pr24.unitedutilities.com/pdfs/UUW12_Long_Term_Delivery_Strategy.pdf**

Investment drivers

The higher investment need is not unique to AMP8; it is driven by a number of long-term regulatory and environmental drivers. This includes the Environment Act 2021, tightening environmental standards, the renewal and replacement of ageing infrastructure, long-term resource management, climate change resilience, and net zero targets. As shown in the chart, our LTDS anticipates that high levels of enhancement investment will need to be sustained out to 2050 (the end of AMP12).



Enhancement investment

10 spills or less
on average per overflow, targeted by 2050

Net zero
across all three emissions scopes targeted by 2050, and activities to avoid or reduce GHG emissions or remove and store GHG from the atmosphere

Lead pipes
targeted to be eliminated across the North West by 2070

50% female
executives targeted by 2050, as part of our bold ambitions for long-term equity, diversity and inclusion

Leakage
across our network targeted to be halved by 2050

75% meter
penetration targeted by 2045, helping to reduce water consumption to a targeted maximum of 110 litres per person per day by 2050

Our plans for AMP8

In January 2025, we accepted the final determination set out by the economic regulator, Ofwat, concluding the price review process for the 2025–30 period (AMP8).

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

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

With compound annual asset base growth of around 7 per cent taking our AMP8 closing regulatory capital value (RCV) to over £21 billion, AMP8 marks the beginning of a higher growth phase, with capital expenditure more than double what it has been over the last five years. This growth stems from a number of long-term investment drivers, including the Environment Act 2021, tightening environmental standards, renewal and replacement of ageing infrastructure, long-term resource management, resilience to climate change, and net zero targets.

We are well placed to deliver this step-up in investment, given the strong financial position we have as we enter AMP8. Our balance sheet strength and relatively low gearing mean we have the ability to fund our plans without needing recourse to equity, and our excellent historic performance on financing and investment-grade credit ratings position us well to maintain highly efficient debt costs.

It is not just the level of investment and asset growth that is new for AMP8. Returns have been reset with a higher base and we will see a number of changes, including many to the outcome delivery incentive (ODI) regime. There will be a more focused set of performance commitments overall, with the balance shifting to more common (across the industry) and fewer bespoke (individual to a company), meaning more comparability and common areas of focus across the industry.

Ofwat has also introduced new price control deliverables (PCDs) for AMP8 to monitor the delivery of enhancement programmes, and a new outcome adjustment mechanism (OAM) designed to protect both companies and customers in the event that sector performance against common performance commitments is materially different than expected when setting targets.

We are well prepared for AMP8. Alongside our strong financial position, we have been building new capabilities and skills within the organisation and leadership team, engaging early with the supply chain and undertaking significant onboarding ahead of the start of the new period. This gives us confidence that we can successfully deliver for all our stakeholders.

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

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

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

The final determination may have only been published in December and accepted in January, but we have already begun work on delivery, making a fast start on achieving the huge improvements that we have set out to achieve over the next five years. We are already seeing the fruits of that labour coming through, as we have ended AMP7 with significant improvements in areas such as reducing spills from storm overflows.

We are well placed, we are ready, and we are committed to driving a real step change for the North West.

An investor summary of our final determination is available at **unitedutilities.com/corporate/investors/our-plans-2025-2030**

Capital expenditure
>doubled
compared with AMP7, as we embark on the largest investment in water and wastewater infrastructure in more than 100 years

Compound annual growth rate (CAGR) in our asset base
c.7%
increased from 5.2 per cent in AMP7, with long-term investment drivers that will extend beyond AMP8

Weighted average cost of capital (WACC)
4.03%
increased from 2.96 per cent for AMP7

Gearing target retained
55–65%
without the need for recourse to equity

Dividend policy unchanged
+CPIH
continuing to grow each year in line with CPIH inflation, having risen at least in line with inflation since the start of AMP5

Credit rating targets
Moody's Baa1

Fitch A-

S&P BBB+

for UUW senior unsecured debt

Greener
AMP8

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

>60%
targeted reduction in spills per storm overflow in the decade to 2030

1,500 ha
further peatland restoration activity delivering carbon capture, biodiversity and water quality benefits

30%
targeted reduction in pollution incidents, and zero serious pollutions

Healthier
AMP8

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

£525m
affordability support, helping one in six customers in the North West

30,000
homes with lead pipes replaced

40%
targeted reduction in internal sewer flooding, and 13 per cent reduction in external sewer flooding

Stronger
AMP8

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

30,000
jobs supported, directly and in our supply chain, including 7,000 new jobs created

£35bn
economic value created for the North West

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

How we create value

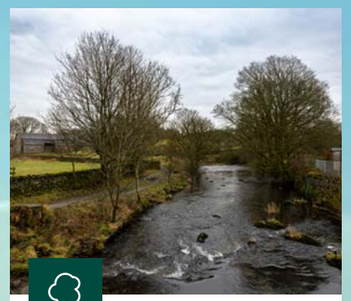
We create sustainable long-term value for a range of stakeholders

Customers

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

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

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



Environment

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

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

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

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

Communities

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

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

Active engagement and collaborative partnership
Our operations and projects are often near homes and businesses, and we engage with these communities to build understanding and trust. Our innovative approach, as set out on page 55, has allowed us to prepare targeted plans for each of the five unique counties across our region. We also work in partnerships, enabling us to accomplish more, such as engaging people with nature and river improvements.

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

Colleagues

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

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

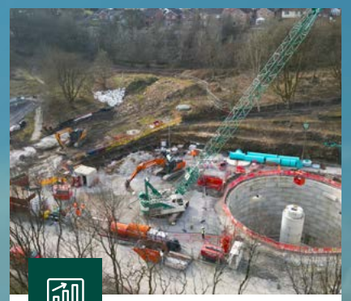
Communication and engagement
Listening to our colleagues helps to create an engaged workforce, increasing job satisfaction, and through colleague communications and conferences we update our people on business developments so they feel part of a team. As well as regular communications within teams and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

Suppliers

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

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

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



Investors

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

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

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

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

How we create value

Our activities contribute to the UN SDGs

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

Read our sustainable finance framework on our website at unitedutilities.com/corporate/investors/credit-investors/sustainable-finance

SDG 8 Decent work and economic growth

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

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

SDG 9 Industry, innovation and infrastructure

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

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

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

SDG 11 Sustainable cities and communities

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

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

SDG 12 Responsible consumption and production

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

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

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

SDG 13 Climate action

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

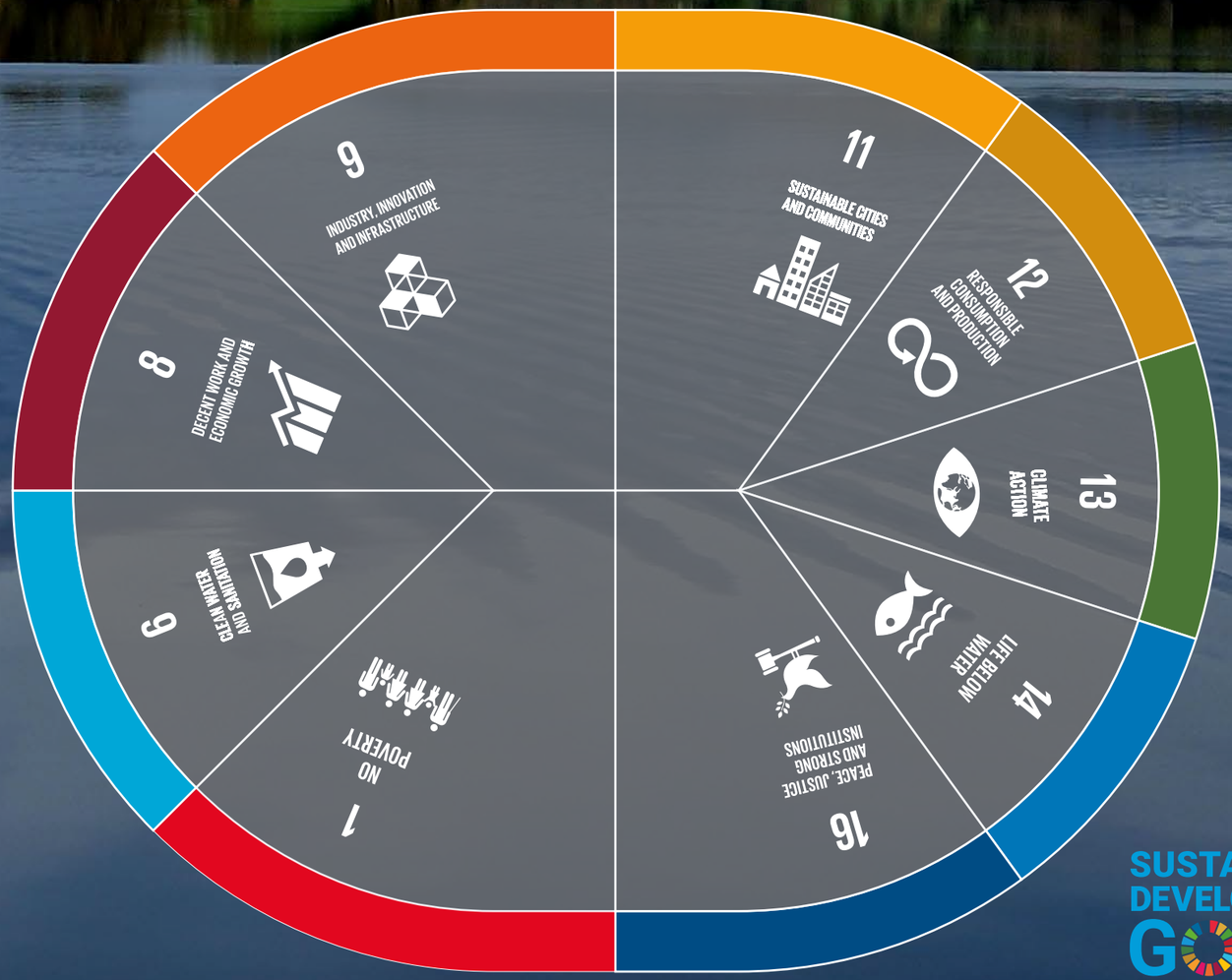
Both mitigation and adaptation are important to our long-term planning. This includes delivering against our carbon pledges and ambitious science-based targets to reduce emissions, while ensuring that our activities and the North West region are resilient to the impacts that a changing climate might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

SDG 6 Clean water and sanitation

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

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

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



SDG 14 Life below water

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

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

SDG 1 No poverty

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

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

SDG 16 Peace, justice and strong institutions

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

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

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

SUSTAINABLE DEVELOPMENT GOALS

Chief Executive Officer's review

Louise Beardmore

Proud to lead a high-performing company into a period of transformation and growth

We have delivered a strong performance over the course of AMP7, making significant improvements and outperforming the regulatory contract. This year, we accepted the final determination for AMP8, which will see the largest investment in more than 100 years, helping us to deliver this step change in performance for customers, communities and the environment.

Materiality

Our integrated annual report and financial statements aim to meet the information needs of our investors to help them make informed decisions regarding their participation, for example, whether to buy, hold or sell our shares or bonds, whether to engage with management on issues, and how to vote their shares. We have included information that we believe is material to these decisions, which is presented in a way that we believe is fair, balanced and understandable. Our assessment of materiality can be found on pages 29 to 30.

We have, for some time, been preparing for AMP8 – building new capability, using an innovative five-county approach, and undertaking early supplier onboarding. Alongside our strong track record, this gives us confidence that we can successfully deliver our ambitious investment programme.

While all eyes are firmly looking ahead, as we conclude another busy year and close out AMP7 I want to reflect on the great progress we have made over the last five years.

Delivering improvements for customers

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

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

We have been driving improvements in water quality across the region, with a 29 per cent reduction in customer contacts over AMP7, achieving our lowest ever levels. This has been helped by our company-wide culture-change programme (Water Quality First), as well as some significant targeted investment in infrastructure.

We have recently reached the halfway point in our eight-year project upgrading the Vyrnwy Aqueduct to improve water quality for a million customers, which has been delivered on time and within budget. We also have a number of key strategic projects underway through AMP8 to deliver further improvements to water quality.

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

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

As well as improving our service for customers, we remain focused on supporting those experiencing affordability or vulnerability challenges. We have helped 414,000 customers with affordability support in the last five years, and around 540,000 customers are registered to receive additional tailored support through our Priority Services offering.

Driving improvements for the environment

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

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

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

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

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

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

Maintaining strong regulatory and financial performance

Our AMP7 performance commitment targets were stretching, but we have met or beaten around 80 per cent of them across AMP7. This includes strong performance across a range of water, wastewater, bioresources and customer measures. While we are pleased with our progress overall, we still have work to do in some areas, such as volatile weather-impacted measures like internal sewer flooding where, despite delivering a reduction of around 20 per cent, we fell short of the very stretching 73 per cent target.

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

This strong track record, improving further on the outperformance we delivered in AMP6, demonstrates our continuous improvement and position as one of the best performing companies in the sector. This, alongside the investment we have made during AMP7 on targeted areas such as storm overflows, sets us up very well for another strong performance in AMP8.

We reported underlying profit after tax (PAT) of £338 million and underlying EPS of 49.6 pence for the year, up from £227 million and 33.3 pence last year due to higher regulatory revenue partially offset by increased operating costs and depreciation on our growing asset base. Reported PAT was £265 million and reported EPS at 38.8 pence. The difference to underlying mainly reflects deferred tax and fair value movements on underlying net finance expense. Our balance sheet remains strong, with 60 per cent gearing and liquidity to 2027.

Doing the right thing

We are committed to delivering these and future improvements in the best way possible for customers, the environment, colleagues, the North West, and all of our stakeholders.

We continue to prioritise providing a safe and great place to work. Colleague engagement of 87 per cent is seven points higher than the high performing norm. We have strong retention, successful graduate and apprentice schemes, and a continued focus on training, development, health, safety and wellbeing. Delivering as we go forward will depend on great people, and I am proud to know that we have such a highly engaged team with the right skills to help us ensure long-term success, with 91 per cent of our colleagues proud to work at United Utilities.

Spending money wisely is so important, and we are pleased that our capital delivery programme incentive – a key performance measure focused on efficiency, quality, delivery on time, and carbon impact – is very high at over 99 per cent. We work in strategic partnerships, leveraging opportunities and resources to accomplish more together, and we have directly invested more than £21 million in local communities during AMP7.

We continue to perform in the upper quartile across a range of trusted ESG indices, make use of our sustainable finance framework to raise efficient debt linked to environmental improvements, and have retained the Fair Tax Mark for six consecutive years.

Integrated Report and TCFD disclosure

This annual report is an Integrated Report and has been prepared and presented in accordance with the International <IR> Framework published by the International Integrated Reporting Council in January 2021. The board, which is responsible for the integrity of this report, has considered the preparation and presentation of this report and concluded that it has been prepared and presented in accordance with the Framework.

This report contains all climate-related financial disclosures required to be consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and in line with the Listing Rules requirements (UK Listing Rule 6.6.6R(8)) and the 2022 amendments in S414CB (A1) of the Companies Act. In making our disclosures, we have considered 'Guidance for All Sectors' in the TCFD implementation guidance. Further supplementary detail, such as our 2024 adaptation progress report, WRMP and supporting technical documents, are available on our website.

Thank you

I remain grateful for the continued support and hard work of the entire team at United Utilities, who have been instrumental in delivering these incredible achievements over the last five years and who give me confidence and pride as we look to the next regulatory period, and the step change we will deliver in AMP8 and beyond.

Louise Beardmore
Chief Executive Officer

14 May 2025

How we operate

Planning horizons

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

Key resources

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

1.8bn
litres of water supplied every day across the North West

122,000km
of water and wastewater pipes – enough to circle the earth more than three times

External environment

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

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

40%
higher urban rainfall in the North West than average across England and Wales

1 Sustainably sourcing water

2 Supplying treated water 24/7

3 Cleaning and returning wastewater

4 Renewable energy from bioresources

Providing great water

For a
Greener
Healthier
Stronger
North West

Strategic priorities and material themes

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

Progressive
approach to ESG with strategy clearly aligned

Transparent
reporting with top material themes all covered through comprehensive disclosures

Culture and core values

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

Robust
governance with culture clearly led from the top

Executive
remuneration closely linked to sustainability-related performance

Risk and resilience

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

Greener

Protecting and enhancing the natural environment in our region

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

Healthier

Supporting society across the North West with great-quality services

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

Stronger

Responsible business and governance supporting jobs and communities

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

Creating value for
Customers

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

Top
listed company and sixth ranked water and wastewater provider

£525m
affordability support helping one in six North West households in AMP8

Creating value for the
Environment

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

39%
reduction in spills per overflow delivered so far since 2020

>5 times
larger environmental enhancement expenditure for AMP8

Creating value for
Communities

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

£21.6m
invested in the community during AMP7 (B4SI method)

£257m
total taxes paid in 2024/25, contributing towards public finances

Creating value for
Colleagues

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

87%
colleague engagement, exceeding the high performing norm

£nil
pension deficit, fully funded on a low dependency basis

Creating value for
Suppliers

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

99%
of supplier invoices paid within 60 days or less

30,000
jobs supported through our plans for the 2025–30 (AMP8) period

Creating value for
Investors

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

51.85p
dividend per share for 2024/25, grown in line with CPIH inflation

c.7%
compound annual growth rate for AMP8 based on final determination

Our core activities

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

Our strategic priorities

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

Water resources – sustainably sourcing water

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

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

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

Our key areas of focus and targets for AMP8

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

Water network plus – supplying treated water 24/7

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

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

Every day, we deliver an average of 1.8 billion litres of safe, clean drinking water to around 8 million people and businesses. Our integrated supply network enables us to move water around the region as needed. Along with production planning and the optimisation of storage levels ahead of anticipated demand increases, and a fleet of alternative supply vehicles, this helps us to deliver a more resilient water supply. We use sensors and artificial intelligence, and have dedicated teams to detect and fix leaks across our pipes as well as helping customers identify leaks on their property, which can save them money on their bills, as well as reducing water losses. Our Haweswater Aqueduct uses gravity to transfer water from Cumbria to Manchester, helping to reduce our carbon footprint from energy-intensive pumping.

Our key areas of focus and targets for AMP8

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

Household retail – supporting customers

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

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

We provide a number of ways for customers to get in touch with us, from phone numbers to social media and an online live chat, to ensure we make it as easy as possible for customers to interact with us in the way that suits them best. We have also actively engaged with customers in the development and improvement of many aspects of the customer experience, including bill design.

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

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

Our key areas of focus and targets for AMP8

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

Bioresources – generating renewable energy

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

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

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

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

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

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

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

Our key areas of focus and targets for AMP8

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

Wastewater network plus – cleaning and returning wastewater

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

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

We clean wastewater to a very high standard, meeting increasingly stringent environmental consents to protect and enhance nature and biodiversity in the North West. We have a long coastline and 34 designated bathing waters in our region that we help to look after.

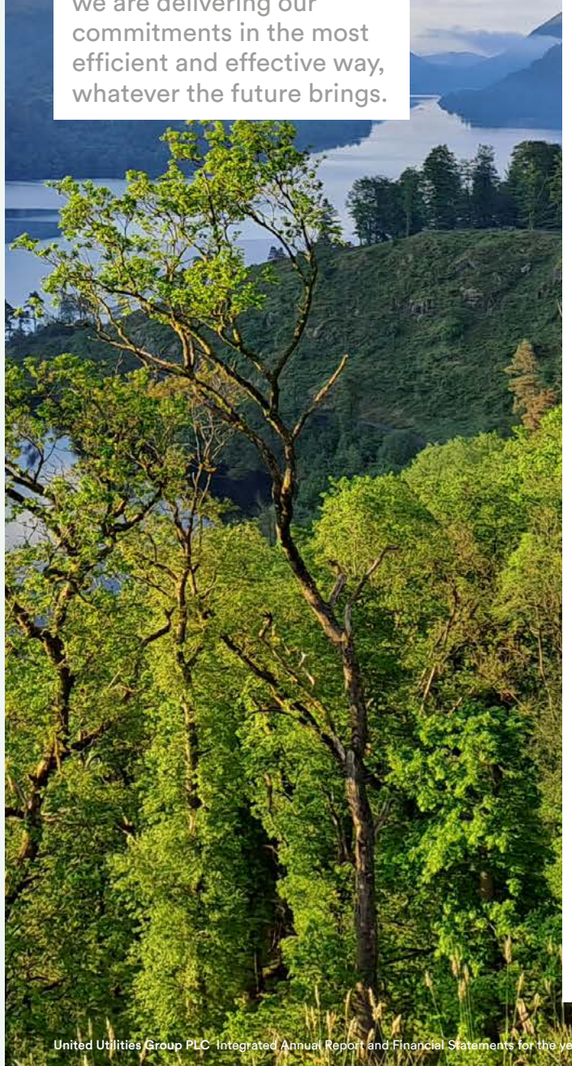
With more combined sewers than average, our network comes under more strain from urban water runoff when it rains. In periods of unusually high rainfall, when sewer capacity is overloaded, storm overflows are activated using a separate pipe to allow wastewater, heavily diluted with rainwater, to flow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

Our key areas of focus and targets for AMP8

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

How we plan for the short, medium and long term

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



Short-term planning

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

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

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

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

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

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

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

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

Medium-term planning

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

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

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

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

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

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

Our APR will be available at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

Information on companies' regulatory performance can be found at **discoverwater.co.uk**

Long-term planning

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

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

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

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

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

Read about our future plans at **unitedutilities.com/corporate/about-us/our-future-plans**

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

How we manage our dependencies and impacts

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

Natural capital

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

Water bodies

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

Land

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

Natural materials

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

Financial capital

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

Risk management

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

Cash flow management

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

Strong governance

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

Engagement

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

Manufactured capital

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

Long-term planning and investment

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

Efficient capital delivery

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

Managing our impact

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

Intellectual capital

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

Innovation

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

Catchment Systems Thinking

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

Dynamic Network Management (DNM)

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

Social capital

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

Proactive engagement

We actively engage with all our stakeholders, as set out on page 25, and conducted extensive customer and community research in the development of our plans for AMP8. Our supplier relationship management process ensures regular discussions to help identify issues and opportunities for a smooth and productive relationship, and we engage them on sustainable and ethical issues through our United Supply Chain approach.

Performance improvement

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

Collaboration

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

Transparent disclosures

Engagement helps us assess the issues that are most important to stakeholders, which feed into our materiality assessment as set out on pages 29 to 30. This helps to shape our plans and the disclosures in this report.

Human capital

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

Providing opportunities

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

Looking after colleagues

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

Inclusivity

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

AMP8 focus

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

AMP8 focus

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

AMP8 focus

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

AMP8 focus

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

AMP8 focus

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

AMP8 focus

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

How our operating environment influences what we do

Regulatory environment

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

Regulatory framework

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

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

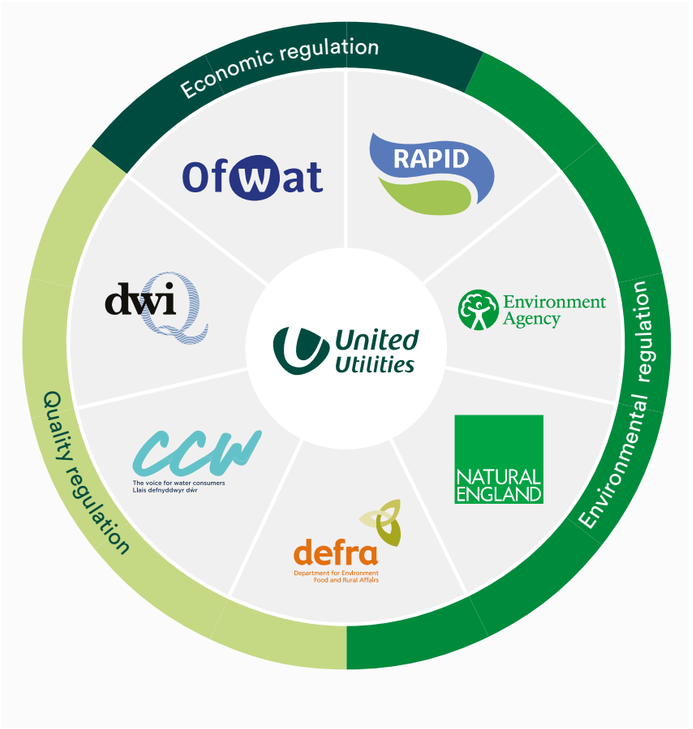
The Water Industry National Environment Programme (WINEP) is developed by the Environment Agency (EA), Defra, and Natural England, in consultation with water companies and other stakeholders. It sets out the actions that water companies need to take in order to meet their future environmental legislative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

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

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

Competitive retail market

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



Ofwat and EA investigations

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

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

Independent Water Commission

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

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

Natural environment

Climate change

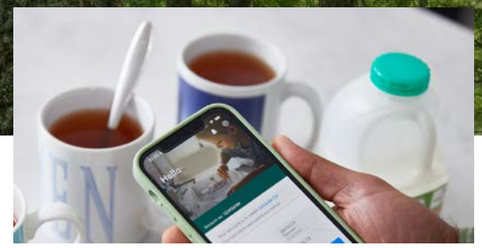
We are already experiencing more extreme rainfall events, freezing temperatures followed by rapid thawing, and prolonged dry periods. This increases the level of risk for water availability, flooding, and network damage. We have detailed plans in terms of both adaptation (building resilience against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

Population growth

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

Protecting and restoring ecosystems

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



Economic environment

Market rate movements

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

Customer affordability

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

Political environment

Engagement and adaptability

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

Environment Act 2021

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

Water (Special Measures) Act

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

Technology and innovation

Developments

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

Customer interaction

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

Cyber and data security

Technology can give rise to risks, such as the threat of cyber attacks, which has increased in recent years. Protecting infrastructure, customer information and commercial data from malicious activity is a key priority, as set out on page 57.

How we engage with stakeholders

There are many people and groups who take an interest in the water industry, its role in society, and the North West region. The nature of our work and the huge areas of land we manage means we interact with a wide variety of stakeholders, from communities and environmental interest bodies, to suppliers and regulators.

It is important that we understand what matters to each of them and develop constructive relationships built on mutual trust. We engage and consult with stakeholders to understand their views and priorities as we develop and execute our plans, balancing their often-conflicting priorities.

Each of our operational performance measures is linked to one or more stakeholders for whom we are creating value.

Read about **how we engage with stakeholders** and factor their views into strategic decision-making at board level in **Our S172(1) Statement** on pages 90 to 91

Active engagement and responding to feedback

We engage with all of our stakeholders, including the six key groups for whom we create value, detailed on pages 10 to 11, and others that influence our activities (bottom row). Strong, constructive relationships help us to understand what matters most to them, and feedback from stakeholders has an influence on what we do, helping us to create long-term value for all. For example, we conducted extensive customer and community research that helped to shape the plans we submitted for AMP8.

There is robust governance to ensure regard is given to stakeholder views and priorities in decision-making at executive and board level. Our S172(1) Statement on pages 90 to 91 provides examples of how the board has had regard to stakeholders in some of the key board decisions made during the year.

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

Customers

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

Environment

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

Communities

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

Colleagues

We could not deliver our services without our colleagues. They know our business better than anyone, and bring a diverse range of views and experience, making them well placed to help us identify new ways of working and opportunities for improvement, which can be raised directly to the CEO through our 'Call it Out' initiative. We have hosted two all-colleague events in Blackpool to share our plans for AMP8.

Suppliers

Good relationships help ensure projects are delivered effectively and efficiently. Awareness of issues in the supply chain means we can address them together and become more resilient. Supplier engagement can also help us identify and realise innovative approaches and solutions. We engaged the supply chain early and have already appointed several contract partners for AMP8.

Investors

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

Media

The media is influenced by current public interests and, in turn, the media also has the power to influence the public through what it reports. Many people hear about us and our activities from traditional and/or social media, so it is important that coverage is fair, balanced and accurate. This requires effective two-way dialogue, and we continuously engage with local and national media on important issues.

Politicians

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

Regulators

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

How we maintain a high-performance culture

Our culture drives the interactions we have with our stakeholders and reflects our commitment to responsible business.

Embedding an effective culture across the organisation helps us to ensure that our policies, practices and behaviours are aligned with our purpose, strategic priorities, and core values (as set out below). A culture that promotes equity, diversity and inclusion brings diverse thinking, helps us to represent the communities that we serve, and enables us to access higher levels of innovation.

Culture is also key to attract and retain the talent we need to continue delivering strongly for all our stakeholders, so our strong focus on health, safety and wellbeing is crucial, as is our commitment to offering and encouraging continuous development.

It is really important to us that we have a culture where colleagues feel comfortable being themselves and speaking up with any questions or concerns. We have numerous channels available that encourage this, from line manager one-to-one meetings to our 'Call it Out' inbox, through which colleagues can raise issues or opportunities for improvement directly with the CEO. We also have a confidential helpline and whistleblowing policy for raising concerns.

We want to celebrate and reward great examples where our colleagues are living our core values and demonstrating the culture that we want to see. We have introduced a company-wide recognition scheme, the ACE awards, where colleagues are nominated by managers and peers when they have done something particularly positive and acted in line with our core values, and a monthly winner is chosen from each business area.

The way we measure and report performance helps us to track how effectively we have embedded a high-performance culture. Metrics are monitored and targets set for the stronger, greener and healthier ambitions within our purpose, as set out on pages 66 to 67. These are closely aligned to our strategic priorities and to ESG matters, as well as being linked to stakeholder value creation. This includes key metrics relating to our colleagues including engagement, health and wellbeing, diversity, and development. Leadership has a strong influence on culture, so, as well as colleague behaviours, we also assess colleague perceptions of the tone that is being set from management. We use qualitative and quantitative metrics to monitor and assess culture, including several from our annual colleague engagement survey, with a 'listen and act' section that focuses on perceptions of management.

Read more about **our culture and how the board monitors this** on page 116

We have a strong governance structure helping to set the tone from the top, with the board and its committees providing oversight and challenge, and the executive team holding two scheduled meetings each month – one focusing on day-to-day performance and the other focusing on matters of a strategic nature – along with weekly informal 'scrums' and other ad hoc communications.

The structure of board and principal management committees is set out on page 112. In addition, we have a number of other management-level governance and steering groups, including the compliance working group, integrated risk reviews, new and emerging risk forum, price control boards, water quality first board, operational risk and resilience board, dam safety group, asset management board, and land management steering group.

Read more in our **corporate governance report** on pages 104 to 172, including **individual reports of board committees**

Core values

Our culture is underpinned by three core values, guiding how we expect our people to behave in a way that is clear and easy to apply to every situation.

These apply across the organisation, from the board to every one of our colleagues. They focus on responsible behaviour, delivery for customers and other stakeholders, continuous improvement and sustainable practices. These values reflect the things we believe are most important to help us deliver our purpose, and drive a high-performing and innovative culture.

Do the right thing

First and foremost, we are committed to responsible business practices, and we want our people to always focus on doing the right thing.

This means always putting safety first, delivering for the benefit of our stakeholders, championing fairness, acting with courage and integrity, and speaking up if they come across anything that doesn't feel right.

This is vital for building and maintaining trust with the public and our stakeholders, and for delivering our purpose: doing the right thing for the natural environment helps us to create a greener North West; and doing the right thing for customers, communities, colleagues and suppliers helps us to build a stronger and healthier North West.

Make it happen

We are focused on supporting each other and working as a team to make things happen, taking accountability and putting progress over perfection.

We want to celebrate successes, for individuals and for the company, and learn when we don't get things right first time.

We enable and foster new ways of working, from both internal and external sources, through initiatives such as our graduate CEO Challenge and our Innovation Lab process.

We are able to act quickly and capitalise on pockets of efficient financing opportunity, and we have a track record of accelerating investment where we can deliver improvements for customers and the environment faster.

Be better

Ultimately, everything we do is about improving things and creating a better tomorrow for everyone.

We want to be better as a company, and this means encouraging our colleagues to live this value as well – being curious, ambitious, and solution-focused, seeking out new and innovative ways to deliver our services more efficiently and effectively.

We want to ensure we are learning from the best people that are available to us, which is why we embrace equity, diversity and inclusion, collaboration and partnership opportunities, nature-based solutions, and other innovation and best practice ideas from across our sector, other industries, and the wider world.

How our strategy helps us deliver our purpose

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

These priorities reflect the key long-term drivers of our business and how we create value. They align with our materiality assessment, which is set out on the following two pages. Each of our strategic priorities addresses one or more of the themes identified, as set out below, and by focusing on the things that matter most to stakeholders, long-term resilience, and areas of particular focus in our political and regulatory environment, our strategy directly addresses the top three material themes. Our disclosures on the top themes on pages 29 to 57 also align with our strategic priorities.

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

Greener

Improve our rivers

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

Material themes addressed:
- Environmental water quality and storm overflows

Create a greener future

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

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

Healthier

Deliver great service for all our customers

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

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

Provide a safe and great place to work

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

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

Stronger

Spend customers' money wisely

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

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

Contribute to our communities

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

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

How we assess and prioritise material themes

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

Stakeholder views and priorities

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

Read more about **how we engage with stakeholders** on page 26

Understanding what matters to our stakeholders helps us to prioritise areas for focus and investment, enabling us to factor their views into strategic decision-making at board level, as set out in our S172(1) Statement on pages 90 to 91.

This understanding feeds into our materiality assessment, giving rise to the materiality matrix on page 30, which drives the matters disclosed across this report, helping to ensure we are disclosing all material information of interest to our stakeholders.

Other considerations

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

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

Disclosure guidance from the ISSB suggests that material sustainability-related risks and opportunities are discussed using a four-pillar approach, in line with the TCFD and TNFD frameworks. We have adopted this approach to report on our most material themes (which represent areas of risk and opportunity), as set out on page 30.

2024/25 assessment

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

The applicability of industry-specific topics in the Sustainability Accounting Standards Board (SASB) standards were also considered as part of this assessment, as required by ISSB S1: General requirements for disclosure of sustainability-related financial information. We also considered the UN Sustainable Development Goals that we contribute towards, as set out on pages 12 to 13.

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

Our assessment process this year identified 29 material themes.

Our materiality assessment process

1 Define

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

2 Engage

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

3 Assess

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

4 Align

We cross-referenced and aligned identified themes with SASB industry-specific topics and our principal risks and uncertainties, as set out on pages 58 to 65. Matrix visuals were then created to easily display the prioritisation of themes.

Reporting on our material themes

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

Information on all material themes can be found within our reporting, with the most material of these themes being covered by the fullest disclosures. The material themes matrix, and signposting to key disclosures, can be found on page 30.

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

For the remaining material themes in the top two segments of the matrix, which cover the next 15 highest areas of interest, we provide voluntary disclosures across the four pillars set out by the ISSB – strategy, governance, risk management, and metrics and targets – on pages 29 to 57.

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

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

How we assess and prioritise material themes

Material themes matrix

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

1 Trust, transparency and legitimacy

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

2 Resilience

Resilience is a key consideration in our long-term planning (page 21), the way we manage our key resources (pages 22 to 23), and the ultimate focus of our risk management approach (pages 58 to 65).

3 Political and regulatory environment

Our external environment, including the political and regulatory environment, is covered on pages 24 to 25.

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

- Overarching theme
- Healthier
- Greener
- Stronger

Greener

Top material themes related to climate change are covered across the four pillars in our TCFD disclosures on pages 31 to 41

- 6 Climate change adaptation
- 15 Climate change mitigation

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

- 26 Energy management — pages 75 to 77

Top material themes related to nature are covered across the four pillars in our TNFD disclosures on pages 41 to 49

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

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

- 22 Recycling biosolids — pages 18, 39 and 42 to 49
- 29 Waste management — page 72

Healthier

Top material themes related to customers are covered across the four pillars on pages 50 to 51

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

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

- 27 Competitive markets — page 24

Top material themes related to colleagues are covered across the four pillars on pages 52 to 54

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

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

- 24 Colleague engagement — pages 78 to 81
- 28 Human rights — page 46

Stronger

Top material themes related to efficiency are covered across the four pillars on page 56

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

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

- 21 Land management — page 22
- 23 Innovation — pages 23 and 85
- 25 Responsible supply chain — page 87 to 88, 139, 144 and 175

Top material themes related to communities are covered across the four pillars on page 55

- 16 Supporting communities

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

- 19 North West regional economy — page 25
- 20 Recreational land and waters — page 10

Top material themes related to cyber and data security are covered across the four pillars on page 57

- 8 Cyber and data security

How we respond to material themes: climate change

Strategic priorities related to climate — Create a greener future

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

Strategy

TCFD disclosures

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

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

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

Climate-related planning horizons

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

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

Risk assessment

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

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

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

Risks with material impact

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

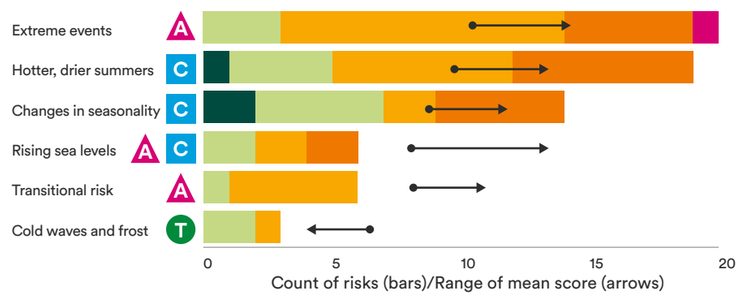
The risks assessed as having high and very high impact are all physical risks, meaning that they pose a risk to the destruction or disruption of our assets and systems. These physical risks include both acute risks, such as shocks from severe weather, chronic stresses and changes in seasonality. We are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

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

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

Climate-related risks categorised by causal factor

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



	Short term 2025	Medium term 2050	Long term 2100 Benign	Long term 2100 Adverse
Extreme events	10.1	10.25	10.25	13.8
Hotter, drier summers	9.3	9.47	9.47	12.84
Changes in seasonality	8.1	8.36	8.50	11.36
Rising sea levels	8.3	10.17	10.17	13.50
Transitional risk	8.0	8.00	8.00	10.83
Cold waves and frost	6.7	6.67	6.67	3.67

Key

TCFD risk categories
- A Acute physical risks
- C Chronic physical risks
- T Transitional risks

Max score out of 25

Mean score

How we respond to material themes: climate change

How geography affects the impacts of climate-related risks

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

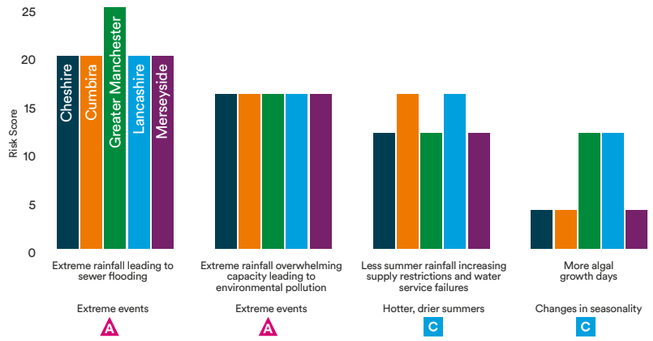
Our region is diverse and has five distinct counties. Each county has different challenges and opportunities resulting from climate change. This was recognised in our latest risk assessment, as each risk was scored at county rather than regional level. The chart to the right illustrates how the present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

Greater Manchester sits within a topographical bowl, creating challenges of flooding from rivers, sewers and surface water. The flooding risk is worsened by high rainfall, especially as the urban rainfall in the North West is 40 per cent higher than the UK industry average. The flood risk is further compounded by Greater Manchester's rivers being affected by agriculture, industry, runoff from roads as well as sewage, and from the high proportion of combined sewer overflows situated in Greater Manchester.

Cumbria and Lancashire are key water resource hubs for United Utilities as they each have important surface water reservoirs. This means the operational impact of lower average rainfall in these counties is even greater than in other counties.

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

Risk scores for the top four climate risks by county



How climate change affects our strategies and financial planning

In the North West we are already seeing:

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

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

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

Our public Water Resources Management Plan (WRMP), Drainage and Wastewater Management Plan (DWMP) and long-term delivery strategy (LTDS) (part of our regulatory business plan submission) are examples of our longer-term strategic planning. In developing these plans, and seeking customer feedback on our proposals, we use a selection of future climate change scenarios and a wide range of environmental, regulatory, technological and societal possibilities. We employ advanced modelling techniques and the outputs shape our corporate and financial plans for the long term, while staying aligned with our short-term needs.

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

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

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

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

Read more about water resources planning and water efficiency at **unitedutilities.com/corporate/responsibility/environment/managing-water-resources**

Read our DWMP and LTDS at **unitedutilities.com/corporate/about-us/our-future-plans**

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

Read our **net zero transition plan** on pages 34 to 36

Climate risks are business risks

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

Our resilience to climate change

Our adaptive planning includes assessment of our resilience in three climate change scenarios: no change, benign (using Representative Concentration Pathway RCP 2.6, which entails a 1.6°C increase by 2081–2100) and adverse (using RCP 8.5, which predicts a 4.3°C increase). Our capacity to adapt to the impacts of climate change and take advantage of opportunities that may arise and respond to consequences is high. This is attributed to our board and management being committed to adaptation and routinely applying a systems approach to securing resilience in the round. Resilience in the round means being resilient across all the component parts, operational, corporate and financial, and understanding the connections and interdependencies between them. This includes looking beyond our own assets to take account of cascade failure risks and interdependent services in our decision-making.

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

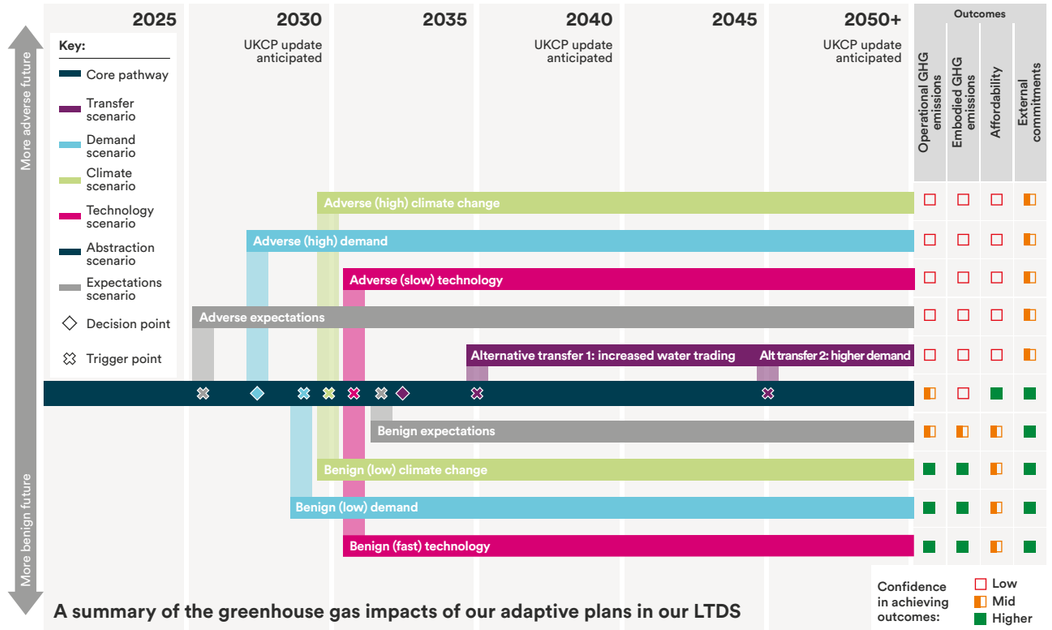
We also try to account for compound benefits, where a single intervention might have multiple benefits. For instance, sustainable drainage systems (SuDS) slow down or divert rainwater runoff, which optimises use of wastewater treatment capacity and also provides an opportunity to deliver wider social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

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

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

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

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



A summary of the greenhouse gas impacts of our adaptive plans in our LTDS

How we respond to material themes: climate change

Our net zero transition plan

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

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

Vision and visibility

Demonstrating integrity and leadership in carbon reporting and disclosure.

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

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

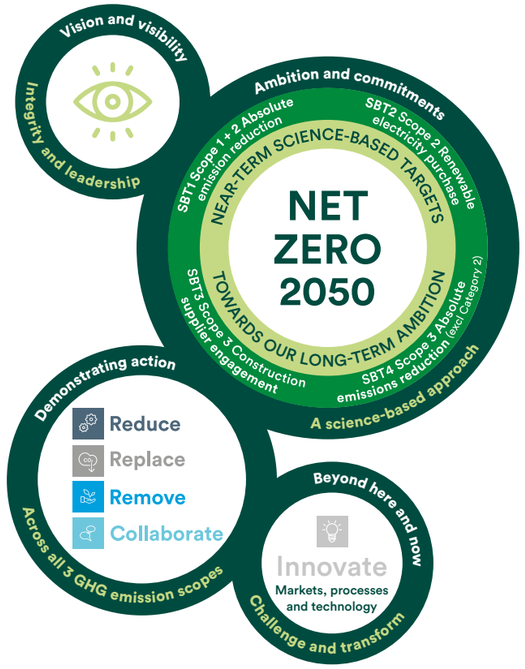
We are committed to reporting in an open and transparent way, aiming to be recognised as among the best in the UK. We use CDP as our benchmark of disclosure leadership and are honoured to have made it onto the A list for climate based on our 2024 response. We also improved our rating on the water security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

Ambition and commitment

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

An important element of our approach is to demonstrate our ambition and encourage others to contribute by making public commitments. In 2020, we made six carbon pledges and we are making good progress towards delivering these. Central to our pledges was to set science-based targets for all emission scopes. The Science Based Targets initiative (SBTi) is a collaboration that defines and promotes global best practice in science-based target setting. We are proud to have been the first UK water company to have near-term targets approved by the SBTi, and, in July 2024, the SBTi approved our long-term and net zero targets as compliant with the Corporate Net-Zero Standard.

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



Demonstrating action

Reducing our environmental impacts through the delivery of transformational strategies and culture change.

Our action plan to achieve the long-term ambition of net zero by 2050 (in line with climate science and the UK Government targets) is set out on page 35.

Our implementation plan has five themes to:

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

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

Beyond here and now

Innovating across processes, technology and culture.

Our strategy pillar of 'beyond here and now' reflects our objective to influence beyond our current emissions inventory and existing capabilities. To deliver our net zero transition plan, we will challenge standards and engage with industry peers, our supply chain, and other partners to develop markets, technologies and practices to reduce or mitigate future emissions.

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

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

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

Read more about how we are using innovation to tackle the sustainability challenges at **unitedutilities.com/corporate/about-us/innovation**

Ambition and external factors

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

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

Action

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

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

In spite of our best intentions, it will not be possible to eliminate emissions from the biological treatment of wastewater. To partially compensate for this, we have projects that will remove and store carbon dioxide from the atmosphere through peatland restoration and woodland creation. We intend to use the carbon units issued as an inset against our residual GHG emissions. Units will be retired from the UK Land Registry and reported in the energy and carbon report within our annual report for the relevant financial year. In the long term, we may opt to purchase carbon credits to further offset residual emissions and achieve net zero.

Accountability

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

Action plan	Short term including recent progress	Medium term up to 2035	Long term to 2050 and beyond
Reduce consumption by careful use of resources.	• Reduce natural gas consumption by using biogas from wastewater • Maintain high percentage of waste to beneficial reuse • Existing energy management programme to include carbon • Use telematics to improve driver behaviour, increase fuel economy, and inform the shape of the fleet	• Optimise wastewater processes for GHG • Reduce volume of chemicals used • Sensitive delivery of substantial environment improvement programmes	• Identify and implement further efficiency opportunities • Reduce use of carbon-intensive materials and techniques
Replace processes and resources with more sustainable alternatives.	• Targeted investment in renewable energy generation capability • 60%+ sludge processing by lower emissions advanced digestion • Green fleet up to 400 electric vehicles	• Expand renewables capacity • Use natural coagulants in phosphorus removal, replacing ferric sulphate with pH correction • Bioresources investment to increase advanced digestion capacity • Fuel switching to HVO, subject to costs and supply, EVs where suitable for business continuity	• Eradicate use of fossil fuels, e.g. use hydrogen and biomethane to fuel HGVs • Nutrient-recovery initiatives • Replace processes to be more sustainable and exploit new technology and markets
Remove GHGs from the atmosphere.	• Woodland creation – successful 2025 planting season • Peatland restoration continued beyond carbon pledge	• Complete planting of 550 hectares of woodland • 1,500 hectares of additional peatland restoration activities for AMP8	• Ongoing benefits of restored peatland and growth of woodlands • Carbon capture, use and storage
Collaborate to tackle emissions in the supply chain.	• Achieved supplier engagement SBT through work with targeted capital delivery partners • Climate-related criteria used in AMP8 delivery partner selection • Agree carbon-related targets with AMP8 delivery partners	• Influence national approach to water environment improvements • Monitor sustainability of suppliers through performance indicators • Quantify more scope 3 emissions using product and activity data	• Collaborate to decarbonise our infrastructure programmes and wider supply chain • Drive standards reform to enable the use of low-emission materials and techniques • Offset residual emissions
Innovate to address current technological or market gaps.	• DESNZ LOOP project to use biogas to produce hydrogen and graphene • Establish sector funding and partnerships through Ofwat Innovation competition • Support regional transition via membership of Net Zero North West	• Explore low-carbon capital delivery options, e.g. nature-based solutions and low-carbon concrete • Process emissions monitoring • Nutrient recovery research • Research to support net zero treatment works and communities	• Transformation in water and wastewater processing towards net zero treatment works • Extraction of biopolymers from wastewater for use in the circular economy principles • Utilise emerging Environment Attribute Certificates schemes

How we respond to material themes: climate change

Net zero enhancements

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

Net zero catchment strategy

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

Process emissions

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

Peatland restoration

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

Decarbonising a water company's activities

Moving and treating water and wastewater are energy-intensive activities. We use electricity to power equipment such as aeration blowers in treatment works and to pump water around our network. We use natural gas and other fuels for heating, transport and to power equipment on remote sites as well as our buildings. This energy use causes significant scope 1 and 3 carbon dioxide (CO_2) emissions. We are trying to reduce the emissions from burning fossil fuel; however, switching to low-carbon alternatives like hydrotreated vegetable oil (HVO) often comes at a price premium, and has other environmental and social risks such as nature degradation and modern slavery to consider.

The biological processing of wastewater before it can be safely discharged back to the environment naturally produces nitrous oxide (N_2O) and methane (CH_4), which have global warming potentials 265 and 28 times greater than carbon dioxide (CO_2). The amounts of wastewater and sludge treated determines the estimated process emissions, so if the population increases then the emissions will increase. This means that, even if we eradicate all fossil fuel use, along with the global water industry, our scope 1 emissions would only reduce by approximately 30 per cent.

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

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

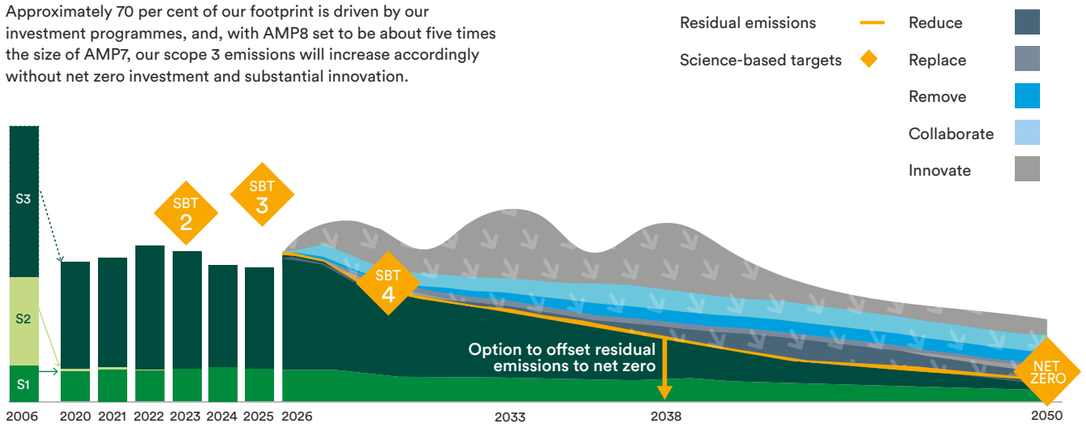
Our scope 2 emissions when calculated using the market-based method are almost zero because our electricity contracts include Renewable Energy Guarantees of Origin (REGO) certificates or we pay for certificates separately to match the electricity purchased. REGOs act as proof that the electricity is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

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

Our route to net zero

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

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



Governance

TCFD disclosures

a. The board and its committees, in particular the ESG committee, consider climate-related matters when reviewing and guiding strategy, approving the business plan and annual budgets and overseeing environmental performance, including science-based targets, and adaptation progress.

b. Managing climate-related risks and opportunities is fully integrated in the responsibilities of multiple principal management committees, including the ESG leadership group, climate change mitigation steering group and risk boards.

Board oversight

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

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

The chart below shows examples of how the board has oversight and opportunity to challenge on climate-related matters through either board committees or the CEO and executive team.

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

The audit committee considers climate in its monitoring of the effectiveness of the group's internal control and risk management systems. This includes oversight of the twice-yearly integrated review of the group risk profile. This activity considers the risk environment and, where needed, updates impact assessments of individual risks, including those identified as particularly sensitive to climate change (see page 39), and the risk of delivery of our carbon commitments. The outcome is collated by the corporate risk team on behalf of the group audit and risk board (GARB) and reviewed by the executive committee before informing the board. The impact of climate change on the assets and liabilities of the group are described within the accounting policy notes to the financial statements (see page 198).

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

Management role

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

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

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

Read more about **our committees including their ESG skills** on pages 112 to 114 and 121

Board	**Group board** 9 meetings per year		
Board committee		**Audit committee** 4 meetings a year	**ESG committee** 3 meetings a year
Management committees	**CEO and Executive team** >20 meetings + ad hoc	**Group audit and risk board (GARB)** 4 meetings a year **Risk and resilience board** 4 meetings a year	**ESG leadership group** 4 meetings a year **Climate change mitigation steering group** 6 to 8 meetings a year
Examples of climate-related governance mechanisms	• Operational and strategic business planning • Monitor the implementation of the business strategy • Monitor operational performance	• Govern the policies and processes for managing business dependencies, impacts, risks, and opportunities • Monitor effectiveness of internal control and risk management • Oversee reporting, audit, and verification processes • Twice-yearly integrated risk reviews • Climate-related risk review	• Development, review and guidance of ESG strategy • Oversee the setting of corporate targets • Monitor progress towards corporate targets • Oversee and guide the development of a climate transition plan

Key Oversight and challenge Inform and implement

How we respond to material themes: climate change

Risk management

TCFD disclosures

a. The company operates a mature risk and resilience framework for the identification, assessment and management of all risks, including consideration of the additional threats and variability from climate change. We also carry out a periodic assessment of climate-specific risks.

b. We manage both physical and transitional climate-related risks in our corporate business risk profile. Five of our ten most significant operational risks are directly influenced by climate change (see page 39).

c. Managing climate-related risks is fully integrated in our overall risk management system. Climate change adaptation and mitigation are material themes (see page 30) and extreme weather/climate change is noted as a common causal theme of event-based risks.

Risk identification and assessment

Our framework for the identification, assessment and management of risks is described on pages 58 to 59. As our services are intrinsically linked to the natural environment, many of our business risks can also be considered climate risks. These include physical risks that impact our operations, assets or resources, and transitional risks associated with the transition to a low-carbon economy, such as evolving policies, regulation and legislation.

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

Climate sensitivity of business risks

Following recognition of climate change as a material issue, a special review of all risks in our business risk profile was carried out in 2020 to understand the organisation's resilience to physical outcomes of climate change and the impact of transition to a low-emission economy. This work established which risks in our business risk profile are sensitive to climate change. Climate-sensitive risks were defined as those where their likelihood and/or impact would increase with climate change – for example, a weather event that currently occurs once every five years but the climate projections predict is likely to happen twice every five years.

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

Assessment of climate risks

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

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

Collectively these risks represent the organisation's resilience to physical outcomes of climate change and the impact of transition to a low-emission economy. The details, including impacts for each county, are outlined in Appendix E of the adaptation progress report and summarised on page 31 of this report.

Read our adaptation progress report on our website at **unitedutilities.com/corporate/responsibility/environment/climate-change**

Managing climate-related risks

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

A significant challenge to business planning and managing risks is the uncertainty and interdependencies associated with complex issues such as climate change, population growth, technology and changing needs. To address this, we are maturing our capabilities in long-term and adaptive planning, as discussed on page 33.

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

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

Integration of climate-related risks into our risk management framework

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

Resilience, climate change adaptation and climate mitigation are high priority material themes and extreme weather/climate change is separately identified as one of the seven common causal themes of event-based risks. Four of the twelve principal risks are climate-related risks (see pages 62 to 63) and we have an additional corporate risk for the potential event that we fail to meet our carbon commitment and liabilities.

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

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

Climate-sensitive business risks

The 2025 Special Report, prepared following the revised impact assessment for the 2024 adaptation progress report, described the climate sensitivity of the event-based risks in our business profile. Climate sensitivity was evaluated by applying Met Office projections for different weather characteristics at a seasonal and county level and noting where the frequency and/or impact increased over time. Eight of the 109 event-based risks were categorised as "Sensitive" to climate change and a further 20 risks were categorised as having moderate sensitivity.

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

* Five are in the top ten operational business risks.

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

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

Business risks categorised as "Sensitive" to climate change

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

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

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

(3) Benign climate change scenario uses RCP 2.6. Adverse climate change scenario uses RCP 8.5.

Moderate climate sensitive risks

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

How we respond to material themes: climate change

Metrics and targets

TCFD disclosures

a. We track both physical and transitional metrics to assess climate-related risk and opportunities. We also monitor some of our environmental KPIs to form an understanding of our resilience to climate change.

b. We disclose our GHG emissions and underlying energy use for 2024/25 in our energy and carbon report on pages 75 to 77.

c. Our key climate-related targets are our six carbon pledges and our Science Based Targets. Our progress against them is summarised on page 74. Other climate-related targets and performance against them can be found on page 72.

Metrics to monitor risks

Physical metrics

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

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

Transitional metrics

Transitional risks result from a misalignment of economic factors with actions aimed at protecting, restoring and/or reducing negative impacts on nature. These risks are often prompted by changes in regulation and policy, legal precedent, technology, or investor sentiment. Therefore, we horizon scan for changes relating to transitional risks across all four categories identified in the TCFD guidance: policy and legal, technology, markets, and reputation.

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

Opportunities

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

Environmental key performance indicators (KPIs)

Management of our climate-related risks is embedded throughout our governance planning and reporting processes. We manage our climate-related risks by putting in place controls, such as those described in the 2024 adaptation progress report, and the effectiveness of these controls to limit impact is seen in our operational performance metrics. The following environmental KPIs are recognised as climate-related performance metrics and are reported on page 72 or elsewhere:

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

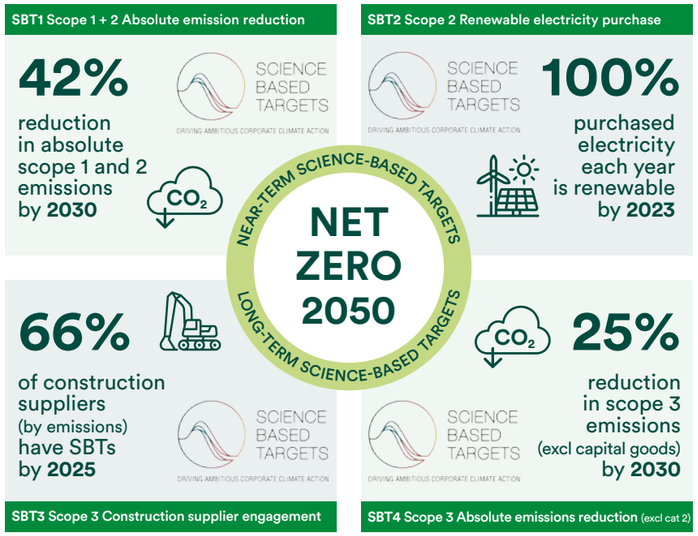
Performance and remuneration

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

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

Internal carbon pricing

Carbon prices can be a useful tool to assign a monetary value to carbon emissions. We use pricing in a variety of ways for different purposes. We use a shadow price mechanism in our risk assessments to quantify a range of financial impacts for if we fail to meet our carbon commitments. We use the UK Government "Carbon values for use in policy appraisal", choosing a value for the relevant year and applying it to emissions above the committed level. We also include the potential penalty costs from failing to meet our regulatory performance commitment targets in this assessment. This price is from the UK Government carbon values and is set at £188 per tCO_2e, which is 70 per cent of the central 2027 value.



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

Performance measures and targets

Science-based emissions targets

Our ambition and commitments are based on international guidance and climate science. Our four near-term science-based targets (see illustration on page 40) were verified by the Science Based Targets initiative (SBTi) in July 2021. Our long-term and net zero targets have been validated against the SBTi Net Zero Standard launched in late 2021.

SBTi mandates a target review, at minimum, every five years to ensure consistency with the latest criteria. Targets should also be recalculated and revalidated when significant changes occur that could compromise the existing target. With this in mind, we are currently reviewing our near-term science-based targets, having achieved our supplier engagement target, so that they align with our business plan and new regulatory operational GHG emissions performance commitments. It is expected this will entail changing our scope 2 accounting approach from market-based to location-based so that both SBTi and regulatory targets use the same method.

New regulatory targets

Looking forward to AMP8, Ofwat has introduced two common performance commitments related to operational GHG emissions for water activities and wastewater activities, respectively. These targets include scope 1 and 2 emissions in their entirety and some scope 3 emissions and can attract a penalty or reward of £188/tCO_2e depending on performance.

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

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

Long-term incentive plans (LTP)

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

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

Read about **progress against our six carbon pledges** on page 74

Read our **energy and carbon report,** including the 2024/25 greenhouse gas emissions inventory, on pages 75 to 77

General disclosure requirements of the TNFD

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

A Application of materiality

Page 29 sets out our materiality assessment for disclosures, which includes nature and climate-related themes. The materiality of nature-related matters reflects the impact on the environment through direct operations and activities across the value chain.

B Scope of disclosures

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

C Location of nature-related issues

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

D Integration with other sustainability-related disclosures

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

E Time horizons considered

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

Short term – up to one year

Medium term – up to 2035

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

F Engagement of stakeholders on nature-related issues

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

How we respond to material themes: nature

Strategic priorities related to nature

- Improve our rivers
- Create a greener future

Top material themes related to nature

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

Strategy

TNFD disclosures

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

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

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

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

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

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

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

Biome	We depend/rely on it	We can impact on it
Freshwater	• To source clean water from reservoirs, rivers, and boreholes, from which abstraction licences permit us to take water to be treated and supplied to customers. • To receive cleaned wastewater back into the environment.	• By improving the condition of rivers and water bodies. • Through our abstractions, final effluent quality, overflows, pollution incidents, and asset failure. • By cleaning our waterways through our River Rangers and volunteer activities.
Land	• To store and clean sources of water. • To recycle biosolids, to host engineered or nature-based interventions, and to attenuate water flows. • To provide resources, such as chemicals, cement, metals and energy.	• By improving the condition of the land we are stewards of, including improving habitat health and biodiversity. • By storing greenhouse gases (GHGs) in our land, e.g. soils, peatland, and woodland.
Atmosphere	• To provide a healthy and safe work environment. • For temperature regulation. • To reduce our fossil fuel consumption through wind power.	• By restoring habitats that sequester carbon, such as peatland and woodland. • By releasing GHG emissions, and other atmospheric pollutants, thereby contributing to climate change and impacting the health of people and nature.

Biome	Material risks	Risk key: A Physical Acute · C Physical Chronic · T Transitional
Physical		
Freshwater	A	• Lack of ecosystem resilience, leading to damage to assets and infrastructure from adverse climate-related events.
	C	• Reduced raw water quality, leading to increased treatment burden. • Runoff from agriculture, leading to increased difficulty of meeting river water quality targets. • Reduced raw water availability, leading to more frequent drought risk.
Land	A	• Fire events in the catchment, leading to catastrophic impact on peatlands and water quality.
	C	• Reduced natural flood management, leading to more engineered interventions or more instances of flooding. • Increase in invasive non-native species, leading to reduced ecosystem resilience and impact on water treatment and flood management. • Landscape change, leading to reduced ecosystem resilience and impact on water treatment and flood management. • Increased risk of landslides, leading to disruption at our operational sites. • Biodiversity loss and nature degradation.
Atmosphere	C	• Reduced air quality ecosystem regulation, leading to worse impacts on customers, colleagues and society from our operations. • Reduced wind ecosystem regulation, leading to physical impacts at our sites or infrastructure.
Transitional	T	
• Increasing pace of change towards a nature-positive economy, leading to difficulty in attracting finance. • Evolving expectations and requirements on reporting, leading to additional resources needed. • Existing technology not fit for requirements or out-paces natural replacement rates, leading to additional investment requirements. • Changes in statutory compliance, leading to additional requirements such as biodiversity net gain.		

Material opportunities	
Sustainable and efficient use of resources	• Adoption of nature-based solutions such as sustainable drainage systems (SuDS), catchment interventions, and natural flood management. • Application of circular economy principles to design out waste, circulate products and materials, and regenerate nature. • Investment prioritisation through a value-based approach, which maximises value to customers, society and the environment at an efficient cost. • Transition to processes with lower negative impacts on nature and/or increased positive impacts on nature, including reducing resource extraction.
Markets	• Delivery of broader impacts through partnership working and collaborative approaches, such as the Integrated Water Management Plan in Greater Manchester. • Access to new and emerging markets, such as renewable and carbon/biodiversity markets.
Capital flow and financing	• Access to nature-related green and sustainability funds, bonds or loans, for example through our sustainable finance framework. • Use of financial incentives for suppliers to improve nature and ecosystem management. • Improved performance against regulatory objectives.
Social capital and trust	• Building trust with stakeholders through partnerships where different organisations come together to deliver shared outcomes. • Actions that create positive changes in sentiment towards United Utilities due to impacts on environmental assets and ecosystem services that have impacts on society.
Ecosystem protection, restoration, and regeneration	• Direct and indirect restoration, conservation or protection of ecosystems or habitats. For example, improving peatland, woodland and other Sites of Special Scientific Interest (SSSIs). • Protection and conservation of native threatened species and management of invasive non-native species. • Investment in blue-green and traditional infrastructure for nature-positive outcomes. • Enhancing biodiversity and strengthening the presence of nature in an urban setting, through rainwater management.

Integrating nature in our business planning activities

Natural capital accounting

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

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

Biodiversity and invasive non-native species

All new developments in our capital programme requiring planning permission must deliver a 10 per cent uplift on biodiversity. To achieve this, we are applying the biodiversity gain hierarchy prioritising the delivery through the creation and buying of on-site and off-site units. We are also prioritising how we can conserve and enhance biodiversity across our business for inclusion in the AMP8 biodiversity performance commitment.

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

Investing towards a greener North West

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

Investing in the North West:

- Storm overflows – £2.4 billion to further reduce spills from storm overflows.
- Carbon enhancement peatland restoration – £20 million investment to restore 1,500 hectares of peatland benefiting net zero, biodiversity, water quality and resilience.
- Rainwater management – £224 million through the advanced WINEP programme in Greater Manchester, and an additional £49 million allowance to support climate change resilience.
- Windermere – We are proposing to spend £200 million to further protect water quality by improving wastewater treatment at a number of our treatment works around Windermere.

Upstream value chain

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

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

How we respond to material themes: nature

Downstream value chain

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

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

Resilience of our strategy to nature-related risks

Adaptive planning

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

Transitioning to a nature-positive economy

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

Scenario planning

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

Degraded impermeable future

Scenario description

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

Impact on our service

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

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

Our response

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

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

Resilient nature future

Scenario description

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

Impact on our service

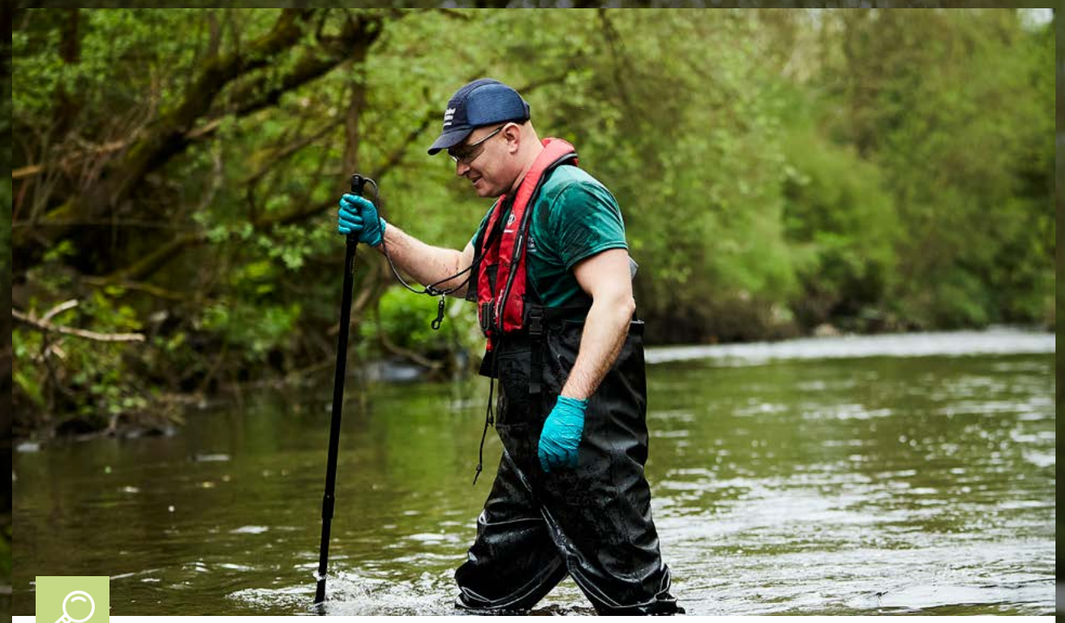
When water management strategies are effective in conserving water, there is consistent and reliable access to raw water sources, posing minimal environmental impact. In a sustainable water future, there is a positive societal behavioural change towards water conservation and management. The improved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

Our response

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

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

Spotlight on: environmental water quality and storm overflows



Taking action on storm overflows

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

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

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

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

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

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

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

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

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

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

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

How we respond to material themes: nature

Governance

TNFD disclosures

a. Nature is embedded in our governance structure and regulatory commitments. This is overseen and challenged by the board and its committees.

b. Interactions with nature through our operations are managed in multiple principal management committees across the business.

c. We actively work with our supply chain through our responsible sourcing principles to encourage our suppliers to operate in sustainable way.

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

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

Assessing and managing nature-related issues

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

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

Storm overflows and river water quality

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

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

Local communities and stakeholder engagement

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

Approach to human rights

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

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

Biome	Dependencies discussed	Impacts discussed
Freshwater	• WRMP24 – Defining our strategy to achieve a long-term, best-value and sustainable plan for water supplies in the region. Ensuring we meet future demand expectations from 2025 to 2085 and supply a system that is resilient to drought.	• Improving the condition of water bodies through our Better Rivers, WINEP investment programme. • Tackling our regulatory commitments on raw water quality, leakage, pollution, spills, and internal sewer flooding. • Reviewing our strategies on our chemicals investigation programme, emerging contaminants, PFAS, and microplastics.
Land	• Reviewing our bioresources strategy where we treat and recycle sludge to land for use as a high-quality fertiliser for local farms. • Collaborating with our suppliers to embed our circular economy principles and promote responsible sourcing and sustainability throughout our supply chain.	• Keeping informed on the emerging changes in guidelines and standards for nature-related reporting – we are not currently pursuing science-based targets for nature but will keep informed on the progress and review this decision periodically. • Our AMP8 mobilisation programme invests in improving the condition of nature, habitat health, and biodiversity.
Atmosphere	• Relying on renewable energy to power our production processes and tracking progress towards our green fleet ambitions for 2028.	• Progress towards our net zero performance and how we will achieve our targets. • On-site renewable energy generation through solar, wind, and hydro installations. • Developing a position statement on the use of HVO alternative fuel within our direct operations and supply chain.

Our supply chain modern slavery risk assessment is available on our website at **unitedutilities.com/corporate/responsibility/our-approach/human-rights**

See how **nature-related matters are considered within our governance structure** on page 37

Risk management

TNFD disclosures

a. We use horizon scanning, natural capital accounting, and land management approaches to identify, assess, and prioritise nature-related risks and opportunities.

b. We identify, assess and prioritise nature-related matters in our upstream and downstream value chain at site and corporate level using a range of controls.

c. We manage and monitor identified matters in the near term through our business planning process and over the long term through our drainage and water resources management plans.

d. Nature is fully integrated into our risk management process and informs the development of our short- and long-term strategic plans.

There are five drivers of nature change: climate change; land and freshwater use change; resource use and replenishment; pollution and pollution removal; and invasive non-native species. We consider nature-related impact drivers in our most significant group risks; a list of our principal risks can be found on pages 62 to 63. Identified risks and opportunities are managed, prioritised and integrated into our overarching risk management framework through a range of preventative and responsive controls.

Direct operations

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

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

Upstream value chain

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

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

Downstream value chain

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

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

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

Once our material risks are identified, we evaluate and prioritise our operational and strategic dependencies and impacts over short-term (one year), medium-term (up to 2030), and long-term (beyond 2030) time horizons. The identification, analysis and management of risk is integrated in our overall risk framework and often gives rise to opportunities that will positively affect our performance. All upside and downside risks are monitored through our business risk management processes, as outlined on pages 58 to 65.

How we respond to material themes: nature

Metrics and targets

TNFD disclosures

a. We track and monitor our nature-related risks and opportunities through our risk management framework, long-term strategic planning, and nature-related reporting.

b. We set short-, medium-, and long-term nature-related targets that align with regulatory expectations.

c. Performance against our environmental KPIs can be found on page 72.

Risks and opportunities

We monitor a wide variety of metrics and set targets to help track and assess nature-related risks and opportunities. To measure our performance, we demonstrate delivery against contributing targets from a number of statutory requirements, such as the condition of protected sites, biodiversity net gain, and environmental performance. We manage our material nature-related risks through the controls set out on pages 58 to 59.

Impacts and dependencies

We embed our impacts and dependencies on nature and total value into decision-making. One of the ways we do this is through natural capital accounting to assess the extent and value of the benefits our land provides to us and the rest of society. As we update our account in future, we can track changes to our natural assets and quantify improvements from our investments.

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

The table below discloses relevant local level nature-related metrics, including sector-specific metrics, as set out by the TNFD. Where applicable, we present our targets and describe our progress towards these targets. Performance towards our full list of environmental key performance indicators (KPIs) is reported on page 72.

TNFD metric no.	Driver of nature change	Metric	Position at end March 2025	Commentary
C1.0	Land/ freshwater/ ocean use change	Total spatial footprint (hectares)	56,000 hectares	Our Corporate Natural Capital Account asset register shows that our estate is made up of 37 per cent grassland, 33 per cent mountain moorland and heath, 12 per cent woodland and 10 per cent enclosed farmland – the remainder is a combination of freshwater, urban and coastal margins. Our services are also dependent on over 550,000 hectares of catchment land across the North West Region, not under our ownership or management. **Target:** We do not currently have a target to increase or decrease our owned and managed land; any major land sales or acquisitions will be reported via our next Corporate Natural Capital Account.
C1.1		Extent of land use change	3,000 hectares of peatland restored	We have restored natural processes on core upland sites owned by UUW and also on land we depend on, through large-scale planting and natural regeneration, peatland restoration and re-establishment of historic river systems. **Target:** Further 1,500 hectares of peatland restoration by 2030.
			91% favourable or unfavourable recovering condition SSSIs	Our estate includes 22,523 hectares of SSSI sites; in 2004, 14 per cent of total SSSI sites were in favourable or unfavourable recovering condition, we have increased this to 91 per cent through the delivery of our Sustainable Catchment Management Programme (SCaMP) initiative and significant investments in priority locations over the last five years. **Target:** Achieve 100 per cent favourable or unfavourable recovering status by 2030. We will do this through our AMP8 investment programme.
			640,252 trees planted	Woodland creation boosts biodiversity, protects water quality, improves air quality and helps with flood mitigation. We continue to identify suitable locations for further tree planting. **Target:** Plant 500,000 trees by 2030.
C2.0	Pollution/ pollution removal	Pollutants released to soil	Not measured	We do not currently measure this activity; we will closely monitor progress in this area in future and act accordingly.
C2.2		Waste generation and disposal	98.3% waste to beneficial use	All of our sewage sludge is treated to required standards before recycling to local agricultural land as biosolids for use as a fertiliser. Our biosolids comply with the Biosolids Assurance Scheme and have a 99.9999 per cent pathogen reduction.
C2.3		Weight of plastic bottles provided to customers	9 tonnes	We provide bottled water to our customers during periods when water supply is interrupted or may be unfit for consumption. The bottles we supply contain at least 25 per cent of recycled materials and are 100 per cent recyclable by users.
C2.4		Non-GHG air pollutants	0.9 NOx/GWh	Through the implementation of cleaner engine technology at our two largest Combined Heat and Power engine (CHP) facilities, Manchester and Liverpool, we have reduced the amount of NOx in the combustion gas being emitted from our engines by 50 per cent per cubic metre of gas produced (from 500mg down to 250mg NOx per m^3). This resulted in a reduction of tonnes of NOx emissions per GWh of electricity generation. We calculated that, through our actions, we have avoided 120 tonnes of NOx emissions over the AMP compared to FY2019/20. **Target:** 1.42 NOx/GWh (three-year rolling average)
C3.0	Resource use/ replenishment	Water withdrawal and consumption from areas of water scarcity	0 megalitres	According to the Environment Agency classification, our operations do not reside in areas of water scarcity.
C3.1	Invasive alien species (IAS) and other	Quantity of high-risk natural commodities sources from land/ ocean/freshwater	2	We identified the use of cement and steel throughout our capital programme as high-risk natural commodities or products where production can have a significant negative impacts on nature. These were identified using the SBTN High Impact Commodity List (2023). We are working towards a full assessment of our supply chain to determine the status of raw materials we use and the impact of resource extraction on the environment at the source.
C4.0		Proportion of high-risk activities operated under appropriate measures to prevent the unintentional introduction of IAS	Not measured	We do not currently report on the proportion of high-risk activities. We have identified areas where unintentional spread of invasive non-native species (INNS) can occur within our operations and are developing a strategy to tackle INNS.
Sector-specific disclosure indicators and metrics				
A3.2	Resource use/ replenishment	Water reduced, reused or recycled	Not measured	We do not currently measure this activity; we will closely monitor progress in this area in future and act accordingly.
WU.C2.11	Pollution/ pollution removal	Sanitary sewer overflows and recovery	39% reduction in spills per overflow	As part of our commitment to improve storm overflow performance and reduce spills impacting on the environment, we have a large overflow investment programme, reducing spills through the use of blue-green or hybrid solutions **Target:** Over 60 per cent reduction in spills per overflow in the decade to 2030.
A3.3	Resource use/ replenishment	Water loss mitigated	9% leakage reduction	We are at our lowest levels of leakage across the North West, and in the last year we have increased our find and fix rates by 70 per cent, fixing more leaks than ever before. **Target:** Further 13 per cent reduction by 2030.
WU.A6.0	Ecosystem condition	Clean drinking water provision	3.5% reduction in per capita consumption	In AMP8, we aim to reduce per capita consumption (PCC) to 110 litres per person per day by 2050, in line with the Government's Environmental Improvement Plan 2023. Customer behaviour to reduce water consumption plays a key role in reducing overall demand and this, combined with our efforts to reduce leakage, helps to ensure a sustainable supply of water across the North West. **Target:** Reduction in per capita consumption of 5 per cent for households and 7 per cent for businesses by 2030.

How we respond to material themes: customers

Strategic priorities related to customers

Deliver great service for all our customers

Top material themes related to customers

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

Strategy

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

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

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

We are replacing 900 kilometres of water mains during AMP8, upgrading seven of our water treatment works, and have a programme to replace 30,000 lead pipes. We are continuing with a programme of re-lining the Vyrnwy Aqueduct, as well as supporting the start of construction on the Haweswater Aqueduct Resilience Programme (HARP), which will see large sections of this critical supply line being replaced through direct procurement for customers (DPC). This year, the DPC contract was awarded to the preferred bidder, as set out on page 91, with construction due to commence in AMP8.

We already look after the raw water quality in the way we manage our catchment land, and we are keeping abreast and working across the sector to understand the potential impacts of emerging contaminants, including per- and polyfluoroalkyl substances (PFAS) – a vast group of synthetic 'forever chemicals' of growing global concern and stakeholder interest (see page 64). Valued for their thermal resistance and oil- and water-repellent properties, these are found in a wide range of industrial and consumer products, such as non-stick cookware and firefighting foams, but they build up in the environment and get into water resources. There are no regulatory standards for these emerging contaminants in drinking water in England and Wales, but the Drinking Water Inspectorate (DWI) issues non-statutory guidance to water companies and we factor this into our adaptive planning.

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

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

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

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

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

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

Governance

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

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

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

Additional governance oversight of our performance on drinking water quality is provided by the DWI, as quality regulator, who has recognised the significant improvements we are making. Operational performance is also overseen by other regulators, as detailed on page 24.

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

Risk management

Being so fundamental to our day-to-day service, customer and operational performance permeate many of our top risks. Seven of our principal risks, as set out on pages 61 to 63, are directly linked to our material customer themes:

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

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

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

We also look at the broader spectrum of risks in relation to common causal and consequence themes, as detailed on page 60.

Several common causal themes are focused on material customer themes:

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

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

Emerging contaminants has been identified as an emerging risk, as detailed on pages 64 and 65. It is included in all of our drinking water safety plan risk assessments, which inform our monitoring programmes, and we submit all of our risk assessments and data to the DWI. We also actively engage in research, such as the Chemicals Investigation Programme, so that we understand the risk and increase knowledge further to help inform solutions.

We monitor a number of risks underpinning customer service that sit outside of the top 13 listed on pages 61 to 63, including customer experience, cash collection, billing accuracy, and affordability support. These collectively take account of economic conditions, including cost-of-living pressures, providing value for money, and supporting our most vulnerable customers.

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

Given the fundamental nature of these customer-related themes to everything that we do, risk management of them is fully embedded into organisation-wide processes. Detail on the risk exposure, controls/mitigation, and assurance in relation to each of our principal risks can be found on pages 62 to 63.

Metrics and targets

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

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

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

Our annual performance report will be available from 15 July at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

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

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

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

More detail on our AMP8 final determination can be found at **unitedutilities.com/corporate/investors/our-plans-2025-2030**

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

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

How we respond to material themes: colleagues

Strategic priorities related to colleagues Provide a safe and great place to work

Top material themes related to colleagues 7 Health, safety and wellbeing; 17 Diverse and skilled workforce

Strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our 12 life saving rules

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

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

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

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

Service with respect
I remove myself from any situation where I feel threatened.

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

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

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

Wellbeing
I am fit and healthy to perform my tasks.

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

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

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

Do the right thing
I do it safely, or I don't do it

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

Make it happen
I see it, I own it, and I sort it

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

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

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

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

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

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

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

Governance

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

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

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

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

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

How we respond to material themes: colleagues

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

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

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

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

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

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

Risk management

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

- 'Programme delivery' – the size and scope of our AMP8 programme is significantly greater than we have delivered before, and our colleagues across the business (as well as our supply chain) will be essential in delivering it both effectively and efficiently.
- 'Cyber' – we rely on our colleagues being cyber safe to help protect our network from attempted attacks. Therefore, ensuring everyone working for us is appropriately trained and skilled in how to spot and avoid these attempts is very important to ensuring our assets are safe from cyber attacks.
- 'Process safety' – ensuring our colleagues are appropriately skilled is particularly important when dealing with inherently hazardous processes, which is why we place so much focus on compliance with mandatory training, and home safe and well, including the 12 life-saving rules.
- 'Treasury risk' and the risk of 'misstatement of reported information' – both of these material risks are heavily reliant on effective governance and checks from appropriately skilled colleagues.

Details on our risk exposure, controls/mitigation, and assurance in relation to the top risks can be found on pages 62 to 63.

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

Several common causal themes are focused on material colleague themes:

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

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

Metrics and targets

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

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

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

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

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

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

Read more at unitedutilities.com/corporate/responsibility/employees/diversity

How we respond to material themes: communities

Strategic priorities related to communities

Contribute to our communities

Top material themes related to communities

16 Supporting communities

Strategy

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

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

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

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

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

Governance

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

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

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

Risk management

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

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

Pages 61 to 63 detail how we are managing our principal risks, and our county delivery squad structure and dedicated stakeholder managers will be key to managing these.

Metrics and targets

Community investment is one of our operational key performance indicators, and our target for AMP7 was to increase our investment by at least 10 per cent compared with the average over AMP5 and AMP6, which we have surpassed as set out on pages 84 and 85.

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

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

Delivering for our communities in:

1 Cumbria

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

2 Lancashire

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

3 Merseyside

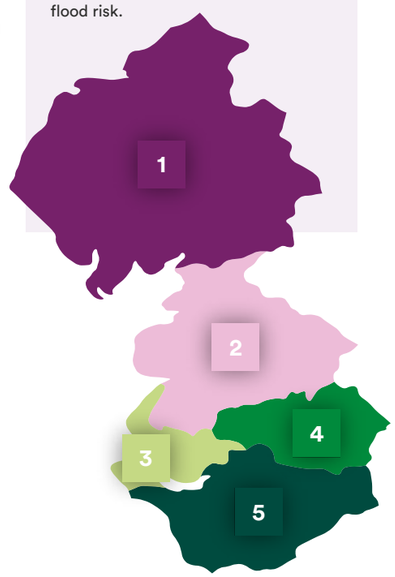
We are investing to support growth, resilience to climate change, and tackling overflows as well as helping those that need affordability support.

4 Greater Manchester

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

5 Cheshire

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



Read more on our county-based plans at pr24.unitedutilities.com

How we respond to material themes: efficiency

Strategic priorities related to efficiency Spend customers' money wisely

Top material themes related to efficiency 13 Financial risk management; 14 Corporate governance & business conduct

Strategy

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

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

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

Financial risk management is important for:

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

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

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

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

Governance

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

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

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

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

Risk management

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

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

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

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

Metrics and targets

Efficiency is a core focus of our capital programme delivery incentive (CPDi), which is a key performance indicator and bonusable measure. As well as numerous metrics that we monitor internally, we also report on pages 86 and 88 against partnership leverage, which helps to drive improved efficiency.

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

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

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

How we respond to material themes: cyber

Top material themes 8 Cyber and data security

Strategy

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

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

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

Governance

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

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

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

Risk management

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

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

- Enhanced physical security measures to counter general criminality and potential terrorism as appropriate.
- We monitor and review alerts and guidance issued by the NCSC and the US Cybersecurity and Infrastructure Security Agency, and implement new security technologies, where needed, to address growing threats, such as upgrades to our firewalls and multi-factor authentication to access our systems. We maintain strong information-sharing links with the broader UK water industry, security partners and vendors, and the wider information security community.
- We have a structured security policy framework, including detailed guidance to allow all users, administrators, and moderators to operate within a clearly communicated, best practice ruleset. Internal audits are regularly carried out to ensure compliance is maintained.
- Colleague training, including mandatory 'Security Seven' training, cyber incident training, and enhanced training for incident first responders. We improve colleague awareness with regular cyber incident response exercises, phishing tests and associated training, as well as running regular cyber-related events. We retain a dedicated, third-party cyber incident responder to be deployed in the event of a major cyber incident.
- Our cyber security incident response plan is incorporated into business continuity and incident management plans and processes, and we have a dedicated business-wide cyber security incident response team. Our incident response plans are regularly tested using independent incident exercise providers, ensuring our teams are prepared for all the most likely cyber incident scenarios.
- Strong, independent assurance, including a continuous annual schedule of penetration testing, red team exercises for both physical and cyber and regulatory audits against our operational assets, and independent assurance and guidance against our regulatory security commitments as part of our annual security assessments. We have a comprehensive supply chain security assurance process, and work with suppliers to help them reach the required security level where needed.

Metrics and targets

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

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

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

Our approach to risk management

Our risk and resilience framework

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

Our approach to risk and resilience

Successful management of risks and uncertainties enables us to deliver on our purpose to provide great water for a stronger, greener and healthier North West, and be more resilient across our corporate, financial and operational structures. A key objective of our approach to risk and resilience is to support the sustainable achievement of the strategic priorities (see page 28) that underpin our purpose.

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

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

Key components of the framework include:

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

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

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

Governance and reporting process for risk management

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

The board undertakes a comprehensive review of the business risk profile twice a year in line with the full and half-year reporting cycle. This review considers: the key features of the risk profile; the nature and extent of the group's principal risks (see pages 61 to 63) relative to the most significant event-based group and operational risks; risks relative to financial risk appetite limits; and new and emerging risks (see pages 64 to 65). The board also regularly undertakes reviews and deep-dives of specific risks. In combination, the board's biannual risk profile review and specific risk reviews supports decision-making, and enables it to:

- decide on the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives;
- ensure appropriate controls and mitigation are in place, and test the appropriateness of plans to manage risk and realise opportunities;
- report on the long-term viability of the company in an informed manner (see page 126); and
- monitor and review the effectiveness of risk management and internal control systems (see pages 124 to 125).

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

The effectiveness of risk management and internal control systems is formally reviewed on an annual basis, in accordance with the code. The assessment, which takes into account relevant governance, risk management processes, internal control systems and assurance factors, is undertaken by the GARB before escalation to the audit committee, which acts on behalf of the board on this matter. See pages 124 to 125 for further details of the effectiveness review and outcome. The internal audit team provides periodic independent assurance on the effectiveness of risk management. This was last undertaken in 2023 for both risk management and risk appetite and tolerance.

Risk appetite and tolerance

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

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

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

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

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

How we assess and manage risk

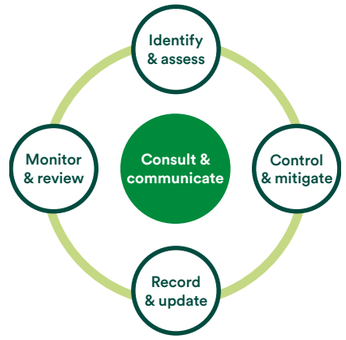
We have a number of mechanisms in place to identify risk, including: consideration of primary and supporting activities which make up our inherent risk areas; the water cycle; cross-business horizon scanning forums; review of national and sector risk registers; and consultation with professional service firms and risk forums. Understanding the context of risk relative to our objectives and obligations is a fundamental part of the assessment. Assessment of risk takes into account new and emerging circumstances from the internal and external business environment and utilises 'bottom-up' information from operational and project risk assessments where appropriate. Risk assessments are also supported by 'top-down' assessments as described in the governance and reporting process section on page 58. This integrated 'top-down, bottom-up' approach ensures that reporting reflects the risks facing the company, serves to calibrate the risk assessments, and enables assessment of the risks relative to our appetite.

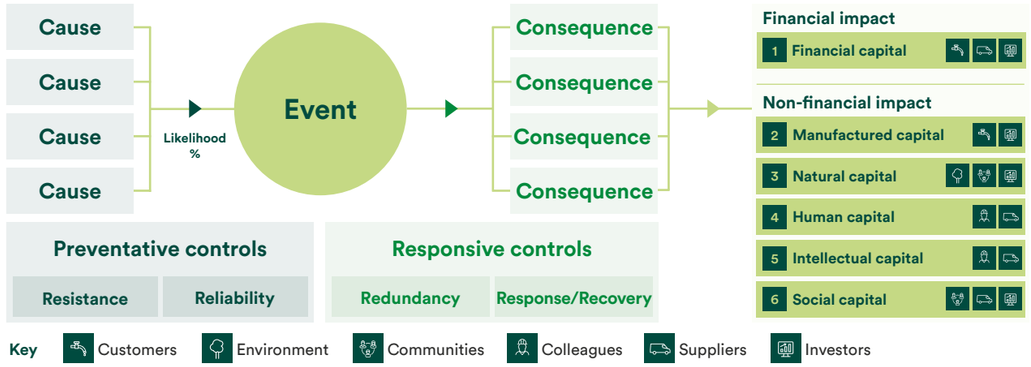
Following evaluation of the risk context, the process then quantifies the risk for likelihood and impact by considering the components of risk using a risk bow tie as illustrated in the diagram below. The likelihood of the event occurring is based on the causal factors with the financial and non-financial impacts reflecting the consequences of the event should it occur. Financial impact includes loss of revenue, additional costs, fines, regulatory penalties and compensation. Non-financial impacts align to the six capitals (see pages 22 to 23) to ensure a holistic consideration of where value can be gained, lost or preserved across the wider environment and society, and represents the impact on trust (reputation) of a wide range of stakeholders. The full range of financial and non-financial impact is considered from a minimum (best case) to a maximum (worst case) scenario. Out of this range, the most likely impact scenario is assessed.

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

Identifying opportunities

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





Our approach to risk management

Our risk profile

A key feature of the business risk profile is inherent risk areas. These are categories of risk that are based on the value chain of the company, reflecting the interrelationship of the primary (water service and wastewater service including bioresources), and supportive activities or areas of responsibility (such as finance, supply chain, environment, and health and safety), where value can be gained, preserved, or lost. As a result, the inherent risk areas support the identification and/or gap analysis of all types of risks, facilitate analysis of correlation and interdependency, and provide the platform for determining risk appetite and tolerance, which, in turn, helps us to articulate our direction and priorities to support decision-making around risk and resilience. Underpinning the inherent risk areas are, approximately, 100 event-based risks, which are inherent to the company's objectives and obligations, and cover core elements of the production lines, systems, networks and activities across the business. Each event-based risk remains dynamic by reflecting new and emerging circumstance relative to the ever-changing external threats and internal vulnerabilities.

Common risk themes

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

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

Common causal themes

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

Common consequence themes

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

Our principal risks

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

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

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

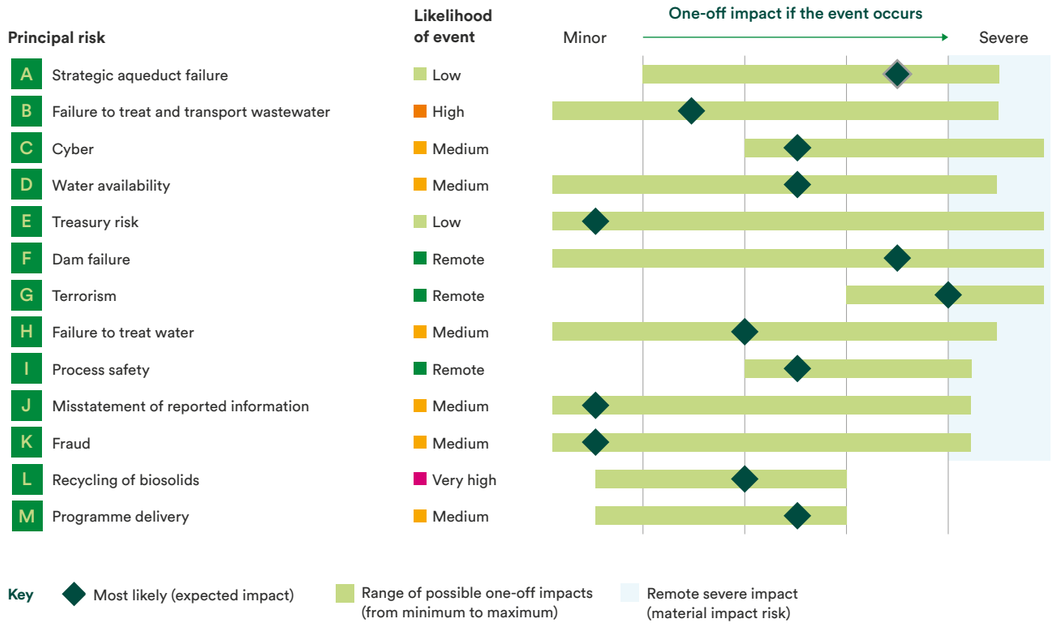
The overlap between the material impact and significant long-term risks is represented in the diagram below. A summary of the principal risks and associated mitigation/control is provided on pages 62 to 63.

Principal risks

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

Principal risk exposure

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



Our principal risks

Principal risk	Risk exposure	Control/mitigation	Governance and assurance
A ↔ **Strategic aqueduct failure** MATERIAL IMPACT · LONG TERM	We own and operate nine aqueducts, which transfer water from major treatment works and large service reservoirs to the wider network. Asset deterioration and damage (caused by third party or natural event) are key risk factors to water supply and/or quality relative to large proportions of our customer base. The Haweswater Aqueduct is the most significant asset of this type and currently has the lowest level of resilience.	We are committed to delivering a resilient supply of water. Material controls are: • **Rehabilitation/restoration:** Current initiatives include the Haweswater Aqueduct Resilience Programme and Vyrnwy Aqueduct Modernisation Programme. • **Contingency plans:** Plans to minimise environmental damage and deploy alternative supply options. Other controls include protective easements, inspections, and monitoring of flow, pressure and turbidity via sensors and alarms.	**Governance** • Water quality first board[M] • Water price control[M] **Assurance** • Engineering team technical reviews[2] • Assurance team reviews[2] • Cyclical internal audits[3]
B ↑ **Treatment and transportation of wastewater** MATERIAL IMPACT · LONG TERM · TCFD	We own and operate network and treatment assets to collect and treat wastewater before it is safely returned to the environment. Risk factors to the hydraulic and operational capacity include: population growth; extreme weather (amplified by climate change); increased surface runoff due to residential and commercial developments; improper or harmful use of the sewer systems; and inherent asset health issues. Consequential failure, now subject to tightening legislation, can result in unpermitted storm or emergency overflow activations, sewer flooding and environmental damage.	We focus on providing reliable and resilient wastewater services. Material controls are: • **Serviceability:** Desilting, cleaning and maintenance of sewers and wet wells. • **Maintenance:** Inspection, servicing, repair and replacement of assets due to proactive and reactive activity. • **Dynamic Network Management:** Proactive decision-making and action driven by machine learning system monitoring of strategically placed sensors. • **Licence to operate:** Training and competence. Other controls include customer awareness, trade effluent management and emergency response. In addition, our Better Rivers programme focuses on improving river water quality and reducing spills from storm and emergency overflow operation.	**Governance** • Wastewater Price control[M] • Flood committee[M] • Pollution committee[M] **Assurance** • Assurance team reviews[2] • Cyclical internal audits[3]
C ↔ **Cyber** MATERIAL IMPACT · LONG TERM	As we continue to develop our digital capability, we become more reliant on connected technology, not only in the way we operate, but also the way in which we communicate with our customers and the wider community. Cyber incidents continue to grow in all industries with a constantly changing threat landscape. The potential for data and technology assets to be compromised is a key risk to business processes and operations.	We employ a multi-layered control environment. Material controls are: • **Infrastructure access controls:** Perimeter and internal firewalls, and intrusion detection systems. • **System access controls:** Restrictions to systems, data and internet usage. • **Point protection:** Anti-malware suite and mail gateway service, which includes malware detection, transmission protocols, and endpoint actions. • **Monitoring and response:** Capability to identify and respond to threats via our Security Operation Centre. Other controls include awareness training, and business continuity plans.	**Governance** • Security steering group[M] **Assurance** • Security team reviews[2] • Annual internal audit[3] • External reviews[3]
D ↔ **Water availability** MATERIAL IMPACT · LONG TERM · TCFD	Water availability is a long-term risk for the UK relative to climate change and increased demand from population growth and increasing industrial usage. It is one of the most sensitive risks to climate change with lower-than-average rainfall and changing seasons affecting water resources, while extended periods of hot weather increases evaporation and demand. Both the environment and the capacity to supply water can be affected with the potential for water use restrictions to be implemented. Changing environmental legislation on abstraction and compensation is also a factor.	We are committed to the sustainability and resilience of water resources. Material controls are: • **Strategy:** Our Water Resources Management Plan (WRMP) takes account of climate and demographic change over short-, medium- and long-term horizons. • **Production planning:** Proactive activity to balance water availability and production capacity against forecast demand. • **Contingency plan:** The Drought Plan sets out the actions we will take in a drought situation. Other controls include abstraction and leakage management, and water efficiency programmes.	**Governance** • Water quality first board[M] • Water price control[M] **Assurance** • Assurance team reviews[2] • Internal audits[3]
E ↑ **Treasury risk** MATERIAL IMPACT	We are inherently exposed to liquidity, market, credit and capital risk due to our debt financing, cash and derivative holdings, defined benefit pension scheme and a significant annual commodity spend, notably energy. Risk factors include market fluctuations, cost or revenue shocks, process or system errors or failures (internal or counterparty), and company or sector poor performance. Impacts can be conflated and range significantly relating to: wholesale revenue; the cost of goods and services; the cost of debt; the group's Regulatory Capital Value; defaults and breach of covenants; inability to access debt or cash deposits; and ultimately insolvency.	We have a robust and prudent approach to financial risk management. Material controls are: • **Approved limits:** Interest, inflation, commodity exposure limits, and credit rating and financial ratio tolerance levels. • **Control of work:** A management system that includes authorisation, transaction parameters, segregation of duties and supervision. • **Licence to operate:** Training and competence. Other controls include company business planning and monitoring of both internal and counterparty performance. The banking resolution regime also provides protection in the event of bank failures.	**Governance** • Operational Compliance review[M] • Executive performance meeting[M] • Treasury committee[B] **Assurance** • Cyclical internal audit[3]
F ↔ **Dam failure** MATERIAL IMPACT	We own and operate a fleet of over 100 dams and service reservoirs, many of which fall under statutory regulations due to their significant capacity. The integrity of all dams is fundamental to water availability, and the safety of society and property downstream. Flood damage, overtopping, earthquake or erosion could, in remote circumstances, result in an uncontrolled release of a significant volume of water with catastrophic implications.	We are focused on maintaining extremely low probabilities of individual dam failure. Material controls are: • **Portfolio Risk Assessment (PRA):** Assessment of individual dams in the context of societal risk. • **Inspections:** Regular monitoring by catchment teams and Supervising Engineers. • **Remedial work:** Fixes based on PRA or statutory requirements "in the interest of safety" (ITIOS). Other controls include ground maintenance to manage vegetation and erosion, and contingency plans.	**Governance** • Dam safety group[M] **Assurance** • Assurance team reviews[2] • Cyclical internal audits[3] • Panel engineer inspections[3]
G ↔ **Terrorism** MATERIAL IMPACT	The water industry is classed as one of 13 'Critical National Infrastructure' (CNI) sectors, which are defined as facilities, systems, sites, information, people, networks and processes, necessary for a country to function and upon which daily life depends. Within this definition, a number of specific UU assets are assigned a CNI or 'National Infrastructure' (NI) designation, which, although deemed as remote, could if compromised, lead to severe economic and social consequences.	We employ a multi-layered approach in accordance with the Security and Emergency Measures Direction (SEMD) of the Water Industry Act. Material controls are: • **Physical access controls:** These include gates, fences, security guards, CCTV and access control systems. • **Monitoring and response:** Security alarm management via our Integrated Control Centre. Other controls include the physical hardening of assets based on priority and operational site inspections.	**Governance** • Security steering group[M] **Assurance** • Security team reviews[2] • Assurance team reviews[2] • Cyclical internal audits[3] • External reviews[3]
H ↔ **Treatment of water** MATERIAL IMPACT · TCFD	Threats to water treatment include asset health, process failure and the contamination (natural, chemical or biological) of raw water. Climate change is a key factor of raw water contamination due to intensifying catchment erosion and runoff, more frequent wildfires and increasing algal bloom, which can produce taste and odour problems. Failure to treat water can lead to non-compliance with regulatory standards, rejection of water by consumers for aesthetics or, in extreme cases, public health issues.	We are committed to providing wholesome drinking water. Material controls are: • **Sampling and testing:** Occurs across the entire system to ensure water is safe and compliant. • **Sensors and alarms:** Monitors deviations from acceptable levels with alarm triggered response. • **Maintenance:** Inspection, servicing, repair and replacement of assets due to proactive and reactive activity. • **Licence to operate:** Training and competence. Other controls include an end-to-end risk assessment process, contingency plans, and the monitoring of the regulatory position on emerging contaminants.	**Governance** • Water quality first board[M] • Water price control[M] **Assurance** • Scientific service team reviews[2] • Assurance team reviews[2] • Cyclical internal audits[3]
I ↔ **Process safety** MATERIAL IMPACT	Our activities include chemical, biological and physical processes that are inherently hazardous, with the storage of toxic and explosive gases across multiple sites (two of which fall under the Control of Major Accident Hazard (COMAH) regulations). An unintentional release of chemicals, energy, or other potentially dangerous materials (including steam) during these day-to-day activities could, in the worst case, have a serious effect on people, plant/equipment, and the environment.	We are committed to improving health and safety performance, with process safety being a primary area of focus. Material controls are: • **Control of work:** A management system that includes authorisation, isolation and permit to work. • **Management of change:** Risk assessment and safe, effective implementation of changes. • **Maintenance:** Inspection, servicing, repair and replacement of assets due to proactive and reactive activity. • **Licence to operate:** Training and competence. Other controls include monitoring through sensors and alarms and emergency/contingency plans.	**Governance** • Process safety group[M] • Health & safety board[M] **Assurance** • H&S team reviews[2] • Assurance team reviews[2] • Cyclical internal audit[3]
J ↔ **Misstatement of reported information** MATERIAL IMPACT	We are bound by legislation and regulation to provide statutory financial accounts and regulatory reports to demonstrate financial health, performance, compliance with legal and regulatory requirements, and provide information to stakeholders for their ongoing interest and/or investment in the company. Failure to provide accurate and/or complete information is reputationally damaging and, depending on the nature of any misstatement or misreport, could accrue significant penalties and additional scrutiny.	We are committed to reporting in an open, compliant and transparent way. Material controls are: • **Financial controls:** A management system including journal procedures, analytical reviews, and control accounts. • **Regulatory reporting framework:** A set of principles relating to reporting criteria, accountabilities, data capture, governance and assurance. • **Validation:** The identification of potential errors and reconciliation of financial parameters. Other controls include accounting policies, schedules, risk assessment and management of queries.	**Governance** • Executive performance meetings[M] • Audit committee[B] • Compliance committee[B] **Assurance** • Financial control team review[2] • Regulation and compliance team review[2] • Internal audits[3] • External audit[3]
K ↔ **Fraud** MATERIAL IMPACT	The scale of UU's operations presents multiple opportunities for fraud to be perpetrated from inside and outside of the company, potentially impacting us, our stakeholders and third parties. Fraud can be committed by individuals or groups with examples including false representation, unauthorised disclosure of personal information, the supply of inferior products / false invoices, and misuse or theft of company property. The Economic Crime and Corporate Transparency Act 2023 introduced a new corporate offence for failure to prevent fraud, which can carry an unlimited fine.	We are committed to preventing fraud. Material controls are: • **Control of work:** A management system that includes authorisation, delegated authority, segregation of duties, supervision and data protection procedures. • **System access controls:** Restrictions to systems, data and internet usage. • **Procurement & purchasing standards:** Strict procedures to procure services and purchase goods. • **Verification:** Checks on invoices, bills and refunds. Other controls include awareness training, confidential reporting and a fraud risk assessment.	**Governance** • Security steering group[M] • Whistleblowing committee[M] • Audit committee[B] • Group board[B] **Assurance** • Departmental review[2] • Cyclical internal audit[3] • External review[3]
L ↑ **Recycling of biosolids** LONG TERM · TCFD	Wastewater treatment generates significant quantities of sludge, which is subsequently treated to produce biosolids, the majority of which are recycled to agriculture as the most practical environmental option. A reduction in the landbank could have significant implications to strategy and operations with a total loss being the worst-case scenario. Threats include: the quality of biosolids; changes in public or political perception; changes in regulations associated with emerging contaminants and climate change; and/or the willingness of farmers or landowners to receive biosolids.	Treatment, sampling and testing ensures that quality standards are met, and we work closely with farmers, landowners and contractors to ensure compliance with regulations (notably the Biosolids Assurance Scheme). We are also investing in our sludge treatment assets to ensure capacity, reliability and environmental compliance is upheld. In addition, we continue to work closely with regulators to influence policy. We are also developing contingency plans should regulation change in the near term, with a notified item included in the final determination enabling an interim determination (IDOK) if significant investment is required to develop alternative disposal outlets before 2030.	**Governance** • Bioresource team review of BAS compliance[M] • Executive performance meetings[M] **Assurance** • Assurance team reviews[2] • Cyclical internal audit[3] • External BAS audits[3]
M ↑ **Programme delivery** LONG TERM	The capital programme involves significant investment in the development and improvement of point and linear assets through a series of projects to improve water supply and wastewater services. Delivery to time, cost and quality is under constant challenge due to ongoing exposure to natural hazards and the capacity and capability of third parties, partners and internal resource. This risk is amplified by the significant scale of the capital programme across this and future asset management periods (AMPs) coupled with challenging cost allowances and performance commitments.	Our capital programme operating model involves multiple construction and design partners, and a large supplier base, providing both efficiency and resilience. With strong emphasis placed on safety and the environment, we adopt a supplier relationship management framework to manage contracts and performance, a runway approach for project allocation, and category management for the supply of products and materials. Performance is measured through our capital programme delivery incentive and monitoring performance commitment deliverables. For operations, a transformation programme is in development with five clear areas of focus within an agreed prioritisation framework.	**Governance** • Project management office[M] • Capital investment committee[M] • Executive performance meetings[M] **Assurance** • Assurance team reviews[2] • Cyclical internal audit[3]

Key

Risk Categorisation
MATERIAL IMPACT Material impact
LONG TERM Significant long-term exposure

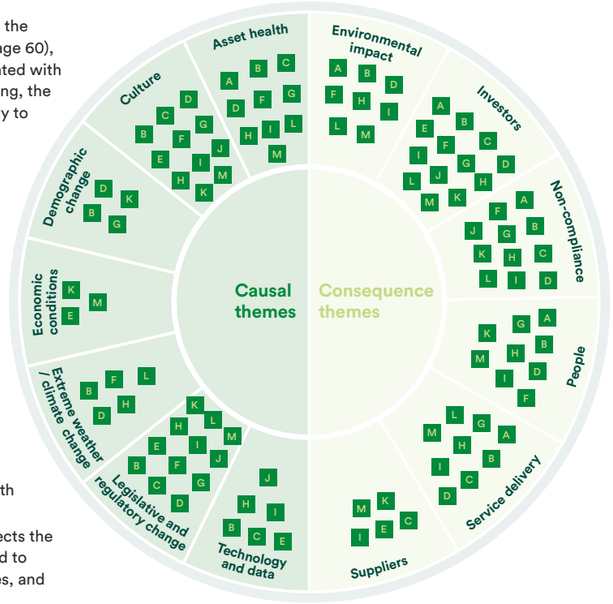
Governance
M Management committee
B Board committee

Assurance (refer to pages 139 to 141)
2 Second line assurance activity
3 Third line assurance

Change in risk exposure over the year (see page 64 for explanation)
↔ Stable ↑ Increased

Our principal risks

The wheel diagram illustrates how the principal risks relate to the common causal and consequence themes (as described on page 60), demonstrating how new and emerging circumstances associated with the themes can influence the likelihood of a risk event occurring, the impact should the event occur, and the capacity and capability to respond through control/mitigation.



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

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

Key

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

New and emerging risks and opportunities

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

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

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

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

Regulatory change

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

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

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

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

Emerging contaminants

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

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

Read more about emerging contaminants and PFAS at **unitedutilities.com/pfas**

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

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

Technological innovation

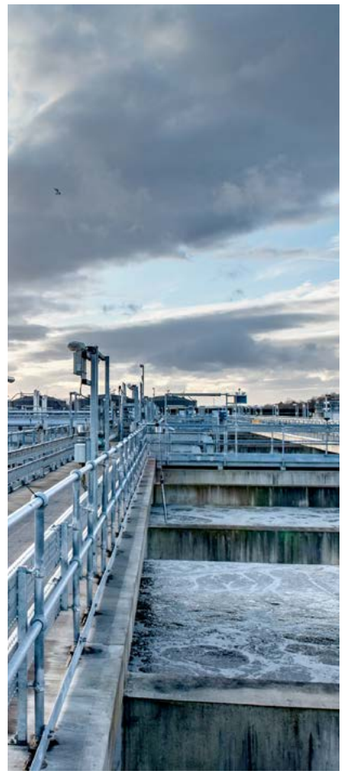
We recognise technological innovation as an opportunity to improve efficiency, service levels and resilience. Artificial intelligence and machine learning is already central to our Dynamic Network Management approach that we have adopted across our wastewater system, and we continue to evolve our digital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

Technological development can also result in new and emerging risk, in particular with regards to the security and accuracy of information and the potential implications for our operations and service. In addition, our ongoing digital expansion could increase the exposure to cyber attacks. Hydrogen generation and the data centre market (driven by factors such as the expansion of artificial intelligence and cloud computing) are expected to grow substantially, both of which require significant amounts of water –putting further unprecedented demand on water resources.

Geopolitical issues

Geopolitical issues continue to emerge with recent developments in tariffs compounding the existing geopolitical tensions and supply chain complexities associated with conflicts in Ukraine and the Middle East. Emerging risks relate to potential further changes in global trade policies which may impact economic stability and inflation (which affects costs in the short term but presents a financial opportunity in the long term due to the regulatory mechanism).

We already have multiple suppliers, category management, and framework agreements in place, which provide protection for inherent volatility in the supply chain; however, we will continue to monitor the situation and work with our partners and supplies to ensure we continue to efficiently source key goods and materials.



Material litigation

The group robustly defends litigation where appropriate and seeks to minimise its exposure by establishing provisions and seeking recovery wherever possible. Litigation of a material nature is regularly reported to the group board. While our directors remain of the opinion that the likelihood of a material adverse impact on the group's financial position is remote, based on the facts currently known to us and the provisions in our financial statements, the following three cases are worthy of note:

- In relation to the Manchester Ship Canal Company matter reported in previous years, the Supreme Court issued a ruling in July 2024 that overturned a number of rulings in lower courts that had previously gone in UUW's favour. This latest Supreme Court ruling provided clarity in relation to the rights and remedies afforded to the parties and others in relation to discharges by water companies into the canal and other watercourses, and brought the long-running litigation to a close. Specifically, the ruling clarified that common law claims in nuisance/trespass may be brought by MSCC (and those with proprietary rights in watercourses/water bodies) against water and wastewater companies where the relevant legal thresholds for bringing a claim have been met. No such common law nuisance/trespass claims have been received by UUW to date from either MSCC or any third party, with the likely receipt of any such claims, and their potential success and any financial implications, being unclear at the reporting date.
- As reported in previous years, in February 2009, United Utilities International Limited (UUIL) was served with notice of a multi-party 'class action' in Argentina related to the issuance and payment default of a US$230 million bond by Inversora Eléctrica de Buenos Aires S.A. (IEBA), an Argentine project company set up to purchase one of the Argentine electricity distribution networks that was privatised in 1997. UUIL had a 45 per cent shareholding in IEBA, which it sold in 2005. The claim is for a non-quantified amount of unspecified damages and purports to be pursued on behalf of unidentified consumer bondholders in IEBA. The Argentine Court has scheduled various hearings to receive the testimony of fact witnesses and experts (starting in May 2023 and ongoing). UUIL will vigorously resist the proceedings given the robust defences that UUIL has been advised that it has on procedural and substantive grounds.
- As disclosed in the group's annual report for the year ended 31 March 2024, collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against United Utilities Water Limited ('UUW') and United Utilities Group PLC on behalf of, approximately, 5.6 million domestic customers following an application by the Proposed Class Representative ('PCR'), Professor Carolyn Roberts. The PCR alleges that customers have collectively paid an overcharge for sewerage services during the claim period as a result of UUW allegedly abusing a dominant position by providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against UUW (including interest) for household customers is at least £141 million. On 7 March 2025, the CAT unanimously concluded that claims could not proceed on the basis that the claims brought forward are excluded by section 18(8) of the Water Industry Act 1991. Subsequently, the PCR has applied to the CAT for permission to appeal the decision at the Court of Appeal. If permission is granted, this could result in an appeal towards the end of 2025 or in 2026. UUW believes the claim is without merit and will robustly defend it, should the certification decision be overturned on appeal. Separate letters before action were issued on 20 December 2024 in relation to similar claims in respect of non-household customers; however, it is not clear how these will proceed following the CAT's decision not to certify the claims brought in respect of domestic customers.

How we report our performance

Operational performance

In order to assess our operational performance, we look at a variety of metrics to measure how effectively we are delivering against our purpose and strategic priorities. Operational performance in this integrated report is structured according to the key elements of our purpose – greener, healthier and stronger. This also provides alignment with environmental, social and governance (ESG) matters.

For each of these elements, we have selected three key performance indicators (KPIs) and also report on a comprehensive table of other metrics that are of material interest to our stakeholders. In selecting these, we give consideration to what stakeholders tell us matters most, as well as our contribution to wider value and global goals such as the UN SDGs and climate change mitigation goals. We also disclose the key stakeholder for each metric.

We provide performance data for the last three years to enable movements and trends to be observed, and we rank performance against our targets using a traffic light system – either green, amber or red.

As this is the integrated annual report and financial statements for United Utilities Group PLC, the metrics we report relate to all activities undertaken by the group unless stated otherwise in the performance tables. Those that are not group metrics relate solely to the water and wastewater activities of our regulated entity, United Utilities Water Limited (UUW). In particular, we report against a number of regulatory performance measures, and these relate only to UUW as the regulated entity. UUW performance is, in most instances, the same as group performance for these metrics, as UUW makes up the vast majority of group activities, with only a small amount of non-regulated activity undertaken outside of UUW.

For each section – greener, healthier and stronger – we also provide a case study to help bring to life the value we are creating. This year, we have focused on areas that will be of particular importance going forward, to provide some insight into areas where we expect to particularly improve performance.

Greener – we bring to life some of the important improvements we are making around Windermere, both through our investment plans and through our work with partners and third parties around the lake.

Healthier – we demonstrate how we are building on our already industry-leading affordability support to help even more customers across the North West.

Stronger – we describe the ways we are adapting our supply chain approach to help deliver our significant capital programme, and how we have started work to ensure supply chain readiness.

Operational KPIs

Operational KPIs can be found on pages 68, 78 and 84.

As this was the final year of the 2020–25 regulatory period, AMP7, our operational KPIs remain unchanged. Next year, with the start of the new 2025–30 regulatory period, AMP8, we expect to refresh the list of KPIs and associated targets, many of which will align with regulatory targets set out in our AMP8 final determination.

Other operational metrics

Other material metrics can be found on pages 72, 82, and 88 and a selection of ESG metrics can also be found on our corporate website:

Read more at **unitedutilities.com/corporate/responsibility/our-approach**

TCFD and TNFD

Performance against our climate and nature targets, together with our environmental KPIs, can be found within the Greener section of operational performance. These include our greenhouse gas emissions inventory and relevant local level metrics recommended by the Task Force on Nature-related Financial Disclosures (TNFD) to enable comparison.

Regulatory performance metrics

With the regulated entity UUW making up the majority of group activities, many of the metrics that are material to our stakeholders are regulatory performance metrics and, therefore, we disclose several of these in this report.

Performance against our regulatory contract is monitored and assessed each year, and more detailed information and narrative is reported within our separate annual performance report (APR), which is published in July of each year. The APR includes performance for the current year and cumulative performance across the AMP.

This was the last year of AMP7; therefore, next year's APR will be reset to align with the performance commitments set out in the final determination we received for AMP8.

Our previous year APRs are available on our website, and the APR for 2024/25 will be published in July 2025.

Our annual performance report will be available from 15 July at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

Financial performance

We look at a variety of measures across income statement, balance sheet, cash flow, regulatory, and other financial metrics.

We provide some underlying metrics that give a more representative view of our true business performance. More information on these alternative performance measures (APMs), and a reconciliation showing the adjustments to their IFRS equivalents, can be found on pages 98 to 99.

As with operational metrics, we rank financial performance against our targets using a traffic light system – either green, amber or red. For financial metrics, some targets are not externally disclosed due to commercial sensitivity. In these instances, the ranking is against our internal one-year business plan targets.

Financial KPIs

Financial KPIs can be found on page 92. These assess both profitability and financial resilience, including income statement, balance sheet and shareholder performance metrics, and are unchanged from last year.

Financial framework and guidance

Upon acceptance of the final determination, the board sets our financial framework with performance targets or forecasts against certain key financial measures. This includes our target gearing range, dividend policy, and estimated asset growth based on the regulatory total expenditure allowance.

We also provide one-year forward guidance on key financials including income statement measures, outcome delivery incentives (ODIs), and capital expenditure.

These can be found on page 93, which includes performance against the AMP7 financial framework as well as the framework elements that have been disclosed for AMP8. All forward-looking information should be viewed in accordance with the cautionary statement on the inside back cover of this report.

Financial information contained in the APR

It is worth noting that there is financial information contained within the APR, which relates only to the regulated company, UUW, and its appointed activities, and is calculated in accordance with the regulatory accounting framework. This differs from IFRS reporting, and a reconciliation to IFRS reporting is provided in the APR.

For the avoidance of doubt, the financial metrics in this report relate to performance at the group level, and are calculated within the definitions given herein.

Return on regulated equity (RoRE)

RoRE is a key measure relating to the regulated activities of UUW. It measures the regulatory returns (after tax and interest) that companies have earned by reference to the notional regulated equity (calculated as 40 per cent of the regulatory capital value (RCV) in AMP7, while the other 60 per cent of the RCV is notional net debt).

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

The base return is set as part of the final determination for each AMP. For AMP7, this was 3.97 per cent (real) on average, including an uplift for being a fast-track company. For AMP8 it will be around 5.15 per cent (real) on average, including an uplift for our quality and ambition assessment.

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

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

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

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

RoRE is also impacted by the outturn tax position, which has been updated this year to reflect the recalculated tax allowances published by Ofwat in March 2025.

We have a history of outperformance, having delivered 1.4 per cent above the base return in AMP6 and 2.1 per cent above the base return in AMP7 (both on a real basis).

RoRE is both a regulatory and financial performance measure, and one of our financial KPIs, but there are operational performance components that feed into it, particularly through ODI rewards/penalties.

Executive remuneration is linked to our RoRE performance through its inclusion in the Long Term Plan (LTP). Elements that contribute to RoRE performance (ODIs and C-MeX) are also part of the annual bonus for all employees.

Remuneration linked to sustainability performance

Part of being a responsible business and delivering our purpose involves making sure that remuneration for our executive, and for all colleagues, is based on sustainability-related metrics as well as financial performance, reflecting our performance for a variety of stakeholders.

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

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

Many of the remuneration metrics are closely aligned to our operational and financial KPIs and other operational metrics, and we report alongside our metrics whether they are linked, either directly or indirectly, to remuneration through the bonus and/or LTP.

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

Assurance of performance metrics

All of the performance metrics disclosed have received an appropriate level of assurance, such as independent third-party verification, regulatory reporting assurance processes, or through our own internal audit team. The performance tables on pages 68 to 88 state the form of any assurance has been obtained for each metric.

The sections of this report that have received external limited assurance are marked as such on the relevant pages, including the figures in our energy and carbon report and our remuneration report.

The relevant audit opinions can be found on our website at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

Benchmarking our ESG performance

We measure ourselves against national and international benchmarks of responsible business practice, and align ourselves to recognised management standards and accreditations to give confidence in the way we are operating. We actively participate in a range of global ESG ratings, indices and frameworks to benchmark our approach against best practice and emerging sustainability challenges. Our performance across a range of trusted indices is one of our operational KPIs. Our strong consistent performance against these external benchmarks demonstrates our commitment to operating in a responsible manner.

Many of the ESG indices draw their data from this report. We collate, monitor and report publicly on a wide range of performance measures across ESG categories. In addition to the wealth of disclosures and performance data throughout this report, further information on certain frameworks can be found on our website as follows:

World Economic Forum (WEF) International Business Council (IBC)

The WEF IBC has proposed a set of common metrics for the consistent reporting of sustainable value creation in mainstream annual reports. We already integrate many of these metrics in our integrated annual report and to make this easier for those searching for the information we have collated them into one place on our website.

Read more at **unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/wef**

Sustainability Accounting Standards Board (SASB)

SASB standards aim to standardise disclosure of material sustainability information mainly for companies based in the United States. As many of our shareholders are located in North America we publish comparable SASB data on our corporate website. This covers the main SASB data points for the water utilities industry, of which we are a part.

Read more at **unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/sasb**

How we're delivering our purpose: greener

Key performance indicators

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

Better Rivers: Better North West commitments

The percentage of in-year milestones delivered as part of our Better Rivers programme.

Target

At least 95% of programme milestones delivered by 2025

Annual performance

100%

All of this year's Better Rivers programme milestones have been delivered.

2023/24: 100 per cent of milestones for the year

2022/23: 100 per cent of milestones for the year

Status

Met expectation/target

Key stakeholder

Environment

Relevant material themes[2]

Environmental river water quality and storm overflows

Political and regulatory environment

Trust, transparency and legitimacy

Link to remuneration[3]

Bonus

Assurance[4]

Internal audit team

Carbon pledges

Six pledges to reduce our carbon footprint. Activities include peatland restoration, woodland creation and reducing the reliance of fossil fuels of our fleet.

Target

Individual targets for each of the six carbon pledges, as set out on page 74

Annual performance

Good progress

We have met three of the six pledges, and continue to make progress with the remainder. We have over 200 battery electric vehicles on the road and a further 200 ordered, 83 hectares of woodland will have been created by the end of the 2025 planting season, and we have reduced our scope 1 and 2 emissions by 10.5 per cent since 2020.

More information can be found on page 74

2023/24: Pledges 2, 4 and 6 met

2022/23: Pledges 2 and 6 met

Status

Met expectation/target

Key stakeholder

Environment

Relevant material themes[2]

Climate change mitigation

Energy management

Trust, transparency and legitimacy

Link to remuneration[3]

LTP

Assurance[4]

Independent third-party verification

EA's Environmental Performance Assessment (EPA) rating[1]

The Environment Agency's annual assessment across six, key sector, environmental performance measures.

Target

Upper quartile performance within the water industry each year

Annual performance

4-star 'industry-leading' rating

The most recent assessment is for 2023, when we were one of only three companies awarded the top 4-star rating, meaning we were classed by the Environment Agency (EA) as an industry-leading company.

The EA will publish its annual assessment for 2024 later in 2025.

2022: Joint second (3-star)

2021: Joint first (4-star)

Status

Met expectation/target

Key stakeholder

Environment

Relevant material issues[2]

Customer service and operational performance

Trust, transparency and legitimacy

Political and regulatory environment

Link to remuneration[3]

LTP

Assurance[4]

Independent third-party verification

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read more about our materiality assessment on pages 29 to 30.
(3) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172.
(4) Read more about the assurance over our performance metrics on page 67.

Creating value for

- Customers
- Environment
- Communities
- Investors

Consistently strong environmental performance

The Environmental Performance Assessment (EPA) published by the Environment Agency (EA) is an annual assessment consisting of seven metrics against which the performance of water and wastewater companies is assessed on a red, amber or green (RAG) basis. Based on performance across all of the metrics, star ratings (one to four, with four being the highest) are then applied to each company.

The most recent assessment is for the 2023 calendar year, and we were awarded the top '4-star' rating, meaning we were classed by the EA as industry leading.

We have been rated either three stars ('good') or four stars ('industry-leading') in every year's assessment so far, with the top 4-star rating secured in six of the last nine years. This is a strong achievement, particularly as the thresholds that the EA uses to assess companies' performance tighten each year, but we have remained consistently one of the best in the industry.

For 2023, we were assessed as green (achieved target or better) on six of the seven metrics.

On the seventh metric, total pollution incidents per 10,000km², we were assessed as amber. This was disappointing, as we have been an industry-leading performer on minimising pollution, and had been assessed as green against this metric for the previous 12 years running.

2023 was a particularly wet year and, with pollution being a weather-responsive measure, no company was assessed as green against this metric, but our performance did remain one of the best in the industry. We remained green against serious pollutions – the only company to be green on serious pollutions in every year of the EPA since it began – and we were joint top in the metric for self-reporting of pollution incidents.

We remain committed to improving further, as set out on page 09, with a 30 per cent targeted reduction in pollution incidents in our AMP8 final determination.

We were pleased to achieve 100 per cent across three of the seven metrics, including the on-time delivery of our Water Industry National Environment Programme (WINEP) schemes – a programme that is delivering significant improvements for the environment, including rivers, across the North West.

We expect that the EA's assessment for the 2024 calendar year will be published later in 2025.

Improving environmental water quality and reducing spills from overflows

We are dedicated to improving rivers, bathing waters, and other water bodies across the North West, and this is reflected in our strategic priorities and the commitments we have made as part of our Better Rivers programme, with four pledges supported by around 30 commitments to kick-start a river revival in the region.

Spills from storm overflows are an area of particular concern for many stakeholders across the UK, and we are committed to changing this century-old feature of wastewater networks. This is a significant change to the way these networks have operated for the last 150 years, not just in the UK but across the world, and it will not happen overnight.

In the North West, with more rainfall and more combined sewers (receiving rainwater in the same pipe as sewage) than average in the country, delivering the significant reduction in spills from storm overflows required by the Environment Act 2021 will be more challenging in the North West than in other areas. This is why we have an industry-leading spill reduction programme for AMP8, and have been accelerating work at high-spilling sites to deliver meaningful improvements as quickly as possible.

2024 was the first year with full monitoring across the entire period, as we completed fitting monitors to all of our storm overflows by December 2023. To improve transparency, we also published a map that shows the location and operational status of each overflow in near-real time.

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

The investment and dedication we have put into spill reduction is delivering significant improvements. In 2024, we had almost 20,000 fewer spills than in 2023, amounting to more than 205,000 fewer hours, which is a 31 per cent reduction in the duration of those spills.

Despite experiencing periods of particularly intense rainfall and four named storms in the last three months of the year, spills per overflow were down 39 per cent compared with the 2020 baseline. This surpasses our AMP7 target of a one-third reduction by 2025, and demonstrates the great progress we are making.

However, there is still a long way to go. Our AMP8 plans include the UK's biggest storm overflow spill reduction target, to deliver a reduction of more than 60 per cent in the decade to 2030, with an industry-leading £2.4 billion of investment dedicated to this in our final determination for the next five years.

Stock code: UU.

How we're delivering our purpose: greener

Another area that is particularly high on stakeholders' priorities for environmental water quality improvement is reducing phosphorus levels. Phosphorus can enter bodies of water from a number of sources, including agricultural runoff, industrial discharges, and wastewater. It can cause problems, particularly in static bodies of water such as lakes, where it stimulates the growth of algae. This is worsened by warmer weather, which also encourages algal bloom, so climate change will continue to increase this issue.

We have already delivered significant reductions in phosphorus levels from treated wastewater through our WINEP delivery, and our AMP8 plans include upgrading 80 wastewater treatment works to remove phosphorus at the highest technically achievable limit, and a further 28 per cent targeted reduction in phosphorus by 2030.

We have been innovating with more sustainable ways to remove phosphorus, including natural plant-based coagulants to replace some of the chemicals that are traditionally used, and FujiClean – an innovative version of a septic tank, which provides a full wastewater treatment system in a box, removing phosphorus without the use of chemicals. More on FujiClean can be found on page 73. We are also working with partners and third parties to help reduce phosphorus from other sources.

Focus on Windermere

Windermere is an iconic lake at the heart of the Lake District National Park and a popular tourist attraction, and its water quality has attracted a great deal of interest. We have been working to protect and improve Windermere's water quality for many years, taking responsibility for everything within our control and supporting others to help safeguard the lake for generations to come.

In 2024, despite rainfall in Cumbria being heavier than it was in 2023, we reduced both the number and the duration of spills around Windermere, and our AMP8 plans will see significant further improvements.

We are investing £200 million to improve water quality in the Windermere catchment – tackling phosphorus and other nutrients as well as reducing spills from storm overflows. Our investment will bring every wastewater treatment works in the catchment up to the highest possible standard there is, using new innovative technologies, and increase storage capacity at each of our storm overflows to achieve the long-term target of ten spills or less per year.

In addition to this investment to tackle our impact, we are also working in partnership with Love Windermere to help address other sources of pollution into the lake from private households and commercial sites.

More information on the innovative technologies we are using around Windermere can be found on page 73.

Innovative interventions to reduce pollution

We are increasingly making use of innovative technology and techniques, including artificial intelligence (AI) and machine-learning, to help us predict and resolve issues across our wastewater network before they lead to sewer flooding or pollution incidents.

Our investment in Dynamic Network Management (DNM) has helped us to clear record numbers of predictive and proactive blockages, leading to a significant reduction in reactive blockages, particularly in the last three years. We are now deploying the same DNM logic, tools, and systems to predictively and proactively detect and resolve pollutions, and we are already seeing positive results from this.

We have also now mobilised our Drone Squad to help detect pollution incidents and their sources, whether these be from United Utilities-owned assets or from external third-party sources. Our seven drones have varying capabilities, including infra-red, internal pipe inspections, and LIDAR surveillance.

Around a third of our pollution incidents are caused by power outages, and part of our AMP8 investment programme involves deploying back-up generators and large-scale batteries to ensure that key sites and assets can continue operating when there are outages on the grid, helping us to minimise pollution incidents. This is in addition to further potential benefits of this increasing power resilience, including tariff management opportunities.

Conserving water

We are at our lowest levels of leakage across the North West, and in the last year we have increased our find and fix rates by 70 per cent, fixing more leaks than ever before.

We are using a number of innovations including satellite imagery, artificial intelligence, and a new 'no dig' repair capability. This has shown extremely strong results in trials over the last six months with a 92 per cent success rate, helping us to reduce both the time taken to fix leaks and halving the operational costs of repair. Both of these are key areas of focus as we drive further improvements against our stretching AMP8 targets.

We have also been working with customers to better understand their usage, helping them to lower their consumption and their bills. This includes targeted communications to high water users and water efficiency home audits. This work has helped us to identify areas of high usage and internal leaks and, once fixed, these have helped drive reductions in per capita consumption, where we are an upper quartile performer.

Net zero target and environmental pledges

Our net zero transition plan, set out on pages 34 to 36, is ambitious and adaptive, and aims to achieve net zero (as defined by the SBTi Net-Zero Standard) across all three emissions scopes by 2050.

In 2020, we made six carbon pledges, and have already achieved three of these, as initial priorities to reduce our carbon footprint. Our activities include switching to low-carbon electricity, changing our fleet to green vehicles, restoring peatland, and creating woodland.

Our peatland restoration and woodland creation programmes are not only beneficial from a carbon perspective, capturing and sequestering greenhouse gases, but also deliver wider benefits to protect water and other habitats, and enable recreational access for communities and tourism.

This year, the Science Based Targets initiative (SBTi) validated that our science-based greenhouse gas emissions reduction targets conform with the SBTi Corporate Net Zero Standard, meaning we are the first (and only) UK water company to have approved science-based targets for the near term, long term and net zero.

Our net zero ambitions will be supported by £55 million of net zero enhancement funding approved in the AMP8 final determination to support the delivery of a net zero catchment strategy for St Cuthbert's Garden Village, explore technologies to monitor nitrous oxide release from wastewater processing, and restore a further 1,500 hectares of peatland.

Building on our carbon and Better Rivers pledges, later this year we will finalise a set of nature pledges to make clear our continued action to restore, enhance and connect habitats across the North West. As set out on page 74, these nature pledges will include activities that support the Government's commitment to the global '30 by 30' target – protecting 30 per cent of land and ocean by 2030.

Working with our supply chain to reduce scope 3 emissions

Building close relationships with our supply chain is helping to drive innovation, deliver value for our customers, and take steps to decarbonise the work that we do.

One example of this collaboration has taken place on our Vyrnwy Aqueduct Modernisation Programme sites, where our supplier Avove has been trialling hydrotreated vegetable oil (HVO) as an alternative fuel source for their equipment. This has given great insights on the potential of using HVO as a reliable fuel source, as well as reducing carbon emissions.

Another supplier, Costain, has been using low-carbon solutions on our sites during the construction phase. This has included the use of hybrid generators and low-carbon materials, which have helped reduce carbon emissions and improve our understanding of what innovative technology and practices can be adopted for future use.

In early 2025, we sent out our first carbon questionnaire to a select number of suppliers to understand their maturity, journey so far, and decarbonisation plans. This has provided insight into our suppliers' decarbonisation strategies, allowed us to understand more granular data in relation to supplier emissions, and identified potential opportunities for collaboration.

Climate resilience

We are proud to be contributing to the UK's efforts to mitigate climate change, but we remain conscious that adapting to more extreme and variable weather is a significant challenge. We are already seeing the effects of climate change on the region's weather, with increasing summer temperatures, wetter winters, and more extreme rainfall events. It is, therefore, important that we also continue to adapt and enhance the resilience of our assets, processes and customer services to its effects.

The risks of climate change are examined in our adaptation reports. We published our fourth adaptation report in 2024, setting out our approach to assessing the likely future impacts of climate change and the steps we are taking now, and expect to take in the future, to adapt to the challenges.

In our latest report, we have further developed our understanding of climate risk by incorporating the latest climate science into our risk assessment processes. Taking a regional approach to assessing the effects of climate change has enabled us to complete a more robust risk assessment that is context specific to the five diverse counties that make up the region we operate in.

We have also integrated our improved understanding of the impacts of climate change into our other long-term plans. Our investment plans for AMP8 will help us to significantly improve climate resilience as well as environmental performance. We account for climate change impacts on our water supply and demand balance in our Water Resources Management Plan (WRMP), and apply the same approach in our Drainage and Wastewater Management Plan (DWMP), with our plans to intercept rainwater, increase storm tank capacity, and upgrade treatment works. In our long-term delivery strategy, within our PR24 business plan, we have used an adaptive planning approach to demonstrate how our services might be resilient to a range of plausible climate change scenarios.

We also hosted the inaugural Resilience Community of Practice to help raise awareness for the need to adapt to climate change. The event brought together industry leaders, experts, and passionate individuals focused on building resilience across various sectors. We built a collective view on progress to date in climate change adaptation, and explored our ambitious plans to build a more climate-resilient region.

Rainwater management

With more urban rainfall, increasing challenges from climate change, and an ever-growing population, we need to find new ways to manage rainwater. We were really pleased to have investment of more than £250 million approved in our final determination for rainwater management and climate resilience.

Part of our rainwater management strategy is to develop initiatives that capture, remove and slow rainwater to impact the rate at which it enters our sewers, helping to relieve the pressure placed on the system and alleviate flood risk. This also helps to improve biodiversity, provides green spaces for human mental and physical health benefits, and makes communities more resilient in the face of climate change impacts.

As part of our Green Recovery programme, we have delivered sustainable drainage (SuDS) schemes in partnership with local authorities. For example:

- Raingardens and permeable surfaces to manage rainwater in Oldham, also providing public realm improvements with a new park area, disability ramp, seating and a cycling route with cycle racks.
- 242 SuDS-enabled tree pits across Blackpool town centre to re-direct surface water runoff from the highway gullies into street trees on the associated pavements, and achieve health, wellbeing and natural capital benefits for the local area.
- Raingardens, permeable surfaces, recreation seating, cycleway and SuDS-enabled trees in the centre of Altrincham.

We are working in partnerships with combined authorities in Greater Manchester and Merseyside to improve rainwater management in these urban areas, as mentioned on page 86.

Property level interventions can also make a difference in some areas. We are carrying out our biggest property level supply-and-install trial in Hale, part of Cheshire, where we are installing rainwater planters at customer properties to build household resilience against high rainfall events by providing rainwater retention capabilities.

39%
reduction in spills per monitored storm overflow compared with 2020 baseline

4-star industry leading
in the EA's annual assessments for 2023

Strong progress
against carbon and river pledges, and in the process of finalising a set of new nature pledges

How we're delivering our purpose: greener

Status key

Performance against target — Met expectation/target — Close to meeting expectation/target — Behind expectation/target

Stakeholder key

Customers — Environment — Communities — Colleagues — Suppliers — Investors

Measure	2025 target	Performance 2024/25	Performance 2023/24	Performance 2022/23	Assurance[6]	Link to remuneration[2]	Key stakeholder	Status: Performance against target
Pollution incidents per 10,000km sewer network[1]	19.5	**36.2**	27.93	16.29	RRA	LTP		
Reduction in spills per storm overflow monitored	33% sustainable reduction[4]	**39%**	24%	41%	IAT	Bonus		
Treatment works compliance[1]	99%	**98.46%**	99.0%	98.5%	RRA	LTP		
Leakage reduction[1]	15%[3]	**9%**	9%	6%	RRA	LTP		
Reduction in per capita consumption[1]	6.3%[4]	**3.5% decrease**	2.5% decrease	0.5% increase	RRA	PC		
Internal flooding incidents per 10,000 sewer connections[1]	1.34	**3.52**	4.35	2.32	RRA	PC		
External flooding incidents[1]	5,859	**7,315**	7,063	5,916	RRA	PC		
Waste to beneficial use	98%	**98.3%**	98.3%	98.3%	IAT	n/a		
Enhancing natural capital for customers[1]	£4 million	**£5.386 million**	£15.777 million	£0	RRA	PC		
Number of trees planted	500,000	**640,252**	600,466	565,733	IAT	n/a		
Carbon pledge 1: reduction of scope 1 and 2 GHG emissions	14% reduction[5] (42% by 2030)	**10.5% reduction**	3.4% reduction	3.7% reduction	ITV	n/a		
Carbon pledge 2: renewable electricity purchased	100% by 2023	**100%**	100%	100%	ITV	n/a		
Carbon pledge 3: green fleet	100% by 2028	**204 vehicles**	91 vehicles	33 vehicles	IAT	LTP		
Carbon pledge 4: peatland restoration	1,000 hectares (ha) by 2030	**3,000 ha**	1,211 ha	585 ha	ITV	LTP		
Carbon pledge 5: woodland created	550 hectares (ha) by 2030	**83 ha**	37 ha	37 ha	ITV	LTP		
Construction services suppliers with science-based targets	66%	**78%**	23%	23%	IAT	LTP		
Better air quality: nitrogen oxides (NOx) emissions per unit of renewable electricity generated[1]	1.42	**0.87**	0.96	1.07	RRA	PC		
Energy generated directly, and with partners, as a percentage of used	25% at 2026	**22.5%**	22.4%	23.0%	ITV	LTP		

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

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172.
PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed into both bonus and LTP through inclusion of customer ODIs and return on regulated equity (RoRE), respectively.

(3) As measured against a 2017/18 baseline.

(4) As measured against a 2019/20 baseline.

(5) As measured against science-based target baseline year 2019/20.

(6) Read more about the assurance over our performance metrics on page 67.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Innovative wastewater treatment comes to Windermere

We're delivering the largest ever upgrade to wastewater services in the Windermere catchment – through a £200 million package, which will improve and help protect this iconic lake's water quality.

As part of this investment, we're bringing world-leading innovations to Windermere. We're the first water company in Europe to introduce an innovative low-carbon, chemical-free wastewater treatment process – which is almost like a treatment works in a box – and Near Sawrey will be one of our first sites to have this technology installed.

FujiClean, which was developed in Japan, is a chemical-free phosphorus removal solution, originally developed as an alternative to septic tanks. The technology was discovered by one of our senior engineers at a conference which showcased wastewater innovations from all over the world. He then worked with the founding company to trial the system for United Utilities.

Our wastewater county business leader for Cumbria said: "The system offers a much more enhanced wastewater treatment option that provides phosphorus removal without the use of chemicals. The treated wastewater is much better quality and we can now remove phosphorus in the same system. An added benefit of the design is that it doesn't need emptying as much. This, combined with not needing chemical deliveries, means fewer vehicle movements to our small sites – a win for the environment and rural communities."

Our innovation team has already trialled the technology a test site in Cheshire, with promising results. Work will begin to install FujiClean at Near Sawrey later this year.

It's not just at Near Sawrey that we're installing innovative techniques to improve river water quality. At Langdale, an innovative biological approach is being introduced that uses renewable plant material to support the growth of the bacteria used to treat wastewater. Mobile Organic Biofilm™ (MOB™) will enhance the treatment processes at Langdale Wastewater Treatment Works, also enhancing Windermere's water quality. We are already seeing great results in Cheshire where this technology is helping to improve water quality in the River Bollin.

There are ten wastewater treatment works that collect and clean the sewage of homes and businesses around the Windermere catchment. The largest, at Tower Wood, treats the wastewater of around 18,000 properties. It's already treating the wastewater to the best technically achievable standard there is, and, as part of the £200 million investment, the remaining nine sites will also be upgraded. Many of those are much smaller and some serve populations in the low hundreds or less.

In AMP8 we'll be tackling the storage capacity at all six of the storm overflows which can operate around Windermere, to reduce spills to less than ten per year, by, or before, our regulatory requirements. Once all six schemes are delivered, this largest-ever upgrade will deliver an 89 per cent reduction in storm overflow spills. It will also mean a significant reduction in nutrients, with more phosphorous removed per year, as the vast majority of the wastewater around Windermere will be treated to even higher standards, using the best global technology.

Alongside these plans, we're working in partnership with Love Windermere to help address other sources of pollution, with a plan to help others, including private household septic tanks or packaged treatment plants used by larger commercial sites.

Delivering value for

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

Read more about what we're doing to help improve Windermere water quality on our website at unitedutilities.com/my-local-area/news-in-your-area/cumbria/windermere/action-windermere

Stock code: UU.

How we're delivering our purpose: greener

Pledges towards a greener North West

Across the five counties, we own over 56,000 hectares of land, which delivers several ecosystem service benefits such as water supply, timber, air quality regulation, and recreation. Demonstrating our commitment to protect and enhance this value, we have made carbon and Better Rivers pledges, and we will finalise new nature pledges later this year.

Carbon

Five years ago, we made six pledges with our initial priorities for our part towards a low-carbon future. We have since set four near-term targets and long-term targets, all of which have been validated by the Science Based Targets initiative (SBTi). We have also incorporated measures into our remuneration via our Long Term Plan.

Pledge 1: 42 per cent reduction of scope 1 and 2 emissions by 2030 *10.5 per cent reduction since 2020*

Pledge 2: 100 per cent renewable electricity by 2021 *Achieved in 2021* ✓

Pledge 3: 100 per cent green fleet by 2028 *204 vehicles; 8 per cent of our fleet*

Pledge 4: 1,000 hectares of peatland restoration by 2030 *Achieved in 2024* ✓

Pledge 5: Plant one million trees to create 550 hectares of woodland by 2030 *640,252 trees planted and 83 hectares of woodland created since 2020*

Pledge 6: Set a scope 3 science-based target by 2021 *Achieved in 2021* ✓

We have achieved three of our six carbon pledges and are making good progress to deliver the rest.

All electricity bought through contracts has been renewable since October 2021. Science-based targets covering all scope 3 emissions were approved by the SBTi in 2021 and, so far, we have 3,000 hectares of peatland under restoration meeting this pledge and the associated LTP target.

Advanced telematics mean we now have a better understanding of our transport needs and can optimise the number and types of vehicles while accelerating the decarbonisation of our fleet. Once recent orders are delivered, we will have over 400 all-electric vehicles, including four HGVs, while continuing to trial alternative fuels such as hydrogen and HVO.

Creating and maintaining even small pockets of woodland can deliver natural flood management, provide habitats for wildlife and boost biodiversity in addition to climate benefits. Our planting does not prioritise carbon sequestration, as that can promote high-growth monoculture woodland; instead, we value actions that have broader sustainability or conservation merit. We choose appropriate species mixes and planting density, to create the best woodland for our land holding. Our current estimate is that we will have created our pledged 550 hectares of new woodland by the end of the 2030 planting season.

We have met our scope 3 supplier engagement SBT with 78 per cent of category 2 suppliers by emissions having set near-term targets aligned to SBTi criteria.

Better Rivers

In 2022, we launched our Better Rivers: Better North West programme and made four pledges, underpinned by around 30 commitments, to improve river water quality, leading to 115 miles of improved waterways.

Pledge 1: Ensuring our operations progressively reduce impact to river health

Pledge 2: Being open and transparent about our performance and our plans

Pledge 3: Making rivers beautiful and supporting others to improve and care for them

Pledge 4: Creating more opportunities for everyone to enjoy rivers and waterways

We are continuing to grow our team of River Rangers who proactively patrol North West riverbanks, checking on our assets, taking part in litter picks, building relationships with our partners, engaging with community groups, and taking water samples at a variety of locations.

We also have sensors installed to monitor the operation of every one of our more than 2,250 storm overflows, and the data is published on our interactive, near real-time map.

We are forging close links with local communities and organisations, such as Mersey Rivers Trust and Friends of Bluebell Woods. We work with groups to improve the environment and river water quality through activities such as Himalayan balsam bashing – pulling up and destroying this invasive non-native species.

Our Better Rivers community fund, set up as one of our commitments, supports groups who know and care for waterways. For example, Bollin and Birkin Flyfishers, in Cheshire, successfully applied to the fund for safety equipment, water testing kits, and information boards, to help them act and raise awareness of the need to protect and support better rivers in the area.

Nature

Later this year, we will finalise several nature pledges to clearly set out our dedication to restore, enhance and connect habitats across the North West.

Our nature pledges will focus on both land with special designations, and habitats that are prominent in our region, and include activities that:

- support the government commitment to the global '30 by 30' target, protecting 30 per cent of land and ocean by 2030;
- enhance biodiversity;
- create and improve the condition of woodland; and
- restore peatland.

Energy and carbon report

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations require us to publish this energy and carbon report applying the 2019 UK Government Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting Guidance (SECR). We use the financial control approach so our energy and carbon accounting is aligned with the consolidated financial statements for United Utilities Group PLC for 1 April 2024 to 31 March 2025. This includes the subsidiaries listed in section A7 on page 238.

Energy data

	2024/25 GWh	2023/24 GWh	2022/23 GWh	2021/22 GWh
Energy use				
Electricity	**822.4**	819.6	818.8	803.3
Natural gas	**14.2**	34.1	33.6	33.8
Biogas in boilers	**16.4**	n/a	n/a	n/a
Stationary fossil fuels (gas oil, kerosene, diesel)	**49.1**	51.4	55.8	50.5
Energy for transport (from fuel used or distance travelled)	**76.0**	75.8	74.8	72.6
Low-carbon alternatives (HVO, LPG, EVs)	**0.27**	0.25	0.05	0.20
Total energy used[3]	**978.3**	981.1	983.0	960.4
Electricity purchased				
Grid renewable[1]	**680.1**	657.6	655.6	611.0
Grid standard tariff[2]	**0.13**	0.09	0.13	22.3
Total purchased	**680.2**	657.7	655.7	633.3
Renewable energy generated				
CHP	**105.2**	120.4	123.0	133.8
Biogas in boilers	**16.4**			
Solar	**42.0**	47.3	46.4	47.8
Wind	**4.7**	5.2	5.1	4.8
Hydro	**6.3**	7.6	6.9	7.2
Biomethane	**45.6**	40.2	44.7	48.9
Total generated	**220.2**	220.7	226.1	242.5
Renewable energy exported				
Electricity	**16.1**	18.6	18.3	23.5
Biomethane	**45.6**	40.2	44.7	48.9
Total exported	**61.7**	58.8	63.0	72.4

(1) All contractually purchased electricity since October 2021 has been bundled with, or backed by, separately purchased, REGO certificates.
(2) Grid standard tariff electricity is the consumption on interim tariffs for newly adopted sites.
(3) All energy was consumed in the UK and if calculated from volume or distance used net calorific values.

Energy efficiency actions

We have an integrated approach to energy efficiency across site operations, engineering and energy services to achieve successful outcome through the continuous improvement of:

- people – optimising ways of working;
- systems – improving visibility of use and analysis of data systems; and
- technology – targeted investment to improve efficiency.

Our energy management programme sets a common approach for benchmarking performance and develops action plans to optimise energy use. The programme also includes operational carbon e-learning and a comprehensive energy performance reporting and analysis capability.

A key feature of the programme are local workshops where specialist teams of energy engineers work with operational staff to identify problems and opportunities on their site. The opportunities identified are collated into a company-wide database for assessment and to develop business cases for future projects.

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

A focus this year has been on the installation of variable speed drives (VSD) to improve the control and efficiency of pumps. At Bearstone, use of a VSD has been shown to reduce the power consumption by up to 25 per cent with no reduction in the flow rate of the pump. At Denton Pumping Station, using a VSD instead of throttling improved the performance and lifespan of pumps by operating closer to their best efficiency point.

VSDs can also improve the operation of other equipment such as compressors. A study at Huntington Water Treatment Works found that about a third of one compressor's energy consumption is in off-load operation. Replacing the existing air compressor with a 30kW compressor with a VSD would reduce the start/stops and off load operation and savings of 38.5 per cent might be achieved.

Energy strategy

Our energy management strategy has four objectives:

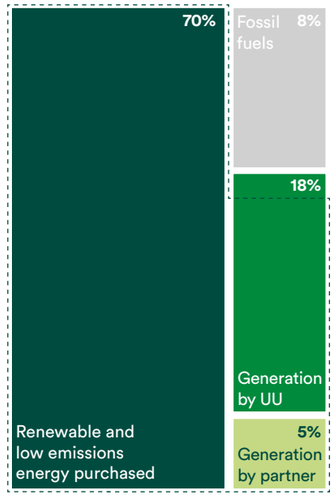
- Efficient use of energy;
- Maximising self-generation and direct supply opportunities;
- Minimising costs; and
- Building supply resilience to ensure we can deliver our services.

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

To support our aims to switch to clean, green energy, last year, we introduced an energy metric and included it in the 2023 Long Term Plan (LTP) for executive directors. This target incentivises energy efficiency, switching away from fossil fuel, and clean energy generation. For the 2024 LTP, the remuneration committee has approved a direct measure to reduce the fuel-related GHG emissions to further encourage switches to low-emission power sources.

Switch to clean, green energy

As illustrated below, only 8 per cent of our total energy used is from fossil fuels. We aim to reduce this further through our energy management strategy.



Electricity use (*100% renewable*)

Stock code: UU.

Energy and carbon report: GHG emissions inventory

Emissions are calculated by estimating the individual greenhouse gases that result from all United Utilities' activities, converted into a tonnes carbon dioxide equivalent (tCO_2e). Tools and values used in 2025 include UK water industry Carbon Accounting Workbook v19, the 2024 UK Government GHG conversion factors for company reporting, global warming potentials from IPCC 5th Assessment report and Global CEDA (Comprehensive Environmental Data Archive) v7. 100 per cent of our emissions are related to activities and energy consumption in the UK.

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

Scope 1 and 2 greenhouse gas emissions[4]		2024/25 tCO_2e	2023/24 tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e	SBT baseline 2019/20 tCO_2e
Scope 1: Emissions from activities we own or control, e.g. burning fossil fuels, wastewater and sludge processing						
Direct emissions from burning of fossil fuels		**15,922**	20,188	21,166	19,207	15,247
Process and fugitive emissions – including refrigerants		**90,633**	96,173	94,915	96,020	96,186
Transport: Company-owned or leased vehicles		**17,785**	17,838	17,665	16,507	15,739
Scope 2: Emissions from purchased electricity including for use in vehicles						
Purchased electricity – generation	Market-based[1]	**47.2**[5]	32.9[5]	9.3[5]	4,201	11,789
	Location-based[2]	*140,847*	*136,183*	*126,813*	*134,492*	*164,521*
Purchased electricity – vehicles	Market-based	**31.1**	6.8	1.7	<0.1	0
	Location-based	*31.1*	*6.8*	*1.7*	*<0.1*	*0*
Gross scope 1 and 2 emissions total	**Market-based**	**124,418**	134,239	133,757	135,936	138,961
	Location-based	***265,218***	***270,389***	***260,561***	***266,226***	***291,693***
Net emissions reductions						
Renewable electricity exported[3]		**-2,726**	-3,101	-2,888	-4,317	-3,979
Biomethane exported	*Location-based*	*-8,479*	*-8,439*	*-9,360*	*-10,283*	*-9,302*
Green tariff electricity purchased[3]	*Location-based*	*-132,127*	*-136,162*	*-125,746*	*-133,197*	*-164,210*
Net scope 1 and 2 emissions total	**Market-based**	**121,693**	131,138	130,869	131,619	134,982
	Location-based	***121,887***	***122,687***	***122,567***	***118,429***	***114,202***

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

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

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

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

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

Scope 3 greenhouse gas emissions	2024/25 tCO_2e	2023/24 tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e	SBT baseline 2019/20 tCO_2e
Category 1: Purchased goods and services[6]	**239,757**	233,480	250,189	292,946	213,442
Category 2: Capital goods[6]	**106,250**	99,962	138,182	112,498	128,286
Category 3: Fuel and energy-related emissions[7]					
Purchased electricity – well to tank and transmission and distribution	**46,383**	46,536	44,704	50,020	38,865
Fuel (excluding electricity) – well to tank	**7,820**	6,653	8,742	8,928	6,397
Category 4: Upstream T&D – sludge transport[7]	**8**	6	35	103	3,374
Category 5: Waste generated in ops: including sludge disposal[7]	**28,357**	26,135	27,454	25,458	27,936
Category 6: Business travel: public transport, private vehicles and hotel stays[7]	**1,503**	1,464	1,486	1,138	3,508
Category 7: Employee commuting and homeworking[8]					
Employee commuting	**4,676**	4,631	4,974	2,990	2,405
Homeworking	**572**	505	361	1,076	1,703
Scope 3 total	**435,326**	**419,372**	**476,128**	**495,158**	**426,039**
Scope 3 SBT measure (excludes category 2)	**329,076**	**319,410**	**337,946**	**382,660**	**297,753**

(6) Categories 1 (excluding chemicals) and 2 use the latest Global CEDA (v7 for 2024/25) to estimate emissions based on the amount spent by spend category. CEDA is a multi-region, environmentally extended input-output database, that has global coverage and is a CDP recommended tool.

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

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

Greenhouse gas emissions intensity		2024/25 tCO_2e	2023/24 tCO_2e	2022/23 tCO_2e	2021/22 tCO_2e
Gross scope 1 and 2 emissions per £m revenue	Market-based	58.0	68.9	73.3	73.0
Net scope 1 and 2 emissions per £m revenue	Market-based	56.7	67.3	71.7	70.7
Net water operational emissions per megalitre water treated[9]	Location-based	172.1	177.6	101.4	106.9
Net wastewater operational emissions per megalitre sewage treated [9]	Location-based	198.5	209.0	158.8	144.2

(9) UK water industry intensity metrics. The method for calculating these was redefined by Ofwat in 2024. Emission units are kg CO_2e.

Scope 1 emissions

Wastewater and sludge processes cause over 70 per cent of our scope 1 emissions as the gases released, nitrous oxide (N_2O) and methane (CH_4), have much greater global warming potential than carbon dioxide (CO_2). Our wastewater process emissions are proportional to the population and the sludge produced, therefore emissions rise as population numbers increase. We believe the method all UK water companies use underestimates emissions, however, to address this, we have successfully obtained AMP8 net zero enhancement funding to monitor N_2O release, identify ways to improve the estimation method, and reduce or capture those emissions for beneficial use.

Scope 2 emissions

As all our contract purchased electricity is currently REGO backed, the only market-based scope 2 emissions are those from interim supply tariffs and from public and home charging of electric vehicles. Note we are currently reviewing our commitment to buying REGO certificates for all our electricity purchase.

Scope 3 emissions

Most of our scope 3 emissions are in GHG Protocol categories 1 (products and services) and 2 (capital goods), the latter being the construction services we buy. With the exception of chemicals, we estimate these emissions based on the value of goods and services bought and their spend category using a multi-region, environmentally-extended input-output database, Global CEDA v7. This provides an estimate that is determined by the scale and timing of our investments rather than our design or supplier choices. We are, however, increasing the use of sustainability as a criteria in both supplier and product selection and in parallel are developing ways to recognise the benefit of such management decisions on our emissions.

The next highest category is the indirect emissions from fuel and energy so switches to more efficient processes and the use of low carbon alternative fuels will reduce both scope 1 and 3 footprints.

Fuel and energy
15,922 tCO_2e + 54,203 tCO_2e 9 10
Fossil fuel use at our sites and the well-to-tank and transmission and distribution scope 3 emissions for all energy makes up 13 per cent of our net total footprint. Reducing our consumption and replacing such fuels with low emissions alternatives is central to our net zero transition plan. We intend to grow our renewable capabilities and play an active role in the development of new technologies such as hydrogen.

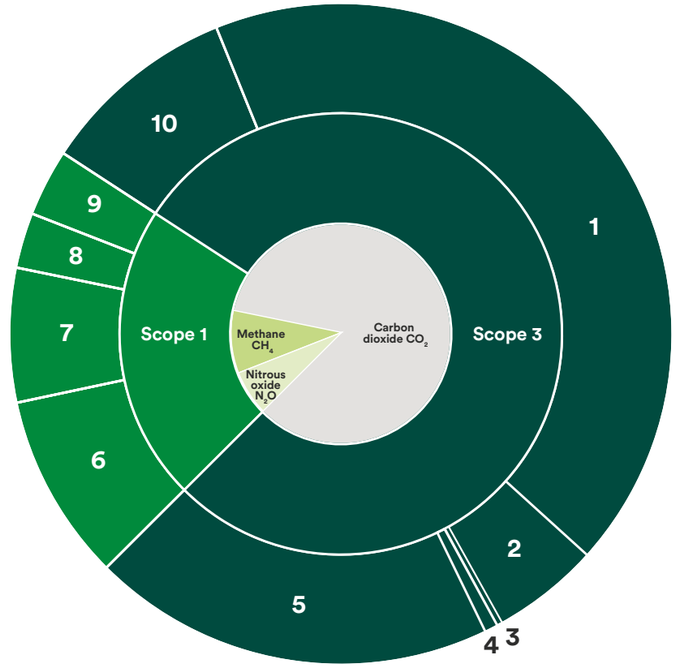
Transport 17,785 tCO_2e 8
We have a growing infrastructure to support our fleet transition to low-carbon fuels. By summer 2025, we will have 400 electric vehicles and are exploring options to fuel HGVs, including hydrogen and HVO.

Sludge and biogas 36,260 tCO_2e 7
Treatment of sludge produces biomethane. The majority of our facilities use advanced anaerobic digestion which captures more of this biomethane to power and heat our processes or generate electricity. This reduces methane emitted both during treatment and after disposal.

Wastewater processing 54,123 tCO_2e 6
The biological processes used in wastewater treatment produce N_2O and CH_4, both potent GHGs. Emissions are, approximately, proportional to the size of the communities producing the wastewater.

Gas losses 250 tCO_2e
GHG from refrigerants R410A and HFC134a.

Purchased goods and services 239,757 tCO_2e 1
Approximately 40,000 tCO_2e are from chemicals we use. As we estimate these emissions using the weight purchased and emission factors from published life-cycle carbon assessments we can identify the processes with the highest impact and influence operational decisions and research and development investment accordingly. For the rest of our purchased goods and services we use records of the amount we have spent and the environmentally extended input-output database, Global CEDA v7, to give us a comprehensive but indicative estimate.



Capital goods
106,250 tCO_2e 5
We have a significant capital programme to develop our water and wastewater services infrastructure and this construction will produce substantial emissions.

Commuting 4,676 tCO_2e
Homeworking 572 tCO_2e 4
We use the numbers of colleagues, where they typically work (office, site or home) and the EcoAct's UK models to estimate emissions.

Business travel
1,503 tCO_2e 3
Public transport, including air, train, vehicles and hotel stays.

Sludge transport 8 tCO_2e
Contracted sludge transport.

Operational waste
28,357 tCO_2e 2
Of these emissions, 97 per cent are from the disposal of sludge biosolids to agricultural land. UKWIR research shows that the industry estimation method is likely to be significantly overestimating these emissions.

How we're delivering our purpose: healthier

Key performance indicators

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

Colleague engagement

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

Target
At least as high as the utilities norm benchmark

Annual performance
87%
Colleague engagement has increased this year to a very high level, outperforming the utilities norm and seven points higher than the UK high performing norm benchmark.

2023/24: 81 per cent

2022/23: 82 per cent

Status
Met target

Key stakeholder
Colleagues

Relevant material themes[2]
- Colleague engagement
- Diverse and skilled workforce
- Health, safety and wellbeing

Link to remuneration[3]
n/a

Assurance[4]
Independent third-party verification

C-MeX ranking[1]

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

Target
Upper quartile against water and sewerage companies (WaSCs)

Annual performance
Second quartile
We continue to be the highest-performing listed company, ranked sixth out of the WaSCs, and eighth out of all 17 companies.

2023/24: top listed company, fourth WaSC, and sixth overall

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

Status
Close to meeting target

Key stakeholder
Customers

Relevant material themes[2]
- Customer service and operational performance
- Trust, transparency and legitimacy
- Political and regulatory environment

Link to remuneration[3]
Bonus

Assurance[4]
Regulatory reporting assurance

Customers lifted out of water poverty[1]

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

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

Annual performance
96,937
We have helped nearly 100,000 customers out of water poverty so far this AMP (including 84,726 against our regulatory target and related ODI, which applies a maximum cap on the number of company-funded customers that can be included).

2023/24: 100,758 customers

2022/23: 106,936 customers

Status
Met target

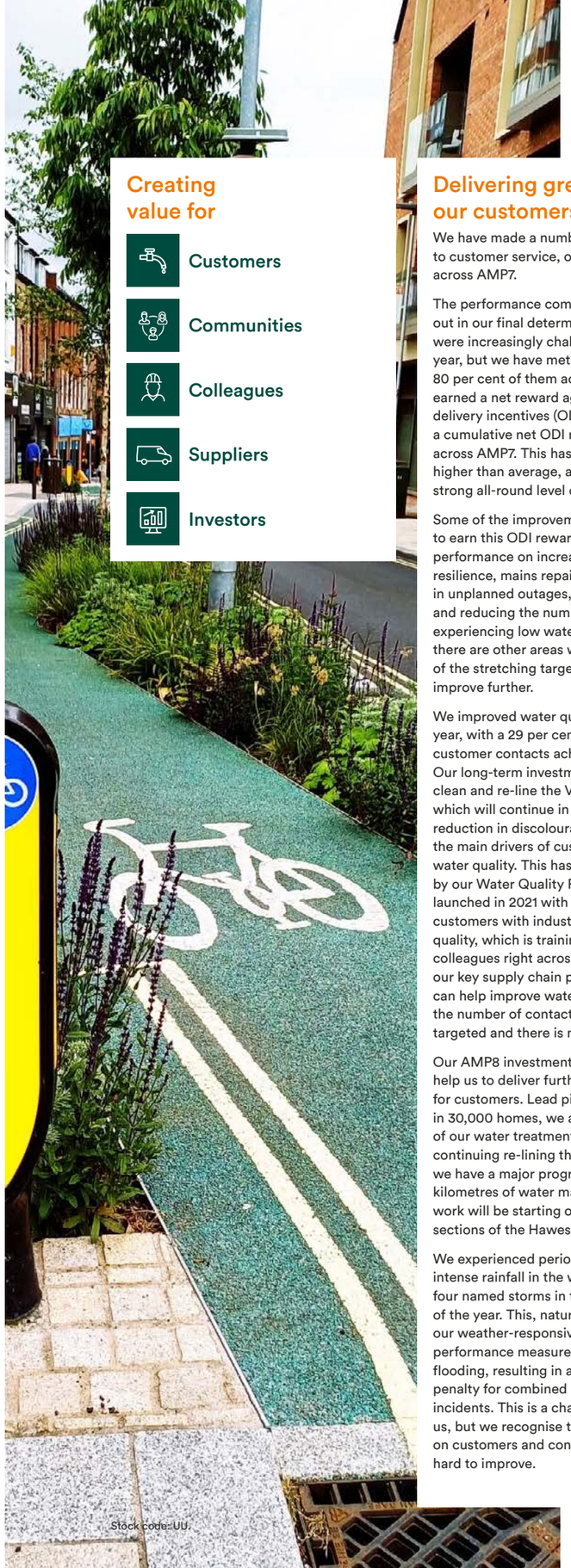
Key stakeholder
Customers

Relevant material themes[2]
- Affordability and vulnerability
- Customer service and operational performance
- North West regional economy

Link to remuneration[3]
LTP

Assurance[4]
Regulatory reporting assurance

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read more about our materiality assessment on pages 29 to 30.
(3) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172.
(4) Read more about the assurance over our performance metrics on page 67.



Creating value for

- Customers
- Communities
- Colleagues
- Suppliers
- Investors

Delivering great service for our customers

We have made a number of improvements to customer service, over the last year and across AMP7.

The performance commitment targets set out in our final determination for AMP7 were increasingly challenging year-on-year, but we have met or beaten around 80 per cent of them across AMP7, and earned a net reward against outcome delivery incentives (ODIs) in every year, with a cumulative net ODI reward of £129 million across AMP7. This has been consistently higher than average, and demonstrates a strong all-round level of service.

Some of the improvements helping us to earn this ODI reward are our strong performance on increasing reservoir resilience, mains repair and reductions in unplanned outages, lead replacement, and reducing the number of customers experiencing low water pressure. However, there are other areas where we fell short of the stretching target and are working to improve further.

We improved water quality further this year, with a 29 per cent reduction in customer contacts achieved over AMP7. Our long-term investment programme to clean and re-line the Vyrnwy Aqueduct, which will continue in AMP8, is driving a big reduction in discolouration, which is one of the main drivers of customer contacts about water quality. This has been supported by our Water Quality First programme, launched in 2021 with the aim of providing customers with industry-leading water quality, which is training and engaging colleagues right across the business and our key supply chain partners on how they can help improve water quality. However, the number of contacts was higher than targeted and there is more to do.

Our AMP8 investment programme will help us to deliver further improvements for customers. Lead pipes will be replaced in 30,000 homes, we are upgrading seven of our water treatment works as well as continuing re-lining the Vyrnwy Aqueduct, we have a major programme to replace 900 kilometres of water mains, and construction work will be starting on replacing key sections of the Haweswater Aqueduct.

We experienced periods of particularly intense rainfall in the winter of 2024, and four named storms in the last three months of the year. This, naturally, impacted our weather-responsive wastewater performance measures, particularly flooding, resulting in a £24 million ODI penalty for combined internal and external incidents. This is a challenging measure for us, but we recognise the huge impact it has on customers and continue to work very hard to improve.

Notwithstanding the penalties incurred, we have delivered around a 19 per cent reduction in internal sewer flooding compared with last year. We earned a net reward on the permanent solutions we have implemented to improve hydraulic flood risk resilience, reducing the risk of flooding due to the overloading of sewers. We have also performed well with rewards for reducing sewer blockages, which are down by around a fifth since 2020, and raising customer awareness to reduce flooding. This has been supported by our investment in Dynamic Network Management (DNM), with sensors across the wastewater network alerting us to issues so that we can proactively intervene and resolve these before customers are impacted.

This will remain an area of particular challenge during AMP8, and we have ambitious multi-faceted plans to tackle the risk of sewer flooding. We have more than £100 million targeted investment for sewer flood resilience, we are expanding the use of DNM with thousands of additional sewer-level sensors, and installing property-level flood alert sensors in every flooded property to reduce the chance of repeat incidents in these higher-risk areas.

We are also investing and working with partners on new and innovative approaches to rainwater management, particularly in heavily built-up urban areas like Greater Manchester and Merseyside where we are partnering with the combined authorities, as set out on page 86, which will help to reduce flood risk as well as contributing to reducing spills from storm overflows.

Our consistently strong all-round performance has helped us to rank highly in Ofwat's measure of customer satisfaction, C-MeX, earning a reward against this metric in every year and achieving the third highest reward in the industry across AMP7. For this year, we placed eighth highest of all 17 companies, sixth highest water and wastewater company, and we are consistently ranked as the best of the listed companies.

We also perform strongly on developer satisfaction, D-MeX, and business retailer satisfaction, BR-MeX. We expect to finish the year in an upper quartile position for both. These are important measures of our service and, as we enter AMP8, these experience measures will increase in importance.

Underpinning our focus on service excellence for all customers, we are the only UK water and sewerage company to have earned the ServiceMark with Distinction from the Institute of Customer Service, the Chartered Institute of Credit Management excellence in credit management, and the BSI kitemark for inclusive service.

How we're delivering our purpose: healthier

Supporting customers with affordability and vulnerability

The North West of England contains 47 per cent of the most deprived (top 1 per cent) neighbourhoods, so helping customers that struggle to pay their bills has always been a key focus area for us and we have an industry-leading approach to affordability and vulnerability support.

We have supported 414,000 households in AMP7 through our comprehensive range of affordability schemes, and we continue to lift customers out of water poverty, earning an ODI reward against this performance commitment.

We use a variety of methods to help support customers with management of their bills and highlight the support we have available. Utilising data, we're monitoring customer payment behaviour to proactively identify customers showing signs of struggling to pay, and sending early intervention emails with tailored messaging designed to increase customer awareness of the support we, and third-party organisations, can offer.

Our use of Open Banking enormously speeds up the time it takes for customers to clear eligibility criteria, making the process much simpler and quicker for us to get customers the right support when they need it.

Customers that struggle to pay their water bills will inevitably also struggle with other bills, so we believe the key to providing real tangible support is cross-industry collaboration. We host annual affordability summits in January of each year, bringing together partner agencies and key stakeholders to highlight the importance of collaborative cross-sector working and discuss ways to be more joined up when it comes to helping people across the region.

With necessary bill increases to support the increased investment needed in AMP8, we proposed our biggest ever support package, doubling the financial support available to £525 million and helping one in six customers during 2025–30. We have also introduced new social tariffs, including an annual discount for low income households. More information can be found on page 83.

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

It is not just customers experiencing financial hardship that require additional support from us. There are a number of different factors of vulnerability, including medical needs, age, and language barriers. Our Priority Services Register helps to provide additional tailored support for customers experiencing vulnerable circumstances. Since the launch of the register in 2015, we have significantly increased the number of customers receiving support, exceeding our AMP7 targets. Around 540,000 of our customers are registered for our Priority Services offering, which holds accreditation to the international consumer vulnerability standard, ISO 22458:2022 – one of the first water companies to attain this.

When conducting research for our AMP8 business plan, we included a wide range of vulnerable customers and designed our research to be representative and accessible.

As well as affordability summits we also host annual vulnerability summits, giving us an opportunity to share what we are doing to support vulnerable customers with key stakeholders across the charitable sector, local authorities and vulnerability groups.

At our third customer vulnerability summit, in May 2024, we shared our business plan and our future commitments relating to vulnerable customers with 100 organisations across the region, who provided valuable feedback and creative ideas. In June 2024, we also published a new vulnerability strategy setting out our plans, priorities and targets, as well as progress made to date.

Read our vulnerability strategy at **unitedutilities.com/globalassets/documents/pdf/10400-priority-services-strategy-document.acc24.pdf**

We will continue to develop our industry-leading support for vulnerable customers in AMP8, improving the quality and level of support we provide, and by 2030 we are targeting 20 per cent of our customers to be accessing Priority Services.

Providing a safe and great place to work

Delivery of our purpose is underpinned by a strong, high-performance culture and the diverse, skilled and engaged colleagues that carry out day-to-day activities.

In our annual colleague engagement survey, our overall engagement score of 87 per cent was an improvement of 6 points on last year, and exceeded all external benchmarks used in the survey (High Performing companies, UK companies, and Utility companies). Our highest performing categories in the survey were Health and Safety (94 per cent), Wellbeing (94 per cent) and Equity, Diversity and Inclusion (90 per cent), reflecting our commitment to prioritising the health, safety and wellbeing of our colleagues and improving equity, diversity and inclusion.

We were particularly pleased that 91 per cent of colleagues said they are proud to be part of United Utilities. In order to deliver the significant improvements we have planned for AMP8, we are going to need a great team of people behind us, so having such a high level of engagement will be really important.

Our 'Call it Out' initiative encourages colleagues to raise ideas and opportunities for improving efficiency and performance directly to the CEO, allowing swift action to be taken. We know that we are better together, and our colleagues bring an unparalleled level of knowledge and experience to help us improve. This also helps to improve engagement, with everyone knowing that they have a voice that is valued – 87 per cent of surveyed colleagues agreed with the statement "my voice is heard".

Following positive feedback from the all-colleague event we hosted after submission of our business plan, we hosted a follow-up event this year, once again open to everyone across the organisation, to discuss our final determination and plans for AMP8, and give all our colleagues the opportunity to ask any questions they may have had. We have a big programme to deliver, and getting everyone together to talk about how we will accomplish that and what it means for each and every colleague is an important step.

Health, safety and wellbeing continue to be key focus areas. We have engaged with more than 1,100 colleagues in face-to-face 'standdowns', and implemented improvements in the way we tackle occupational road risk and process safety management through cross-business 'task and finish' teams. We have also refreshed our Home Safe and Well programme this year, with three behaviours supported by 12 lifesaving rules, as set out on page 53.

Through collaborative effort and focus on health and safety, we have increased our health and safety engagement score to 94 per cent this year, and also reduced our colleague one-day lost time injuries frequency rate by just over 30 per cent. Our colleague RIDDOR injury frequency rate for 2024/25 was 0.078 per 100,000 hours worked, a 15 per cent improvement compared with last year, amounting to 11 injuries in the year.

Unfortunately, with the increase in workload as we ramp up to AMP8, we have seen higher incidents of contractor lost-time injuries – 24 in the last 12 months compared with 20 in the prior year. Our contractor RIDDOR injury frequency rate was 0.078 accidents per 100,000 hours worked. We are actively working with our contractor partners to learn from all incidents, and forming a joint safety forum to collaborate and share best practice to simplify and streamline our health and safety processes.

Focusing on equity, diversity and inclusion

Diversity breeds creativity, and we make sure we are reaching and recruiting from every part of our community. In 2024, we were placed fourth on the Inclusive Top 50 UK Employers list, which highlighted our commitment to equity, diversity, and inclusion through our comprehensive strategies and initiatives. We were ranked in the Top 10 of the Corporate Religious Equity, Diversity & Inclusion (REDI) Index, an international benchmarking survey that is used to track progress in embracing religion and belief (including non-theistic beliefs).

We were awarded Diversity Team of the Year at the 2024 Inclusive Awards, reflecting the significant strides we have made in advancing equity, diversity and inclusion across the company, and our focus on fostering a supportive and inclusive workplace whilst increasing diverse recruitment to build a strong diverse culture.

This year our colleague networks represented the company at Pride events within our five counties and introduced a number of new awareness campaigns including Islamophobia Month, South Asian Heritage Month, and hosting our first armed forces remembrance service. We also connected members of our networks with others in similar roles within different organisations and industries across our region, and hosted the first external colleague network session, attended by representatives from over 30 organisations, now regularly sharing many valuable examples of best practice of diversity and inclusion in the workplace.

Our workforce profile remains at 65 per cent male and 35 per cent female. At 44 per cent, we exceeded our 2024 target to have 40 per cent of women on the board, ranking in the top third of 100 FTSE companies in the FTSE Women Leaders index. In the utilities sector, we were ranked sixth in the combined FTSE 350+ Private 50 companies index. We also led the way this year with 24 per cent of engineering roles filled by women – putting us ahead of the national average by 7.5 per cent. As a result of our commitments to gender equality, we were included in the 2024 Women in Work (WiW) Gender Equity Measures Report as being an equal, fair, and supportive workplace for all women.

Our graduates and apprentices also bring a breadth of diversity, with 40 per cent of our overall graduates and 28.5 per cent of our apprentices being female. Our work to attract, support and develop women across all areas of the business will bring long-term improvements in our gender pay gap, building on the positive improvements we've seen since we started reporting, with our 2024 mean gender pay gap standing at 4.8 per cent. We were proud to have our first female mechanical field service engineer join our apprenticeship programme, and she was awarded the Derek Jackson Special Achievement Award for her outstanding work in the North Manchester water services team at the Young Engineer Awards.

In our latest survey, 92 per cent of colleagues – across all business areas, job roles, genders and time served within the company – said that United Utilities supports diversity and inclusion in the workplace.

Attracting and developing future talent

We have strong levels of retention, successful graduate and apprentice schemes, and a continued focus on training and development, helping us to ensure we have the right skills and a committed team of people to help us ensure long-term success.

We deliver our own apprenticeship training using the Government's Apprenticeship Levy, and were Ofsted inspected in 2024 at our Bolton Technical Training Centre. We are very proud to have been rated 'Good' in all five areas of our internal apprenticeship provision. The inspection noted that our leaders are ambitious and acutely aware of industry skills shortages and the importance of succession planning, with apprenticeships providing a pipeline of talent and leaders supporting apprentices to successfully achieve their apprenticeship and to secure employment beyond it.

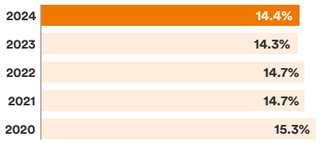
We've also set a new benchmark for workforce competency and operational excellence by becoming the first water company in the UK to extend the Competent Operator Scheme beyond water treatment works to include water networks.

882 colleagues secured new roles within the company this year, and we continued to recruit and train new talent through our award-winning graduate and apprentice programmes. We welcomed 127 new graduates and apprentices this year, bringing the total to 455 in AMP7, and we expect to see a further 750 in AMP8.

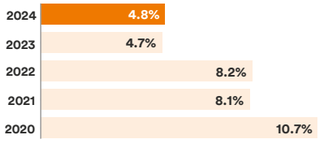
Strong female role models from all levels of our organisation volunteered to help run our award-winning 'Engineering Masterclass' competition with secondary schools from the local area. With a high number of pupils from deprived and disadvantaged backgrounds, this helps to improve social mobility, and its aim is to inspire young people from a wide range of backgrounds to pursue STEM-related careers.

We have welcomed 43 students from the 10,000 Black Interns programme into the business since 2021. Through a six-week placement, the programme is designed to transform the horizons and prospects of black students by offering paid work experience to undergraduates and postgraduates.

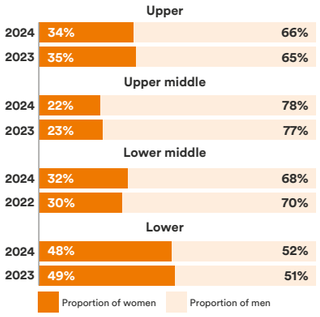
Our median gender pay gap over time

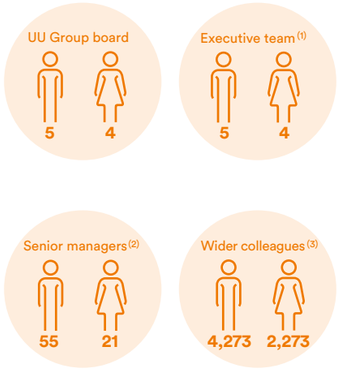


Our mean gender pay gap over time



Percentage of women and men overall and in each quartile of the pay range (figures for 2023 and 2024)





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

(2) As at 31 March 2025, there were 7 male and 5 female colleagues appointed as statutory directors of subsidiary group companies but who do not fulfil the Companies Act 2006 definition of 'senior managers'.

(3) Wider colleagues as at 31 March 2025.

How we're delivering our purpose: healthier

Status key

Performance against target — Met expectation/target — Close to meeting expectation/target — Behind expectation/target

Stakeholder key

Customers — Environment — Communities — Colleagues — Suppliers — Investors

Measure	2025 target	Performance 2024/25	Performance 2023/24	Performance 2022/23	Assurance[5]	Link to remuneration[2]	Key stakeholder	Status: Performance against target
Customer ODIs[1]	Year on year improvement	**£24 million**	£34 million	£25 million	RRA	Bonus	Customers	
Water quality customer contacts per 10,000 population[1]	12.2	**12.8**	13.2	14.1	RRA	Bonus	Customers	
Supply interruptions per property per year (hours:minutes:seconds)[1]	00:05:00	**00:14:18**	00:09:39	00:38:44	RRA	PC	Customers	
Unplanned outages of peak week production capacity[1]	2.34%	**1.78%**	2.05%	1.73%	RRA	PC	Customers	
Number of household written complaints compared to WaSCs[1]	Upper quartile	**Third quartile[3]**	Third quartile	Second quartile	RRA	n/a	Customers	
Speed of resolution[1]	5 days	**5 days**	3.95 days	3.9 days	RRA	n/a	Customers	
Developer satisfaction score (D-MeX)[1]	Above industry median	**Above industry median**	Above industry median	Above industry median	RRA	PC	Customers	
Number of households registered for Priority Services[1]	In excess of 220,000 (7%)	**540,380 (16.51%)**	401,987 (12.35%)	294,490 (9.1%)	RRA	LTP	Customers	
Certification for Priority Services[1] [4]	Maintain certification	**Maintained ISO22458**	Maintained ISO22458	ISO22458: 2022 Verification achieved	ITV	n/a	Customers	
Helping customers look after water in their home[1]	10% increase	**34.50%**	34.30%	31.60%	RRA	PC	Communities	
Compliance Risk Index[1]	0.00	**10.21**	6.00	3.67	RRA	LTP	Environment	
Wellbeing Charter accreditation	Retain accreditation	**Retained**	Retained	Retained	ITV	n/a	Colleagues	
Accident frequency rate for colleagues (per 100,000 hours)	10% year-on-year improvement	**0.078**	0.092	0.072	IAT	n/a	Colleagues	
Accident frequency rate for contractors (per 100,000 hours)	Year-on-year improvement	**0.078**	0.043	0.078	IAT	n/a	Colleagues	
Your Opinion Survey score for diversity and inclusion questions	Upper quartile against utilities norm	**Upper quartile**	Upper quartile	Upper quartile	ITV	n/a	Colleagues	

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

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172.
PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed into both bonus and LTP through inclusion of customer ODIs and return on regulated equity (RoRE) respectively.

(3) Latest comparative data available 2023/24.

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

(5) Read more about the assurance over our performance metrics on page 67.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Increasing our affordability support to help one in six households with their bills

With the scale of our investment for AMP8 requiring an increase in bill levels, we know that it's more important than ever that we support customers who are already feeling the strain on their finances due to cost-of-living pressures.

Through the work we'll carry out over the next five years we aim to secure improved resilience in the face of climate change, meet the demands of our growing population, and address the priorities of our customers – helping to create a stronger, greener and healthier North West. While we've worked to make our programme as efficient as we can, and will have the third lowest projected bill in England by 2030, delivering a step change on the things that matter most will, however, mean that bills will need to increase – and we need to have robust measures in place to extend our affordability offerings.

That's why we're increasing our support to £525 million for the 2025–30 period. It's our largest ever affordability support package, and will help one in six households with their bills. Our commitment to helping those struggling to pay has been recognised by regulators, with Ofwat stating that our business plan demonstrated a "sector-leading level of ambition on affordability".

We're introducing two new schemes for AMP8, on top of our existing levels of support. The first of these, our Low Income Water Discount, provides a £50 annual discount on water charges for eligible income-deprived households. As a result of our data share agreement with the Department for Work and Pensions, over 180,000 customers have already been flagged as eligible in our billing system, ready to receive the discount on their first bill containing 2025/26 charges – and we have a manual application process in place for customers not automatically identified.

Secondly, we're launching WaterSure Plus, an extension of our WaterSure scheme which caps bills for metered customers who use a lot of water due to medical conditions or having a large family. The WaterSure Plus tariff widens eligibility beyond the current legislative scheme to include low-income customers in receipt of disability-related benefits.

On top of this, we're working to make the affordability support process as seamless as possible for customers. We've launched the first phase of a new, improved assessment solution, building on our existing partnership with IE Hub. It allows us to create a more holistic affordability assessment journey, with capability for customers to self-serve where appropriate. Future phases will provide additional improvements, including the integration of open banking – which we're already using to verify customer income in real time to improve the accuracy and efficiency of our customer affordability assessments.

And we continue to host an annual Affordability Summit, bringing together organisations including councils, charities, housing associations and others that interact with vulnerable customers and those experiencing financial difficulty. The summits give attendees the chance to share experiences and discuss ways for their organisations to be more joined up when it comes to helping people across the region. At this year's event, guest speakers included the credit reference agency Equifax, and the Money and Mental Health Institute. Attendees also heard from the Department for Work and Pensions on how they support customers with disabilities return to the workforce and the upcoming changes to Universal Credit.

Delivering value for

This is creating value for customers and communities.

Read more about affordability on page 80

How we're delivering our purpose: stronger

Key performance indicators

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

Capital programme delivery incentive (CPDi)

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

Target
At least 85%

Annual performance
99.6%

We have delivered a strong performance, exceeding our target again this year.

2023/24: 98 per cent

2022/23: 93 per cent

Status
Met expectation/target

Key stakeholder
Investors

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

Link to remuneration(2)
Bonus

Assurance(3)
Internal audit team

Community investment

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

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

Annual performance
£9.8m

We have significantly increased our investment this year and surpassed our target, having invested £21.6 million cumulatively over AMP7, which is an increase of more than 50 per cent.

2023/24: £3.99 million

2022/23: £2.88 million

Status
Met expectation/target

Key stakeholder
Community

Relevant material themes(1)
- Supporting communities
- Trust, transparency and legitimacy
- Recreational land and waters

Link to remuneration(2)
n/a

Assurance(3)
Independent third-party verification

Performance across a range of trusted investor indices

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

Target
Upper quartile

Annual performance
Upper quartile

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

2023/24: Upper quartile

2022/23: Upper quartile

Status
Met expectation/target

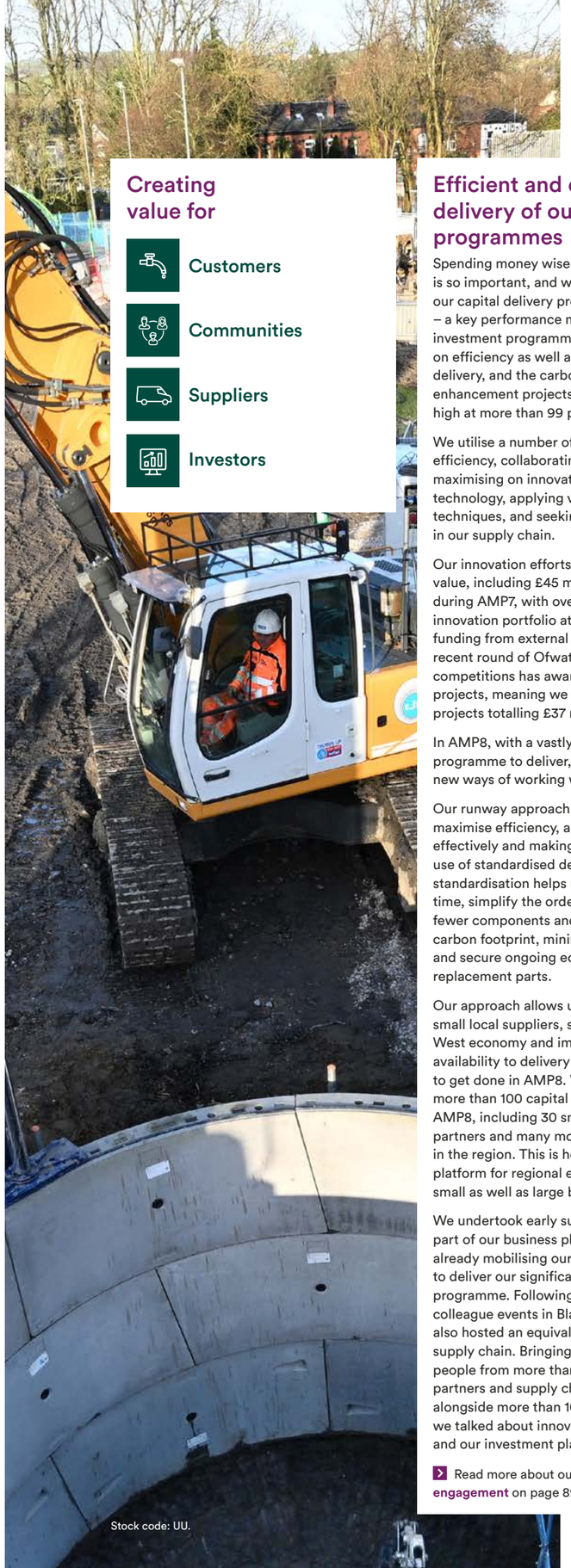
Key stakeholder
Investors

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

Link to remuneration(2)
n/a

Assurance(3)
Independent third-party verification

(1) Read more about our materiality assessment on pages 29 to 30.
(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172.
(3) Read more about the assurance over our performance metrics on page 67.



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Creating value for

- Customers
- Communities
- Suppliers
- Investors

Efficient and effective delivery of our capital programmes

Spending money wisely and efficiently is so important, and we are pleased that our capital delivery programme incentive – a key performance measure for our investment programme that focuses heavily on efficiency as well as quality, on-time delivery, and the carbon impact of our enhancement projects – has remained very high at more than 99 per cent.

We utilise a number of ways to improve efficiency, collaborating with partners, maximising on innovations and new technology, applying value engineering techniques, and seeking other opportunities in our supply chain.

Our innovation efforts continue to deliver value, including £45 million of efficiencies during AMP7, with over 80 per cent of our innovation portfolio attracting additional funding from external sources. The most recent round of Ofwat Innovation Fund competitions has awarded us another two projects, meaning we now lead on nine projects totalling £37 million.

In AMP8, with a vastly different and larger programme to deliver, we are looking at new ways of working with our supply chain.

Our runway approach enables us to maximise efficiency, allocating risk more effectively and making significantly more use of standardised designs. Increased standardisation helps us to reduce design time, simplify the ordering process with fewer components and materials, lower our carbon footprint, minimise upfront costs and secure ongoing economies of scale for replacement parts.

Our approach allows us to work with more small local suppliers, supporting the North West economy and improving supply chain availability to delivery everything we need to get done in AMP8. We have onboarded more than 100 capital delivery partners for AMP8, including 30 small locally-based partners and many more with a presence in the region. This is helping to drive a platform for regional economic growth, for small as well as large businesses.

We undertook early supplier engagement as part of our business plan process, and are already mobilising our supply chain ready to deliver our significant AMP8 investment programme. Following the success of our colleague events in Blackpool, in April we also hosted an equivalent event for our supply chain. Bringing together nearly 400 people from more than 90 construction partners and supply chain organisations, alongside more than 100 of our colleagues, we talked about innovation, collaboration, and our investment plans for AMP8.

Read more about our **AMP8 supply chain engagement** on page 89

Contributing to our communities

We support local communities through financial investment in environmental and community partnerships, our range of affordability schemes, delivery of education in schools, and colleague volunteering time.

This year, our direct community investment (calculated using the B4SI method) totalled £9.8 million. This means we exceeded our five-year target, delivering £21.6 million over AMP7. A key driver of this is our sustainable urban drainage projects funded from the green recovery programme, as discussed on page 71. These have realised a range of benefits including slowing the flow of rainwater, biodiversity, and creating new green spaces for local communities.

We have sought further opportunities to engage with communities across the North West, addressing some of their issues through community investment that is also strongly aligned with our strategic priorities. For example, we have seen continued success with our Better Rivers community fund. Set up in 2023, this fund offers grants of up to £2,500 to local community groups who have a connection to their local watercourse. These funds have helped pay for items such as litter picking equipment, waders and sampling kits over the past 12 months, with over £80,000 shared.

Keeping customers updated on our plans and progress is a key feature of our engagement. We have been running 'see for yourself' tours, providing customers and community groups the opportunity to see how we operate our wastewater treatment works and understand the technology we use to clean used water and return it safely to the environment. Our information centre on Windermere High Street provides locals and visitors with information about our plans to further improve water quality in the lake, and we've held events at the centre on water saving, meters, affordability support, and our graduate and apprentice schemes.

Our community investment in 2024/25 has seen us support numerous charities linked to our activities, focus on specific places such as where we are undertaking construction activity, engage in careers and skills events for the next generation, and support many environmental projects, whether that is working with the region's Rivers and Wildlife Trusts or planting trees.

Each of our five counties has very different challenges and needs and our approach to community investment reflects this. With dedicated stakeholder managers in each county and county delivery squads, we have set ourselves up to ensure we are ready to deliver our business plan at pace, and this brings to life the improvements that we will be delivering for people in their local area.

Read more about our **five-county approach** on pages 08 and 55

How we're delivering our purpose: stronger

Working in partnership

The most effective and efficient way for us to deliver improvements is through collaboration and partnership working. Partnerships can bring multiple groups together all working towards a common goal. For instance, the Love Windermere initiative includes nine partnership members where we all have a strong desire to improve water quality in this iconic lake.

Working with community groups, we often find that we can deliver more for less, or partners can leverage additional funds and other resources to invest in schemes with mutual benefits that improve things for water customers as well as other stakeholders. We are better together. This is consistent with our overall catchment management approach, where we look at the end-to-end water cycle within a catchment to deliver improvements in the most effective way.

One way we measure partnership activity is through the partnership leverage ratio, which was 1:3 this year. This means that for every £1 we invest into partnerships, we attract £3 from other sources. Though slightly below our target of 1:4, we have seen a significant increase in both the quantity and value of our partnerships over the past few years.

Co-creating, co-financing and co-delivering partnership solutions are core capabilities for us, and we continue to build on this. We work closely with a broad variety of third parties, including tenant farmers to improve water quality from catchment land, projects with organisations such as Natural England and the Environment Agency, and long-term strategic partnerships. As set out below, we have also established important water management partnerships with the Greater Manchester Combined Authority and the Liverpool City Region Combined Authority.

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

99%
of invoices paid within 60 working days or less

£2.7bn
raised through our sustainable finance framework to date

Working together to improve water management

Greater Manchester

With the scale of the challenge to manage too much water in times of flooding, and too little water during droughts, continuing to grow, water supplies in Greater Manchester come under increasing pressure. Rainfall is predicted to rise by 59 per cent by 2050, even if carbon reduction targets are met, and in storms, with the city region sitting in a natural bowl, heavy rainfall can see water levels rise rapidly, causing flood risk. In September 2021, we signed a Memorandum of Understanding together with Greater Manchester Combined Authority (GMCA) and the EA, creating the first partnership looking to manage water differently across the city region, with an Integrated Water Management Plan (IWMP) developed by this partnership and working with others.

So far, the partnership has:

- Commissioned an integrated catchment model, with data from all three partners, to provide a shared understanding of catchment dynamics, growth and investment, and enable more integrated investment plans;
- Helped to secure an innovative, flexible rainwater management programme through the Advanced WINEP, to deliver rainwater management projects across Greater Manchester, enabling large scale regeneration to include sustainable water interventions that deliver wider benefits for the community; and
- Hosted a visit from Defra and the launch of the Independent Water Commission's call for evidence, both of which expressed an interest in this trailblazing partnership and IWMP.

Merseyside

This year, we also signed a Memorandum of Understanding with the Liverpool City Region Combined Authority and Mersey Rivers Trust to help deliver the Government's national water quality goals and accelerate the cleanup of the River Mersey. Partners are committed to a joint five-year action plan aimed at reducing spills, improving water quality, reducing flood risks, and boosting biodiversity across the city region. This includes a joint programme of water management projects in collaboration with local authorities, developers, and community organisations, which will explore innovative nature-based solutions, such as sustainable drainage systems and natural flood management techniques, to reduce pressure on the sewer network.

We will work to ensure that local rivers meet and exceed national standards under the Water Framework Directive, supporting the aim for rivers to achieve 'Good' ecological status, and to enhance public access to the region's waterways, creating cleaner and safer spaces for communities to enjoy. This commitment aligns with our ongoing efforts to tackle pollution and reduce spills, and builds on our legacy partnership and founding membership of the Mersey Basin Campaign, which demonstrated what we can achieve when we work together.

Directly contributing to national government targets, the partnership is a model for other regions, showing how local leadership, industry collaboration, and community involvement can drive faster progress on water quality.

External recognition and benchmarking

United Utilities Group PLC has been included in the FTSE4Good Index Series since June 2001. Latest review March 2025[1].

In the annual review in July 2023, our status was assessed as Prime[2].

As of November 2024, United Utilities Group PLC received an MSCI ESG rating of A[3].

We have reported through the Corporate Sustainability Assessment for 25 years. For 2024, our overall performance was 67% and we are proud to be a component of the iconic Dow Jones Best-in-Class World Index (effective December 2024) and a 2025 Sustainability Yearbook Member.

In our latest assessments, United Utilities joined the Climate A list of the world's best performing companies out of more than 24,800 companies assessed by CDP in 2024. As well as the 'A' score for the Climate theme United Utilities also attained a leadership score of 'A-' for Water security.

In October 2024, United Utilities received an ESG Risk Rating of 9.5 and was assessed by Sustainalytics to be at negligible risk of experiencing material financial impacts from ESG factors[4].

(1) lseg.com/en/ftse-russell/indices/ftse4good
(2) issgovernance.com/esg/ratings/badge
(3) msci.com/legal/notice-and-disclaimer
(4) sustainalytics.com/legal-disclaimers

Working with suppliers

Our activities during AMP8 will support around 30,000 jobs both directly and through our supply chain. This includes an additional estimated 7,000 jobs, helping to support the North West economy.

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

Payment practices are critical to our business and our suppliers – particularly at a time when there have been significant rises in the costs of key commodities. As a signatory to the Prompt Payment Code, and in addition to the commitment to pay at least 95 per cent of invoices within 60 working days, we also continue to pay 95 per cent of our small and medium-sized enterprise (SME) suppliers within 30 days. Over the last year, we have continued to outperform our target to pay suppliers promptly, with around 99 per cent of our invoices paid within 60 days, and an average time to pay of 12 days. We act fairly and transparently with all our suppliers and as a signatory to the Code, comply fully with the reporting requirements.

United Supply Chain

United Supply Chain (USC) underpins our supplier collaboration strategy to support the delivery of our sustainability goals. Its purpose is to collaborate, share knowledge and create value with our suppliers, ensuring that our responsible sourcing principles are brought to life and embedded throughout our supply chain. As part of our procurement process, in-scope suppliers are required to commit to our responsible sourcing principles as either signatories or leaders.

As a signatory, a supplier commits to adhere to the principles and support us to identify and mitigate any risks in the supply chain. As a leader, suppliers not only agree to the responsible sourcing principles but also commit to go further by demonstrating their commitment to the principles, collaborating with us to improve practices and identify new ways of working, to enhance the value delivered to customers.

Since 2016, we have been a partner to the Supply Chain Sustainability School (SCSS). The school is free for our suppliers to join and allows access to numerous training options and resources to help embed our responsible sourcing principles through our supply chain. Our internal colleagues and supply chain have free access to learning pathways, virtual conferences, and tailored training on ESG topics aligned to our responsible sourcing principles. Our relationship with SCSS has gone from strength to strength and we have retained our Gold status with them year on year.

Raising sustainable finance and paying our fair share of tax

Our sustainable finance framework allows us to raise financing based on our strong ESG credentials alongside conventional issuance. We have issued £2.7 billion so far through this framework, of which £1 billion was issued this year. We published an allocation and impact report during the year, detailing the investments made with the proceeds of funds raised under the framework.

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

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

Read more on our **UK tax policies and objectives** on page 173

Performance across a range of trusted investor indices

We have participated in a range of independently assessed global ESG ratings and indices for many years to benchmark our approach against best practice and emerging sustainability challenges. Our approach to responsible business has ensured consistent upper quartile performance in selected ESG ratings and indices.

We remain a component of the Dow Jones Best-in-Class World Index along with just three other companies from the Multi Utilities and Water sector. In the Sustainalytics assessment, we are classified as negligible risk and in the top 2 per cent of performers in the Utilities industry group. We are also proud to be ranked among Corporate Knights' 2025 100 Most Sustainable Corporations in the World.

The external perspective provided by these ESG ratings goes beyond the UK water sector and compares our performance against international water utilities, wider utilities and non-utility companies. We continue to respond to best practice and emerging ESG trends to maintain our performance in these ratings, and we are increasing our engagement with investors on ESG matters.

How we're delivering our purpose: stronger

Status key

Performance against target — Met expectation/target — Close to meeting expectation/target — Behind expectation/target

Stakeholders

Customers | Environment | Communities | Colleagues | Suppliers | Investors

Measure	2025 target	Performance 2024/25	Performance 2023/24	Performance 2022/23	Assurance[2]	Link to remuneration	Key stakeholder	Status: Performance against target
Credit rating - UUW senior unsecured debt (Moody's, S&P, Fitch)[1]	Baa1, BBB+, A-	**Baa1, BBB+, A- (Stable outlook)**	A3, BBB+, A-	A3, BBB+, A-	ITV	n/a		
Maintain sustainable finance framework	Available/ continued issuance	**Available**	Available	Available	IAT	n/a		
Anti-bribery: percentage of identified colleagues completing required training	100%	**100%**	100%	100%	IAT	n/a		
Number of children benefitting from education materials	20,000	**33,442**	39,131	23,253	ITV	n/a		
Partnership leverage[1]	1:4	**1:3**	1:3	1:4	RRA	n/a		
Invoices paid within 60 days	At least 95%	**98.71%**	99.60%	98.91%	ITV	n/a		
Average time taken to pay invoices	<28 days	**12**	11	12	ITV	n/a		
Supplier Relationship Management score	90%	**94%**	95%	90%	IAT	n/a		
CIPS ethical mark	Retain accreditation	**Retained**	Retained	Retained	ITV	n/a		
Percentage of targeted suppliers signed up to United Supply Chain	100%	**100%**	94%	89%	IAT	n/a		
Percentage of partner and strategic suppliers that have sustainability risk assessments in place	75%	**94%**	78%	73%	IAT	n/a		
Percentage of suppliers in high risk categories (in sustainability risk assessments) covered by enhanced due diligence audits	5%	**5%**	4%	3%	IAT	n/a		
UK Corporate Governance Code	Maintain compliance	**Compliant**	Compliant	Compliant	IAT	n/a		
Fair Tax Mark	Retain accreditation	**Retained**	Retained	Retained	ITV	n/a		
Living Wage accreditation	Secure and retain	**Retained**	Retained	Retained	ITV	n/a		
Pension Quality Mark +	Retain accreditation	**Retained**	Retained	Retained	ITV	n/a		

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

(2) Read more about the assurance over our performance metrics on page 67.
ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Case study:

Engaging early – our approach to supply chain engagement for AMP8

The size and scale of investment for AMP8 means we have refreshed and updated our capital delivery approach to shape projects for the right infrastructure and environmental outcomes.

A new runway model provides the ability to access a wider range of supply chain partners, from the sector's largest construction organisations through to smaller, more agile specialists with knowledge of local areas. The model is based on a series of different 'runways' that match the appropriate type of supplier to the specific characteristics of a project – allowing us to adopt the right approach for delivery depending on the type of scheme to be delivered and the desired outcome.

A new runway for AMP8 is the 'build only' runway, which contains 30 construction partners. One of the key drivers behind the creation of this is the desire to build closer, more flexible partnerships with smaller construction firms. This encourages innovation, drives better value for clients, and allows us to tap into the local knowledge and specialist skills that smaller partners bring to the table, while supporting job opportunities and the local economy.

The biggest and most complex capital projects will be delivered by the United Utilities Enterprise, an alliance formed of seven industry partners alongside United Utilities. This partnership brings together expertise in design, engineering, and construction to ensure we deliver projects safely, efficiently, and sustainably.

The Enterprise commercial model helps integrated teams to deliver differently and is founded on a set of commercial principles which make room for collaboration and early engagement with a diverse supply chain.

The United Utilities Enterprise team began supply chain ecosystem engagement during mobilisation, running a large-scale engagement event in Autumn 2024. The event was an opportunity to begin building key relationships and ensure the scale of opportunity for innovation, collaboration, and standardisation across programmes is well understood and communicated consistently. By working in a more joined-up way, we can share expertise, standardise processes and asset designs, and remove unnecessary delays.

We're also working with a strong supply chain, with long-term contracts and a new commercial model that will help us make the most of the latest innovations – both in and out of the water industry.

Once the Enterprise had secured its first programme-level procurements, it launched a dedicated digital platform for suppliers. The platform provides suppliers with a single source of information, communication and point of contact to ensure a positive experience. Since then, the first programmatic procurement has successfully been secured in time for the start of AMP8.

Delivering value for

This is creating value for customers, communities, suppliers and investors.

Read more about **our supply chain engagement** on pages 08, 26 and 85 to 87

Our S172(1) Statement

Our strategic priorities

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

Our key decisions during the year to 31 March 2025

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

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

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

The board of directors of United Utilities Group PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2025 including:

(1) Includes our delivery against performance commitment levels and our performance for the environment in the round (including the Environment Agency's annual performance assessment)

Acceptance of the final determination for AMP8:

Link to strategy

The decision

The final determination (FD) for the asset management period 2025–30 was published by Ofwat on 19 December 2024. The UUW board accepted the FD on 29 January 2025.

Outcome

Based on the FD, our capital programme for the 2025–30 period is set at £13 billion. As part of this, the group will deliver a circa £5.7 billion enhancement expenditure plan, including an industry-leading £2.4 billion CSO programme to deliver a 60 per cent reduction in spills from storm overflows this decade.

How we engaged with stakeholders

Customer and stakeholder engagement directly informed the development of our business plan submission and strategy to deliver it through customer insight and research which was used to directly inform it. Engagement was conducted in a variety of ways, including: setting up customer focus groups, workshops, and online 'Your Water, Your Say' community panels in each of the counties across the North West served by United Utilities (Cumbria, Lancashire, Merseyside, Greater Manchester and Cheshire) to ensure that regional differences would be reflected in the construct of our AMP8 and enabling us to plan and communicate the outcomes for each county. 12 panel sessions were held in total, providing insight incorporated into the proposed business plan. At the panel sessions held after the draft business plan submission in October 2023 we shared how the insight gained from stakeholders had impacted our plan.

The draft determination was published by Ofwat on 11 July 2024. The company engaged with its regulators throughout the process, answering queries and providing further information prior to submitting its revised submission to Ofwat on August 2024, with the FD published on 19 December 2024.

The board's view

The board reviewed the consequences of accepting the FD in the form published by Ofwat noting the delivery challenge of a plan of this size – with the need for investment in performance, further CSO spill reduction and the accelerated plan for bioresources. Notwithstanding the 'step-up' in average customer bills in 2025/26 was larger than anticipated, UUW's average customer bills will be the fourth lowest in the industry in AMP8 – average customer bills will increase by 32 per cent from the end of 2024/25 to 2029/30, but would enable the company to address customers' views and priorities obtained during the research and testing phases of the plan – 74 per cent of customers supported our original business plan. Notwithstanding the additional requirements in the plan, affordability support is expected to be provided to one in six households. This package of support totals £525 million, inclusive of £200 million provided by shareholders. The board carefully considered whether to challenge the FD through the appeals process. However, it determined that doing so would not best serve the long-term success of the company for the benefit of its members as a whole.

Dividend policy for AMP8

Link to strategy

The decision

To set the dividend policy for AMP8.

Outcome

The board will target growth in the dividend per share, from the 2024/25 base, of CPIH inflation each year of AMP8.

How we engaged with stakeholders

The UUG dividend policy is closely related to UUW's dividend policy and the outcome of the FD. As set out above, the business plan was informed through extensive stakeholder engagement through the 'Your Water, Your Say' community panels, all-colleague engagement events held in Blackpool in December 2023 and March 2025, and through our offer to MPs in our region and local authority representatives to discuss the draft business plan following its submission to Ofwat. The board regularly engages with investors both directly and indirectly, including shareholders and credit investors.

The board's view

Payment of a dividend by UUG is contingent on the dividend paid by UUW. In its price review submission for AMP8, the board of UUW committed to further cementing its responsible approach to gearing, dividends and benefit sharing in AMP8 and more explicit alignment with the changes introduced in May 2023 by Ofwat in relation to its new powers to regulate water companies paying dividends. The UUW board will make decisions on dividends on an annual basis and will provide stakeholders with a clear explanation of its approach and decision as part of the UUW annual performance report. When declaring or paying a dividend, the board will:

- Take account of a full range of matters including service delivery for customers and the environment;(1)
- Consider company performance in the round and over time, encompassing all aspects of delivery against its licence, including delivery against performance commitments, investment plans, cost efficiency and other areas of its operations;
- Give consideration to the company's current and future investment needs and financial resilience over the short and longer term; and
- Have due regard to whether the dividend rewards efficiency and the effective management of the business, including performance across a number of periods. The board believes the underlying approach applied by the UUW board, and therefore impacting the availability of dividends available for the UUG board to pay to its shareholders would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Haweswater Aqueduct Resilience Programme (HARP)

Link to strategy

The decision

The board supported the conclusion of the Full Business Case and approved its submission to Ofwat as part of the 'Control Point F' submission in the HARP procurement process and recommended the award of the Direct Procurement for Customers (DPC) contract to the preferred bidder, the STRABAG Equitix Consortium.

Outcome

The board provided its assurance statement as part of the Ofwat Control Point F submission confirming that the full business case was produced in accordance with good industry practice, that it reflected the suite of procurement documents provided to Ofwat in support of the submission and that UUW had achieved a best value price through a competitive tender process, therefore offering value for money for customers. Ofwat has provided consent in principle to award the contract to the preferred bidder, subject to final consent upon receiving the final form of the contract.

How we engaged with stakeholders

We have secured planning permission from nine planning authorities for this complex scheme. Such an outcome has been achieved through focused engagement with communities and stakeholders explaining our plans, listening to feedback and concerns and then amending and adjusting our plans as appropriate. Prior to starting the project, we engaged with numerous stakeholders including representatives from the relevant local authorities, local highways authorities, National Highways, Natural England, Environment Agency and landowners, to help shape our plans for dealing with the risk associated with the existing tunnel sections of the Haweswater Aqueduct. Relevant councillors, community representatives and special interest groups have also been engaged and offered opportunities to meet with the project team to provide their feedback. The proposed solution was also tested with our regulator and other parties to ensure it was the most appropriate solution.

The board's view

Following a series of inspections and risk assessments it was identified that there was an increasing risk of failure associated with the existing Haweswater Aqueduct, requiring the replacement of the tunnel sections of the existing aqueduct. At PR19, UUW proposed the DPC approach to procure a Competitively Appointed Provider (CAP) to design, build, finance and maintain the new tunnel sections. Through AMP7, UUW progressed the design and development of the project, including working with Ofwat to develop the commercial model for DPC to ensure that the outcome delivers best value for customers. This has involved considerable engagement with bidders and other stakeholders as well as Ofwat. UUW has utilised expert legal and financial advisers throughout the project's development and ensured the necessary assurance at each stage, including the establishment of an oversight committee, consisting of external experts with experience of major project finance initiatives and large and complex capital infrastructure projects. The board has been kept updated along the journey and is of the view that replacing the tunnel sections of the Haweswater Aqueduct continues to be the preferred option which best meets its strategic objectives and that the company has achieved a best value price through a competitive tender process, therefore offering value for money for customers and would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

How we're creating long-term sustainable value

Key performance indicators

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

Underlying operating profit

See note 1.

Target

Not externally disclosed

Annual performance

£634 million

Reported operating profit: £632 million

Underlying operating profit has increased £116 million compared with last year, largely reflecting the revenue increase allowed as part of our revenue cap, partly offset by higher costs as a result of growth in the underlying asset base and inflationary pressures.

2023/24: £518 million

2022/23: £441 million

Status

Behind expectation/target

Link to remuneration[2]

Bonus

Gearing

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

Target

55–65%

Annual performance

60%

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

2023/24: 59 per cent

2022/23: 58 per cent

Status

Met expectation/target

Link to remuneration[2]

n/a

Dividend per share (DPS)

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

Target

Annual growth in line with CPIH inflation

Annual performance

51.85 pence

The board has proposed a final dividend of 34.57 pence, which takes the total dividend to 51.85 pence per share for 2024/25. This is an increase of 4.2 per cent, in line with our policy of targeting an annual growth rate of CPIH inflation.

2023/24: 49.78 pence

2022/23: 45.51 pence

Status

Met expectation/target

Link to remuneration[2]

n/a

Underlying earnings per share (EPS)

See note 1.

Target

Not externally disclosed

Annual performance

49.6 pence

Reported EPS: 38.8 pence

Underlying EPS is primarily driven by the movement in underlying operating profit and a slightly lower underlying finance expense. Reported EPS is lower due primarily to the deferred tax adjustment and fair value movements.

2023/24: 33.3 pence

2022/23: -1.3 pence

Status

Behind expectation/target

Link to remuneration[2]

n/a

Return on regulated equity (RoRE)

Base allowed return plus or minus any out or underperformance.

Target

6-8% cumulative for AMP7

Cumulative AMP7 performance

6.1%

Annual performance

1.1%

Average RoRE for AMP7 was 6.1 per cent on a real, RPI/CPIH blended basis, outperforming the base return of 4.0 per cent. Annual performance was impacted by the phasing of totex.

2023/24: 7.5 per cent[3]

2022/23: 10.5 per cent[3]

Status

Close to meeting expectation/target

Link to remuneration[2]

LTP

Also indirectly linked to the bonus, as RoRE is influenced by two bonusable measures: ODIs and C-MeX.

Total shareholder return (TSR)

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

Target

Not externally disclosed

Annual performance

+2.8%

TSR was 2.8 per cent in the year to 31 March 2025, which was behind the FTSE 100 return but sits between the performance of our listed water company peers.

2023/24: +1.6 per cent

2022/23: -1.5 per cent

Status

Close to meeting expectation/target

Link to remuneration[2]

n/a

(1) Underlying operating profit and underlying earnings per share are alternative performance measures that exclude adjusted items from their reported equivalents. Underlying operating profit excludes any significant non-recurring items. Underlying EPS deducts underlying net finance expense, underlying share of joint venture losses, and underlying taxation from underlying operating profit to calculate underlying profit after tax, and divides this by the average number of shares in issue during the year. Underlying net finance expense makes adjustments including stripping out fair value movements. Underlying taxation strips out deferred tax (including any tax credits or debits arising from changes in the tax rate) and any exceptional tax. A description of adjusted items, the framework by which these are assessed, and reconciliations between reported and underlying measures, can be found on pages 98 to 99.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172.

(3) Prior year RoRE figures restated to reflect post-intervention PCC performance due to the impact of COVID-19, and recalculated tax allowances in line with Ofwat's information notice published in March 2025.

Financial framework

Upon acceptance of the final determination for the five years to 31 March 2030 (the AMP8 regulatory period), we have updated our financial framework.

Investment and regulated asset growth

Our regulated assets grew at a compound annual growth rate of 5.2 per cent across the five years to March 2025 (AMP7). Our capital programme for the five years to March 2030 (AMP8) is significantly larger, due to a number of long-term investment drivers, meaning we expect to see our regulated assets grow at a higher compound annual growth rate of around 7 per cent.

RoRE

The return on regulatory equity (RoRE) metric measures returns (after tax and interest) earned by reference to notional regulated equity. Overall returns comprise a base return on equity plus a contribution from outcome delivery incentives, price control deliverables, operating efficiency, financing and tax efficiency and customer service. We currently aim to outperform the regulatory contract by at least 100 basis points (bps).

Capital investment

Capital investment is forecast to be approximately £9 billion across the five years to March 2030, representing an uplift of around £5 billion compared to AMP7.

Balance sheet

The board has maintained a target gearing range of 55 to 65 per cent net debt to regulated capital value. As at 31 March 2025, our gearing is comfortably in the middle of this range at 60 per cent.

Dividend policy

The group maintains a dividend policy to target a growth rate of CPIH inflation each year, having increased the dividend at least in line with inflation for the last 15 years. The annual increase in the dividend is based on the CPIH element included within allowed regulated revenue for the current financial year. This is calculated as using the CPIH annual rate from the November prior (i.e. the 2024/25 dividend is equal to the 2023/24 dividend indexed for the movement in CPIH between November 2022 and November 2023).

Outlook and guidance for 2025/26

ODI rewards

We are forecasting to incur a net customer ODI penalty for 2025/26, recognising the introduction of new measures in AMP8, with performance improvements expected to be progressive.

Revenue

Revenue is expected to increase to between £2.5 billion and £2.6 billion in 2025/26 in line with the final determination, adjusted for inflation.

Underlying operating costs

Underlying operating costs are expected to decrease, with higher costs associated with inflation and growth in the asset base more than offset by lower infrastructure renewals expenditure (IRE) due to a more granular asset recognition, resulting in the greater component of network expenditure being capitalised.

Depreciation

With continued growth in our asset base and the impact of a more granular asset recognition, depreciation is expected to increase by around £50 million year on year.

Underlying net finance expense

Underlying net finance expense is expected to increase by around £50 million year on year, due to increased debt requirements to fund the step-up in investment in AMP8. As at 31 March 2025, we had £4.7 billion of index-linked debt exposure, giving rise to a £47 million swing in our annual interest charge for every 1 per cent change in inflation.

Underlying tax

Our current tax charge is expected to be nil in 2025/26, reflecting expected benefits in relation to 'full expensing' and the 50 per cent first year allowances on longer life assets.

Capital expenditure

Capex in 2025/26 is expected to be over £1.5 billion.

How we're creating long-term sustainable value

Financial performance

We delivered strong underlying financial performance this year. Revenue increased 10 per cent due to regulatory adjustments, including the 4.2 per cent CPIH-linked increase allowed as part of our revenue cap.

This revenue increase, partly offset by higher costs as a result of growth in the underlying asset base and inflationary pressures resulted in underlying operating profit of £634 million, a 22 per cent increase compared to the prior year.

Reported operating profit was slightly lower than underlying at £632 million, reflecting an adjusting item in respect of the residual costs associated with a fractured outlet pipe at our Fleetwood Wastewater Treatment Works in June 2023.

Non-cash interest expense on our index-linked debt declined, resulting in an underlying profit after tax of £338 million and an underlying earnings per share of 49.6 pence.

Reported profit after tax was lower at £265 million, with reported earnings per share of 38.8 pence per share. Adjusted items between underlying and reported are set out on pages 98 to 99.

Our balance sheet remains one of the strongest in the sector, and we are fully equity funded for AMP8. With RCV gearing at 60 per cent alongside robust credit ratings, we have financing flexibility as we approach AMP8.

Following the significant financial challenges from inflation over the prior two financial years, it is reassuring to see the company's underlying earnings per share return to levels more commensurate with the start of the AMP7 periods and regulatory assumptions more broadly, as the effect of regulatory revenue increases, which lag the cost impact, take effect.

£2.1bn
revenue

£634m
underlying operating profit

1.5%
bad debt as a percentage of household revenue

Fair tax mark
retained for sixth consecutive year

Revenue

Revenue was up £196 million, at £2,145 million, with £186 million attributable to regulatory adjustments. Adjustments include a 4.2 per cent CPIH-linked increase to the revenue cap as well as reconciliation adjustments for under-recovery in prior years, partially offset by 1.5 per cent real reduction in allowed wholesale revenues as set out in our PR19 final determination.

Other revenue impacts largely reflect favourable consumption.

Operating profit

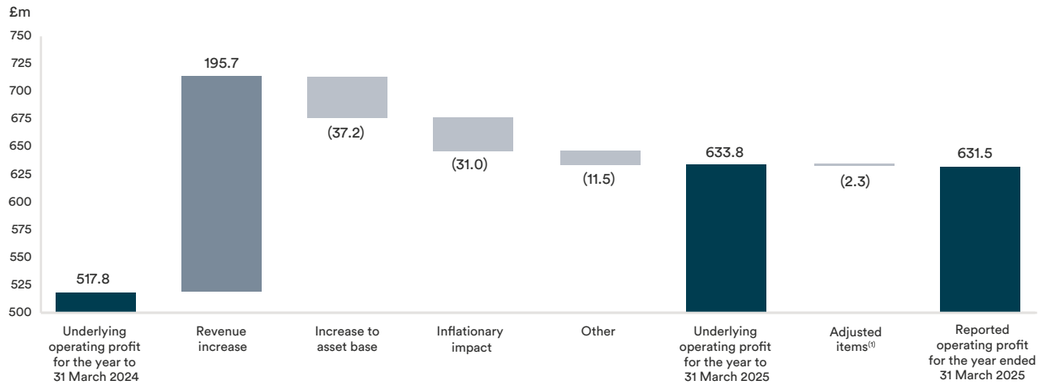
Underlying operating profit at £634 million was £116 million higher than last year, largely reflecting the increase in revenue.

Underlying operating costs have increased by £80 million compared to the prior year, largely reflecting an increase in costs associated with growth in the underlying asset base and inflationary pressures, as well as additional investment in performance ahead of AMP8.

Reported operating profit was lower at £632 million, reflecting lower adjusted items as detailed on pages 98 to 99.

Our industry-leading affordability schemes, combined with effective credit collection practices and utilisation of technology, have meant that current year cash collection has been strong. Our bad debt position remains stable at 1.5 per cent of statutory revenue.

Summary of operating profit movement



(1) Adjusted items between underlying and reported are set out on pages 98 to 99.

Profit before tax

Underlying profit before tax of £339 million compared to a £221 million underlying profit before tax last year. The £118 million increase reflects the £116 million increase in underlying operating profit, a £9 million reduction in underlying net finance expense, partially offset by a £7 million increase in the share of losses of joint ventures.

Reported profit before tax is £16 million higher, reflecting adjustments outlined on pages 98 to 99.

Net finance expense

Underlying net finance expense of £284 million was £9 million lower than the prior year, reflecting lower inflation applied to our index-linked debt resulting in a £90 million decrease in non-cash indexation on our debt and derivative portfolio, partly offset by a reduction in capitalised interest and pension interest income, as well as an increase in cash interest.

Cash interest has increased by £46 million, primarily reflected the increase in debt largely due to the accelerated funding ahead of AMP8.

Reported net finance expense was £19 million lower than underlying net finance expense, reflecting adjustments outlined on pages 98 to 99.

Joint ventures

The group incurred a share of the losses of Water Plus for the year ended 31 March 2025 of £11 million, all of which has been recognised in the income statement compared to a share of the losses of Water Plus of £4 million for the year ended 31 March 2024.

This increase is mainly due to data cleanse activities performed by Water Plus during the year, which has informed its assessment of the recoverability of customer receivables resulting in a higher bad debt charge.

Profit after tax and earnings per share

The underlying profit after tax of £338 million was £111 million higher than the prior year, reflecting the £118 million increase in underlying profit before tax, partially offset by a £7 million reduction in underlying tax credit.

Reported profit after tax was lower at £265 million and reported earnings per share at 38.8 pence per share with the adjusted items between underlying and reported set out on pages 98 to 99.

Tax

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

The group makes significant contributions to the public finances on its own behalf as well as collecting and paying over further amounts for its over 6,000 strong workforce. The total payments for 2024/25 were around £257 million and included business rates, employment taxes, environmental taxes and other regulatory service fees such as water abstraction charges.

In the current year, we received a net corporation tax repayment of £6.4 million which represents an effective cash tax rate of 0 per cent. The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment including full expensing introduced by HMRC in 2023.

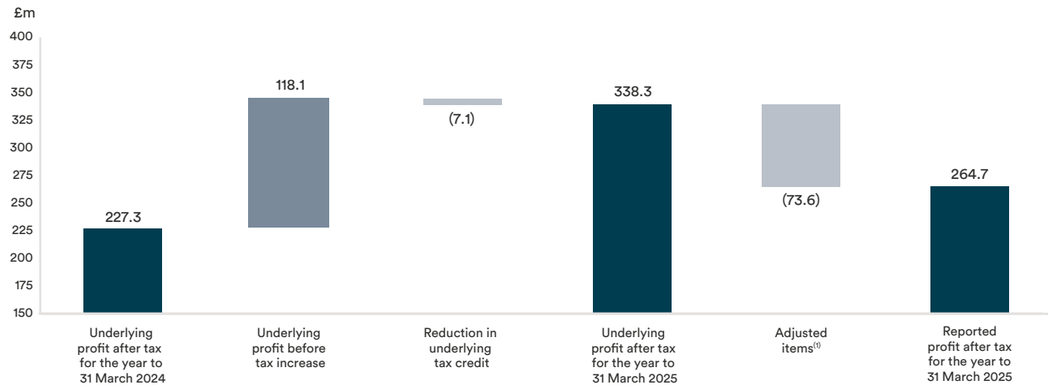
The group recognised a current tax debit of £0.4 million, mainly due to a prior year adjustment in relation to claims for research and development UK tax allowances on our innovation-related expenditure, in respect of multiple prior years. It reflects an additional claim submitted during the year along with adjustments relating to ongoing enquiries from the tax authorities in relation to these claims.

For the year to 31 March 2025, we recognised a deferred tax charge of £90 million, compared with £49 million last year.

The total effective tax rate, excluding prior year adjustments was 26 per cent for the year to 31 March 2025 compared with the headline rate of 25 per cent.

There are £7.9 million of tax adjustments recorded within other comprehensive income, primarily relating to remeasurement movements on the group's defined benefit pension schemes. The rate at which the deferred tax liabilities are measured on the group's defined benefit pension scheme is 25 per cent, being the rate applicable to refunds from a trust.

Summary of profit after tax movement



(1) Adjusted items between underlying and reported are set out on pages 98 to 99.

How we're creating long-term sustainable value

Dividend per share

The board has proposed a final dividend of 34.57 pence per ordinary share in respect of the year ended 31 March 2025. This is an increase of 4.2 per cent compared with the dividend last year, in line with the group's dividend policy of targeting a growth rate of CPIH inflation each year. The 4.2 per cent increase is based on the CPIH element included within allowed regulated revenue for the 2024/25 financial year (i.e. the movement in CPIH between November 2022 and November 2023).

The final dividend is expected to be paid on 1 August 2025 to shareholders on the register at the close of business on 20 June 2025. The ex-dividend date for the final dividend is 19 June 2025.

A dividend reinvestment plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the company's shareholders to elect to have their cash dividend payments used to purchase the company's shares. More information can be found at **www.shareview.co.uk/info/drip**. The closing date for DRIP elections is 11 July 2025.

The ISIN for UUG is GB00B39J2M42 and the TIDM is UU.

Cash flow

Net cash generated from operating activities for the year to 31 March 2025 was £918 million, £173 million higher than £745 million last year, principally due to increased revenue. The net cash generated from continuing operating activities supports the dividends paid of £344 million and partially funds some of the group's net capital expenditure of £988 million, with the balance being funded by net borrowings and cash and cash equivalents.

The group's consolidated statement of cash flows can be found on page 195 of our consolidated financial statements.

Pensions

As at 31 January March 2025, the group had an IAS 19 net pension surplus of £302 million, compared with a surplus of £268 million at 31 March 2024. This £34 million increase has been driven mainly by £19 million of remeasurement gains, as an increase in the discount rate assumption and changes in the demographic assumptions following the triennial valuation reduce the defined benefit obligation by more than the value of the schemes assets.

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

Financing

Net debt at 31 March 2025 was £9,345 million, compared with £8,763 million at 31 March 2024. This comprises gross borrowings with a carrying value of £10,789 million, net derivative liabilities hedging specific debt instruments of £99 million and total indexation on inflation swaps of £131 million, and is net of cash and bank deposits of £1,673 million.

Gearing, measured as group net debt including a £74 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms) of £15.4 billion, was 60 per cent at 31 March 2025, slightly higher than the 59 per cent at 31 March 2024 and still comfortably within our target range.

Cost of debt

As at 31 March 2025, the group had approximately £3.5 billion of RPI-linked instruments and £0.5 billion of CPI or CPIH-linked instruments held as debt. Including swaps, the group has RPI-linked debt exposure of £3.4 billion at an average real rate of 1.4 per cent, and £1.3 billion of CPI or CPIH-linked debt exposure at an average real rate of –0.6 per cent.

A lower RPI inflation charge compared with last year contributed to the group's average effective interest rate of 4.0 per cent being lower than the rate of 4.7 per cent last year. More information on this can be found on page 99.

The group has fixed the interest rates on its non index-linked debt in line with its 10-year reducing balance basis at a net effective nominal interest rate of 3.5 per cent for the current financial year.

Credit ratings

UUW's senior unsecured debt obligations are rated Baa1 with Moody's Investors Service (Moody's), A- with Fitch Ratings (Fitch) and BBB+ with Standard & Poor's Ratings Services (S&P) and all on stable outlook. United Utilities PLC's senior unsecured debt obligations are rated Baa2 with Moody's, BBB+ with Fitch and BBB- with S&P, all on stable outlook.

Debt financing

The group has access to the international debt capital markets through its £10 billion medium-term note (MTN) programme.

In the year to March 2025, we raised c.£1.4 billion of term funding, comprising of a 27-year £350 million sustainable public bond in May, a EUR175 million tap of a 9.8 year green bond in August, a £150 million tap of a 21.4-year public bond in September, a £75 million tap of a 13.4 year public bond in September, an 11-year NOK1.5 billion bond in October, and an 8 year EUR650 million green public bond in February. In addition, in the year to March 2025 we entered into £75 million of new relationship bank revolving credit facilities, entered into £250 million of new liquidity facilities, increased the amount of existing facilities by £75 million and extended the maturity date on £150 million of existing facilities by a further year.

Interest rate management

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 31 March 2025, approximately 37 per cent of the group's net debt was in RPI-linked form, representing around 22 per cent of UUW's regulatory capital value, with an average real interest rate of 1.4 per cent. A further 14 per cent of the group's net debt was in CPI or CPIH-linked form, representing around 9 per cent of UUW's RCV, with an average real rate of –0.6 per cent. The long-term nature of this funding also provides a good match to the company's long-life infrastructure assets and is a key contributor to the group's average term debt maturity profile, which is approximately 15 years.

Our AMP7 inflation hedging policy has been to target around 50 per cent of net debt to be maintained in index-linked form. We have taken the opportunity to consider the appropriateness of this policy for AMP8 and have decided to transition to a lower target of 33 per cent. This continues to reflect a balanced assessment across a range of factors and aligns more closely with Ofwat's notional company assumption and our listed peers. Transition to the new policy target will happen progressively over the period, given the significant financing requirements for AMP8.

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

Liquidity

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

At 31 March 2025, we had liquidity extending out to 2027, comprising cash and bank deposits, plus committed undrawn revolving credit facilities. This gives us flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and support the delivery of our ongoing capital investment programme.

Return on regulated equity (RoRE)

Average RoRE for AMP7 was 6.1 per cent on a real, RPI/CPIH blended basis. In addition to the base return of 4.0 per cent (including our 11 basis point fast track reward that we received in each of the five years of the AMP), we delivered 2.1 per cent of outperformance comprising:

Financing outperformance

We earned financing outperformance over the AMP of 2.8 per cent. We have consistently issued debt at efficient rates that compare favourably with the industry average, thanks to our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise.

Tax outperformance

Outperformance on tax largely reflects the impact of allowable tax deductions on capital investment including full expensing introduced in 2023. Tax outperformance of 2.0 per cent across AMP7 has been updated to reflect recalculated tax allowances published by Ofwat in March 2025, which resulted in a downwards adjustment of 0.6 per cent on average, leading to a net outperformance of 1.4 per cent.

Customer outcome delivery incentives (ODIs)

Customer ODI outperformance of 0.5 per cent reflects a net reward in each year of AMP7, exceeding c.80 per cent of our performance commitments across the five years. Significant rainfall in 2023 and 2024 naturally had an impact on our weather responsive wastewater measures, but we have performed well in water, customer and bioresources, achieving net rewards in each of these areas. As a result of COVID-19, Ofwat published updated PCC performance models in March 2025, which resulted in a modest upward adjustment.

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

Totex performance

The totex impact on RoRE of -2.2 per cent reflects the combined impact of previously announced investment programmes, and further accelerated investment brought forward from AMP8, to deliver environmental improvements (including "Better Rivers: Better North West") and to improve service for customers (including Dynamic Network Management and drinking water quality improvements). This has been further increased by inflationary pressures on costs, most notably on power and chemicals and the impact of isolated events across AMP7 such as the freeze-thaw incident in FY23 and the fractured pipe outlet in Fleetwood last year. The current year impact is higher as a result of phasing of the additional investment.

Retail performance

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

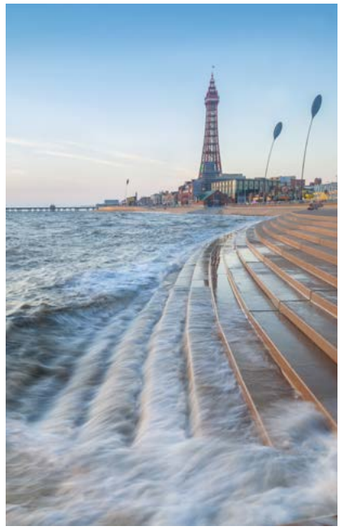
Nominal performance

After accounting for the impact of inflation we've seen on returns across the five-year period, nominal returns reached an average of 11.5 per cent.

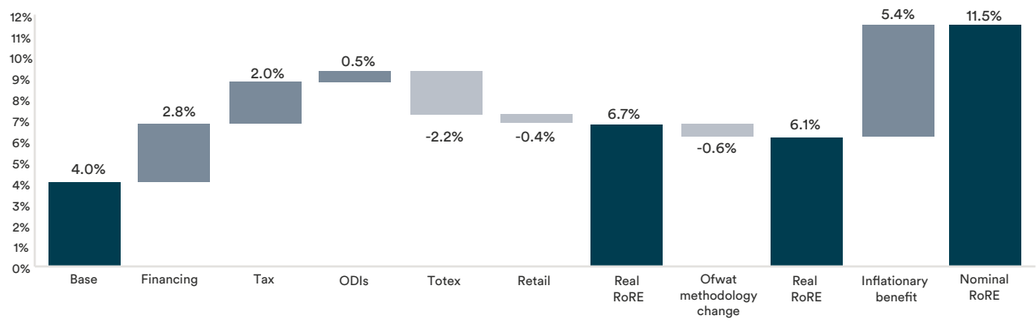
6.1% real
cumulative AMP7 RoRE, 11.5 per cent on a nominal basis

c.80%
of targets in our performance commitments met or beaten across AMP7

£129m
cumulative net ODI reward for AMP7



AMP7 return on regulated equity (RoRE)



How we're creating long-term sustainable value

Guide to alternative performance measures (APMs)

The underlying profit measures in the following table represent alternative performance measures (APMs) as defined by the European Securities and Markets Authority (ESMA). These measures are linked to the group's financial performance as reported in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006 in the group's consolidated statement of comprehensive income, which can be found on page 191. As such, they represent non-GAAP measures.

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

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

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

Underlying profit	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Operating profit per published results	**631.5**	480.2
Fleetwood outfall pipe fracture	**2.3**	37.6
Underlying operating profit	**633.8**	517.8
Net finance expense		
Finance (expense)/income	**(371.9)**	(389.3)
Allowance for expected credit losses – loans to joint ventures	**–**	(2.4)
Investment income	**106.2**	85.6
Net finance expense per published results	**(265.7)**	(306.1)
Adjustments:		
Fair value gains on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	**(18.7)**	12.9
Underlying net finance expense	**(284.4)**	(293.2)
Share of losses of joint ventures per published results	**(10.8)**	(4.1)
Profit before tax per published results	**355.0**	170.0
Adjustments:		
In respect of operating profit	**2.3**	37.6
In respect of net finance expense	**(18.7)**	12.9
Underlying profit/(loss) before tax	**338.7**	220.5
Profit after tax per published results	**264.7**	126.9
Adjustments:		
In respect of profit before tax	**(16.4)**	50.5
Deferred tax adjustment	**90.0**	48.9
Tax in respect of adjustments to underlying profit before tax	**–**	1.0
Underlying profit/(loss) after tax	**338.6**	227.3

Earnings per share		
Profit after tax per published results (a)	**264.7**	126.9
Underlying profit/(loss) after tax (b)	**338.3**	227.3
Weighted average number of shares in issue, in millions (c)	**681.9m**	681.9m
Earnings per share per published results, in pence (a/c)	**38.8**	18.6
Underlying earnings per share, in pence (b/c)	**49.6**	33.3
Dividend per share, in pence	**51.85p**	49.78p

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

Average effective interest rate	Year ended 31 March 2025	Year ended 31 March 2024
Underlying net finance expense	**(284.5)**	(293.2)
Adjustments:		
Net pension interest income	**(12.9)**	(28.6)
Adjustment for capitalised borrowing costs	**(68.5)**	(81.0)
Net finance expense for effective interest rate	**(365.9)**	(402.8)
Average notional net debt[1]	**(9,057)**	(8,504)
Average effective interest rate	**4.0%**	4.7%
Effective interest rate on index-linked debt	**4.3%**	6.2%
Effective interest rate on other debt	**3.8%**	2.9%

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

How we're creating long-term sustainable value

Our EU Taxonomy disclosure

We have undertaken our first voluntary assessment this year of how we align with the EU green taxonomy.

The EU Taxonomy provides a common language and framework for assessing whether an economic activity is environmentally sustainable. Its aim is to prevent greenwashing and help investors make informed sustainable investment decisions in order to direct investments to the economic activities most needed to meet the EU's climate and energy targets for 2030 and the objectives of the European green deal. The taxonomy sets out a list of activities, with detailed criteria that must be met in order to demonstrate alignment. Undertaking an assessment involves three key steps – eligibility assessment, alignment assessment, and financial mapping – as set out below.

Eligibility

We first undertook a review of the more than 150 activities to ascertain which of these we carry out through our activities. The results of this are set out on page 101.

Alignment

Substantial contribution
Companies must demonstrate that the way they deliver an activity makes a substantial contribution to at least one of the six environmental objectives set out below.

Do no significant harm
Alignment requires that making a substantial contribution to one of the environmental objectives is not being achieved at the expense of another of them.

Minimum safeguards
The company must also meet certain social and environmental safeguards, with due diligence processes to cover topics like human rights and anti-bribery.

Financial mapping

The result of the assessment must be reported in terms of three financial KPIs – turnover, opex and capex – with specific definitions of each KPI set out by the taxonomy. We map our financial data to each activity and adjust to align with the taxonomy definitions. Our results are presented on page 103.

Our activities are naturally linked to sustainability, so the environmental objectives are things that we have been contributing towards for some time and continue to focus on.

Climate change mitigation

Focused on reducing greenhouse gas emissions to limit the contribution to global warming.

We were the first (and only) UK water company to have approved science-based targets for the near term, long term and net zero. Our comprehensive TCFD disclosures set out our transition plan to net zero by 2050. We generate renewable energy, and have six ambitious climate pledges, including extensive peatland restoration, woodland creation, and our transition to a green fleet.

Climate change adaptation

Focused on adapting to the unavoidable impacts of climate change, such as rising sea levels and extreme weather events.

As a water and wastewater provider we must constantly adapt to extremes of weather, managing periods of heavy rainfall, prolonged dry periods, and freeze-thaw events. We have long-term plans for managing water resources, drought, and drainage and wastewater. Our AMP8 plan includes investment that will improve our resilience further to these extreme events.

Pollution prevention and control

Focused on preventing and controlling various forms of pollution, including air, water, and soil pollution.

We are sector leading on minimising pollution, and the only UK company to be rated 'green' against serious pollution incidents every year in the EA's environmental performance assessment. We have ambitious targets to reduce pollution incidents further in AMP8, targeting zero serious pollution incidents in every year.

Sustainable use and protection of water and marine resources

Promoting the efficient and sustainable use of water resources, protecting water quality and marine ecosystems.

As shown on pages 18 to 19, we operate across the entire water cycle and rely on water bodies for our core activities, so protecting their sustainability is crucial. We protect the quality of water through management of catchment land, treatment of wastewater, and our significant activity to reduce spills from storm overflows. We are also focused on conserving water through leakage reduction and helping customers to reduce consumption.

Protection and restoration of biodiversity and ecosystems

Aiming to protect and restore biodiversity and ecosystems, including forests, wetlands, and marine habitats.

As set out on page 43, we are committed to protecting and improving biodiversity, and AMP8 final determinations include a specific performance commitment recognising how important this is in our work. The North West includes significant areas of SSSI land and areas of outstanding natural beauty, and our sustainable land management approach, as well as our woodland creation activity, deliver biodiversity benefits.

Transition to a circular economy

Encouraging the reuse, recycling, and recovery of resources to minimise waste and resource depletion.

We are committed to minimising waste from our activities. This includes our treatment of sewage sludge – a by-product from wastewater treatment activity – from which we create clean, renewable energy from biogas and recycle the residual biosolids to create a high quality fertiliser for use in agriculture. More than 98 per cent of our waste goes to beneficial use.

Eligible activities

Given the nature of our core activities, it is not surprising that we are eligible for a large number of the activities set out in the taxonomy. Some activities are quite broad, while others are relatively narrow and specific. We have chosen to focus on the activities that best align with our core day-to-day services but, where other activities are met through what we do, we disclose these as well.

Water supply

Core activity: Construction, extension and operation of water collection, treatment and supply systems. This core activity covers our provision of water services to customers from the point of abstraction, through treatment, and up to the point of supply.

There is another activity - 'Water supply' - that overlaps with this and covers the same end-to-end process, where the focus is on substantial contribution to the sustainable use and protection of water and marine resources. Given that compulsory metering is not legally permitted in our region, we felt the objectives behind our core activity were better suited than the 'Water supply' activity.

There are also a number of narrower and more specific activities that would be eligible, were they not already covered by the end-to-end process of our core activity. This includes:

- 'Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems'
- 'Renewal of water collection, treatment and supply systems'
- 'Use of concrete in civil engineering'

Read more about **how we manage water resources and supply to customers** in our water cycle on pages 18 to 19

Wastewater treatment

Core activity: Urban wastewater treatment. This core activity covers our provision of wastewater services to customers from the point of collection, through treatment, storm water management, and up to the point of discharge of final effluent.

There is another activity - 'Construction, extension and operation of wastewater collection and treatment' - that overlaps with this and covers the same end-to-end process, where the focus is on climate mitigation and adaptation. We felt that the focus of our core activity on the sustainable use and protection of water and marine resources was better suited, given the heavy focus on protecting environmental water quality.

There are also a number of narrower and more specific activities that would be eligible, were they not already covered by the end-to-end process of our core activity. This includes:

- 'Flood risk prevention and protection infrastructure'
- 'Phosphorus recovery from wastewater'
- 'Renewal of wastewater collection and treatment'
- 'Nature-based solutions for flood and drought risk prevention and protection'
- 'Use of concrete in civil engineering'

Read more about **how we manage wastewater treatment** in our water cycle on page 19

Sustainable drainage systems (SuDS)

Core activity: 'Sustainable urban drainage systems (SuDS)'.

Our sustainable drainage projects would also be eligible under the broader 'Nature-based solutions for flood and drought risk prevention and protection' activity, but we have focused on the more specific core activity.

With a changing climate we are seeing increasing periods of intense heavy rainfall, and we have particularly high rainfall in urban areas. We are also preparing for a continually growing population, and planning and investing to reduce spills from storm overflows and flood risk. The impact of these changes, with our largely combined sewer network, means that we will continue to see more and more wastewater and surface water runoff entering our sewers unless we find other ways to cope with rainwater. Sustainable drainage is an effective and environmentally beneficial way to ease the strain on combined sewers and better manage rainfall, an this is part of our long-term rainwater management strategy.

Read more about **our rainwater management activities and use of sustainable drainage** in our TNFD disclosures on pages 41 to 49

Bioresources

Core activities: 'Anaerobic digestion of sewage sludge' and 'Electricity generation from bioenergy'.

The sludge by-product from the wastewater separation and treatment process is transported to our bioresources facilities.

These two core activities cover the main treatment process using anaerobic digestion to produce biogas, and the subsequent use of biogas to generate clean, renewable electricity.

Read more about **how we use bioresources to generate renewable green energy** in our water cycle on page 18

Woodland creation and peatland restoration

Core activities for woodland creation: Identified as 'Afforestation' and 'Forest management'.

In addition, our woodland activities would be eligible for other activities, including:

- 'Conservation forestry'
- 'Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event'

Core activities for peatland restoration: Identified as 'Restoration of wetlands' or 'Conservation, including restoration, of habitats, ecosystems and species'.

Read more about **our progress against woodland and peatland pledges** on page 74

Property management and fleet

Core activity for property: 'Acquisition and ownership of buildings'. In addition, in certain years we will be eligible under 'Construction of new buildings' and 'Renovation of existing buildings'.

While the majority of our properties relate to core water and wastewater activities, we do have some outside of these, including head offices.

Core activity for fleet: 'Transport by motorbikes, passenger cars and light commercial vehicles'. However, our fleet is primarily used in our core water and wastewater activities and therefore we have not chosen to strip this out for alignment purposes, but note that this is also an eligible activity.

Non-eligible activities

We have a small amount of non-eligible business activities, such as our retail services for customers. These are not covered within the list of activities for EU taxonomy purposes as they do not meet the specific environmental objectives of the European Green Deal, but we still undertake them through the lens of our commitment to sustainability. For instance, our community investment and the industry-leading affordability and vulnerability support that we provide through our household retail activities both contribute to the social element of ESG.

Stock code: UU.

How we're creating long-term sustainable value

Our EU Taxonomy disclosure

Assessment of alignment

Our assessment is the result of a collaborative process between the finance team and numerous other subject matter experts in the relevant functions right across the business.

The EU Taxonomy has detailed requirements and technical screening criteria that must be met to establish alignment. In order to improve the robustness, governance, and efficiency around our assessment we utilised specialised analysis software and expert support and advice from Celsia, part of ISS-Corporate.

This enabled us to assess and demonstrate that we met the minimum safeguards and identify where we were satisfying the criteria for making a substantial contribution, and/or doing no significant harm, for the relevant environmental objectives in relation to each eligible activity.

Initial focus

Our primary focus for this first assessment has been on our water and wastewater activities, which make up the majority of what we do. In doing so, we also separated out our sustainable urban drainage systems from wastewater and assessed these independently for alignment.

As set out on the previous page, we first identified the most suitable core activities, as defined by the EU Taxonomy, for each of these. We then undertook detailed analysis of the technical screening criteria to establish whether we met the requirements for alignment. We were pleased to see that for each of these core activities we did successfully meet the alignment criteria.

In future assessments, we will look to undertake further analysis of the technical screening criteria for activities within bioresources, woodland creation and management, peatland restoration, property and fleet.

While smaller in terms of proportionate contribution to the three KPIs, these are important areas of our business that improve environmental sustainability. In particular:

- Our woodland creation and peatland restoration both deliver important benefits for biodiversity, carbon sequestration and natural flood management, as well as protecting water quality impacted by runoff from this land.
- Our bioresources activities help to ensure our waste is going to beneficial use as well as generating clean, renewable energy.
- Our transition to a green fleet, including our recent addition of four electric HGVs, is an important step towards reducing our emissions and contributing towards climate change mitigation.

Mapping of financial data

We have mapped financial data to the individual activities using existing systems.

The majority of our activities sit within our regulated entity, United Utilities Water Limited (UUW), for whom we are required to report to the regulator, Ofwat, under price controls. These are closely aligned to EU Taxonomy activities – for instance, the water price controls cover the construction, extension and operation of water collection, treatment and supply systems – and therefore form the initial basis of our financial data mapping.

There are instances where we have split financial data further than the price controls to enable reporting with additional granularity, for instance separating out SuDS from within the wastewater price control, and stripping out woodland activity that was in part included under the water price controls.

Regulatory reporting guidelines differ from IFRS, so we made the relevant adjustments between regulatory and statutory accounting standards, and also adjusted to include other activities that sit outside of UUW, to arrive at IFRS reported financial data at the group level, apportioned out between EU taxonomy eligible activities and other activities not eligible under EU Taxonomy.

We then made further adjustments to reflect any differences between the definitions of the KPIs reported under EU Taxonomy and IFRS reporting definitions. The general EU Taxonomy definitions, and core differences with our IFRS-reported equivalents, are set out here.

Turnover

Net turnover is defined by EU Taxonomy as the amounts derived from the sale of products and the provision of services after deducting sales rebates and taxes, such as VAT, that are directly linked to turnover. Governmental grants should be excluded, as they are not recognised as revenue under IAS1 paragraph 82(a). Any grants and contributions we receive are not included in revenue, so turnover for EU Taxonomy purposes does not differ from revenue reported under IFRS.

Capital expenditure (capex)

Capex is defined by EU Taxonomy as the total additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements. It excludes the additions resulting from revaluations and impairments, and fair value changes. The taxonomy capex definition refers to costs that are accounted based on IAS16 'Property, plant and equipment', IAS38 'Intangible assets', IAS40 'Investment property', IAS41 'Agriculture', and IFRS16 'Leases'. We include depreciation and amortisation as opex, therefore capex for EU Taxonomy purposes does not differ from capex additions reported under IFRS.

Operating expenditure (opex)

Opex aims to capture non-capitalised costs that relate to investments in assets and processes. It is defined by EU Taxonomy as non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repair costs, and other direct expenditure related to the company's strategy for maintaining or improving environmental performance and resilience in respect of each activity.

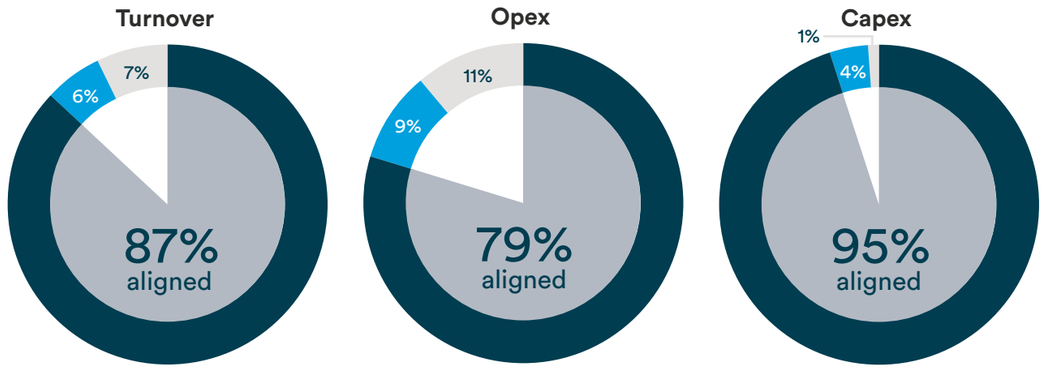
This is the measure that diverges most from IFRS, and we have made a number of adjustments to meet the taxonomy definition of opex.

For example overheads are excluded, as these are not directly attributable to the activities, and we have stripped out depreciation and amortisation.

Reagents such as the chemicals used in water and wastewater treatment, and the electricity used to operate PPE, are also stripped out on the basis that these are direct costs of production and therefore must be excluded under EU Taxonomy to avoid double counting with turnover.

Outcome of our assessment

We are pleased to see that the inherent sustainability of our activities, and our commitment to protecting and enhancing the natural environment, is reflected with a high level of eligibility and alignment under the EU Taxonomy, as shown in the charts below.



	Turnover		Opex		Capex	
Activities	**£m**	**%**	**£m**	**%**	**£m**	**%**
Construction, extension and operation of water collection, treatment and supply systems	887	41%	313	45%	449	35%
Urban wastewater treatment	976	46%	238	34%	764	60%
Sustainable urban drainage systems (SuDS)	1	0%	–	–	6	0%
Total eligible and aligned under EU Taxonomy	**1,864**	**87%**	**552**	**79%**	**1,219**	**95%**
Other eligible activities	135	6%	64	9%	56	4%
Total eligible under EU Taxonomy	**1,999**	**93%**	**616**	**89%**	**1,275**	**99%**
Not eligible under EU Taxonomy	146	7%	80	11%	5	1%
Total[1]	**2,145**	**100%**	**696**	**100%**	**1,280**	**100%**

(1) The total opex differs significantly to the equivalent figure calculated under IFRS as a result of the differences in the EU taxonomy definition.

Looking ahead

This was the first year of voluntary assessment against the EU Taxonomy criteria, and as mentioned we have focused primarily on our core water and wastewater activities.

As we move forward, we will continue to refine our assessment further to improve the granularity and further examine the criteria for our other eligible activities.

If and when a UK Taxonomy is published, we will also seek to incorporate this into our assessment.

As mentioned on page 08, we are entering a higher growth phase and will see significantly higher investment levels, with AMP8 capex more than doubling compared with AMP7. This means that our alignment under EU Taxonomy is expected to increase significantly in absolute levels in the next five-year period and beyond.

With a significant proportion of the increase in investment being required to address new environmental improvement drivers, and more nature-based solutions being used in AMP8 than ever before, we would also expect that our proportional alignment would remain very high as we continue to work towards a stronger, greener and healthier North West.

Governance

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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

Panel members from

- Multicultural/-faith
- LGBT + Together
- GENEq
- Armed Forces
- Ability

Colleague champion groups

Panel members from

- Health, safety and wellbeing champions
- Engagement champions
- Colleague engagement group

Early careers and managers

Panel members from

- The early careers board
- Aspiring managers
- Apprentices
- Graduates

Union partners

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:

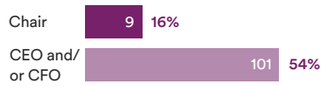
Environment: heightened regulatory/political risk in relation to the independent review into the water sector led by Sir Jon Cunliffe.

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.

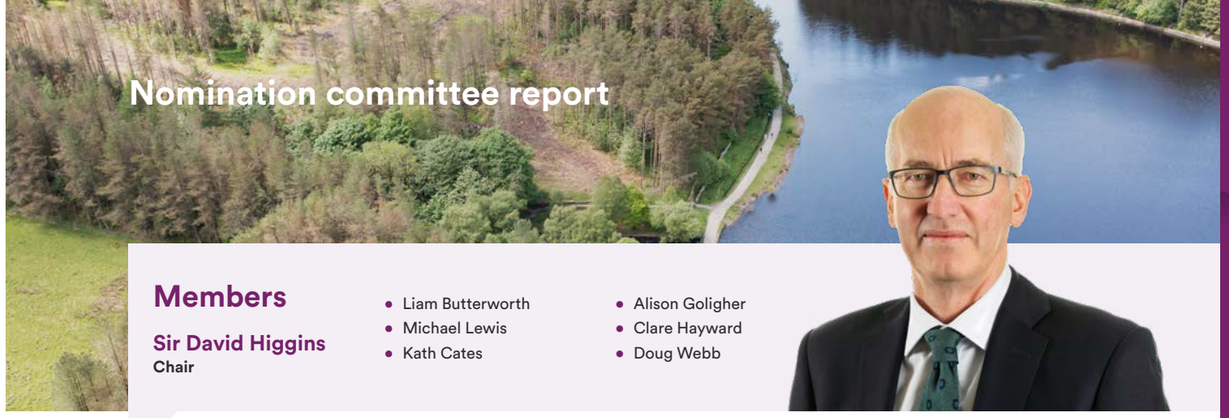
Board committee membership

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

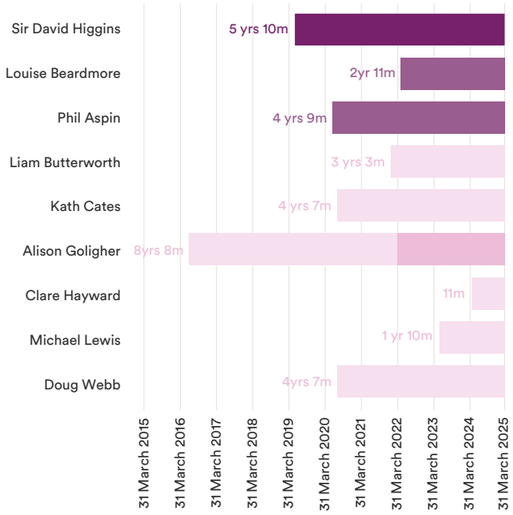
- Lead the process for board appointments and make recommendations to the board about filling board vacancies, including the role of company secretary.
- Consider the succession planning of directors and members of the executive team.
- Make recommendations to the board on refreshing the membership of 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

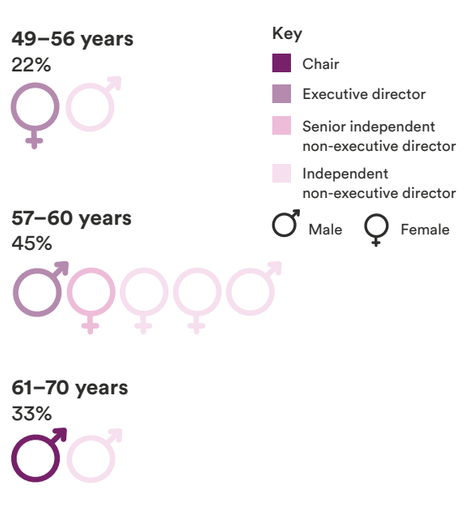
Terms of reference:
unitedutilities.com/corporate-governance

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 IS0 9001 and ISO 14001.
- The internally published internal control manual (ICM) sets out financial controls, authorisation and approvals, and governance requirements.
- Self-assessment by management confirming compliance with key elements of the ICM and a range of key internal policies, processes and controls.
- Performance and financial reports are circulated as part of the information packs for board meetings.
- UUW's regulatory reporting and approval process.

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.

			Viability assessment		
Scenario modelled	**Level of stretch applied**	**Link to risk factors**	**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 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.

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.

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

May
- 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

September
- 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

November
- 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

March
- 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

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.

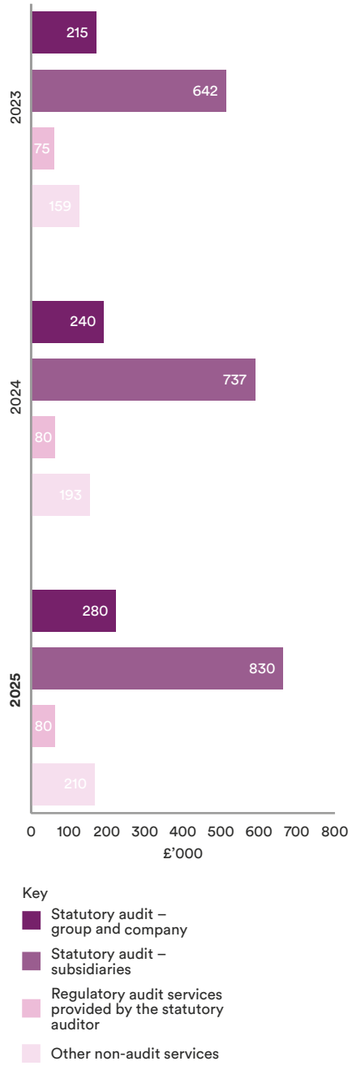
On completion of the annual audit process, the views of those involved in the audit on how well KPMG performed the audit were sought. All members of the committee, key members of the senior management team and those who regularly provide input into the audit committee or have regular contact with the 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.		

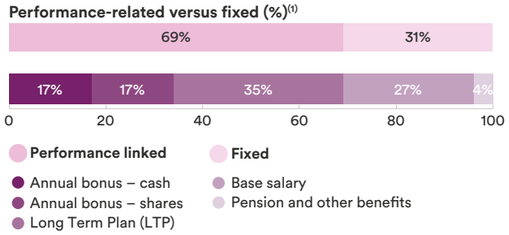
At a glance summary: executive directors' remuneration

Executive directors' remuneration policy

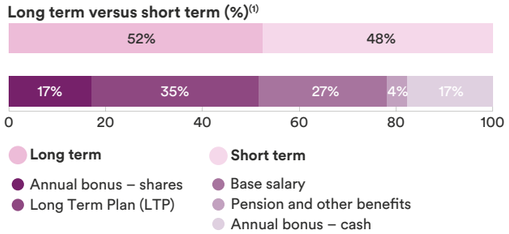
Elements of executive directors' pay for 2024/25

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]



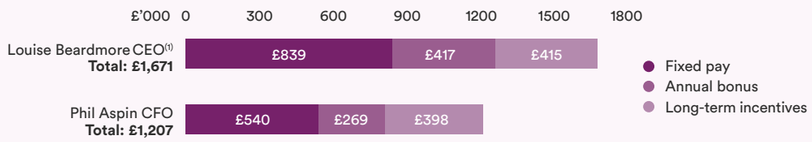
Long term versus short term (%)[1]



(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.

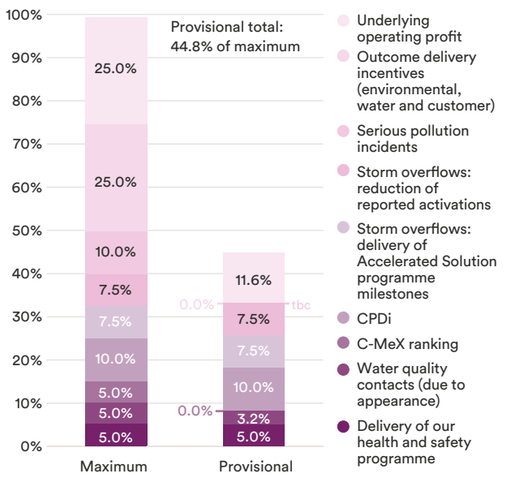


(1) For Louise Beardmore, the LTP relates to the award granted in 2022 prior to her appointment as CEO in April 2023.

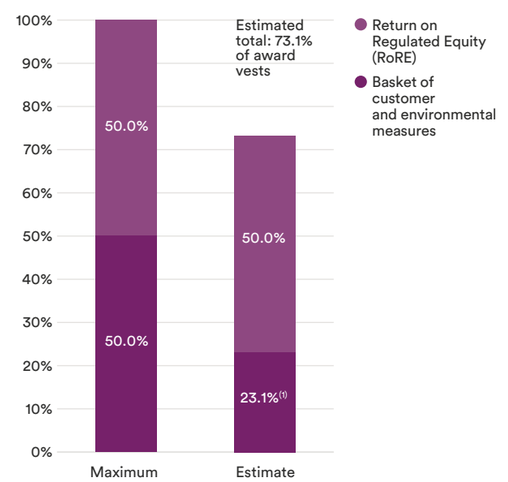
Annual bonus and Long Term Plan (LTP) outcomes

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

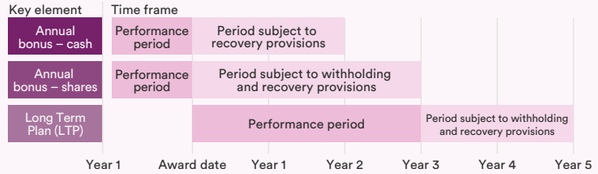


Estimated 2022 Long Term Plan (LTP) outcome



(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.

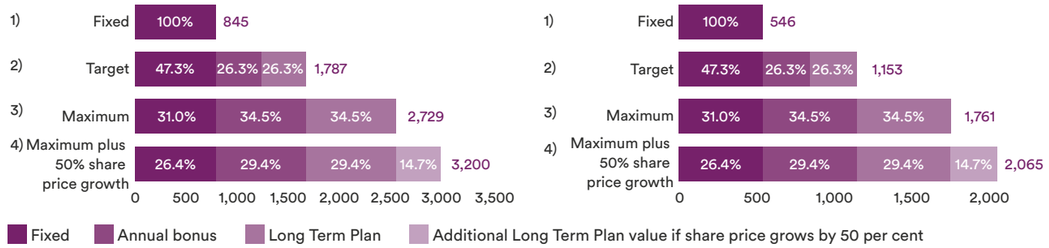
At senior levels, remuneration is increasingly long term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration.

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



Phil Aspin CFO

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)

	Fixed pay								Variable pay							
	Base salary £'000		Pension £'000		Benefits £'000		Subtotal £'000		Annual bonus £'000		Long-term incentives £'000		Subtotal £'000		Total £'000	
Year ended 31 March	2025	2024	2025	2024	2025	2024	2025	2024	2025[1]	2024	2025[2]	2024[3]	2025	2024	2025	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.

		Achieved[1]					
Measure	% weighting of measure	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

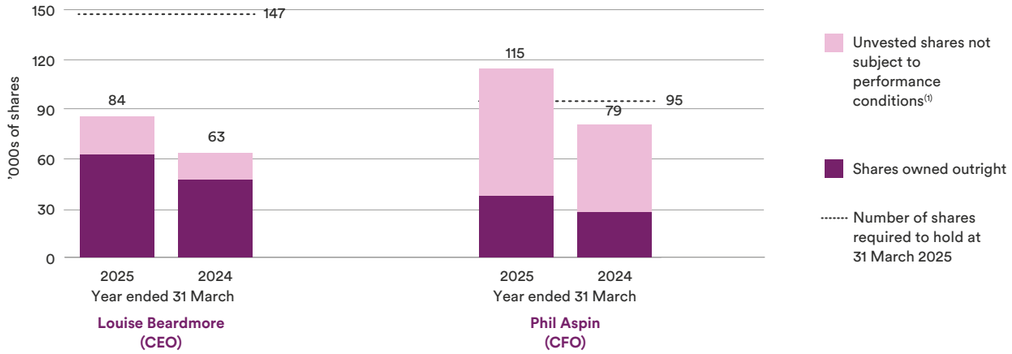
The table below shows the relative importance of spend on pay compared to distributions to shareholders.

	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)**		**Unvested shares not subject to performance conditions[2]**		**Total shares counting towards shareholding requirements[3]**		**Shareholding as % of base salary at 31 March**	**Shareholding requirement met at 31 March**	**Unvested shares subject to performance conditions[4]**	
			2025	**2024**	**2025**	**2024**	**2025**	**2024**	**2025[1]**	**2025**	**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

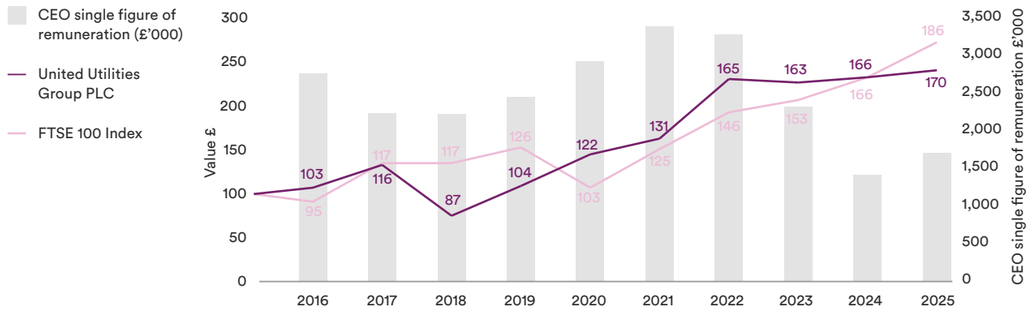
Other information

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.

	Fees £'000	
Role	2024	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:

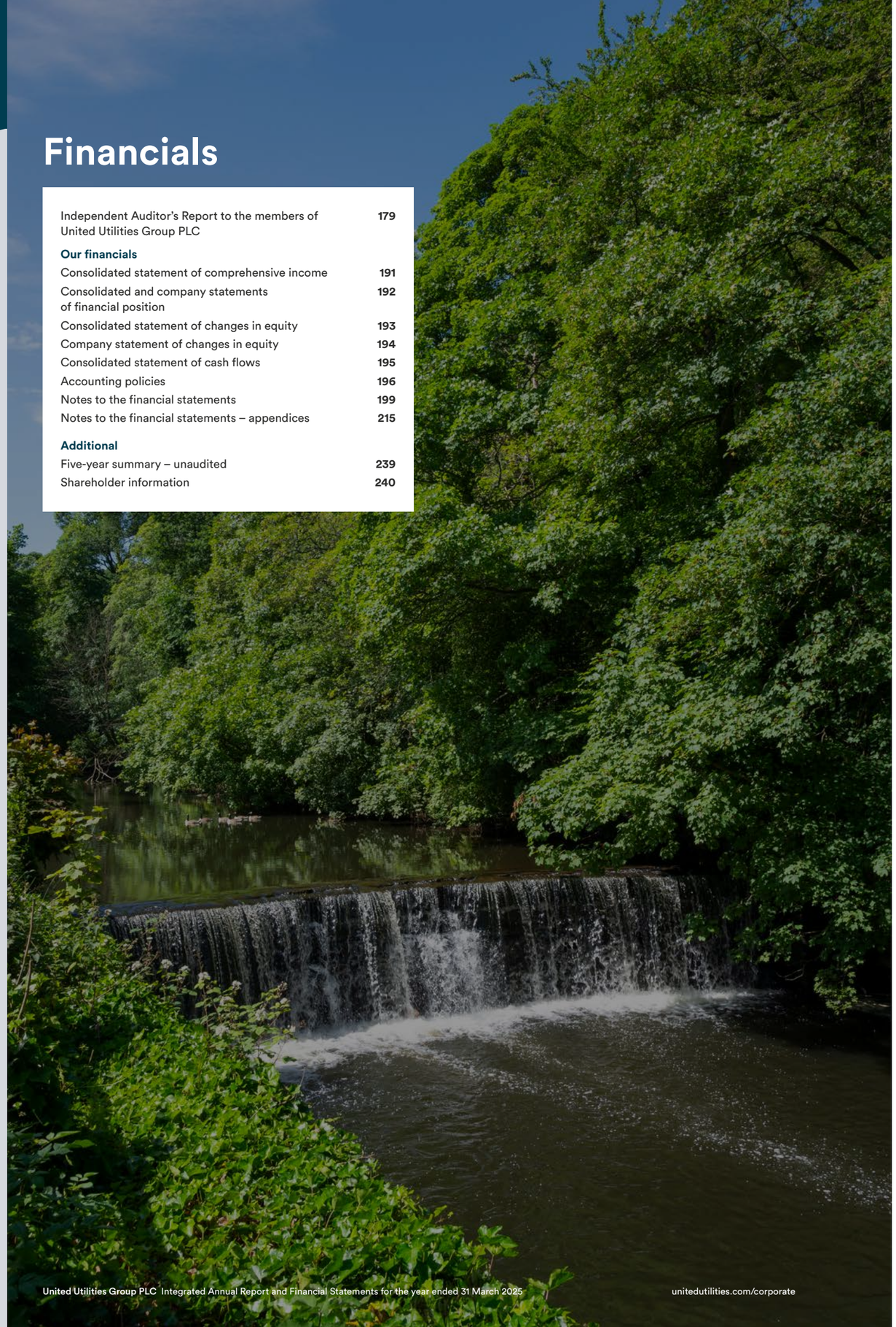
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report/directors' 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



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KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

1. Our opinion is unmodified

In our opinion:

- the financial statements of United Utilities Group PLC give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2025, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of United Utilities Group PLC (the "Company") for the year ended 31 March 2025 ("FY25") included in the Integrated Annual Report and Financial Statements, which comprise:

Group	Parent Company (United Utilities Group PLC)
Consolidated statement of comprehensive income	Company statement of financial position
Consolidated statement of financial position	Company statement of changes in equity
Consolidated statement of changes in equity	Notes 1 to 23 to the Parent Company financial statements, including the accounting policies in note A6 and on pages 196 to 198.
Consolidated statement of cash flows	
Notes 1 to 23 to the Group financial statements, including the accounting policies in note A6 and on pages 196 to 198.	

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks	Following our FY24 audit, and considering developments affecting the United Utilities Group since then, our assessment of risks and our view of how these impact the audit of the financial statements have been updated for the current year where required. The Group is subject to ongoing investigations by Ofwat and the Environmental Agency ("EA") with regards to whether the level of storm sewerage discharges are in compliance with environmental permits. Following Ofwat's announcement to progress with an investigation into the Group during the year, and in conjunction with the EA investigation and potential collective proceedings (following application by Professor Carolyn Roberts) into potential misreporting to Ofwat and potential overcharging to customers, we have assessed the risk associated with these matters has increased and consider this to be a new Key Audit Matter ("KAM") for FY25. Household customers' bills have been increasing at a time of ongoing economic uncertainty. However, cash collection rates continue to be consistent with historical levels and therefore, the risk of allowances for expected credit losses relating to household customer debt remains consistent with prior year and continues to be a KAM. The Group's capital programme continues to be impacted by inflation, as general contracting costs have increased beyond that expected at the start of the current five year regulatory period. This could increase the incentive to treat operating costs as capital items. Our overall risk assessment for the capitalisation of costs KAM has not changed; in line with prior year our selection of projects to test considered those that could be more susceptible to judgement. We continue to perform procedures over the valuation of retirement benefit obligations. However, based on our prior year experience and level of senior audit team involvement, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Key Audit Matters	Vs FY24	Item
Contingent liabilities associated with certain environmental matters	+	4.1
Allowances for expected credit losses relating to household customer debt	◀▶	4.2
Capitalisation of costs relating to the capital programme	◀▶	4.3
Recoverability of Parent Company's investment in United Utilities PLC	◀▶	4.4

KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

Audit Committee interaction

During the year, the AC met five times. KPMG are invited to attend all AC meetings and are provided with an opportunity to meet with the AC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the AC in section 4, including matters that required particular judgement for each.

The matters included in the Audit committee report on pages 131 to 132 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY25 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 March 2012. The period of total uninterrupted engagement is for the 14 financial years ended 31 March 2025.

The Group engagement partner is required to rotate every 5 years. As these are the fifth set of the Group's financial statements signed by Ian Griffiths, he will be required to rotate after the FY25 audit.

Total audit fee	£1,110k
Audit related fees (including interim review)	£95k
Other services	£195k
Non-audit fee as a % of total audit and audit related fee %	16.2%
Date first appointed	22 July 2011
Uninterrupted audit tenure	14 years
Next financial period which requires a tender	2032
Tenure of Group engagement partner	5 years

Materiality (Item 6 below)

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

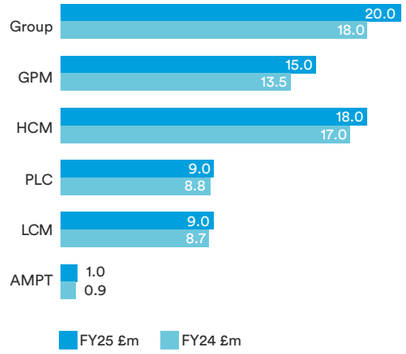
We have determined overall materiality for the Group financial statements as a whole at £20.0m (FY24: £18.0m) and for the Parent Company financial statements as a whole at £9.0m (FY24: £8.8m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY24, we determined materiality with reference to a range of metrics due to the fact that United Utilities faces increased finance costs, as a result of the current high-inflationary environment, which causes profit before tax to decline. As such, Group materiality is based on revenues, total assets and operating profit, of which it represents 0.9%, 0.1% and 3.2% (FY24: 0.9%, 0.1% and 3.7%) respectively.

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.1% (FY24: 0.1%).

Materiality levels used in our audit



Group Group Materiality
GPM Group Performance Materiality
HCM Highest Component Materiality
PLC Parent Company Materiality
LCM Lowest Component Materiality
AMPT Audit Misstatement Posting Threshold

Group score (Item 7 below)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of audit procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Of the Group's 22 reporting components, we identified one quantitatively significant component and three additional components where procedures were performed.

The components within the scope of our work accounted for the percentages illustrated below.

The work on all components including the audit of the Parent Company, was performed by the Group team.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

We performed audit procedures in relation to components that accounted for the following percentages of the total profits and losses that made up Group profit before tax and Group total assets:

Our audit procedures covered the following percentage of Group revenue:

The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

The Group has set out its climate targets in line with limiting global warming to 1.5°C and to be climate net zero by 2050. The majority of the Group's carbon emissions are from the burning of fossil fuels, fuels used for transport and the grid electricity purchased. The Group continues to develop its assessment of climate change. Climate change matters impact the Group in a variety of ways including opportunities and risks relating to renewable energy sources and extreme weather events. Further information is provided on pages 31 to 41. While the Group has set out its targets, it is continually developing its assessment of the impact of climate change on capital expenditure, the cost base, and impacts on cash flows. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, including an evaluation of critical accounting estimates and judgements. The Group concluded that this did not have a material effect on the consolidated financial statements, as described on page 198.

As part of our audit, we have made enquiries of directors and operational managers to understand the extent of the potential impact of climate change risks on the Group's financial statements, including their assessment of critical accounting estimates and judgements, and the effect on our audit. We have performed a risk assessment to evaluate the potential impact, including the estimates made regarding useful economic lives of property, plant and equipment, and the valuation of certain unquoted pension assets.

We held discussions with our own climate change professionals to challenge our risk assessment. Considering, the expected remaining useful lives of property, plant and equipment, and the nature of unquoted pension assets, we assessed that there is not a significant impact on our audit for this financial year. There was no significant impact of climate change on our key audit matters.

We have read the Group's disclosure of climate related information in the front half of the Integrated Annual Report and Financial Statements as set out on pages 31 to 41 and considered consistency with the financial statements and our audit knowledge.

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3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period related to a one-off total expenditure impact associated with a critical asset failure.

We considered whether the risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in the basis of preparation section of the accounting policies note to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in this note to be acceptable; and
- The related statement under the UK Listing Rules set out on page 126 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Monitoring and review of the effectiveness of the risk management and internal control systems statement on page 128 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the Long-Term Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement set out on pages 126 to 127 under the UK Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

- We have nothing material to add or draw attention to in relation to these disclosures.
- We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key Audit Matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Contingent liabilities associated with certain environmental matters (Group)

Financial Statement Elements	Our assessment of risk vs FY24	Our results
Financial statements disclosure in Note 22.	+ We have determined the level of risk relating to contingent liabilities associated with certain environmental matters has increased from FY24 as a result of the new Ofwat investigation and so to be a new Key Audit Matter for FY25.	**FY25: Acceptable** FY24: Acceptable

Description of the Key Audit Matter

Dispute outcome:

The Group is subject ongoing investigations by Ofwat and the Environmental Agency ("EA") (together, the "investigations") with regards to whether the level of storm sewerage discharges are in compliance with environmental permits. In relation to the Ofwat investigation which was formally opened into the Group during the year, if a company is found to have breached its legal obligations this could result in a financial penalty of up to 10 per cent of relevant wastewater turnover and the potential penalty for an environmental offence under the EA regulations is an unlimited fine.

The Group is also subject to potential collective proceedings (following application by Professor Carolyn Roberts) into potential misreporting to Ofwat and overcharging to customers as a result.

The Group have concluded that no provision is required in respect of these matters, but they should be disclosed as contingent liabilities, based on the results of internal investigations and ongoing discussions with their external legal experts.

Given the amounts involved in these matters are potentially significant, and the application of accounting standards to determine the amount, if any, to be provided for, is inherently subjective, as part of our risk assessment for audit planning purposes, we determined that there was a significant risk of a material misstatement and we identified this as an area requiring the allocation of senior resources within the audit team and so determined this to be a new key audit matter.

Based on the developments during the year, in conducting our final audit work we determined that the assessment of the classification of any liabilities as at the balance sheet date and the transparency of disclosure of these matters is not at significant risk of material misstatement or subject to significant judgement.

Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Enquiry of internal regulatory and legal teams:** obtaining an understanding of the internal procedures undertaken by the Group to assess compliance with relevant laws and regulations and obtaining and understanding of the status of the investigations;
- **Enquiry of lawyers:** assessing the latest advice from the Group's external legal experts and performing inquiries with them and management to further understand the collective proceedings;
- **Assessing legal expert's credentials:** assessing whether the Group's external legal experts have sufficient expertise, are appropriately qualified and are independent of the Group; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures in relation to these environmental matters.

Communications with the United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of contingent liabilities associated with these matters.
- Our conclusions on the appropriateness of key judgements made.
- The adequacy of the disclosures, particularly in relation to the amount and timing of any potential outflow.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the contingent liability disclosure.

Our results

Based on the risk identified and the procedures that we performed, we found the Group's assessment that these environmental matters are treated as contingent liabilities and the related disclosures to be acceptable (FY24: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 132 for details on how the Audit Committee considered contingent liabilities associated with certain environmental matters as an area of significant attention, page 198 for the accounting policy on contingent liabilities associated with certain environmental matters, and page 219 for the financial disclosures.

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to the members of United Utilities Group PLC

4.2 Allowances for expected credit losses relating to household customer debt (Group)

Financial Statement Elements			Our assessment of risk vs FY24	Our results
	FY25	FY24		**FY25: Acceptable**
Allowances for expected credit losses relating to household customer debt	**£81.4m**	£80.7m	We have not identified any significant changes to our assessment of the level of risk over allowances for expected credit losses relating to household customer debt compared to FY24 given cash collection rates continue to be consistent with historical levels despite the increase in household customers' bills at a time of ongoing economic uncertainty.	FY24: Acceptable

Description of the Key Audit Matter

Subjective estimate:

At each balance sheet date assumptions involving a high degree of estimation uncertainty are required to assess the allowances for expected credit losses relating to household customer debt. Key assumptions (as outlined in the accounting policies on page 197) include current and forecast cash collection rates.

As part of our risk assessment for audit planning purposes, we determined that the recoverability of trade receivables had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. There is also a risk of management bias in the selection of assumptions upon which estimates are based given performance targets in remuneration schemes. The accounting policy note in the financial statements (note 1) discloses the sensitivity estimated by the Group.

Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Our sector experience:** challenging the Group on the appropriateness of the selection of provisioning rates in place for calculating the expected credit loss allowance and assessing the appropriateness of the customer debt provisioning policy based on historical cash collections, credits, re-bills and write-off information, and estimates of future economic scenarios and their impact on credit losses;
- **Reperformance:** performing a recalculation of the provision, and verifying cash collections in the billing system;
- **Benchmarking assumptions:** assessing and challenging the assumptions used by the Group in calculating the allowance for expected credit losses against externally derived publicly available data relating to other water companies
- **Sensitivity analysis:** considering the sensitivity of the expected credit loss allowance to changes in cash collection rates; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures of its customer debt provisioning policy, including the estimation uncertainty of the allowances for expected credit losses relating to household customer debt.

Communications with the United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- The appropriateness of the selected provisioning rates used in deriving the allowances for expected credit losses relating to household customer debt.
- Our approach to the audit of the allowances for expected credit losses relating to household customer debt.
- Our conclusions on the appropriateness of key assumptions used.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the key assumptions.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the allowances for expected credit losses relating to household customer debt in particular, the selection of key assumptions used in the calculation (the period of historical cash collections, the risk associated with the impact of the increasing cost of living experienced by customers and the risk associated with collections from void properties).

Our results

Based on the risk identified and the procedures that we performed, we found the allowances for expected credit losses relating to household customer debt and the related disclosures to be acceptable (FY24: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 131 for details on how the Audit Committee considered allowances for expected credit losses relating to household customer debt as an area of significant attention, pages 197 and 233 for the accounting policy on allowances for expected credit losses relating to household customer debt, and page 208 for the financial disclosures.

4.3 Capitalisation of costs relating to the capital programme (Group)

Financial Statement Elements			Our assessment of risk vs FY24	Our results
	FY25	FY24		**FY25: Acceptable**
Property, plant & equipment additions	**£1,243.9m**	£892.5m	We have not identified any significant changes to our assessment of the level of risk relating to the capitalisation of costs relating to the capital programme compared to FY24	FY24: Acceptable

Description of the Key Audit Matter

Accounting treatment:

The Group has a substantial capital programme which has been agreed with the Water Services Regulation Authority (Ofwat) and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets. The Group's capital programme continues to be impacted by inflation, as general contracting costs have increased beyond that expected at the start of the current five year regulatory period. This could increase the incentive to treat operating costs as capital items.

The determination of in year project costs as capital or operating expenditure is inherently judgmental, particularly, for certain projects where projects contain both capital and operating expenditure elements and therefore has the opportunity for manipulation. Under IAS 16 expenditure is capitalised when it is probable that the future economic benefits associated with the item will flow to the entity and where such expenditure enhances or increases the capacity of the network. We determined that the costs capitalised has a high degree of judgement, with the potential for any misstatement to be greater than our materiality for the financial statements as a whole.

Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Accounting analysis:** assessing the Group's capitalisation policy for compliance with relevant accounting standards;
- **Tests of details:** critically assessing the capital nature of a sample of projects against the capitalisation policy focusing on new projects approved, project overspends and forecast cost to complete; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures of its capitalisation policy including the judgement involved in assessing expenditure as capital.

Communications with the United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of capitalisation of costs relating to the capital programme.
- The results of our procedures.
- The adequacy of the disclosures.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the capitalisation rates applied to capital projects, where projects have an element of both capital and operating expenditure elements.

Our results

Based on the risk identified and the procedures that we performed, we found the capitalisation of costs relating to the capital programme and the related disclosures to be acceptable (FY24: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 131 for details on how the Audit Committee considered the capitalisation of costs relating to the capital programme as an area of significant attention, page 234 for the accounting policy on the capitalisation of costs relating to the capital programme, and page 206 for the financial disclosures.

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4.4 Recoverability of parent company's investment in United Utilities Plc (Parent company)

Financial Statement Elements	FY25	FY24	Our assessment of risk vs FY24	Our results
Investment in United Utilities PLC	£6,326.8m	£6,326.8m	◀▶ We have not identified any significant changes to our assessment of the level of risk relating to the recoverability of the Parent Company's investment in United Utilities PLC compared to FY24	**FY25: Acceptable** FY24: Acceptable

Description of the Key Audit Matter	Our response to the risk
Low risk, high value: The carrying amount of the Parent Company's investment in United Utilities PLC represents 98% (FY24: 98%) of the Company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	We performed the tests below rather than seeking to rely on the Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures to address the risk included: • **Tests of detail:** comparing the carrying amount of the investment with the expected value of the business based on the regulatory capital value (a recognised method of valuation within the industry).

Communications with the United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverability of the Parent Company's investment in United Utilities PLC.
- Our conclusions on the appropriateness of key assumptions used.
- The adequacy of the disclosures.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- We did not identify any areas of particular auditor judgement.

Our results

Based on the risk identified and procedures performed, we concluded that the Parent Company's conclusion that there was no impairment of its investment in United Utilities PLC to be acceptable (FY24: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 132 for details on how the Audit Committee considered the recoverability of the Parent Company's investment in United Utilities PLC as an area of significant attention, page 233 for the accounting policy on the recoverability of the Parent Company's investment in United Utilities PLC, and page 207 for the financial disclosures.

We continue to perform procedures over the valuation of retirement benefit obligations (Group). However, based on our prior year experience and level of senior audit team involvement, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

5. Our ability to detect irregularities, and our response

Fraud – Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: • Inquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud; • Using analytical procedures to identify any unusual or unexpected relationships; • Reading Board and Audit Committee minutes; and • Considering remuneration incentive schemes and performance targets for directors including Long Term Plan awards. • Our forensic professionals assisted us in identifying key fraud risks. This included attending the Risk Assessment and Planning Discussion, holding a discussion with the engagement partner and engagement manager.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular: the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as allowances for expected credit losses relating to household customer debt and capitalisation of costs relating to the capital programme. On this audit we do not believe there is a fraud risk related to revenue recognition streams because the low value, high volume nature of transactions reduces the opportunities for fraudulent activity. We did not identify any additional fraud risks.
Link to KAMs	Further detail in respect of the allowances for expected credit losses relating to household customer debt and capitalisation of costs relating to the capital programme are set out in the key audit matter disclosures in section 4 of this report.
Procedures to address fraud risks	We also performed procedures including: • Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals relating to revenue and cash and borrowings posted to unexpected or unrelated accounts; and • Assessing significant accounting estimates and judgements for bias.

Laws and regulations - identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/ regulation areas	The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Compliance with regulations imposed by Ofwat, the Environment Agency, and the Drinking Water Inspectorate, Competition law, GDPR compliance, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Link to KAMs	Further detail in respect of the contingent liabilities associated with certain environmental matters are set out in the key audit matter disclosures in section 4 of this report.
Known actual or suspected matters	In relation to the Ofwat and the Environment Agency investigations launched in November 2021 and the potential collective proceedings in the Competition Act Tribunal that were issued in December 2023, as discussed in the Regulatory environment section and the Material Litigation report, respectively, and in note 22, we assessed disclosures against our understanding from legal correspondence and inquiries performed.
Significant actual or suspected breaches discussed with the Audit Committee	We discussed with the audit committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£20.0m (FY24: £18.0m) Materiality for the group financial statements as a whole	**What we mean** **A quantitative reference for the purpose of planning and performing our audit.** **Basis for determining materiality and judgements applied** Materiality for the Group financial statements as a whole was set at £20.0m (FY24: £18.0m). Consistent with FY24, we determined materiality with reference to a range of metrics. United Utilities is facing rising finance costs, as a result of the current high-inflationary environment, which is causing profit before tax to decline. Materiality represents 0.9% of revenue, 0.1% of total assets and 3.2% of operating profit (FY24: 0.9% of revenue, 0.1% of total assets and 3.7% of operating profit). When using a benchmark of either revenue, total assets, or operating profit to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 0.5-1%, 0.5-1% and 3-5% respectively. Materiality for the Parent Company financial statements as a whole was set at £9.0m (FY24: £8.8m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.1% (FY24: 0.1%).
£15.0m (FY24: £13.5m) Performance materiality	**What we mean** **Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.** **Basis for determining performance materiality and judgements applied** We have considered performance materiality at a level of 75% (FY24: 75%) of materiality for United Utilities Group PLC Group financial statements as a whole to be appropriate. The Parent Company performance materiality was set at £6.8m (FY24: £6.6m), which equates to 75% (FY24: 75%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.
£1.0m (FY24: £0.9m) Audit misstatement posting threshold	**What we mean** **Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.** **Basis for determining performance materiality and judgements applied** We have considered performance materiality at a level of 75% (FY24: 75%) of materiality for United Utilities Group PLC Group financial statements as a whole to be appropriate. The Parent Company performance materiality was set at £6.8m (FY24: £6.6m), which equates to 75% (FY24: 75%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

The overall materiality for the Group financial statements of £20.0m (FY24: £18.0m) compares as follows to the main financial statement caption amounts:

	Total Group Revenue		Group profit before tax		Total Group Assets	
	FY25	FY24	**FY25**	FY24	**FY25**	FY24
Financial statement Caption	**£2,145.1m**	£1,949.5m	**£355.0m**	£170.0m	**£16,769.5m**	£15,653.4m
Group Materiality as % of caption	**0.93%**	0.92%	**5.63%**	10.59%	**0.12%**	0.11%

7. The scope of our audit

Group scope

What we mean

How the Group auditor determined the procedures to be performed across the Group.

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the Group auditor, plan to perform audit procedures to address Group risks of material misstatement ("RMMs"). Similarly, the Group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 22 components, having considered our evaluation of the Group's legal structure, the existence of common information systems and our ability to perform audit procedures centrally.

Of those, we identified one quantitatively significant component which contained the largest percentage of total revenue and total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected three additional components with accounts contributing to the specific RMMs of the Group financial statements.

The below summarises where we performed audit procedures:

Component type	Number of components where we performed audit procedures	Range of materiality applied
Quantitatively significant components	1	£18.0m
Other components where we performed procedures	3	£9.0m - £10.0m
Total	**4**	

We set the component materialities having regard to the mix of size and risk profile of the Group across the components. We also performed the audit of the Parent Company.

Our audit procedures covered 98% of Group revenue.

We performed audit procedures in relation to components that accounted for 98% of the total profits and losses that made up Group profit before tax and 100% of Group total assets.

The work on all components including the audit of the Parent Company, was performed by the Group team.

Impact of controls on our Group audit

We identified the main finance IT system, along with the related supporting systems relevant to billing, to be the main IT systems relevant to our audit. We used IT specialists to assist us in assessing the design, implementation and operating effectiveness of certain automated controls relating to these IT systems.

Following our testing, we relied on IT general controls in determining the work to be performed in some areas of the audit, in particular in relation to our reliance on system-generated reports in relation to revenue and the allowances for expected credit losses relating to household customer debt. We also placed reliance on automated IT controls to reduce the extent of our substantive testing in some areas of the audit, specifically in our audit of revenue.

In other areas of the audit we believe it is more efficient not to rely on controls and so the audit work performed in these areas was predominately substantive.

8. Other information in the Integrated annual report

The directors are responsible for the other information presented in the Integrated Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

Directors' remuneration report

Our responsibility	Our reporting
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility	Our reporting
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: • the directors' statement that they consider that the Integrated Annual Report and 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; • the section of the Integrated Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and • the section of the Integrated Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.	Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the UK Listing Rules for our review.	We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility	Our reporting
Under the Companies Act 2006, we are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 173, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using 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.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE
14 May 2025

Consolidated statement of comprehensive income

for the year ended 31 March 2025

	Note	2025 £m	2024 £m
Revenue	2	**2,145.2**	1,949.5
Other income		**17.5**	18.8
Staff costs	3	**(224.1)**	(205.1)
Other operating costs	4	**(630.6)**	(602.4)
Allowance for expected credit losses – trade and other receivables		**(20.5)**	(22.0)
Depreciation of property, plant and equipment		**(435.7)**	(406.1)
Amortisation of intangible assets		**(29.2)**	(32.7)
Infrastructure renewals expenditure		**(191.1)**	(219.8)
Total operating expenses		**(1,513.7)**	(1,469.3)
Operating profit		**631.5**	480.2
Investment income	5	**106.2**	85.6
Finance expense	6	**(371.9)**	(389.3)
Allowance for expected credit losses – loans to joint ventures	A5	**–**	(2.4)
Investment income and finance expense		**(265.7)**	(306.1)
Share of losses of joint venture	12	**(10.8)**	(4.1)
Profit before tax		**355.0**	170.0
Current tax (charge)/credit	7	**(0.4)**	5.8
Deferred tax charge	7	**(89.9)**	(48.9)
Tax	7	**(90.3)**	(43.1)
Profit after tax		**264.7**	126.9
Other comprehensive income – items that may be reclassified to profit or loss in subsequent periods			
Cash flow hedges – effective portion of fair value movements		**8.6**	(63.0)
Tax on items that may be reclassified to profit or loss	7	**(2.2)**	15.8
Reclassification of items recorded in other comprehensive income to profit or loss		**(1.3)**	1.8
Tax reclassified to income statement	7	**0.3**	(0.5)
		5.4	(45.9)
Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement gains/(losses) on defined benefit pension schemes		**18.6**	(368.5)
Change in credit assumptions for debt reported at fair value through profit or loss		**1.9**	0.7
Cost of hedging – cross-currency basis spread adjustment		**3.6**	4.8
Tax on items taken directly to equity	7	**(6.0)**	151.1
		18.1	(211.9)
Total comprehensive income		**288.2**	(130.9)
Earnings per share			
Basic	8	**38.8p**	18.6p
Diluted	8	**38.7p**	18.6p
Dividend per ordinary share	9	**51.85p**	49.78p

All of the results shown above relate to continuing operations.

The accompanying notes on pages 196 to 238 form part of these financial statements.

Consolidated and company statements of financial position

at 31 March 2025

	Note	Group 2025 £m	Group 2024 £m	Company 2025 £m	Company 2024 £m
ASSETS					
Non-current assets					
Property, plant and equipment	10	**13,873.0**	13,044.3	**–**	–
Intangible assets	11	**105.8**	124.5	**–**	–
Interests in joint ventures and other investments	12	**1.6**	12.4	**6,326.8**	6,326.8
Trade and other receivables	13	**73.6**	73.7	**75.0**	75.0
Retirement benefit surplus	14	**302.3**	268.0	**–**	–
Derivative financial instruments	A3	**329.3**	361.5	**–**	–
		14,685.6	13,884.4	**6,401.8**	6,401.8
Current assets					
Inventories – properties held for resale		**2.7**	3.0	**–**	–
Inventories – other		**21.9**	18.5	**–**	–
Trade and other receivables	13	**282.0**	226.8	**97.3**	61.0
Current tax assets	7	**93.3**	100.1	**–**	–
Cash and cash equivalents	15	**1,672.6**	1,399.3	**–**	–
Derivative financial instruments	A3	**11.4**	21.3	**–**	–
		2,083.9	1,769.0	**97.3**	61.0
Total assets		**16,769.5**	15,653.4	**6,499.1**	6,462.8
LIABILITIES					
Non-current liabilities					
Trade and other payables	18	**(1,063.8)**	(957.9)	**–**	–
Borrowings	16	**(10,326.5)**	(9,345.8)	**(2,108.9)**	(1,982.3)
Deferred tax liabilities	7	**(2,028.4)**	(1,930.6)	**–**	–
Derivative financial instruments	A3	**(275.0)**	(255.2)	**–**	–
		(13,693.7)	(12,489.5)	**(2,108.9)**	(1,982.3)
Current liabilities					
Trade and other payables	18	**(577.2)**	(413.3)	**(4.1)**	(5.0)
Borrowings	16	**(462.1)**	(655.6)	**–**	–
Provisions	17	**(19.0)**	(13.5)	**–**	–
Derivative financial instruments	A3	**(17.6)**	(25.4)	**–**	–
		(1,075.9)	(1,107.8)	**(4.1)**	(5.0)
Total liabilities		**(14,769.6)**	(13,597.3)	**(2,113.0)**	(1,987.3)
Total net assets		**1,999.9**	2,056.1	**4,386.1**	4,475.5
EQUITY					
Share capital	21	**499.8**	499.8	**499.8**	499.8
Share premium account		**2.9**	2.9	**2.9**	2.9
Other reserves	20	**319.2**	311.1	**1,033.3**	1,033.3
Retained earnings		**1,178.0**	1,242.3	**2,850.1**	2,939.5
Shareholders' equity		**1,999.9**	2,056.1	**4,386.1**	4,475.5

The accompanying notes on pages 196 to 238 form part of these financial statements.

As permitted by section 408 of the Companies Act 2006, the company has not presented its own statement of comprehensive income. The result of the company for the financial year was a profit after tax of £255.0 million (2024: £235.7 million).

These financial statements for the group and United Utilities Group PLC (company number: 6559020) were approved by the board of directors on 14 May 2025 and signed on its behalf by:

Louise Beardmore
Chief Executive Officer

Phil Aspin
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2025

	Share capital £m	Share premium account £m	Other reserves[1] £m	Retained earnings £m	Total £m
At 1 April 2024	**499.8**	**2.9**	**311.1**	**1,242.3**	**2,056.1**
Profit after tax	**–**	**–**	**–**	**264.7**	**264.7**
Other comprehensive income					
Remeasurement gains on defined benefit pension schemes (see note 14)	**–**	**–**	**–**	**18.6**	**18.6**
Change in credit assumptions for debt reported at fair value through profit or loss	**–**	**–**	**–**	**1.9**	**1.9**
Cash flow hedges – effective portion of fair value movements	**–**	**–**	**8.6**	**–**	**8.6**
Cost of hedging – cross-currency basis spread adjustments	**–**	**–**	**3.6**	**–**	**3.6**
Tax on items recorded within other comprehensive income (see note 7)	**–**	**–**	**(3.1)**	**(5.1)**	**(8.2)**
Reclassification of items recorded within other comprehensive income to profit or loss	**–**	**–**	**(1.3)**	**–**	**(1.3)**
Tax reclassified to income statement (see note 7)	**–**	**–**	**0.3**	**–**	**0.3**
Total comprehensive income	**–**	**–**	**8.1**	**280.1**	**288.2**
Dividends (see note 9)	**–**	**–**	**–**	**(344.1)**	**(344.1)**
Equity-settled share-based payments (see note 3)	**–**	**–**	**–**	**4.7**	**4.7**
Purchase of shares to satisfy exercise of share options	**–**	**–**	**–**	**(5.0)**	**(5.0)**
At 31 March 2025	**499.8**	**2.9**	**319.2**	**1,178.0**	**1,999.9**

	Share capital £m	Share premium account £m	Other reserves[1] £m	Retained earnings £m	Total £m
At 1 April 2023	499.8	2.9	353.4	1,652.6	2,508.7
Profit after tax	–	–	–	126.9	126.9
Other comprehensive income					
Remeasurement losses on defined benefit pension schemes (see note 14)	–	–	–	(368.5)	(368.5)
Change in credit assumptions for debt reported at fair value through profit or loss	–	–	–	0.7	0.7
Cash flow hedges – effective portion of fair value movements	–	–	(63.0)	–	(63.0)
Cost of hedging – cross-currency basis spread adjustments	–	–	4.8	–	4.8
Tax on items recorded within other comprehensive income (see note 7)	–	–	14.6	152.3	166.9
Reclassification of items recorded within other comprehensive income to profit or loss	–	–	1.8	–	1.8
Tax reclassified to income statement (see note 7)	–	–	(0.5)	–	(0.5)
Total comprehensive income	–	–	(42.3)	(88.6)	(130.9)
Dividends (see note 9)	–	–	–	(320.0)	(320.0)
Equity-settled share-based payments (see note 3)	–	–	–	2.1	2.1
Purchase of shares to satisfy exercise of share options	–	–	–	(3.8)	(3.8)
At 31 March 2024	499.8	2.9	311.1	1,242.3	2,056.1

[1] Other reserves comprise the group's capital redemption reserve, merger reserve, cost of hedging reserve and cash flow hedging reserve. Further detail of movements in these reserves is included in note 20.

The accompanying notes on pages 196 to 238 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 March 2025

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2024	**499.8**	**2.9**	**1,033.3**	**2,939.5**	**4,475.5**
Profit after tax	**–**	**–**	**–**	**255.0**	**255.0**
Total comprehensive income	**–**	**–**	**–**	**255.0**	**255.0**
Dividends (see note 9)	**–**	**–**	**–**	**(344.1)**	**(344.1)**
Equity-settled share-based payments (see note 3)	**–**	**–**	**–**	**4.7**	**4.7**
Purchase of shares to satisfy exercise of share options	**–**	**–**	**–**	**(5.0)**	**(5.0)**
At 31 March 2025	**499.8**	**2.9**	**1,033.3**	**2,850.1**	**4,386.1**

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2023	499.8	2.9	1,033.3	3,025.5	4,561.5
Profit after tax	–	–	–	235.7	235.7
Total comprehensive income	–	–	–	235.7	235.7
Dividends (see note 9)	–	–	–	(320.0)	(320.0)
Equity-settled share-based payments (see note 3)	–	–	–	2.1	2.1
Purchase of shares to satisfy exercise of share options	–	–	–	(3.8)	(3.8)
At 31 March 2024	499.8	2.9	1,033.3	2,939.5	4,475.5

At 31 March 2025, 31 March 2024 and 31 March 2023, the company's entire retained earnings balance was distributable to shareholders.

The company's other reserves comprised a capital redemption reserve that arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009.

The accompanying notes on pages 196 to 238 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2025

	Note	2025 £m	Restated* 2024 £m
Operating activities			
Cash generated from operations	A1	**1,082.7**	865.4
Interest paid		**(263.5)**	(175.6)
Interest received and similar income	6	**92.5**	50.7
Tax received		**6.4**	4.6
Net cash generated from operating activities		**918.1**	745.1
Investing activities			
Purchase of property, plant and equipment	A1	**(988.5)**	(749.5)
Purchase of intangible assets	A1	**(9.5)**	(14.6)
Grants and contributions received	18	**9.2**	27.9
Proceeds from disposal of property, plant and equipment		**1.1**	4.8
Repayment of loans to joint ventures	A5	**0.5**	–
Placement of deposits with maturity greater than three months		**(768.7)**	(445.0)
Receipt of deposits with maturity greater than three months		**768.7**	445.0
Net cash used in investing activities		**(987.2)**	(731.4)
Financing activities			
Proceeds from borrowings net of issuance costs		**1,339.3**	1,610.0
Repayment of borrowings		**(631.4)**	(248.5)
Dividends paid to equity holders of the company	9	**(344.1)**	(320.0)
Purchase of shares to satisfy exercise of share options		**(5.0)**	(3.8)
Net cash generated from financing activities		**358.8**	1,037.7
Net increase in cash and cash equivalents		**289.7**	1,051.4
Cash and cash equivalents at beginning of the year		**1,379.3**	327.9
Cash and cash equivalents at end of the year	15	**1,669.0**	1,379.3

The accompanying notes on pages 196 to 238 form part of these financial statements.

*The consolidated statement of cash flows for the year ended 31 March 2024 has been restated so as to show, within investing activities, the gross cash outflows and inflows arising from the placement and receipt of deposits with maturity greater than three months from the placement date. For the year ended 31 March 2024 these balances were previously presented on a net basis, and as such were not included on the face of the statement of cash flows.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Further detail can be found in note A6.

Basis of preparation

The group financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006. They have been prepared on the historical cost basis, except for the revaluation of financial instruments, accounting for the transfer of assets from customers, and the revaluation of infrastructure assets to fair value on transition to IFRS.

For the financial year ending 31 March 2025, the parent company financial statements have been prepared in accordance with UK accounting standards as applied in accordance with the provisions of the Companies Act 2006, being the first year of adoption of these UK accounting standards. The company meets the definition of a qualifying entity as defined in FRS 100 'Application of Financial Reporting Requirements', and accordingly these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). As a result of the adoption of FRS 101, there were no material changes to the reported financial position, financial performance or cash flows of the company.

As permitted by FRS 101, the parent company has taken advantage of the disclosure exemptions available in relation to financial instruments, fair value measurement, the statement of cash flows, capital management, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The preparation of these financial statements requires management to make estimates and assumptions that affect the amount of assets and liabilities at the date of the financial statements and the amount of revenues and expenses during the reporting periods presented. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results, ultimately, may differ from these estimates.

The financial statements have been prepared on the going concern basis as the directors have a reasonable expectation that the group has adequate resources for a period of at least 12 months from the date of approval of the financial statements and that there are no material uncertainties to disclose.

In assessing the appropriateness of the going concern basis of accounting, the directors have reviewed the resources available to the group in the form of cash and committed facilities as well as consideration of the group's capital adequacy, along with a baseline plan that incorporates latest views of the current economic climate. The directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, and the likely effectiveness of mitigating actions that the directors would consider undertaking. The baseline position has been subjected to a number of severe, but plausible, downside scenarios in order to assess the group's ability to operate within the amounts and terms (including relevant covenants) of existing facilities. These scenarios consider: the potential impacts of increased totex costs, including a significant one-off totex impact of £400 million arising in the assessment period; debt being refinanced as it matures at 1 per cent above the forward projections of interest rates; outcome delivery incentive penalties equivalent to 1 per cent of RoRE per annum; and the impact of these factors materialising on a combined basis. Mitigating actions were considered to include deferral of capital expenditure; a reduction in other discretionary totex spend; the close out of derivative asset balances; and the deferral or suspension of dividend payments.

Consequently, the directors are satisfied that the group and company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and that the severe but plausible downside scenarios indicate that the group will be able to operate within the amounts and terms (including relevant covenants) of existing facilities. The financial statements have, therefore, been prepared on a going concern basis.

Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the year ended 31 March 2025, that were relevant to the group or have a material impact on the group's financial statements, or that were not early adopted in previous years.

Amendments to IAS 1 'Presentation of Financial Statements'

The amendments to IAS 1 'Presentation of Financial Statements' clarify how the right to defer settlement of a liability and the conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 1 January 2024. The adoption of the amendment has not resulted in a change in the classification of the liabilities of the group. Further disclosure has been included within the notes to the financial statements in respect of liabilities that are subject to compliance with financial covenants.

Future accounting developments

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 March 2025 reporting period and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the following reporting period and on foreseeable future transactions. The group monitors developments across financial reporting standards and the status of adoption in the UK in assessing the extent to which these developments are likely to impact the financial statements in future periods.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying its accounting policies set out in note A6, the group is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the carrying amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. Changes to these estimates, judgements and assumptions could have a material effect on the financial statements.

On an ongoing basis, the group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. As estimates carry with them an inherent level of uncertainty, the group performs sensitivity analysis where this is practicable and where, in management's opinion, it provides useful and meaningful information. This sensitivity analysis is performed to understand a range of outcomes that could be considered reasonably possible based on experience and the facts and circumstances associated with individual areas of the financial statements that are subject to estimates. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

As part of the evaluation of critical accounting judgements and key sources of estimation uncertainty, the group has considered the implications of climate change on its operations and activities, further details of which are set out below.

The following paragraphs detail the critical accounting judgements and key sources of estimation uncertainty in the financial statements. In determining which of these are significant, the group has considered the extent to which the estimation gives rise to a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Considered in this context, the group considers the accounting estimates for retirement benefits and the useful economic lives of property, plant and equipment and intangible assets to be a significant area of estimation uncertainty in preparing the financial statements.

Retirement benefits

Accounting estimate* – The group operates two defined benefit pension schemes which are independent of the group's finances. Actuarial valuations of the schemes are carried out as determined by the trustees at intervals of no more than three years. Profit before tax and net assets are affected by the actuarial assumptions used. The key assumptions include: discount rates, pensionable salary growth, mortality, and inflation. It should be noted that actual rates may differ from the assumptions used due to changing market and economic conditions and longer or shorter lives of participants and, as such, this represents a key source of estimation uncertainty. Sensitivities in respect of the assumptions used during the year are disclosed in note A4.

Accounting estimate* – Included within the group's defined benefit pension scheme assets are assets with a fair value estimated to be £1,555.0 million (2024: £1,772.0 million) that are categorised as 'level 3' within the IFRS 13 'Fair value measurement' hierarchy, meaning that their value is not observable at 31 March 2025. This includes assets with an estimated fair value of £1,405.8 million (2024: £1,564.8 million) relating to bulk annuity policies purchased in the prior year as part of the partial buy-in transaction and £149.2 million of investments in private debt funds (2024: £202.7 million). The fair value of the bulk annuity assets is directly pegged to the present value of the defined benefit obligations that they insure, and therefore estimation of their fair value is inherently linked to the assumptions used in valuing the schemes' liabilities as set out above. Estimates of the fair value of the remaining 'level 3' assets are based on valuations performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total asset balances, updated for any subsequent cash movements between the statement date and the year-end reporting date.

Revenue recognition and allowance for doubtful receivables

Accounting judgement – The group recognises revenue generally at the time of delivery and when collection of the resulting receivable has been deemed probable. In estimating the amount of revenue to recognise, where the group considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is deemed probable. There are two criteria whereby management does not recognise revenue for amounts which have been billed to those customers on the basis that collectability is not probable. These are as follows:

- The customer has not paid their bills for a period of at least two years; or
- The customer has paid their bills in the preceding two years but has previously had bills de-recognised and has more than their current year debt outstanding.

This two-criteria approach resulted in a £41.1 million (2024: £31.0 million) reduction in revenue compared with what would have been recognised had no adjustment been made for amounts where collectability is not probable. Had management made an alternative judgement that where customers have paid in the preceding two years, and have more than their current year debt outstanding, the recoverability of the entirety of their debt was deemed to be probable (i.e. the second criteria was disapplied), the required adjustment to revenue would have been £21.9 million (2024: £19.4 million) lower.

Accounting estimate** – At each reporting date, the company and each of its subsidiaries evaluate the estimated recoverability of trade receivables and record allowances for expected credit losses ('ECL') based on experience. Estimates associated with these allowances are based on, among other things, a consideration of how actual collection history might inform expected future recovery. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

At 31 March 2025, an allowance for expected credit losses relating to household customer debt of £81.4 million (2024: £80.7 million) was supported by a six-year cash collection projection. Based on a five-year or seven-year cash collection projection, the allowance for doubtful receivables would have increased by £1.5 million (2024: £0.3 million) or reduced by £0.9 million (2024: £0.2 million), respectively.

In determining the allowance for expected credit losses in respect of household customers, we have applied provisioning rates that are derived from historic experience of the recoverability of receivables, to the aged debt bandings to calculate the bad debt charge and the resultant expected credit loss allowance. The adequacy of the ECL allowance is then evaluated using analysis against the average collection over the last three years, which is considered to give a reasonable forecast of cash collection for use in the forward-looking ECL assessment.

We have considered the high level of uncertainty as to how economic conditions may impact the recoverability of household receivables for a significant proportion of the group's customer base. A range of scenarios has been used to inform a probability-based assessment of the allowance for expected credit losses. These take account of cash collection rates in the current year as well as recent years, incorporating the current economic uncertainty to provide a range of views as to how recoverability of household receivables may be impacted. This assessment resulted in the release of the remainder of the management overlay, which had previously been recognised in light of the economic uncertainty; arising initially from the onset of the COVID-19 pandemic, and which is described more fully within the annual report for the year ended 31 March 2020.

The provisioning rates, coupled with the release of the management overlay supports a charge equivalent to around 1.5 per cent of household revenue recorded during the period, which is slightly lower than the position at 31 March 2024.

At 31 March 2025, a charge of 1.5 per cent (2024: 1.6 per cent) is considered to be appropriate given prevailing levels of uncertainty and recognising the level of estimation uncertainty associated with the assumptions made in forecasting the year-end debt position upon which the allowance for expected credit losses is based.

Accounting estimate** – United Utilities Water Limited raises bills in accordance with its entitlement to receive revenue in line with the limits established by the periodic regulatory price review processes. For household water and wastewater customers with water meters, the receivable billed is dependent on the volume supplied, including the sales value of an estimate of the units supplied between the dates of the last water meter reading and the billing date. Meters are read on a cyclical basis and the group recognises revenue for unbilled amounts based on estimated usage from the last billing through to each reporting date. The estimated usage is based on historical data, judgement and assumptions; actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to the estimates is determined.

Revenue recognised for unbilled amounts for these customers at 31 March 2025 was £172.9 million (2024: £156.4 million). Had actual consumption been 5 per cent higher or lower than the estimate of units supplied, this would have resulted in revenue recognised for unbilled amounts being £5.9 million (2024: £5.2 million) higher or lower respectively. For customers who do not have a meter, the receivable billed and revenue recognised is dependent on the rateable value of the property as assessed by an independent rating officer.

Accounting policies

Property, plant and equipment

Accounting judgement – The group recognises property, plant and equipment ('PP&E') on its water and wastewater infrastructure assets where such expenditure enhances or increases the capacity and/or resilience of the network, whereas any expenditure classed as maintenance is expensed in the period as incurred. Determining enhancement from maintenance expenditure requires an accounting judgement, particularly when projects have both elements within them. Enhancement spend was 65 per cent (2024: 48 per cent) of total spend in relation to infrastructure assets during the year. A change of +/- 5 per cent would have resulted in £27.5 million (2024: £21.0 million) less/more expenditure being charged to the income statement during the period.

Accounting estimate* – The estimated useful economic lives of PP&E and intangible assets is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PP&E and intangibles investment to the group, variations between actual and estimated useful economic lives could impact operating results both positively and negatively. As such, this is a key source of estimation uncertainty. The depreciation and amortisation expense for the year was £464.9 million (2024: £438.8 million). A 10 per cent increase in average asset lives would have resulted in a £42.3 million (2024: £39.9 million) reduction in this figure and a 10 per cent decrease in average asset lives would have resulted in a £46.5 million (2024: £43.9 million) increase in this figure.

Derivative financial instruments

Accounting estimate** – The model used to arrive at the fair value of the group's derivative financial instruments requires management to estimate future cash flows based on applicable interest rate curves. Projected cash flows are then discounted back using discount factors that are derived from the applicable interest rate curves adjusted for management's estimate of counterparty and own credit risk, where appropriate. Sensitivities relating to derivative financial instruments are included in note A3.

* Estimates that could reasonably give rise to a material adjustment to the carrying value of assets or liabilities in the next financial year.

**Other estimates considered less likely to give rise to a material adjustment to the carrying value of assets or liabilities in the next financial year.

Climate change

The group is continually developing its assessment of the impact that climate change has on the assets and liabilities recognised and presented in its financial statements, along with assessing climate-related risks and opportunities and the impact these could have on the financial statements.

The natural environment within which the group operates is constantly changing, and this influences how its water and wastewater services are to be delivered in the future. In addition, the group has embedded ambitious climate-related targets within its own operations, with this affecting the portfolio of assets required to deliver such services.

The impact of climate change, including adaptation to improve the group's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero, has been considered in the preparation of these financial statements and the measurement bases of the assets and liabilities across a number of areas, predominantly in respect of the valuation of the property, plant and equipment held by the group.

Asset life reviews are undertaken regularly for facilities impacted by climate change, environmental legislation or the group's decarbonisation measures. This can result in the acceleration of depreciation, or be an indication of potential impairment of assets that are deemed to be commercially obsolete or for which no further use is planned, in part as a result of the group's decarbonisation strategy. In recent years, this has resulted in material accelerations in respect of bioresources facilities impacted by changes in environmental legislative requirements. Although accelerated depreciation has been recognised in relation to a number of assets during the year as part of the group's broader environmental programme, there have been no further material accelerations required in the current financial year as a direct result of climate considerations, although this is subject to continuous assessment, particularly as environmental legislation continues to evolve.

The group is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency of which are expected to increase as the effects of climate change become more apparent. Following large-scale flooding, items are identified that have been damaged beyond repair and require immediate accounting write-downs. No such charges were required in the current financial year.

In addition to the risks posed by an increased likelihood of large-scale flooding events in future years, climate change presents challenges relating to prolonged periods of hot and dry weather, the frequency of which is expected to increase. This could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment, or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

In recent years the group has sought to further enhance the accuracy of its useful life assessments through the introduction of more forward-looking information in asset life reviews. This includes the use of disposal data to identify trends that may inform the group's view of useful lives into the future. This information is used alongside other decommissioning data and data from strategic asset planning systems to inform useful asset lives.

The group mitigates the exposure that the carrying value of its asset base has to climate-related risks through strategic planning activities that incorporate defined climate scenarios, climate change mitigation pledges, and long-term climate projections. The group installs permanent flood defences and other resilience measures at the most vulnerable facilities to protect its assets. The group further mitigates the financial exposure arising from climate-related risks through the use of insurance policies, which insure against costs incurred as a result of major environmental incidents.

While there are climate-related opportunities that may arise in association with how the group manages its asset base, these are generally incidental and not considered to be material compared with climate-related risks.

Notes to the financial statements

1 Segmental reporting

The board of directors of United Utilities Group PLC (the 'board') is provided with information on a single-segment basis for the purposes of assessing performance and allocating resources. The group's performance is measured against a range of financial and operational key performance indicators ('KPIs'), with operational KPIs aligned to the group's purpose and financial KPIs focused on profitability and financial sustainability. The board reviews revenue, operating profit and gearing, along with operational drivers at a consolidated level. In light of this, the group has a single segment for financial reporting purposes.

2 Revenue

The group's revenue arises from the provision of services within the United Kingdom.

	2025 £m	2024 £m
Wholesale water charges	**897.7**	819.9
Wholesale wastewater charges	**1,113.7**	990.8
Household retail charges	**90.5**	93.1
Other	**43.3**	45.7
	2,145.2	1,949.5

In accordance with IFRS 15, revenue has been disaggregated based on what is recognised in relation to the core services of supplying clean water and the removal and treatment of wastewater. Each of these services is deemed to give rise to a distinct performance obligation under the contract with customers, although following the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Other revenues comprise a number of smaller non-core income streams, including property sales and income from activities, typically performed opposite property developers, which impact the group's capital network assets. This includes diversion works to relocate water and wastewater assets, and activities that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

3 Directors and employees

Directors' remuneration

	2025 £m	2024 £m
Fees to non-executive directors	**0.9**	0.8
Salaries	**1.2**	1.1
Benefits	**0.2**	0.2
Bonus	**0.4**	0.4
Share-based payment charge	**0.6**	0.7
	3.3	3.2

Further information about the remuneration of individual directors and details of their pension arrangements are provided in the directors' remuneration report on pages 150 to 172.

Remuneration of key management personnel

	2025 £m	2024 £m
Salaries and short-term employee benefits	**6.7**	6.8
Share-based payment charge	**1.6**	1.8
	8.3	8.6

Key management personnel comprises all directors and certain senior managers who are members of the executive team.

Notes to the financial statements

3 Directors and employees continued

Staff costs (including directors)

Group	2025 £m	2024 £m
Wages and salaries[1]	**372.1**	341.8
Employee-related taxes and levies	**36.0**	32.5
Severance	**0.2**	1.4
Post-employment benefits:		
Defined benefit pension expenses (see note 14)	**6.5**	2.2
Defined contribution pension expense (see note 14)	**36.7**	32.4
	451.5	410.3
Charged to other areas including regulatory capital schemes	**(227.4)**	(205.2)
Staff costs	**224.1**	205.1

(1) Wages and salaries excluding non-permanent staff was £334.8 million (2024: £302.5 million).

Included within staff costs were £0.2 million net charges (2024: £3.2 million net credits) relating to restructuring costs.

The total expense included within staff costs in respect of equity-settled share-based payments was £4.7 million (2024: £2.1 million). The company operates several share option schemes, details of which are given on pages 161 to 163 in the directors' remuneration report.

Average number of staff employed by the group during the year (full-time equivalent including directors):

	2025 number	2024 number
Average number of staff employed by the group during the year	**6,203**	6,035

Company

The company has no staff.

4 Other operating costs

	2025 £m	2024 £m
Power	**154.5**	164.3
Materials	**144.1**	127.1
Hired and contracted services	**133.5**	128.7
Property rates	**89.9**	82.0
Regulatory fees	**44.8**	39.3
Insurance	**14.5**	13.3
Accrued innovation costs	**8.0**	6.0
Loss on disposal of property, plant and equipment	**4.0**	6.7
Other expenses	**37.3**	35.0
	630.6	602.4

In June 2023, the group experienced a significant outfall pipe fracture at a major wastewater treatment works at Fleetwood, for which the remediation and associated activity resulted in costs of £37.6 million being incurred during the year to 31 March 2024, with a further £2.3 million incurred during the year to 31 March 2025. These costs have been presented as an adjusting item in arriving at the group's underlying operating profit position as included in its alternative performance measures.

The £37.6 million of prior year costs is split into £23.6 million of operating costs included in the above total, and £14.0 million of infrastructure renewal expenditure. The majority of the £23.6 million of operating costs were reflected within hired and contracted services, including the cost of tankering to reduce the volume of sewage spills along the Fylde Coast while remediation activity was undertaken. Of the £2.3 million costs incurred in the year to 31 March 2025, £0.7 million of operating costs are included in the above total, with £1.6 million included within infrastructure renewal expenditure.

In addition to the costs relating to the incident at Fleetwood, other operating costs have increased compared with the same period in the prior year. This increase is predominantly due to inflationary pressures on our cost base as well as additional investment in performance ahead of AMP8, partially offset by cost control efficiencies.

Research and development expenditure for the year ended 31 March 2025 was £0.6 million (2024: £0.7 million). In addition, £8.0 million (2024: £6.0 million) of costs have been accrued during the year by United Utilities Water Limited in relation to the Innovation in Water Challenge scheme operated by Ofwat for AMP7. These expenses offset amounts recognised in revenue during each year intended to fund innovation projects across England and Wales as part of an industry-wide scheme to promote innovation in the sector. The amounts accrued will either be spent on innovation projects that the group successfully bids for, or will be transferred to other successful water companies in accordance with the scheme rules.

4 Other operating costs continued

During the year, the group obtained the following services from its auditor:

	2025 £'000	2024 £'000
Audit services		
Statutory audit – group and company	**280**	240
Statutory audit – subsidiaries	**830**	737
	1,110	977
Non-audit services		
Regulatory audit services provided by the statutory auditor	**80**	80
Other non-audit services	**210**	193
Total audit and non-audit services	**1,400**	1,250

5 Investment income

	2025 £m	2024 £m
Interest receivable on short-term bank deposits held at amortised cost	**87.4**	49.1
Interest receivable on loans to joint ventures held at amortised cost (see note A5)	**5.9**	5.6
Net pension interest income (see note 14)	**12.9**	28.6
Other interest receivable	**–**	2.3
	106.2	85.6

6 Finance expense

	2025 £m	2024 £m
Interest payable		
Interest payable on borrowings held at amortised cost[1]	**372.3**	379.8
	372.3	379.8
Fair value (gains)/losses on debt and derivative instruments		
Fair value hedge relationships:		
Borrowings[2]	**(60.1)**	(5.1)
Designated swaps[2][3]	**39.1**	3.4
	(21.0)	(1.7)
Financial instruments at fair value through profit or loss:		
Borrowings designated at fair value through profit or loss[4]	**(6.8)**	(21.3)
Associated swaps	**5.6**	22.1
	(1.2)	0.8
Fixed interest rate swaps[5]	**(4.1)**	27.3
Net receipts on derivatives and debt under fair value option	**9.4**	(21.3)
Inflation swaps[5]	**16.5**	5.3
Other	**–**	(0.9)
	21.8	10.4
Net fair value (gains)/losses on debt and derivative instruments[6]	**(0.4)**	9.5
	371.9	389.3

Notes:

(1) Includes a £142.2 million (2024: £225.9 million) non-cash inflation uplift expense repayable on maturity in relation to the group's index-linked debt and £1.9 million (2024: £1.4 million) interest expense on lease liabilities, representing the unwinding of the discounting applied to future lease payments. This also includes an accrual of interest payable of £122.7 million (2024: £82.1 million), as disclosed within note 18, which is a non-cash adjustment for interest paid within the consolidated statement of cash flows.

(2) Includes foreign exchange gain of £13.2 million (2024: £35.2 million gain). These gains are largely offset by fair value losses on derivatives.

(3) Under the provisions of IFRS 9 'Financial instruments', a £3.7 million gain (2024: £4.8 million gain) resulting from changes to the foreign currency basis spread are recognised in other comprehensive income rather than profit or loss as they relate to items designated in an accounting hedge relationship.

(4) Under the provisions of IFRS 9 'Financial instruments', a £1.9 million gain (2024: £0.7 million gain) due to changes in the group's own credit risk is recognised in other comprehensive income rather than within profit or loss.

(5) These swap contracts are not designated within an IFRS 9 hedge relationship and are classed as 'held for trading' under the accounting standard. These derivatives form economic hedges and, as such, management intends to hold these through to maturity.

(6) Includes £1.3 million (2024: £29.3 million) income due to net interest on derivatives and debt under fair value option and £19.6 million (2024: £25.9 million) expense due to non-cash inflation uplift on index-linked derivatives. Fair value movements excluding this income are deducted to reach underlying finance expense, which forms part of the group's alternative performance measures ('APMs') as set out on pages 98 to 99.

Notes to the financial statements

6 Finance expense continued

Interest payable is stated net of £68.5 million (2024: £81.0 million) borrowing costs capitalised in the cost of qualifying assets within property, plant and equipment and intangible assets during the year. This has been calculated by applying an average capitalisation rate of 5.4 per cent (2024: 6.1 per cent) to expenditure on such assets as prescribed by IAS 23 'Borrowing Costs'. These borrowing costs are included within interest paid in the consolidated statement of cash flows.

Underlying finance expense, which forms part of the group's APMs set out on pages 98 to 99, is calculated by adjusting net finance expense and investment income of £265.7 million (2024: £306.1 million) reported in the income statement to exclude the £0.4 million of fair value gains (2024: £9.5 million of fair value losses) in the above table, but include £1.3 million (2024: £29.3 million) income due to net interest on derivatives and debt under fair value option, and £19.6 million (2024: £25.9 million) expense due to non-cash inflation uplift on index-linked derivatives.

7 Tax

	2025 £m	2024 £m
Current tax		
UK corporation tax	**–**	–
Adjustments in respect of prior years	**0.4**	(5.8)
Total current tax charge/(credit) for the year	**0.4**	(5.8)
Deferred tax		
Current year	**92.3**	44.3
Adjustments in respect of prior years	**(2.4)**	4.6
Total deferred tax charge for the year	**89.9**	48.9
Total tax charge for the year	**90.3**	43.1

The current tax 'adjustments in respect of prior years' of £0.4 million mainly relates to claims for research and development UK tax allowances on our innovation-related expenditure, in respect of multiple prior years. It reflects an additional claim submitted during the year along with adjustments relating to ongoing enquiries from the tax authorities in relation to these claims.

The deferred tax 'adjustments in respect of prior years' of £2.4 million is mainly due to the utilisation of losses which were previously being carried forward.

The table below reconciles the notional tax charge at the UK corporation tax rate to the total tax charge and total effective tax rate for the year:

	2025 £m	2025 %	2024 £m	2024 %
Profit before tax	**355.0**		170.0	
Tax at the UK corporation tax rate	**88.7**	**25.0**	42.5	25.0
Adjustments in respect of prior years	**(2.0)**	**(0.6)**	(1.2)	(0.7)
Net income not taxable	**3.6**	**1.0**	1.8	1.1
Total tax charge and effective tax rate for the year	**90.3**	**25.4**	43.1	25.4

The table below reconciles the notional tax charge at the UK corporation tax rate to the total current tax charge for the year:

	2025 £m	2024 £m
Profit before tax	**355.0**	170.0
Profit before tax multiplied by the standard rate of UK corporation tax of 25% (2024: 25%)	**88.7**	42.5
Relief for capital allowances in place of depreciation	**(278.1)**	(202.0)
Disallowances of depreciation charged in the accounts	**99.8**	94.6
Adjustments to tax charge in respect of prior years	**0.4**	(5.8)
Financial transactions timing differences	**(2.5)**	4.2
Pension timing differences	**(4.0)**	(9.2)
Relief for capitalised interest	**(17.1)**	(20.2)
Other timing differences	**3.9**	1.0
Joint ventures losses not taxed	**2.6**	1.0
Expenses not deductible for tax purposes	**(3.0)**	(2.8)
Depreciation charged on non-qualifying assets	**3.9**	3.7
Current year tax losses carried forward	**105.8**	87.2
Current tax charge/(credit) for the year	**0.4**	(5.8)

7 Tax continued

The group's current tax charge is typically lower than the UK headline rate of 25% primarily due to a range of adjustments that are simply timing differences between recognition of the income or expense in the accounts and in the related tax computations submitted to HMRC. These include deductions in relation to capital spend, pension timing differences, unrealised profits or losses in relation to financing and related treasury derivatives and capitalised interest.

The group has historically invested in capital expenditure on projects involving Research and Development ('R&D') upon which claims for accelerated capital allowances have been made. The extent to which R&D allowances are available on any given asset is dependent on the specific fact pattern of the asset and project to which it relates. Reaching agreement with tax authorities as to the amount of R&D allowances available can take a number of years, and judgement is required in estimating the amount of R&D allowances likely to be received following the conclusion of these processes.

The group believes that it has made appropriate provision for periods that remain under enquiry and are yet to be agreed with tax authorities (financial years ended 31 March 2019 to 31 March 2022, inclusive), and that the carrying amount of the relevant tax assets reflects management's estimate of the most likely amount that will be received. Should it ultimately be the case that the full asset is unable to be recovered, the company is expected to instead be able to claim standard capital allowances. As a result, in the event that the group is unsuccessful in fully agreeing the R&D claims with the tax authorities, any reduction in the associated current tax receivable in relation to this would be expected to materially reduce deferred tax liabilities in respect of accelerated tax depreciation, with any difference being due to differences in the historical tax rates at which the current tax assets are recognised and the 25 per cent rate used to calculate the deferred tax positions.

The year-on-year movement in financial transactions timing differences is sensitive to fair value movements on treasury derivatives and can therefore fluctuate significantly from year to year.

The relief for capitalised interest relates to amounts that are immediately deductible under the UK tax rules notwithstanding the amounts being capitalised for accounting purposes. The year-on-year amount will depend on the amount capitalised.

Other timing differences includes a range of low value items where there is a timing difference between the accounting and tax recognition.

Depreciation charged on non-qualifying assets relates to accounting depreciation where there is no corresponding tax deduction.

Current-year tax losses have arisen mainly as a result of the availability of tax relief available on capital spend, these losses will be carried forward to be utilised against future taxable profits.

Pillar Two

Pillar Two legislation mandates a top-up tax for entities with an effective rate below the 15 per cent threshold. The legislation applies to the current accounting period for the first time. As of 31 March 2025, the only jurisdiction in which the group has a potential Pillar Two exposure is the UK. The entire UK profits of the group are within the scope of Pillar Two. The group will be able to take advantage of the Transitional Safe Harbour rules for this and the subsequent two accounting periods such that the current tax expense in relation to Pillar Two income taxes is nil.

It is unclear if the Pillar Two model rules create additional temporary differences whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. The International Accounting Standards Board (IASB) issued amendments to IAS 12 'Income Taxes' in 2023 introducing a mandatory temporary exception to the requirements of IAS 12, under which a company does not recognise or disclose information about deferred tax assets and liabilities in relation to the OECD/G20 BEPS Pillar Two model rules. The group applied the temporary exception at 31 March 2025.

Tax on items recorded within other comprehensive income	2025 £m	2024 £m
Deferred tax		
On remeasurement gains/(losses) on defined benefit pension schemes	**4.7**	(152.2)
On net fair value gains/(losses) on credit assumptions for debt reported at fair value through profit and loss and cost of hedging	**0.1**	(13.9)
Share-based payments	**3.1**	(0.3)
Total tax charge/(credit) on items recorded within other comprehensive income	**7.9**	(166.4)

The tax adjustments taken to other comprehensive income primarily relate to remeasurement movements on the group's defined benefit pension schemes. Management considers that the most likely method of realisation would be through a refund, which would be taxed at the rate applicable to refunds from a trust.

Notes to the financial statements

7 Tax continued

Current tax asset

Group	Total £m
At 1 April 2023	98.9
Charged to the income statement	–
Adjustments in respect of prior years	5.8
Payments/(receipts)	(4.6)
At 31 March 2024	**100.1**
Charged to the income statement	**–**
Adjustments in respect of prior years	**(0.4)**
Payments/(receipts)	**(6.4)**
At 31 March 2025	**93.3**

The current tax asset recognised in the statement of financial position reflects the amount of tax expected to be recoverable in the next 12 months, based on judgements made regarding the application of tax law, and the current status of negotiations with, and enquiries from, tax authorities. A significant part of the receivable relates to the R&D claims made in prior years.

Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the group, and the movements thereon, during the current and prior years:

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Tax losses £m	Total £m
At 1 April 2023	1,863.9	210.3	97.9	(124.0)	2,048.1
Charged to the income statement	144.8	8.9	(17.6)	(87.2)	48.9
Credited to other comprehensive income	–	(152.2)	(14.2)	–	(166.4)
At 31 March 2024	**2,008.7**	**67.0**	**66.1**	**(211.2)**	**1,930.6**
Charged to the income statement – adjustments in respect of prior years	**(192.1)**	**–**	**–**	**189.7**	**(2.4)**
Charged to the income statement – current year	**192.1**	**3.8**	**2.2**	**(105.8)**	**92.3**
Credited to other comprehensive income	**–**	**4.7**	**3.2**	**–**	**7.9**
At 31 March 2025	**2,008.7**	**75.5**	**71.5**	**(127.3)**	**2,028.4**

Certain deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

The accelerated tax depreciation represents the difference between capital allowances and accounting depreciation on the group's property, plant and equipment. Capital allowances are tax reliefs provided in law and spread the tax relief due over a pre-determined standard number of years. This contrasts with the accounting treatment, where the expenditure is treated as an asset with the cost being depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially. Due to the group's continued significant annual capital expenditure, the deductions for capital allowances are expected to exceed depreciation for the medium term and continue to impact future corporation tax payments.

Given the fully funded nature of the group's defined benefit pension schemes, the retirement benefit obligations primarily relate to deferred taxation on the pensions schemes surplus position. This amount is significantly impacted by financial market conditions and long-term inflation expectations and therefore it is difficult to forecast future movements. However, these movements have no impact on medium-term future corporation tax payments as they only impact year-on-year deferred tax movement.

Deferred tax on retirement benefit obligations can arise where there are year-on-year differences between the contributions paid and the associated amounts charged to the profit and loss account. However, given the fully funded nature of the group's pension schemes, any such deferred tax movements, together with the associated impact on future corporation tax payments, is not expected to be significant over the medium term.

Deferred tax on losses carried forward has been recognised as offsetting against the deferred tax on accelerated tax depreciation. These losses are generated predominantly as a result of tax relief available on our capital expenditure in the form of capital allowances. These losses will be carried forward to offset against future taxable profits. The largely offsetting prior-year adjustments reflected within accelerated tax depreciation and tax losses reflect a decision made in the current year (in line with statutory time limits) to disclaim capital allowances. This reduced the losses carried forward in relation to those earlier periods.

Company

The company had no deferred tax assets or liabilities at 31 March 2025 or 31 March 2024.

8 Earnings per share

	2025 £m	2024 £m
Profit after tax attributable to equity holders of the company – continuing operations	**264.7**	126.9

	2025 pence	2024 pence
Earnings per share		
Basic	**38.8**	18.6
Diluted	**38.7**	18.6

Basic earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 681.9 million, being the weighted average number of shares in issue during the year (2024: 681.9 million). Diluted earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 683.6 million, being the weighted average number of shares in issue during the year, including dilutive shares (2024: 683.5 million).

The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations represents those ordinary shares deemed to have been issued for no consideration on the conversion of all potential dilutive ordinary shares in accordance with IAS 33 'Earnings Per Share'. Potential dilutive ordinary shares comprise outstanding share options awarded to directors and certain employees (see note 3).

The weighted average number of shares can be reconciled to the weighted average number of shares, including dilutive shares, as follows:

	2025 million	2024 million
Average number of ordinary shares – basic	**681.9**	681.9
Effect of potential dilutive ordinary share options	**1.7**	1.6
Average number of ordinary shares – diluted	**683.6**	**683.5**

9 Dividends

	2025 £m	2024 £m
Amounts recognised as distributions to equity holders of the company in the year comprise:		
Ordinary shares		
Final dividend for the year ended 31 March 2024 at 33.19 pence per share (2023: 30.34 pence)	**226.3**	206.9
Interim dividend for the year ended 31 March 2025 at 17.28 pence per share (2024: 16.59 pence)	**117.8**	113.1
	344.1	320.0
Proposed final dividend for the year ended 31 March 2025 at 34.57 pence per share (2024: 33.19 pence)	**235.7**	226.3

The proposed final dividends for the years ended 31 March 2025 and 31 March 2024 were subject to approval by equity holders of United Utilities Group PLC as at the reporting dates and, hence, have not been included as liabilities in the consolidated financial statements at 31 March 2025 and 31 March 2024.

Notes to the financial statements

10 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	2025 £m	2024 £m
Property, plant and equipment – owned	**13,791.9**	12,986.7
Right-of-use assets – leased	**81.1**	57.6
Net book value	**13,873.0**	13,044.3

Property, plant and equipment – owned

Group	Land and buildings £m	Infra-structure assets £m	Operational assets £m	Fixtures, fittings, tools and equipment £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2023	367.5	6,238.4	8,504.5	504.6	1,948.0	17,563.0
Additions	2.1	79.6	224.2	6.1	580.5	892.5
Transfers	16.8	469.8	423.7	21.9	(938.3)	(6.1)
Disposals	(7.1)	(0.1)	(59.0)	(87.3)	–	(153.5)
At 31 March 2024	379.3	6,787.7	9,093.4	445.3	1,590.2	18,295.9
Additions	**2.3**	**134.9**	**208.8**	**6.4**	**891.5**	**1,243.9**
Transfers	**(0.3)**	**185.8**	**450.2**	**43.7**	**(679.4)**	**–**
Disposals	**(1.5)**	**–**	**(63.3)**	**(16.9)**	**–**	**(81.7)**
At 31 March 2025	**379.8**	**7,108.4**	**9,689.1**	**478.5**	**1,802.3**	**19,458.1**
Accumulated depreciation						
At 1 April 2023	138.8	560.0	3,933.7	416.7	–	5,049.2
Charge for the year	8.4	49.2	325.4	21.3	–	404.3
Transfers	(0.5)	(0.1)	(0.8)	–	–	(1.4)
Disposals	(2.7)	–	(53.4)	(86.8)	–	(142.9)
At 31 March 2024	**144.0**	**609.1**	**4,204.9**	**351.2**	**–**	**5,309.2**
Charge for the year	**8.9**	**51.3**	**355.1**	**18.7**	**–**	**434.0**
Transfers	**–**	**(0.3)**	**0.3**	**–**	**–**	**–**
Disposals	**(1.0)**	**–**	**(59.5)**	**(16.5)**	**–**	**(77.0)**
At 31 March 2025	**151.9**	**660.1**	**4,500.8**	**353.4**	**–**	**5,666.2**
Net book value at 31 March 2024	235.3	6,178.6	4,888.5	94.1	1,590.2	12,986.7
Net book value at 31 March 2025	**227.9**	**6,448.3**	**5,188.3**	**125.1**	**1,802.3**	**13,791.9**

At 31 March 2025, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £112.0 million (2024: £327.0 million). In addition to these commitments, the group has long-term expenditure plans, which include investments to achieve improvements in performance required by regulators and to provide for future growth.

Following a review of the presentation of government grants related to assets during the year ended 31 March 2024, the group elected to deduct the value of grants received in arriving at the carrying value of related assets on the basis that this provides a better representation of the substance of these transactions. This resulted in £6.1 million of grants related to assets received in previous years being deducted from the assets' carrying values, net of £1.4 million of amortisation of these grants that has already been recognised in profit and loss. These amounts are reflected in the 'transfers' lines in the previous table. During the year ended 31 March 2025, government grants of £0.9 million (2024: £1.9 million) related to assets were received. These have been reflected in the 'additions' line in the previous table as a deduction in arriving at the carrying value of the related assets.

Company

The company had no property, plant and equipment or contractual commitments for the acquisition of property, plant and equipment at 31 March 2025 or 31 March 2024.

11 Intangible assets

Group	Total £m
Cost	
At 1 April 2023	452.5
Additions	15.9
Transfers	–
Disposals	(79.3)
At 31 March 2024	389.1
Additions	**10.6**
Transfers	**(0.1)**
Disposals	**(0.2)**
At 31 March 2025	**399.4**
Accumulated amortisation	
At 1 April 2023	310.2
Charge for the year	32.7
Transfers	–
Disposals	(78.3)
At 31 March 2024	264.6
Charge for the year	**29.2**
Transfers	**–**
Disposals	**(0.2)**
At 31 March 2025	**293.6**
Net book value at 31 March 2024	124.5
Net book value at 31 March 2025	**105.8**

The group's intangible assets relate mainly to computer software.

At 31 March 2025, the group had entered into contractual commitments for the acquisition of intangible assets amounting to £0.7 million (2024: £1.1 million).

Company

The company had no intangible assets or contractual commitments for the acquisition of intangible assets at 31 March 2025 or 31 March 2024.

12 Interests in joint ventures and other investments

	2025 £m	2024 £m
Joint ventures at the start of the period	**12.4**	16.5
Share of losses of joint ventures	**(10.8)**	(4.1)
Joint ventures at the end of the period	**1.6**	12.4

The group's interests in joint ventures mainly comprises its 50 per cent interest in Water Plus Group Limited ('Water Plus'), which is jointly owned and controlled by the group and Severn Trent PLC under a joint venture agreement.

The group's total share of Water Plus losses for the year was £10.8 million (2024: £4.1 million share of losses), all of which is recognised in the income statement.

As at 31 March 2025, Water Plus had net liabilities of £15.8 million based on the best information available at the time the group's financial statements are approved, with the group's share of this being £7.9 million (50 per cent). Of the total historic share of Water Plus results giving rise to this position, losses of £9.5 million have been allocated against the zero-coupon loan notes extended to Water Plus (see note A5), which are deemed to be a long-term interest that, in substance, forms part of the group's net investment in Water Plus. As such, the carrying value of the group's net investment in the joint venture as at 31 March 2025 was £1.6 million.

Details of transactions between the group and its joint ventures are disclosed in note A5.

Company

At 31 March 2025, the company's investments related solely to its investment in United Utilities PLC, which was recorded at a cost of £6,326.8 million (2024: £6,326.8 million).

Financials

Notes to the financial statements

13 Trade and other receivables

	Group		Company	
	2025 £m	2024 £m	**2025 £m**	2024 £m
Trade receivables	**90.8**	61.0	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**171.7**	136.0
Amounts owed by related parties (see note A5)	**101.0**	100.8	**–**	–
Other debtors and prepayments	**84.1**	62.1	**–**	–
Accrued income	**79.7**	76.6	**0.6**	–
	355.6	300.5	**172.3**	136.0

The majority of accrued income arises from timing differences between the billing cycle and the usage of water by customers. They therefore typically reverse in subsequent months, with all amounts held in relation to these contract assets at the beginning of the reporting period having subsequently reversed into the income statement during the year.

At 31 March 2025, the group had £73.6 million (2024: £73.7 million) of trade and other receivables classified as non-current, all of which was owed by related parties.

The carrying amounts of trade and other receivables approximate to their fair value at 31 March 2025 and 31 March 2024.

Trade receivables do not carry interest and are stated net of allowances for bad and doubtful receivables, an analysis of which is as follows:

Group	**2025 £m**	2024 £m
At the start of the year	**84.4**	85.7
Amounts charged to operating expenses	**20.5**	22.0
Trade receivables written off	**(22.3)**	(22.8)
Amounts charged to deferred grants and contributions	**(0.2)**	(0.5)
At the end of the year	**82.4**	84.4

Amounts charged to deferred grants and contributions relate to amounts invoiced for which revenue has not yet been recognised in the income statement.

At each reporting date, the group evaluates the recoverability of trade receivables and records allowances for expected credit losses, which are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considers past events, current conditions and forecasts of future conditions.

At 31 March 2025 and 31 March 2024, the group had no trade receivables that were past due and not individually impaired.

The following table provides information regarding the ageing of net trade receivables that were past due and individually impaired:

At 31 March 2025	**Aged less than one year £m**	**Aged between one year and two years £m**	**Aged greater than two years £m**	**Carrying value £m**
Gross trade receivables	**88.8**	**30.9**	**53.4**	**173.1**
Allowance for expected credit losses	**(16.2)**	**(13.5)**	**(52.7)**	**(82.4)**
Net trade receivables	**72.6**	**17.4**	**0.7**	**90.7**

At 31 March 2024	**Aged less than one year £m**	**Aged between one year and two years £m**	**Aged greater than two years £m**	**Carrying value £m**
Gross trade receivables	66.7	27.2	51.4	145.3
Allowance for expected credit losses	(20.7)	(12.7)	(51.0)	(84.4)
Net trade receivables	46.0	14.5	0.4	60.9

At 31 March 2025, the group had £0.1 million (2024: £0.1 million) of trade receivables that were not past due.

At 31 March 2025 and 31 March 2024, the group had no accrued income that was past due. In instances where the collection of consideration is not considered probable at the point services are delivered, no accrued income is recognised, as the criteria to recognise revenue in accordance with IFRS 15 has not been met.

Company

At 31 March 2025 and 31 March 2024, the company had no trade receivables that were past due. Of the £171.7 million (2024: £136.0 million) owed by subsidiaries, £75.0 million (2024: £75.0 million) was classified as non-current at the reporting date.

The carrying amount of trade and other receivables approximates to their fair value at 31 March 2025 and 31 March 2024.

14 Retirement benefits

The group participates in two major funded defined benefit pension schemes in the United Kingdom – the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC Group of the Electricity Supply Pension Scheme ('ESPS') – as well as a defined contribution scheme, which is part of the UUPS, and a series of historic unfunded, unregistered retirement benefit schemes operated for the benefit of certain former employees.

Both defined benefit schemes are closed to new employees, and since 1 April 2018 the majority of active members in the defined benefit section of the UUPS have been part of a hybrid section comprising both defined benefit and defined contribution elements in order to reduce the overall costs and risk to the group resulting from increases in future service costs, while balancing the interests of employees by maintaining an element of defined benefit pension provision.

Information about the pension arrangements for executive directors is contained in the directors' remuneration report.

Defined benefit schemes

As similar financial and demographic assumptions are used in accounting for both of the group's defined benefit pension schemes, and given they have similar risk profiles, the information below and further detail provided in note A4 is presented on an aggregated basis unless otherwise stated.

The net pension income before tax recognised in the income statement in respect of the defined benefit pension schemes is summarised as follows:

Group	**2025 £m**	2024 £m
Current service cost	**2.5**	2.8
Past service cost	**–**	(4.6)
Administrative expenses	**4.0**	4.0
Pension expense charged to operating profit	**6.5**	2.2
Net pension interest income credited to investment income (see note 5)	**(12.9)**	(28.6)
Net pension income credited to the income statement before tax	**(6.4)**	(26.4)

Defined benefit pension costs included within employee benefit expense were £6.5 million (2024: £2.2 million) comprising current service costs and administrative expenses. Total post-employment benefits expense charged to operating profit of £43.2 million (2024: £34.6 million) comprise the defined benefit costs described above of £6.5 million (2024: £2.2 million) and defined contribution costs of £36.7 million (2024: £32.4 million) (see note 3).

The reconciliation of the opening and closing net pension surplus included in the statement of financial position is as follows:

Group	**2025 £m**	2024 £m
At the start of the year	**268.0**	600.8
Income recognised in the income statement	**6.4**	26.4
Contributions	**9.3**	9.3
Remeasurement gains/(losses) gross of tax	**18.6**	(368.5)
At the end of the year	**302.3**	268.0

Included in the contributions paid of £9.3 million (2024: £9.3 million), which are included as cash outflows in arriving at net cash generated from operations in the consolidated statement of cash flows, are payments in relation to historic unfunded, unregistered retirement benefit schemes of £0.7 million (2024: £0.7 million), and administrative expenses of £1.1 million (2024: £1.1 million). Contributions in relation to current service cost were £2.5 million (2024: £2.8 million).

Remeasurement gains and losses are recognised directly in the statement of comprehensive income.

Group	**2025 £m**	2024 £m
The return on plan assets, excluding amounts included in interest	**(240.9)**	(402.7)
Actuarial gains arising from changes in financial assumptions	**259.3**	52.7
Actuarial gains arising from changes in demographic assumptions	**6.1**	49.2
Actuarial losses arising from experience	**(5.9)**	(67.7)
Remeasurement gains/(losses) on defined benefit pension schemes	**18.6**	(368.5)

Deferred tax on the movement in the defined benefit surplus during the year has been recognised at a rate of 25 per cent, being the rate applicable to refunds from a trust, reflecting the most likely method by which the defined benefit surplus would be realised (see note 7).

For more information in relation to the group's defined benefit pension schemes, including changes in financial and demographic assumptions, see note A4.

Notes to the financial statements

14 Retirement benefits continued

Defined contribution schemes

During the year, the group made £36.7 million (2024: £32.4 million) of contributions to defined contribution schemes, which are included in employee benefits expense in the consolidated income statement (see note 3), and as cash outflows in arriving at net cash generated from operating activities in the consolidated statement of cash flows.

Company

The company did not participate in any of the group's pension schemes during the years ended 31 March 2025 and 31 March 2024.

15 Cash and cash equivalents

	Group	
	2025 £m	2024 £m
Cash at bank and in hand	**4.2**	3.7
Short-term bank deposits	**1,668.4**	1,395.6
Cash and short-term deposits	**1,672.6**	1,399.3
Book overdrafts (included in borrowings – see note 16)	**(3.6)**	(20.0)
Cash and cash equivalents in the statement of cash flows	**1,669.0**	1,379.3

Cash and short-term deposits include cash at bank and in hand, deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and have a maturity of three months or less. The carrying amounts of cash and cash equivalents approximate their fair value.

Book overdrafts, which result from normal cash management practices, represent the value of cheques issued and payments initiated that had not cleared as at the reporting date.

16 Borrowings

Group	**2025 £m**	2024 £m
Non-current liabilities		
Bonds	**8,807.1**	7,598.2
Bank and other term borrowings	**1,441.4**	1,691.4
Lease obligations	**78.0**	56.2
	10,326.5	9,345.8
Current liabilities		
Bonds	**143.7**	328.4
Bank and other term borrowings	**309.6**	304.2
Book overdrafts (see note 15)	**3.6**	20.0
Lease obligations	**5.2**	3.0
	462.1	655.6
	10,788.6	10,001.4

As at 31 March 2025, there were £866.2 million of non-current borrowings with a single counterparty that are subject to compliance with financial covenants in respect of the level of gearing and interest cover of United Utilities Water Limited, a subsidiary of the group, which could lead to the borrowings becoming repayable within 12 months of the balance sheet date if breached. Compliance with these covenants is monitored by the group on a quarterly basis and reported to the counterparty annually. The group was compliant with these financial covenants at the reporting date.

During the year, the group issued £1,036.0 million (2024: £956.3 million) of debt under its Sustainable Finance Framework. These instruments are structured as "use of proceeds" bonds and do not include pricing mechanisms or covenants linked to financial or ESG performance. As a result, the accounting follows that of other conventional debt issuances.

Further details of the group's outstanding borrowings as at the reporting date, including the nature and extent of associated risks and how these risks are managed, along with hedge accounting (where applicable) and the determination of fair value, are provided in note A3.

The maturity profile of lease liabilities recognised as at the reporting date is provided in note 19.

Company	**2025 £m**	2024 £m
Non-current liabilities		
Amounts owed to subsidiary undertakings	**2,108.9**	1,982.3
	2,108.9	1,982.3

Amounts owed to subsidiary undertakings relate to an intercompany loan from United Utilities PLC to the company, which bears interest calculated with reference to the Bank of England base rate plus a credit margin, and is repayable with 12 months' notice upon written request by a director of either party, with the repayment date not falling less than 366 days after the date of the request.

The company's borrowings are unsecured and measured at amortised cost. The carrying amount of borrowings approximates their fair value.

17 Provisions

Group	**Severance £m**	**Other £m**	**Total £m**
At 1 April 2023	0.4	12.7	13.1
Charged to the income statement	1.5	2.8	4.3
Utilised in the year	(1.4)	(2.5)	(3.9)
At 31 March 2024	0.5	13.0	13.5
Charged to the income statement	**0.3**	**12.2**	**12.5**
Utilised in the year	**(0.7)**	**(6.3)**	**(7.0)**
At 31 March 2025	**0.1**	**18.9**	**19.0**

The group had no provisions classed as non-current at 31 March 2025 or 31 March 2024.

The severance provision as at 31 March 2025 and 31 March 2024 relates to severance costs as a result of group reorganisation.

Other provisions principally relate to contractual, legal and environmental claims against the group and represent management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims.

Company

The company had no provisions at 31 March 2025 or 31 March 2024.

18 Trade and other payables

	Group		Company	
Non-current	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Deferred grants and contributions	**1,045.9**	937.7	**–**	–
Other creditors	**17.9**	20.2	**–**	–
	1,063.8	957.9	**–**	–

	Group		Company	
Current	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Trade payables	**29.9**	23.4	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**–**	0.9
Other tax and social security	**8.8**	7.5	**–**	–
Deferred grants and contributions	**19.7**	17.8	**–**	–
Accruals and other creditors	**453.2**	315.4	**4.1**	4.1
Deferred income	**65.6**	49.2	**–**	–
	577.2	413.3	**4.1**	5.0

The average credit period taken for trade purchases is 11 days (2024: 11 days).

The carrying amounts of trade and other payables approximate to their fair value at 31 March 2025 and 31 March 2024.

The majority of deferred income balances comprise timing differences between customer payments, the billing cycle, and the usage of water by customers. They therefore typically reverse in subsequent months, with all amounts held in relation to these contract liabilities at the beginning of the reporting period having subsequently reversed into the income statement during the year.

Accruals and other creditors includes capital accruals of £163.2 million (2024: £94.9 million) and interest accruals of £122.7 million (2024: £82.1 million). The remainder of the balance mainly consists of accruals for other operating costs.

Deferred grants and contributions

Group	**2025 £m**	2024 £m
At the start of the year	**955.5**	889.9
Amounts capitalised during the year	**8.3**	25.9
Transfer of assets from customers	**121.4**	61.3
Transfer of government grants related to assets	**–**	(4.7)
Credited to the income statement – revenue	**(19.8)**	(17.4)
Credited to allowance for bad and doubtful receivables	**0.2**	0.5
At the end of the year	**1,065.6**	955.5

During the year ended 31 March 2024, the unamortised value of government grants related to assets was transferred to property, plant and equipment and deducted in arriving at the carrying value of related assets. See note 10 for further details.

Notes to the financial statements

19 Leases

In order to carry out its activities, the group enters into leases of assets from time to time, typically in relation to items such as land, buildings, vehicles and equipment. Due to the nature of the group's operations, many of the group's leases have extremely long terms, with leases ranging from one year to 999 years. The group does not typically enter into lease contracts with a duration of less than 12 months, and no material costs were incurred during the year for short-term leases.

During the year, the group has entered into leases of computer equipment for which the underlying assets are of low value, and therefore qualify for the recognition exemption available under IFRS 16 'Leases', which the group has elected to apply. The expense related to these low-value assets incurred in the year totals £2.0 million (2024: £0.6 million).

As at 31 March 2025, the group's statement of financial position included right-of-use assets with a net book value of £81.1 million (2024: £57.6 million) and lease liabilities with a total value of £83.2 million (2024: £59.2 million). These balances are analysed further below.

Right-of-use assets

As shown in note 10, the carrying amount of right-of-use assets at the year ended 31 March 2025 is presented in the following asset classes.

	2025 £m	2024 £m
Land and buildings	**59.9**	52.0
Operational assets	**21.2**	5.4
Fixtures, fittings, tools, and equipment	**–**	0.2
Total carrying amount of right-of-use assets	**81.1**	57.6

Additions to right-of-use assets were £25.4 million (2024: £2.6 million). Disposals were £0.5 million (2024: £1.0 million).

The depreciation charge recognised in relation to right-of-use assets, which is included within the group's operating profit, was as follows:

	2025 £m	2024 £m
Land and buildings	**1.3**	1.2
Operational assets	**0.4**	0.6
Total depreciation of right-of-use assets	**1.7**	1.8

Lease liabilities

As set out in note 16, lease liabilities at the year ended 31 March 2025 of £83.2 million (2024: £59.2 million) is split between £78.0 million (2024: £56.2 million) presented as non-current liabilities and £5.2 million (2024: £3.0 million) presented as current liabilities.

The maturity profile of lease liabilities recognised at the balance sheet date is:

	2025 £m	2024 £m
Less than 1 year	**2.9**	3.0
1 to 5 years	**10.6**	8.6
5 to 10 years	**24.8**	7.9
10 to 25 years	**33.4**	26.0
25 to 50 years	**55.3**	43.2
50 to 100 years	**103.7**	85.0
100 to 500 years	**123.8**	108.6
Longer than 500 years	**3.5**	3.5
Total undiscounted cash payments	**358.0**	285.8
Effect of discounting	**(274.8)**	(226.6)
Present value of cash payments	**83.2**	59.2

Interest recognised in relation to lease liabilities for the year ended 31 March 2025, and included within the group's finance expenses, was £1.9 million (2024: £1.4 million).

The total cash outflow for leases for the year ended 31 March 2025 was £3.3 million (2024: £2.9 million); of this, £1.9 million was payment of interest (2024: £1.4 million) and £1.4 million payment of principal (2024: £1.5 million). Payment of interest forms part of cash flows from operating activities and payment of principal is included within repayment of borrowings, which forms part of cash flows from financing activities in the group's statement of cash flows.

20 Other reserves

Group	**Capital redemption reserve £m**	**Merger reserve £m**	**Cost of hedging reserve £m**	**Cash flow hedging reserve £m**	**Total £m**
At 1 April 2023	1,033.3	(703.6)	5.1	18.6	353.4
Changes in fair value recognised in other comprehensive income	–	–	4.8	(63.0)	(58.2)
Amounts reclassified from other comprehensive income to profit or loss	–	–	–	1.8	1.8
Tax on hedge effectiveness taken directly to equity	–	–	(1.2)	15.8	14.6
Tax on reclassification to consolidated income statement	–	–	–	(0.5)	(0.5)
At 31 March 2024	1,033.3	(703.6)	8.7	(27.3)	311.1
At 1 April 2024	1,033.3	(703.6)	8.7	(27.3)	311.1
Changes in fair value recognised in other comprehensive income	**–**	**–**	**3.6**	**8.6**	**12.2**
Amounts reclassified from other comprehensive income to profit or loss	**–**	**–**	**–**	**(1.3)**	**(1.3)**
Tax on hedge effectiveness taken directly to equity	**–**	**–**	**(0.9)**	**(2.2)**	**(3.1)**
Tax on reclassification to consolidated income statement	**–**	**–**	**–**	**0.3**	**0.3**
At 31 March 2025	**1,033.3**	**(703.6)**	**11.4**	**(21.9)**	**319.2**

The capital redemption reserve arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009. The merger reserve arose in the same year on consolidation and represents the capital adjustment to reserves required to effect the reverse acquisition.

The group recognises the cost of hedging reserve as a component of equity. This reserve reflects accumulated fair value movements on cross-currency swaps resulting from changes in the foreign currency basis spread, which represents a liquidity charge inherent in foreign exchange contracts for exchanging currencies and is excluded from the designation of cross-currency swaps as hedging instruments.

The group designates a number of swaps hedging non-financial risks in cash flow hedge relationships to give a more representative view of operating costs. Fair value movements relating to the effective part of these swaps are recognised in other comprehensive income and accumulated in the cash flow hedging reserve.

Company

The company's other reserves at 31 March 2025, 31 March 2024 and 1 April 2023, were comprised entirely of a £1,033.3 million capital redemption reserve that arose as a result of a return of capital to shareholders following the acquisition of United Utilities PLC by the company in the year ended 31 March 2009.

21 Share capital

Group and company	**2025 million**	**2025 £m**	2024 million	2024 £m
Issued, called up and fully paid				
Ordinary shares of 5.0 pence each	**681.9**	**34.1**	681.9	34.1
Deferred shares of 170.0 pence each	**274.0**	**465.7**	274.0	465.7
	955.9	**499.8**	955.9	499.8

Details of the voting rights of each category of shares can be found within the directors' report on page 174.

The 170.0 pence deferred shares were created to facilitate a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009 (see company statement of changes in equity on page 194), and represent the amount of a special dividend paid on B shares at that time. The 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.

Notes to the financial statements

22 Contingent liabilities

In November 2021, Ofwat and the Environment Agency launched separate industry-wide investigations into how companies manage their wastewater assets.

In July 2024, Ofwat announced that it is opening an enforcement case under which it will investigate UUW following detailed analysis of the company's environmental performance and data about the frequency of spills from storm overflows. At the same time, Ofwat opened similar enforcement cases investigating three other companies in the sector. Having already opened enforcement cases against the other seven companies, all 11 water and wastewater companies in England and Wales are now formally within the scope of Ofwat's enforcement activities. If a company is found to have breached its legal obligations this could result in a financial penalty of up to 10 per cent of relevant wastewater turnover (which in UUW's case would be around £100 million), and/or a requirement to rectify any obligations deemed to be required as a consequence of those findings. Ofwat has proposed penalties for three companies to date, ranging from 5 per cent to 9 per cent of relevant wastewater turnover, of which one company has agreed an enforcement package worth 6 per cent of its relevant wastewater turnover. UUW has received and responded to notices under s203 of the Water Industry Act 1991 requesting information relating to the performance and operation of its wastewater assets, and continues to fully co-operate with Ofwat through the investigation process. Ofwat stated that while it has concerns with the sector that it must investigate, the opening of enforcement cases does not automatically imply that companies have breached their legal obligations or that a financial penalty will necessarily follow. Although enforcement action undertaken against certain other companies has progressed, and in one case concluded, during the year, to date Ofwat has not given a firm indication of the expected timeframe for its ongoing investigation, or any subsequent action, in respect of UUW.

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

As disclosed in the group's annual report for the year ended 31 March 2024, collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against United Utilities Water Limited ('UUW') and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative ('PCR'), Professor Carolyn Roberts. The PCR alleges that customers have collectively paid an overcharge for sewerage services during the claim period as a result of UUW allegedly abusing a dominant position by providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against UUW (including interest) for household customers is at least £141 million. On 7 March 2025, the CAT unanimously concluded that claims could not proceed on the basis that the claims brought forward are excluded by section 18(8) of the Water Industry Act 1991. Subsequently, the PCR has applied to the CAT for permission to appeal the decision at the Court of Appeal. If permission is granted, this could result in an appeal towards the end of 2025 or in 2026. UUW believes the claim is without merit and will robustly defend it, should the certification decision be overturned on appeal. Separate letters before action were issued on 20 December 2024 in relation to similar claims in respect of non-household customers, however it is not clear how these will proceed following the CAT's decision not to certify the claims brought in respect of domestic customers.

23 Financial and other commitments

The group has credit support guarantees as well as general performance commitments and potential liabilities under contract that may give rise to financial outflow. The group has determined that the possibility of any outflow arising in respect of these potential liabilities is remote and, as such, there are no financial liabilities to be disclosed in accordance with IFRS 9 'Financial Instruments' (2024: none).

At 31 March 2025, there were commitments for future capital expenditure and infrastructure renewals expenditure contracted, but not provided for, of £125.3 million (2024: £342.7 million).

	2025 £m	2024 £m
Property, plant and equipment	**112.0**	327.0
Intangible assets	**0.7**	1.1
Infrastructure renewals expenditure	**12.6**	14.6
Total commitments contracted but not provided for	**125.3**	342.7

The company has not entered into performance guarantees as at 31 March 2025 and 31 March 2024.

24 Events after the reporting period

On 3 April 2025, United Utilities Water Limited acquired 100 per cent of the share capital of Trafford Property Limited, a special purpose vehicle holding land adjacent to the group's Davyhulme Wastewater Treatment Works site, for £20.0 million. This transaction is accounted for as an asset acquisition rather than a business combination, as the transaction falls outside the scope of IFRS 3 'Business Combinations'. The cost of the acquisition is allocated entirely to the company's land asset and approximates the land's fair value at the date of acquisition. As the acquisition occurred after the reporting period, no adjustments have been made to the financial statements as at 31 March 2025.

Notes to the financial statements – appendices

A1 Consolidated statement of cash flows – further analysis

Cash generated from operations

	2025 £m	2024 £m
Profit before tax	**355.0**	170.0
Adjustment for investment income and finance expense (see notes 5, 6 and A5)	**265.7**	306.1
Adjustment for share of losses of joint ventures (see note 12)	**10.8**	4.1
Operating profit	**631.5**	480.2
Adjustments for:		
Depreciation of property, plant and equipment (see notes 10 and 19)	**435.7**	406.1
Amortisation of intangible assets (see note 11)	**29.2**	32.7
Loss on disposal of property, plant and equipment (see note 4)	**4.0**	6.7
Amortisation of deferred grants and contributions (see note 18)	**(19.8)**	(17.4)
Equity-settled share-based payments charge (see note 3)	**4.7**	2.1
Pension contributions paid less pension expense charged to operating profit	**(3.0)**	(7.1)
Changes in working capital:		
Increase in inventories	**(3.1)**	(7.2)
Increase in trade and other receivables	**(54.7)**	(26.9)
Increase/(Decrease) in trade and other payables	**52.7**	(4.2)
Increase in provisions (see note 17)	**5.5**	0.4
Cash generated from operations	**1,082.7**	865.4

Reconciliation of fixed asset purchases to fixed asset additions

Owned property, plant and equipment[1]	2025 £m	2024 £m
Purchase of property, plant and equipment in statement of cash flows	**988.5**	749.5
Non-cash additions:		
Transfers of assets from customers (see note 18)[2]	**121.4**	61.3
IAS 23 capitalised borrowing costs (see note 6)	**67.5**	79.7
Receipt of government grants related to assets (see notes 10 and A6)	**(0.9)**	(1.9)
Net book value transfers from intangible assets	**(0.1)**	–
Timing differences on cash paid[3]	**67.5**	3.9
Property, plant and equipment additions	**1,243.9**	892.5

Notes:

(1) This reconciliation relates to property, plant and equipment owned by the group and therefore excludes right-of-use assets recognised in accordance with IFRS 16 'Leases', for which cash flows relating to the associated lease liabilities are included within repayment of borrowings and interest paid in the statement of cash flows.

(2) The group has received property, plant and equipment of £121.4 million (2024: £61.3 million) in exchange for the provision of future goods and services (see notes 18 and A6).

(3) Timing differences arise and reverse when additions are recognised in the statement of financial position in a different period to when cash payments for capital expenditure are made. Capital accruals recognised in relation to these timing differences are included in 'Accruals and other creditors' within trade and other payables (see note 18).

Intangible assets	2025 £m	2024 £m
Purchase of intangible assets in statement of cash flows	**9.5**	14.6
IAS 23 capitalised borrowing costs (see note 6)	**1.0**	1.3
Net book value transfers to property, plant and equipment	**0.1**	–
Intangible asset additions	**10.6**	15.9

Notes to the financial statements – appendices

A2 Net debt

Net debt comprises borrowings, net of cash and short-term deposits and derivatives hedging the financial risk associated with the group's borrowings[1]. As such, movements in net debt during the year are impacted by changes in liabilities from financing activities as detailed in the tables below. The tables below should be read in conjunction with the consolidated statement of cash flows.

	Borrowings			Derivatives					
	Bonds £m	Bank and other term borrowings £m	Lease liabilities £m	in a fair value hedge £m	at fair value through profit or loss £m	Total liabilities from financing activities £m	Cash and cash equivalents[3] £m	Adjustments in calculating net debt[4] £m	Net debt £m
At 31 March 2024	(7,926.6)	(1,995.6)	(59.2)	(158.1)	295.1	(9,844.4)	1,379.3	(297.6)	(8,762.7)
Non-cash movements:									
Inflation uplift on index-linked debt	**(108.3)**	**(33.9)**	**–**	**–**	**–**	**(142.2)**	**–**	**–**	**(142.2)**
Fair value movements	**50.2**	**3.5**	**–**	**(29.7)**	**(22.7)**	**1.3**	**–**	**(7.4)**	**(6.1)**
Foreign exchange	**12.6**	**0.6**	**–**	**–**	**–**	**13.2**	**–**	**–**	**13.2**
Other	**(4.2)**	**–**	**(27.2)**	**–**	**–**	**(31.4)**	**–**	**–**	**(31.4)**
Cash flows used in financing activities:									
Receipts in respect of borrowing and derivatives[2]	**(1,318.5)**	**(7.6)**	**–**	**(13.2)**	**–**	**(1,339.3)**	**1,339.3**	**–**	**–**
Payments in respect of borrowings and derivatives[2]	**344.0**	**282.0**	**1.3**	**4.1**	**–**	**631.4**	**(631.4)**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(344.1)**	**–**	**(344.1)**
Exercise of share options – purchase of shares	**–**	**–**	**–**	**–**	**–**	**–**	**(5.0)**	**–**	**(5.0)**
Changes arising from financing activities	**(1,024.2)**	**244.6**	**(25.9)**	**(38.8)**	**(22.7)**	**(867.0)**	**358.8**	**(7.4)**	**(515.6)**
Cash flows used in investing activities	**–**	**–**	**–**	**–**	**–**	**–**	**(987.2)**	**–**	**(987.2)**
Cash flows generated from operating activities	**–**	**–**	**1.9**	**–**	**–**	**1.9**	**918.1**	**–**	**920.0**
At 31 March 2025	**(8,950.8)**	**(1,751.0)**	**(83.2)**	**(196.9)**	**272.4**	**(10,709.5)**	**1,669.0**	**(305.0)**	**(9,345.5)**

Notes:

(1) Derivatives held for the purpose of hedging commodity prices are excluded from net debt. At 31 March 2025, the group had net derivative liabilities of £27.4 million (2024: net derivative liabilities of £34.8 million) to hedge electricity prices. See note A3 for further details.

(2) Where derivatives are in an economic hedge of borrowings, derivative cash flows are shown net, with the net payment or receipt being reported against the underlying borrowing cash flow to provide a more faithful representation of the substance of the transaction.

(3) Cash and cash equivalents as per the consolidated statement of cash flows.

(4) The fair value of the derivatives reported in financing liabilities that are not hedging specific debt instruments are removed in calculating the group's net debt position. These derivatives correspond to the group's fixed interest rate swaps and inflation swaps, neither of which are designated within an IFRS 9 hedging relationship and both of which are classified as 'held for trading' under the accounting standard. The fair value movements on those derivatives that are not excluded from the revised definition of net debt (being derivatives in fair value hedge relationships) are expected to be materially equal and opposite in value to the fair value movement included in borrowings, resulting in materially all fair value movements being excluded.

A2 Net debt continued

Fair value movements include the indexation expense relating to the group's inflation swap portfolio of £130.8 million (2024: £111.3 million). The remaining fair value and foreign exchange movements in the year on the group's bond and bank borrowings are materially hedged by the fair value swap portfolio.

	Borrowings			Derivatives					
	Bonds £m	Bank and other term borrowings £m	Lease liabilities £m	in a fair value hedge £m	at fair value through profit or loss £m	Total liabilities from financing activities £m	Cash and cash equivalents £m	Adjustments in calculating net debt £m	Net debt £m
At 31 March 2023	(6,378.9)	(1,985.9)	(58.3)	(151.1)	349.8	(8,224.4)	327.9	(304.3)	(8,200.8)
Non-cash movements:									
Inflation uplift on index-linked debt	(178.2)	(47.7)	–	–	–	(225.9)	–	–	(225.9)
Fair value movements	(11.2)	3.3	–	1.5	(54.7)	(61.1)	–	6.7	(54.4)
Foreign exchange	26.6	8.6	–	–	–	35.2	–	–	35.2
Other	(4.3)	–	(3.8)	–	–	(8.1)	–	–	(8.1)
Cash flows used in financing activities:									
Receipts in respect of borrowing and derivatives	(1,492.0)	(103.8)	–	(14.2)	–	(1,610.0)	1,610.0	–	–
Payments in respect of borrowings and derivatives	111.4	129.9	1.5	5.7	–	248.5	(248.5)	–	–
Dividends paid	–	–	–	–	–	–	(320.0)	–	(320.0)
Exercise of share options – purchase of shares	–	–	–	–	–	–	(3.8)	–	(3.8)
Changes arising from financing activities	(1,547.7)	(9.7)	(2.3)	(7.0)	(54.7)	(1,621.4)	1,037.7	6.7	(577.0)
Cash flows used in investing activities	–	–	–	–	–	–	(731.4)	–	(731.4)
Cash flows generated from operating activities	–	–	1.4	–	–	1.4	745.1	–	746.5
At 31 March 2024	(7,926.6)	(1,995.6)	(59.2)	(158.1)	295.1	(9,844.4)	1,379.3	(297.6)	(8,762.7)

Financials

Notes to the financial statements – appendices

A3 Financial risk management

Risk management

The board is responsible for treasury strategy and governance, which is reviewed on an annual basis.

The treasury committee, a subcommittee of the board, has responsibility for setting and monitoring the group's adherence to treasury policies, along with oversight in relation to the activities of the treasury function.

Treasury policies cover the key financial risks: liquidity risk, credit risk, market risk (inflation, interest rate, electricity price and currency) and capital risk. As well as managing our exposure to these risks, these policies help the group maintain compliance with relevant financial covenants, which are in place primarily in relation to borrowings from the European Investment Bank ('EIB') and include interest cover and gearing metrics. These policies are reviewed by the treasury committee for approval on at least an annual basis, or following any major changes in treasury operations and/or financial market conditions.

Day-to-day responsibility for operational compliance with the treasury policies rests with the treasurer. An operational compliance report is provided monthly to the treasury committee, which details the status of the group's compliance with the treasury policies and highlights the level of risk against the appropriate risk limits in place.

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

Liquidity risk

The group looks to manage its liquidity risk by maintaining liquidity within a board-approved duration range. Liquidity is actively monitored by the group's treasury function and is reported monthly to the treasury committee through the operational compliance report.

At 31 March 2025, the group had £2,822.7 million (2024: £2,199.3 million) of available liquidity, which comprised £1,672.7 million (2024: £1,399.3 million) of cash and short-term deposits and £1,150.0 million (2024: £800.0 million) of undrawn committed borrowing facilities.

The group had available committed borrowing facilities as follows:

	2025 £m	2024 £m
Expiring within one year	**200.0**	50.0
Expiring after one year but in less than two years	**225.0**	200.0
Expiring after more than two years	**725.0**	550.0
Total borrowing facilities	**1,150.0**	800.0
Facilities drawn	**–**	–

These facilities are arranged on a bilateral rather than a syndicated basis, which spreads the maturities more evenly over a longer time period, thereby reducing the refinancing risk by providing several renewal points rather than a large single refinancing point.

Maturity analysis

Concentrations of risk may arise if large cash flows are concentrated within particular time periods. The maturity profile in the following table represents the forecast future contractual principal and interest cash flows in relation to the group's financial liabilities on an undiscounted basis. Derivative cash flows have been shown net where there is a contractual agreement to settle on a net basis; otherwise, the cash flows are shown gross. This table does not include the impact of lease liabilities for which the maturity profile has been disclosed in note 19.

At 31 March 2025	Total[1] £m	Adjustment £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Bonds	**16,603.5**	**–**	**415.7**	**270.8**	**702.9**	**691.6**	**535.7**	**13,986.8**
Bank and other term borrowings	**2,122.1**	**–**	**372.5**	**172.7**	**172.0**	**172.5**	**350.8**	**881.6**
Adjustment to carrying value[2]	**(8,020.2)**	**(8,020.2)**	**–**	**–**	**–**	**–**	**–**	**–**
Borrowings	**10,705.4**	**(8,020.2)**	**788.2**	**443.5**	**874.9**	**864.1**	**886.5**	**14,868.4**
Derivatives:								
Payable	**4,284.3**	**–**	**363.0**	**239.2**	**339.1**	**425.5**	**391.2**	**2,526.3**
Receivable	**(4,426.0)**	**–**	**(363.1)**	**(253.3)**	**(369.1)**	**(523.4)**	**(306.3)**	**(2,610.8)**
Adjustment to carrying value[2]	**93.3**	**93.3**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives – net assets[3]	**(48.4)**	**93.3**	**(0.1)**	**(14.1)**	**(30.0)**	**(97.9)**	**84.9**	**(84.5)**

A3 Financial risk management continued

At 31 March 2024	Total[1] £m	Adjustment £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Bonds	15,285.6	–	571.3	383.6	233.6	665.4	651.3	12,780.4
Bank and other term borrowings	1,779.6	–	363.2	299.7	143.0	146.1	146.1	681.5
Adjustment to carrying value[2]	(7,123.1)	(7,123.1)	–	–	–	–	–	–
Borrowings	9,942.1	(7,123.1)	934.5	683.3	376.6	811.5	797.4	13,461.9
Derivatives:								
Payable	3,521.4	–	189.7	272.1	153.1	260.6	346.2	2,299.7
Receivable	(3,093.9)	–	(192.4)	(290.3)	(178.1)	(305.6)	(455.0)	(1,672.5)
Adjustment to carrying value[2]	(529.7)	(529.7)	–	–	–	–	–	–
Derivatives – net assets[3]	(102.2)	(529.7)	(2.7)	(18.2)	(25.0)	(45.0)	(108.8)	627.2

Notes:

(1) Forecast future cash flows are calculated, where applicable, using forward interest rates based on the interest environment at year-end and are therefore susceptible to changes in market conditions. For index-linked debt it has been assumed that RPI will be 3 per cent and CPI will be 2 per cent over the life of each instrument.

(2) The carrying value of debt is calculated following various methods in accordance with IFRS 9 'Financial Instruments' and therefore this adjustment reconciles the undiscounted forecast future cash flows to the carrying value of debt in the statement of financial position, excluding £83.2 million (2024: £59.2 million) of lease liabilities.

(3) The derivative balance includes swaps with a carrying value of £7.6 million (2024: £4.3 million) subject to optional break clauses that could be exercised within one year of the reporting date, and £0.1 million (2024: £24.7 million) subject to optional break clauses that could be exercised in later periods. At the reporting date, it was considered highly unlikely that these break clauses would be exercised and so cash flows that could arise from the exercise of these optional break clauses are not included in this table.

Credit risk

Credit risk arises principally from trading (the supply of services to customers) and treasury activities (the depositing of cash and holding of derivative instruments). While the opening of the non-household retail market to competition from 1 April 2017 has impacted on the profile of the group's concentration of credit risk, as discussed further below, the group does not believe it is exposed to any material concentrations that could have an impact on its ability to continue as a going concern or its longer-term viability.

The group manages its risk from trading through the effective management of customer relationships. Concentrations of credit risk with respect to trade receivables from household customers are limited due to the customer base being comprised of a large number of unrelated households. However, collection can be challenging as the Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises, including domestic dwellings.

Credit risk from trading is concentrated in a small number of retailers to whom the group provides wholesale water and wastewater services. Retailers are licensed and monitored by Ofwat and as part of the regulations they must demonstrate that they have adequate resources available to supply services. The credit terms for the group's retail customers are set out in market codes.

As at 31 March 2025, Water Plus was the group's single largest debtor, with amounts outstanding in relation to wholesale services of £27.5 million (2024: £27.1 million). During the year, sales to Water Plus in relation to wholesale services were £338.8 million (2024: £334.4 million). Details of transactions with Water Plus can be found in note A5.

Under the group's revenue recognition policy, revenue is only recognised when collection of the resulting receivable is reasonably assured. Considering the above, the directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables (see note 13).

The group manages its credit risk from treasury activities by establishing a total credit limit by counterparty, which comprises a counterparty credit limit and an additional settlement limit to cover intra-day gross settlement of cash flows. In addition, potential derivative exposure limits are established to take account of potential future exposure that may arise under derivative transactions. These limits are calculated by reference to a measure of capital and credit ratings of the individual counterparties and are subject to a maximum single counterparty limit.

Credit limits are refreshed annually and reviewed in the event of any credit rating action. Additionally, a control mechanism to trigger a review of specific counterparty limits, irrespective of credit rating action, is in place. This entails daily monitoring of counterparty credit default swap levels and/or share price volatility. Credit exposure is monitored daily by the group's treasury function and is reported monthly to the treasury committee through the operational compliance report.

Notes to the financial statements – appendices

A3 Financial risk management continued

At 31 March 2025 and 31 March 2024, the maximum exposure to credit risk for the group is represented by the carrying amount of each financial asset in the statement of financial position:

	2025 £m	2024 £m
Cash and short-term deposits (see note 15)	**1,672.6**	1,399.3
Trade and other receivables (see note 13)	**355.6**	300.5
Derivative financial instruments	**340.7**	382.8
	2,368.9	2,082.6

The credit exposure on derivatives is disclosed gross of any collateral held. At 31 March 2025, the group held £37.1 million (2024: £37.8 million) as collateral in relation to derivative financial instruments.

Market risk

The group's exposure to market risk primarily results from its financing arrangements and the economic return that it is allowed on the regulatory capital value ('RCV').

The group uses a variety of financial instruments, including derivatives, to manage the exposure to these risks.

Inflation risk

The group earns an economic return on its RCV, comprising a real return through revenues and an inflation return as an uplift to its RCV.

For the 2020–2025 regulatory period, from 1 April 2020 the group's RCV is 50 per cent linked to RPI inflation and 50 per cent linked to CPIH inflation, with any new additions being added to the CPIH portion of the RCV.

The group's inflation hedging policy in place during the year aims to have around half of the group's net debt in index-linked form (where it is economic to do so), by issuing index-linked debt and/or swapping a portion of nominal debt. This is currently weighted towards RPI-linked form, with circa 70 per cent of the hedge linked to RPI and circa 30 per cent linked to CPI and/or CPIH. These weightings are consistent with the prior financial year. With the level of investment activity and related funding requirements, AMP8 presents an opportunity for the group to transition from our current inflation hedging policy of maintaining around half of its debt in index-linked form. Across the 2025–2030 regulatory period, the group intends to progressively reduce the proportion of index-linked debt to around a third. This is consistent with Ofwat's proportion of index-linked debt in the notional company and should position the group well in respect of any potential future changes in the regulatory model under which UUW operates, while recognising the benefits of maintaining index-linked debt in the group's overall capital structure, in being a good match to the RCV and strengthening the group's cash interest-based cover ratios.

Inflation risk is reported monthly to the treasury committee in the operational compliance report.

The carrying value of index-linked debt held by the group, including the carrying value of the nominal debt swapped to CPI, was £4,478.3 million at 31 March 2025 (2024: £4,564.4 million).

Sensitivity analysis

The following table details the sensitivity of profit before tax to changes in the RPI and CPI on the group's index-linked borrowings. The sensitivity analysis has been based on the amount of index-linked debt held at the reporting date and, as such, is not indicative of the years then ended. In addition, it excludes the impact of inflation on revenues and other income statement costs as well as the hedging aspect of the group's regulatory assets and post-retirement obligations.

Increase/(decrease) in profit before taxation and equity	2025 £m	2024 £m
1% increase in RPI/CPI	**(41.5)**	(42.0)
1% decrease in RPI/CPI	**41.5**	42.0

The sensitivity analysis assumes a 1 per cent change in RPI and CPI having a corresponding 1 per cent impact on this position over a 12-month period. It should be noted, however, that there is a time lag by which current RPI and CPI changes impact on the income statement, and the analysis does not incorporate this factor. The portfolio of index-linked debt is calculated on either a three- or eight-month lag basis. Therefore, at the reporting date, the index-linked interest and principal adjustments impacting the income statement are fixed and based on the annual RPI or CPI change either three or eight months earlier.

Interest rate risk

The group's policy is to structure debt in a way that best matches its underlying assets and cash flows. The group currently earns an economic return on its RCV, comprising a real return through revenues, determined by the real cost of capital fixed by the regulator for each five-year regulatory pricing period, and an inflation return as an uplift to its RCV.

For the 2020–2025 regulatory period, Ofwat set a fixed real cost of debt in relation to embedded debt (80 per cent of net debt) but introduced a debt indexation mechanism in relation to new debt (20 per cent of net debt), where the allowed rate on new debt will vary in line with specific debt indices. The debt indexation mechanism will be settled as an end of regulatory period adjustment. For the 2025–2030 regulatory period, Ofwat has set a fixed real cost of debt in relation to embedded debt based on the median of the sector AMP8 projected cost of debt in existence at 31 March 2025, and continues to apply the debt indexation mechanism in relation to new debt. Where conventional long-term debt is raised in a fixed-rate form, to manage exposure to long-term interest rates, the debt is generally swapped at inception to create a floating rate liability for the term of the liability through the use of interest rate swaps. These instruments are typically designated within a fair value accounting hedge.

A3 Financial risk management continued

To manage the exposure to medium-term interest rates, the group fixes underlying interest rates on nominal debt out to around ten years in advance on a reducing balance basis. As such, at the start of each regulatory period, a proportion of the projected nominal net debt representing new debt for that regulatory period will remain floating until it is fixed via the above ten-year reducing balance basis, which should approximate Ofwat's debt indexation mechanism.

This interest rate hedging policy dovetails with our inflation hedging policy should we need to swap a portion of nominal debt to real rate form to maintain our desired mix of nominal and index-linked debt.

The group seeks to manage its risk by maintaining its interest rate exposure within a board-approved range. Interest rate risk is reported to the treasury committee through the operational compliance report.

Sensitivity analysis

The following table details the sensitivity of the group's profit before tax and equity to changes in interest rates. The sensitivity analysis has been based on the amount of net debt and the interest rate hedge positions in place at the reporting date and, as such, is not indicative of the years then ended.

Increase/(Decrease) in profit before tax and equity	2025 £m	2024 £m
1% increase in interest rate	**146.3**	87.2
1% decrease in interest rate	**(216.5)**	(150.7)

The sensitivity analysis assumes that both fair value hedges and borrowings designated at fair value through profit or loss are effectively hedged and it excludes the impact on post-retirement obligations. The exposure largely relates to fair value movements on the group's fixed interest rate swaps, which manage the exposure to medium-term interest rates. Those swaps are not included in hedge relationships.

Hedge accounting

Details regarding the interest rate swaps designated as hedging instruments to manage interest rate risk are summarised below:

At 31 March 2025	1 year or less	1 to 2 years	2 to 5 years	Over 5 years
Notional principal amount £m	**–**	**–**	**700.0**	**2,167.3**
Average contracted fixed interest rate %	**–**	**–**	**2.3**	**2.7**

This table represents the derivatives that are held in fair value hedging relationships, with the weighted average net fixed rate receivable across both legs to the swap disclosed. The SONIA/LIBOR credit adjustment spread has been assumed to form part of the fixed rate element of the payable leg, which is to be netted off against the fixed rate receivable leg for the purposes of the rates shown here.

				Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2025[1]		
Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Accumulated fair value (gains)/ losses on hedged items £m	Hedged items £m	Hedged instruments £m	Hedge ineffectiveness recognised in the income statement £m
Interest rate risk on borrowings	2,075.0	(167.4)	(164.7)	(33.7)	34.4	0.7

Note:

(1) The change in fair value of the hedging instruments used to measure hedge ineffectiveness excludes interest accruals and credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

Currency risk

Currency exposure principally arises in respect of funding raised in foreign currencies. To manage exposure to currency rates, foreign currency debt is hedged into sterling through the use of cross-currency swaps and these are often designated within a fair value accounting hedge. The group seeks to manage its risk by maintaining currency exposure within board-approved limits. Currency risk in relation to foreign currency-denominated financial instruments is reported monthly to the treasury committee through the operational compliance report. The group has no material net exposure to movements in currency rates.

Hedge accounting

Details regarding the interest rate swaps designated as hedging instruments to manage currency risk and interest rate risk are summarised below:

At 31 March 2025	1 year or less	1–2 years	2–5 years	Over 5 years
Notional principal amount £m	**99.9**	**–**	**257.3**	**879.7**
Average contracted fixed interest rate %	**1.9**	**–**	**1.4**	**2.4**

Notes to the financial statements – appendices

A3 Financial risk management continued

This table represents the derivatives that are held in fair value hedging relationships, with only the weighted average net receivable for the fixed interest rate elements of the swap disclosed. The SONIA/LIBOR credit adjustment spread has been assumed to form part of the fixed rate payable, which is to be netted off against the fixed rate receivable for the purposes of the rates shown here.

Further detail on the fair value hedging relationships is provided below:

				Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2025[1]		
Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Accumulated fair value (gains)/ losses on hedged items £m	Hedged items £m	Hedged instruments £m	Hedge ineffectiveness recognised in the income statement £m
Foreign currency and interest rate risk on borrowings	1,943.0	(54.8)	(41.2)	(26.4)	13.3	(13.1)

(1) The change in fair value of the hedging instruments used to measure hedge ineffectiveness excludes interest accruals and credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

Repricing analysis

The following tables categorise the group's borrowings, derivatives and cash deposits on the basis of when they reprice or, if earlier, mature. The repricing analysis demonstrates the group's exposure to floating interest rate risk.

Our largest concentration of floating interest rate risk is with index-linked instruments. This has been classified as repricing in one year or less due to the refixing of the interest charge with changes in RPI and CPI.

At 31 March 2025	Total £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Borrowings in fair value hedge relationships							
Fixed rate instruments	3,797.2	105.5	–	426.5	152.6	256.9	2,855.7
Effect of swaps	–	3,691.7	–	(426.5)	(152.6)	(256.9)	(2,855.7)
	3,797.2	3,797.2	–	–	–	–	–
Borrowings designated at fair value through profit or loss							
Fixed rate instruments	330.2	–	–	–	–	–	330.2
Effect of swaps	–	330.2	–	–	–	–	(330.2)
	330.2	330.2	–	–	–	–	–
Borrowings measured at amortised cost							
Fixed rate instruments	1,823.4	38.4	1.3	1.7	1.5	1.6	1,778.9
Floating rate instruments	848.8	848.8	–	–	–	–	–
Index-linked instruments	3,989.0	3,989.0	–	–	–	–	–
	6,661.2	4,876.2	1.3	1.7	1.5	1.6	1,778.9
Effect of fixed hedge for the term of the regulatory period	–	(2,328.9)	200.0	389.8	250.6	653.5	835.0
Total borrowings	10,788.6	6,674.7	201.3	391.5	252.1	655.1	2,613.9
Cash and short-term deposits	(1,672.6)	(1,672.6)	–	–	–	–	–
Net borrowings	9,116.0	5,002.1	201.3	391.5	252.1	655.1	2,613.9

A3 Financial risk management continued

At 31 March 2024	Total £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Borrowings in fair value hedge relationships							
Fixed rate instruments	3,414.6	328.4	105.2	–	426.5	154.5	2,400.0
Effect of swaps	–	3,086.2	(105.2)	–	(426.5)	(154.5)	(2,400.0)
	3,414.6	3,414.6	–	–	–	–	–
Borrowings designated at fair value through profit or loss							
Fixed rate instruments	338.9	–	–	–	–	–	338.9
Effect of swaps	–	338.9	–	–	–	–	(338.9)
	338.9	338.9	–	–	–	–	–
Borrowings measured at amortised cost							
Fixed rate instruments	1,261.4	38.9	2.0	1.5	1.3	1.5	1,216.2
Floating rate instruments	907.0	907.0	–	–	–	–	–
Index-linked instruments	4,079.5	4,079.5	–	–	–	–	–
	6,247.9	5,025.4	2.0	1.5	1.3	1.5	1,216.2
Effect of fixed hedge for the term of the regulatory period	–	(2,328.9)	200.0	389.8	250.6	653.5	835.0
Total borrowings	10,001.4	6,450.0	202.0	391.3	251.9	655.0	2,051.2
Cash and short-term deposits	(1,399.3)	(1,399.3)	–	–	–	–	–
Net borrowings	8,602.1	5,050.7	202.0	391.3	251.9	655.0	2,051.2

Electricity price risk

The group is typically allowed a fixed amount of revenue by the regulator, in real terms, to cover electricity costs for each five-year regulatory pricing period. For the 2025–2030 regulatory period, energy costs will be subject to an end of regulatory period adjustment based on the DESNZ industrial users energy price index. To the extent that electricity prices remain floating over this period, this exposes the group to volatility in its operating cash flows. The group's policy, therefore, is to manage this risk by fixing a proportion of electricity commodity prices in a cost-effective manner. The group has fixed the price on a proportion of its anticipated net electricity usage on a rolling four-year basis, partially through entering into electricity swap contracts.

Hedge accounting

Details of electricity swaps designated as hedging instruments to manage electricity price risk are summarised below:

	1 year or less	1–2 years	2–5 years	Over 5 years
Notional amount MWh	394,200	262,800	153,600	–
Average contracted fixed price £/MWh	132.2	116.2	72.9	–

Electricity swaps have been designated in cash flow hedge relationships. This means that only the impact of any hedging ineffectiveness is recognised through fair value in the income statement, with movements in the effective portion of the hedge being recognised in other comprehensive income.

Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Fair value (gains)/ losses used for calculating hedge ineffectiveness for the year ended 31 March 2025[1] £m	Hedge ineffectiveness recognised in the income statement £m	Cash flow hedge reserve excluding effects of tax £m	Amount reclassified from the cash flow hedge reserve to the income statement £m
Electricity price risk	96.8	(27.4)	(8.7)	–	(47.7)	(1.3)

(1) The change in fair value of the hedging instruments used to measure hedge ineffectiveness excludes credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

Notes to the financial statements – appendices

A3 Financial risk management continued

Capital risk management

The group's objective when managing capital is to maintain efficient access to debt capital markets throughout the economic cycle. The board therefore believes that it is appropriate to maintain RCV gearing, measured as group consolidated net debt (including certain derivatives) to regulatory capital value ('RCV') of UUW, within a target range of 55 per cent to 65 per cent. As at 31 March 2025, RCV gearing was within the range at 60 per cent (2024: 59 per cent).

Assuming no significant changes to existing rating agencies' methodologies or sector risk assessments, the group aims to maintain UUW long-term issuer credit ratings for UUW of at least Baa1 with Moody's Investors Service ('Moody's'), and BBB+ with S&P Global Ratings ('S&P') and an issuer default rating of at least BBB+ with Fitch Ratings ('Fitch') (a senior unsecured debt rating for UUW of at least A-). Debt issued by UUW's financing subsidiary, United Utilities Water Finance PLC, is guaranteed by UUW and is therefore rated in line with UUW. The group's gearing and credit rating targets are subject to periodic review.

To maintain its targeted credit ratings, the group needs to manage its capital structure with reference to the ratings methodology and measures used by Moody's, S&P and Fitch. The ratings methodology is normally based on a number of key ratios (such as RCV gearing, adjusted interest cover, post maintenance interest cover ('PMICR'), Funds from Operations ('FFO') to debt, and debt to EBITDA) and threshold levels as updated and published from time to time by Moody's, S&P and Fitch. The group looks to manage its risk by maintaining the relevant key financial ratios used by the credit ratings agencies to determine a corporates credit rating, within the thresholds approved by the board. Capital risk is reported monthly to the treasury committee through the operational compliance report.

Further detail on the precise measures and methodologies used to assess water companies' credit ratings can be found in the methodology papers published by the rating agencies.

Fair values

The table below sets out the valuation basis of financial instruments held at fair value and financial instruments where fair value has been separately disclosed in the notes as the carrying value is not a reasonable approximation of fair value.

2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivative financial assets – fair value hedge	–	43.3	–	43.3
Derivative financial assets – held for trading[1]	–	295.7	–	295.7
Derivative financial assets – cash flow hedge	–	1.7	–	1.7
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities – fair value hedge	–	(245.9)	–	(245.9)
Derivative financial liabilities – held for trading[1]	–	(17.6)	–	(17.6)
Derivative financial liabilities – cash flow hedge	–	(29.1)	–	(29.1)
Financial liabilities designated as fair value through profit or loss	–	(330.2)	–	(330.2)
Financial instruments for which fair value has been disclosed				
Financial liabilities in fair value hedge relationships	(3,447.9)	(368.9)	–	(3,816.8)
Other financial liabilities	(2,171.1)	(3,662.6)	–	(5,833.7)
	(5,619.0)	(4,313.6)	–	(9,932.6)

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivative financial assets – fair value hedge	–	74.7	–	74.7
Derivative financial assets – held for trading[1]	–	298.9	–	298.9
Derivative financial assets – cash flow hedge	–	9.2	–	9.2
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities – fair value hedge	–	(232.2)	–	(232.2)
Derivative financial liabilities – held for trading[1]	–	(4.5)	–	(4.5)
Derivative financial liabilities – cash flow hedge	–	(43.9)	–	(43.9)
Financial liabilities designated as fair value through profit or loss	–	(338.9)	–	(338.9)
Financial instruments for which fair value has been disclosed				
Financial liabilities in fair value hedge relationships	(3,158.5)	(300.5)	–	(3,459.0)
Other financial liabilities	(2,573.4)	(3,212.1)	–	(5,785.5)
	(5,731.9)	(3,749.3)	–	(9,481.2)

(1) These derivatives form economic hedges and, as such, management intends to hold these through to maturity. Derivatives forming an economic hedge of the currency exposure on borrowings included in these balances were £105.0 million (2024: £110.9 million).

A3 Financial risk management continued

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable).

The group has calculated fair values using quoted prices where an active market exists, which has resulted in £5,619.0 million (2024: £5,731.9 million) of 'Level 1' fair value measurements. In the absence of an appropriate quoted price, the group has applied discounted cash flow valuation models utilising market available data to arrive at 'Level 2' fair value measurements, in line with prior years. The £112.9 million decrease (2024: £1,254.5 million increase) in level 1 fair value measurements primarily reflects widening of credit spreads offset by debt issuances in the year.

During the year, changes in the fair value of financial liabilities designated at fair value through profit or loss resulted in a £6.3 million loss (2024: £22.0 million loss). Included within this was a £1.9 million gain (2024: £0.7 million gain) attributable to changes in own credit risk, recognised in other comprehensive income. The cumulative amount due to changes in credit spread was £37.8 million profit (2024: £35.9 million profit). The carrying amount is £104.1 million (2024: £112.8 million) higher than the amount contracted to settle on maturity.

A4 Retirement benefits

Defined benefit schemes

Under the group's defined benefit pension schemes – the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC Group of the Electricity Supply Pension Scheme ('ESPS') – members are entitled to annual pensions on retirement. Benefits are payable on death and following other events such as withdrawing from active service. No other post-retirement benefits are provided to these members.

The assets of these schemes are held in trust funds independent of the group's finances. The trustees are composed of representatives of both the employer and employees, who are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy with regards to the assets plus the day-to-day administration of the benefits.

As at 31 March, the total fair value of the schemes' assets, and the present value of the defined benefit obligations, and therefore the value of the net retirement benefit surplus included in the consolidated statement of financial position, was as follows:

Group	2025 £m	2024 £m
Total fair value of schemes' assets	2,308.6	2,552.4
Present value of defined benefit obligation	(2,006.3)	(2,284.4)
Net retirement benefit surplus	302.3	268.0

Estimated future benefits payable

The defined benefit obligation includes benefits for current employees, deferred members and current pensioners as analysed in the table below:

Group	2025 £m	2024 £m
Total value of current employees' benefits	238.5	272.1
Deferred members' benefits	309.5	441.4
Pensioner members' benefits	1,458.3	1,570.9
Total defined benefit obligation	2,006.3	2,284.4

Movements in the present value of the defined benefit obligations are as follows:

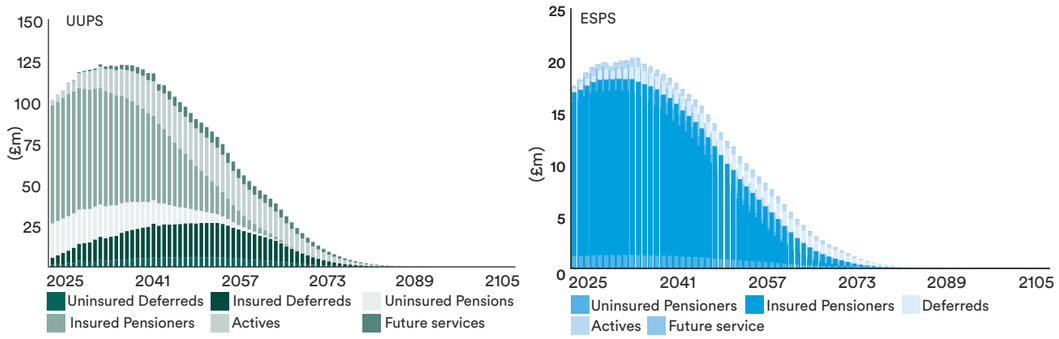
Group	2025 £m	2024 £m
At the start of the year	(2,284.4)	(2,330.5)
Interest cost on schemes' obligation	(106.1)	(107.1)
Actuarial gains arising from changes in financial assumptions	259.3	52.7
Actuarial gains/(losses) arising from changes in demographic assumptions	6.1	49.2
Actuarial losses arising from experience	(5.9)	(67.7)
Curtailments/settlements arising on reorganisation	–	4.6
Member contributions	(2.2)	(2.4)
Benefits paid	129.4	119.6
Current service cost	(2.5)	(2.8)
At the end of the year	(2,006.3)	(2,284.4)

Notes to the financial statements – appendices

A4 Retirement benefits continued

The duration of the combined schemes is around 13 years. The schemes' duration is an indicator of the weighted-average time until benefit payments are settled, taking account of the split of the defined benefit obligation between current employees, deferred members and the current pensioners of the schemes.

The estimated profile of cash flows out of the schemes as retirement benefits are paid is as follows:



Estimated future benefits payable

Under UK legislation there is a requirement that pension schemes are funded prudently, and that funding plans are agreed by pension scheme trustees. The defined benefit schemes are subject to funding valuations carried out by independent qualified actuaries, in conjunction with the schemes' trustees, on a triennial basis. These valuations inform the level of future contributions to be made by the group in order to ensure that the schemes are appropriately funded and therefore that benefits can be paid. The latest finalised funding valuation was carried out during the year, as at 31 March 2024, and determined that the schemes were fully funded on a low-dependency basis without any funding deficit that requires additional contributions from the group over and above those related to current service and expenses.

The schemes' funding plans are reviewed regularly, including between funding valuations. Following the triennial valuation, the group expects to make further contributions of £5.5 million in the year ending 31 March 2026, £4.5 million in respect of current service contributions and £1.0 million in respect of expenses.

The group and trustees have agreed long-term strategies for reducing investment risk in each scheme. This includes an asset-liability matching policy, which aims to reduce the volatility of the funding level of the pension plan by investing in assets, such as corporate bonds and gilts, supplemented by swap and gilt long-term hedges of interest and inflation rates, which perform in line with the liabilities to hedge against changes in interest and inflation rates. Both the UUPS and ESPS schemes are fully hedged for inflation exposure through external market swaps and gilts. Further details of the derivatives used in reducing investment risk are disclosed in the 'Schemes' assets' section of this appendix.

While longevity risk has reduced as a result of the partial buy-in transaction in the prior year, the group and trustees remain actively engaged in exploring further de-risking options that may be implemented in the future. Based on the results of the latest triennial valuation as at 31 March 2024, for ESPS the buy-in is estimated to cover circa 85 per cent of liabilities, and for UUPS circa 70 per cent of liabilities, on a technical provisions basis, with the split on an IAS 19 basis expected to be broadly consistent.

The basis on which scheme liabilities are valued for funding purposes differs from the basis required under IAS 19 'Employee Benefits', with liabilities on a funding basis being subject to assumptions at the valuation date that are not updated between revaluations. Funding deficits vary significantly from company to company, but neither the deficits, the assumptions on which they are based, the associated sensitivities, nor the risk exposures are disclosed by many companies and, therefore, meaningful cross-company comparisons are not possible. Conversely, scheme liabilities are valued on a consistent basis between companies under IAS 19 and are subject to assumptions and sensitivities that are required to be disclosed. Consequently, the relative economic positions of companies are comparable only on an IAS 19 basis, subject to normalisation of assumptions used between companies.

A4 Retirement benefits continued

A retirement benefit surplus was recognised as an asset in the consolidated statement of financial position at both 31 March 2025 and 31 March 2024 as, under both the UUPS and ESPS scheme rules, the group has an unconditional right to a refund of the surplus assuming the gradual settlement of plan liabilities over time until all members have left the plans.

Also included within the present value of the defined benefit obligation of the UUPS scheme are liabilities of £7.2 million (2024: £7.8 million) in respect of unregistered pension promises made to senior executives, which are paid directly from the group as opposed to through one of the group's registered pension schemes. Liabilities in respect of these promises are not considered to be material in the context of the group's overall defined benefit obligations or the financial statements taken as a whole.

Virgin Media High Court decision

In July 2024, the Court of Appeal upheld the High Court's decision in Virgin Media v NTL Pension Trustees. This case found that changes made between April 1997 and April 2016 to pension benefits from a contracted-out scheme could be void where trustees do not have written Section 37 ('s37') confirmation from the scheme actuary. The case confirmed that retrospective confirmation would not be permissible. In conjunction with its legal advisors, the group has performed a review of past significant changes made to its pension arrangements, based on which there are no current indications that the ruling in respect of the case would give rise to any financial impacts. The impact of any future developments in this regard will be monitored closely.

Impact of scheme risk management on IAS 19 disclosures

Under the prescribed IAS 19 basis, pension scheme liabilities are calculated based on current accrued benefits. Expected cash flows are projected forward allowing for RPI and CPI and the current member mortality assumptions. These projected cash flows are then discounted using a high-quality corporate bond rate, which comprises an underlying interest rate and a credit spread.

As well as through the purchase of bulk annuity policies, the group has de-risked its pension schemes through hedging strategies applied to the underlying interest rate and future inflation. Both UUPS and ESPS fully hedge RPI inflation exposure along with underlying interest rates through external market swaps and gilts (including gilt repurchase instruments), the value of which is included in the schemes' assets (net of associated derivative liabilities).

Consequently, the reported statement of financial position under IAS 19 for the uninsured portion of the schemes' liabilities remains volatile due to changes in credit spread and changes in mortality, neither of which have been hedged at the current time. Changes in credit spreads have not been hedged primarily due to difficulties in doing so over long durations. Changes in mortality have not been hedged due to this exposure being subject to lower volatility in the short term, though the group and scheme trustees are committed to exploring options to de-risk changes in mortality, or pension longevity, in future periods for the uninsured liabilities, as outlined above.

Pension benefits under the defined benefit element of the UUPS hybrid section, which represents a relatively small proportion of total defined benefit obligations, are linked to CPI rather than RPI.

In the year ended 31 March 2025, the discount rate increased by 0.9 per cent (2024: 0.1 per cent increase), which includes a 0.8 per cent increase in gilt yields over the year and a 0.1 per cent increase in credit spreads. The IAS 19 remeasurement gain of £18.6 million (2024: £368.5 million loss) reported in note 14 has largely resulted from actuarial gains arising from changes in financial assumptions, predominantly due to the increase in the discount rate. The significant remeasurement loss in the prior year was predominantly as a result of the purchase of bulk annuity policies as part of a buy-in transaction undertaken in July 2023; a premium of circa £220 million was paid in excess of the present value of liabilities covered, which was reflective of the reduction in the schemes' risk profile. The remaining portion of the loss arose as the schemes are more than 100 per cent hedged on an IAS 19 basis, which resulted in a greater reduction of the schemes' assets than the defined benefit obligations as a result of yield rises.

The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions, and are therefore more than 100 per cent hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The increase in credit spreads during the year is partially offset by an RPI inflation reduction of 0.05 per cent (2024: 0.15 per cent reduction). In the shorter term, recent high inflation has resulted in greater than expected pension increases, but longer-term expectations for inflation have fallen in the current year.

Reporting and assumptions

The results of the latest funding valuation as at 31 March 2024 have been used to inform the group's best estimate assumptions to use in calculating the defined benefit pension obligation reported on an IAS 19 basis at 31 March 2025. The results of the funding valuation have been adjusted to take account of experience over the period, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service costs, were measured using the projected unit credit method.

Under IAS 19, the fair value of the buy-in assets at the date of the transaction was considered to be equal to the IAS 19 value of the insured liabilities, and subsequently the fair value of the insurance assets is pegged to the present value of the liabilities being insured.

Member data used in arriving at the liability figure included within the overall IAS 19 surplus has been based on the finalised actuarial valuations as at 31 March 2024 for both UUPS and ESPS. As part of each actuarial valuation, and more frequently as required by the trustees, member data is reassessed for completeness and accuracy and to ensure it reflects any relevant changes to benefits entitled by each member.

Notes to the financial statements – appendices

A4 Retirement benefits continued

Financial assumptions

The main financial and demographic assumptions used by the actuary to calculate the defined benefit surplus of UUPS and ESPS are outlined below:

Group	2025 % p.a.	2024 % p.a.
Discount rate	**5.70**	4.80
Pension increases	**3.20**	3.25
Pensionable salary growth (pre-2018 service):		
ESPS	**3.20**	3.25
UUPS	**3.20**	3.25
Pensionable salary growth (post-2018 service):		
ESPS	**3.20**	3.25
UUPS	**2.75**	2.80
Price inflation – RPI	**3.20**	3.25
Price inflation – CPI*	**2.75**	2.80

* The CPI price inflation assumption represents a single weighted average rate derived from an assumption of 2.30 per cent pre-2030 and 3.00 per cent post-2030 (2024: 2.35 per cent pre-2030 and 3.05 per cent post-2030).

The discount rate is consistent with a high-quality corporate bond rate, with 5.10 per cent being equivalent to gilts plus 60 basis points in respect of credit spread (2024: 4.30 per cent being equivalent to gilts plus 50 basis points in respect of credit spread). The corporate bond population used in deriving this rate comprises those rated at least AA by one or more credit rating agencies.

In accordance with the scheme rules, pensionable salary growth is linked to RPI for UUPS for service pre-2018 and CPI for service post-2018, for ESPS the growth is linked to RPI.

Assumed pension increases are aligned to the RPI price inflation assumption as the vast majority of benefits across the schemes have a direct RPI linkage.

In accordance with plans put forward by the UK Statistics Authority ('UKSA') and backed by the Chancellor of the Exchequer, the Retail Prices Index ('RPI') and the Consumer Prices Index including owner occupier's housing costs ('CPIH') are expected to align from 2030. This compares with the current situation in which, absent these reforms, CPIH increases are broadly expected to average around 1 per cent below RPI in the long term (about the same as CPI). The alignment of RPI and CPIH could therefore have a significant impact on many pension schemes.

Demographic assumptions

In line with previous reporting periods, mortality assumptions continue to be based on the latest available Continuous Mortality Investigation's ('CMI') mortality tables. As at 31 March 2025, these assumptions are based on the CMI2023 base tables with a 1.25 per cent per annum rate of improvement, and factoring in a w-parameter weighting of 20 per cent to take account of the continued repercussions of the COVID-19 pandemic in the medium term, including pressures on the NHS, delayed diagnoses of chronic conditions, disrupted treatment within the health care system and more deaths at home, as opposed to in hospitals and care homes. A scaling factor of 109 per cent (2024: 109 per cent) and 111 per cent (2024: 115 per cent) for male pensioners and non-pensioners respectively, and 109 per cent (2024: 110 per cent) and 105 per cent (2024: 111 per cent) for female pensioners and non-pensioners respectively, is applied, reflecting the profile of the membership. Compared against the base tables used for previous year-end mortality assumptions (CMI S4PA), the Core CMI2023 model sees a small increase in life expectancies. It should be noted, however, that post buy-in, any changes in the life expectancy assumptions for insured members will be offset by a corresponding change in the value of the buy-in bulk annuity policies on an IAS 19 basis. At 31 March 2025, future improvements in mortality are based on the extended CMI 2023 (2024: CMI 2022) projection model, with a long-term annual rate of improvement of 1.25 per cent (2024: 1.25 per cent).

The current life expectancies at age 60 underlying the value of the accrued liabilities for the schemes are:

Group	2025 years	2024 years
Retired member – male	**25.3**	25.5
Non-retired member – male	**26.4**	26.2
Retired member – female	**27.7**	27.6
Non-retired member – female	**29.2**	28.6

A4 Retirement benefits continued

Financial and demographic assumptions – further analysis

The assumptions used in measuring the group's defined benefit surplus reflect management's best estimates as at the reporting date. These estimates inherently involve judgement, and the measurement of the defined benefit surplus is sensitive to changes in these key assumptions.

Given the offsetting nature of the buy-in assets, the IAS 19 surplus will be predominantly driven by the uninsured liabilities and residual invested assets going forward. Sensitivity calculations allow for the specified movement in the relevant key assumption, while all other assumptions are held constant. This approach does not take into account the interrelationship between some of these assumptions or any hedging strategies adopted, however it demonstrates how reasonably possible changes could impact on the measurement of the defined benefit surplus. The schemes' hedging strategies are designed primarily to reduce the volatility on a technical provisions basis.

- Asset volatility – If the schemes' assets underperform relative to the discount rate used to calculate the schemes' liabilities, this will create a deficit. Under IAS 19 the value of the buy-in assets is equal to the IAS 19 value of the insured liabilities. The bulk annuity policies represent a significant proportion of total scheme assets, with the valuation of these assets pegged to the valuation of insured liabilities. As such, movements in asset values are offset by corresponding movements in the value of insured liabilities.
- Discount rate – An increase/decrease in the discount rate of 0.25 per cent would have resulted in a £56.2/£59.0 million (2024: £72.3/£76.2 million) decrease/increase in the schemes' liabilities at 31 March 2025, although as long as credit spreads remain stable this will be largely offset by an increase/decrease in the value of the schemes' bond holdings and other instruments designed to hedge this exposure. The discount rate is based on high-quality corporate bond yields of a similar duration to the schemes' liabilities. High-quality corporate bonds are considered to be those that have a credit rating of AA or above with at least one rating agency. An alternative approach could be taken whereby only those bonds rated AA or higher by at least two rating agencies are used. While this alternative approach may provide additional comfort around the quality of these corporate bonds, management believes that the wider population of corporate bonds under a 'single agency' approach gives a more representative indication of high-quality corporate bonds that are aligned to the schemes' liabilities, and therefore provides a more robust estimate.
- Price inflation – An increase/decrease in the RPI inflation assumption of 0.25 per cent would have resulted in a £52.8/£50.4 million (2024: £67.1/63.9 million) increase/decrease in the schemes' liabilities at 31 March 2025, as a significant proportion of the schemes' benefit obligations are linked to inflation. However, nearly all of the schemes' liabilities were hedged for RPI in the external market at 31 March 2025, meaning that this sensitivity is likely to be insignificant as a result on a combined basis. The sensitivity to price inflation allows for the impact of changes to pensionable salary growth and pension increases, which are both assumed to be linked to price inflation. While inflation may be volatile in the near term, the value of the schemes' liabilities is based on inflation assumptions that reflect the full profile of the liabilities, in particular the long-term nature.
- Consistent with market practice, and reflecting the possibility that inflation may rise or fall more than expected in the future, in arriving at the group's best estimate for RPI, an inflation risk premium of 0.2 per cent (2024: 0.2 per cent) has been deducted from the breakeven inflation rate for the year ended 31 March 2025. The impact of this is a decrease in the defined benefit obligation of around £17.0 million and therefore an increase in the net defined benefit surplus compared with no inflation risk premium being deducted. There is no allowance for any further change in the inflation risk premium post-2030 as a result of RPI reform. A reduction in expected RPI will result in a reduction to the value of pension scheme liabilities; however, as our pension schemes are hedged for RPI inflation movements, this will result in a comparable reduction to the value of pension scheme assets.
- The assumption for CPI is set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences. For pre-2030 inflation, this wedge has been estimated at 0.9 per cent per annum, reducing to 0.2 per cent per annum post-2030 given that RPI and CPI are expected to converge. The impact of this reduction in the post-2030 wedge as a result of RPI reform is a circa £3.0 million increase to the uninsured defined benefit obligation and therefore a decrease in the net defined benefit surplus compared with the wedge remaining at 0.9 per cent per annum after 2030.
- Mortality long-term improvement rate – An increase in the mortality long-term improvement rate from 1.25 per cent to 1.50 per cent would have resulted in a £12.7 million increase in the schemes' liabilities at 31 March 2025 (2024: £15.7 million increase in the schemes' liabilities).
- Life expectancy – An increase in life expectancy of one year would have resulted in a £77.3 million (2024: £85.8 million) increase in the schemes' liabilities at 31 March 2025. The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions.

Notes to the financial statements – appendices

A4 Retirement benefits continued

Schemes' assets

At 31 March, the fair values of the schemes' assets recognised in the statement of financial position were as follows:

Group	Underlying assets £m	Fair value of derivatives £m	Combined £m	Schemes' assets %
At 31 March 2025				
Gilts	**537.2**	**(202.0)**	**335.2**	**14.5**
Bonds	**313.1**	**0.6**	**313.7**	**13.6**
Bulk annuity policies	**1,405.8**	**-**	**1,405.8**	**60.9**
Other	**279.1**	**(25.2)**	**253.9**	**11.0**
Total fair value of schemes' assets	**2,535.2**	**(226.6)**	**2,308.6**	**100.0**
At 31 March 2024				
Gilts	623.4	(200.9)	422.5	16.6
Bonds	285.8	0.5	286.3	11.2
Bulk annuity policies	1,564.8	–	1,564.8	61.3
Other	314.0	(35.2)	278.8	10.9
Total fair value of schemes' assets	2,788.0	(235.6)	2,552.4	100.0

Included within the group's defined benefit pension scheme assets are assets with a fair value estimated to be £1,555.0 million that are categorised as 'level 3' assets within the IFRS 13 'Fair value measurement' hierarchy, meaning that the value of the assets is not observable at 31 March 2025. Estimates of the fair value of these assets have been performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total level 3 asset balance, updated for any subsequent cash movements between the statement date and the year-end reporting date.

Of the remaining balance of scheme assets, there are assets with a fair value estimated to be £739.3 million, which are categorised as 'level 2' assets, meaning that valuations include observable inputs other than quoted prices in active markets, and £14.1 million of 'level 1' assets, meaning that there is a quoted price in an active market for identical assets or liabilities at the measurement date.

The UUPS has entered into a variety of derivative transactions to change the return characteristics of the assets held to reduce undesirable market and liability risks. As such, the above breakdown separates the assets of the schemes to illustrate the underlying risk characteristics of the assets held.

The portfolio contains a proportion of assets set aside for collateral purposes linked to the derivative contracts held. The collateral portfolio, comprising cash and eligible securities readily convertible to cash, provides sufficient liquidity to manage exposure relating to the derivative transactions and is expected to achieve a return in excess of SONIA (Sterling Overnight Index Average). During the year ended 31 March 2025, no liquidity support or facilities were required by the group as a result of collateral calls.

The derivative values in the table above represent the net market value of derivatives held within each of these asset categories as follows:

Group	2025 £m	2024 £m
Gilts		
Repurchase agreements	**(202.0)**	(200.9)
	(202.0)	(200.9)
Bonds – hedging non-sterling exposure back to sterling		
Currency forwards	**0.6**	0.5
	0.6	0.5
Other – managing liability risks targeting a high level of interest rate and inflation hedging		
Interest rate swaps	**(25.7)**	(35.6)
RPI inflation swaps	**0.5**	0.4
	(25.2)	(35.2)
Total fair value of derivatives	**(226.6)**	(235.6)

The derivatives shown in the tables only cover those expressly held for the purpose of reducing certain undesirable asset and liability risks as part of the liability-driven investment strategies. The schemes invest in a number of other pooled funds that make use of derivatives. No allowance is made in the figures above for any derivatives held within these other pooled funds, as they are not held expressly for the purpose of managing risk. The total fair value of pooled funds held within the schemes' assets was £162.4 million (2024: £147.0 million).

A4 Retirement benefits continued

The intention is that the schemes' assets provide a full economic hedge of interest rates and RPI inflation of the schemes' liabilities on a scheme funding basis. As the scheme funding basis is more prudent than the IAS 19 measurement basis for the defined benefit obligation, the schemes are more than 100 per cent hedged on an accounting basis. Movements in the fair value of the schemes' assets were as follows:

Group	2025 £m	2024 £m
At the start of the year	**2,552.4**	2,931.3
Interest income on schemes' assets	**119.0**	135.7
The return on plan assets, excluding amounts included in interest	**(240.9)**	(402.7)
Member contributions	**2.2**	2.4
Benefits paid	**(129.4)**	(119.6)
Administrative expenses	**(4.0)**	(4.0)
Employer contributions	**9.3**	9.3
At the end of the year	**2,308.6**	2,552.4

The group's actual return on the schemes' assets was a loss of £121.9 million (2024: £267.0 million loss). In line with IAS 19, the fair values of the buy-in assets have been set equal to the IAS 19 present values of the insured liabilities. The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions, and are therefore more than 100 per cent hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The trustees of both the ESPS and UUPS schemes publish a statement of investment principles, available via the United Utilities corporate website. The statements set out the ESG principles, in particular climate risk, behind the choice of investments. UUPS published its latest TCFD report in October 2024, which is available on the corporate website. For ESPS, while the group does not meet the size threshold that requires full TCFD reporting, the trustee has provided information for the wider scheme's report. The wider scheme's most recent TCFD report was published in October 2024 and is available from the ESPS website.

A5 Related party transactions

Group

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The related party transactions with the group's joint ventures and other related parties during the period, and amounts outstanding at the period-end date, were as follows:

	2025 £m	2024 £m
Sales of services	**338.8**	334.4
Charitable contributions advanced to related parties	**0.2**	0.2
Purchases of goods and services	**1.5**	–
Interest income and fees recognised on loans to related parties	**5.9**	5.6
Amounts owed by related parties	**101.0**	100.8
Amounts owed to related parties	**–**	–

Sales of services to related parties mainly represent non-household wholesale charges to Water Plus that were billed and accrued during the period. These transactions were on market credit terms in respect of non-household wholesale charges, which are governed by the wholesale charging rules issued by Ofwat.

Charitable contributions advanced to related parties during the year relate to amounts paid to Rivington Heritage Trust, a charitable company limited by guarantee for which United Utilities Water Limited is one of three guarantors.

Amounts owed by joint ventures, as recorded within trade and other receivables in the statement of financial position, were £101.0 million (2024: £100.8 million), comprising £27.4 million (2024: £27.1 million) of trade balances, which are unsecured and will be settled in accordance with normal credit terms, and £73.5 million (2024: £73.7 million) relating to loans.

Notes to the financial statements – appendices

A5 Related party transactions continued

Included within these loans receivable were the following amounts owed by Water Plus:

- £71.4 million (2024: £72.3 million) outstanding on a £95.0 million revolving credit facility provided by United Utilities PLC, with a maturity date of December 2026, bearing a floating rate interest rate of the Bank of England base rate plus a credit margin. This balance comprises £75.0 million outstanding, net of a £3.6 million allowance for expected credit losses (2024: £75.5 million net of a £3.2 million allowance for expected credit losses); and
- £2.2 million (2024: £1.4 million) receivable being the £11.7 million (2024: £11.3 million) fair value of amounts owed in relation to a £12.5 million unsecured loan note held by United Utilities PLC, with a maturity date of 28 March 2027, net of a £nil (2024: £0.4 million) allowance for expected credit losses and £9.5 million of the group's share of joint venture losses relating to historic periods as the loan note is deemed to be part of the group's long-term interest in Water Plus. This is a zero coupon shareholder loan with a total amount outstanding at 31 March 2025 and 31 March 2024 of £12.5 million, comprising a £11.7 million (2024: £11.3 million) receivable representing the present value of the £12.5 million payable at maturity discounted using an appropriate market rate of interest at the inception of the loan, and £0.8 million (2024: £1.2 million) recorded as an equity contribution to Water Plus recognised within interests in joint ventures.

During the year, United Utilities PLC provided guarantees in support of Water Plus in respect of certain amounts owed to wholesalers. The aggregate limit of these guarantees was £48.9 million, of which £26.0 million related to guarantees to United Utilities Water Limited.

At 31 March 2025, amounts owed to related parties were £nil (2024: £nil).

Company

The parent company receives dividend income and pays and receives interest to and from subsidiary undertakings in the normal course of business. Total dividend income received during the year amounted to £344.1 million (2024: £320.0 million) and total net interest payable during the year was £119.6 million (2024: £112.9 million). Amounts outstanding at 31 March 2025 and 31 March 2024 between the parent company and subsidiary undertakings are disclosed in notes 13, 16 and 18.

At 31 March 2025 and 31 March 2024, no related-party receivables and payables were secured and no guarantees were issued in respect thereof. Balances will be settled in accordance with normal credit terms. No allowance for doubtful receivables has been made for amounts owed by subsidiary undertakings as at 31 March 2025 and 31 March 2024.

A6 Accounting policies

Of the accounting policies outlined below, those deemed to be the most significant for the group are those that align with the critical accounting judgements and key sources of estimation uncertainty set out on pages 196 to 198.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and entities controlled by the company (its subsidiaries) and incorporate the results of its share of joint ventures using the equity method of accounting. The results of subsidiaries and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date control is obtained or until the date that control ceases, as appropriate.

Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group is exposed to, or has the rights to, variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. In the parent company accounts, investments are held at cost less provision for impairment.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Joint ventures are entities in which the group holds an interest on a long-term basis and which are jointly controlled with one or more parties under a contractual arrangement. The group's share of joint venture results is incorporated using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the group's share of the profit or loss of the joint venture.

Revenue recognition

Revenue from the sale of water, wastewater and other services represents the fair value of the consideration receivable in the ordinary course of business for the goods and services provided, exclusive of value added tax. Where relevant, this includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the period end.

There are two main areas of the group's activities considered to result in revenue being recognised:

- The provision of core water and wastewater services, accounting for more than 97 per cent of the group's revenue; and
- Capital income streams relating to diversions work and activities, typically performed opposite property developers, that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

The provision of core water and wastewater services, which are deemed to be distinct performance obligations of the contract with customers, follow the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Revenue is generally recognised at the time of delivery, with consideration given as to whether collection of the full amount under the contract is considered probable. Should the group consider that the criteria for revenue recognition have not been met for a transaction, revenue recognition, and the recognition of associated receivable balances, would be delayed until such time as collectability is reasonably assured. Any gross debt that is not expected to be recovered through future cash collection is provided against through either an allowance for expected credit losses (non-collection, where revenue had been previously recognised due to recovery being considered probable at the point services were rendered) or credit note provision (incorrectly billed, and therefore reducing the amount of revenue that should have been recognised). The group recognises a credit note provision typically in relation to non-household customers who can claim allowances against amounts previously billed, in accordance with non-household market codes. Future allowances for which a credit note provision is recognised are estimated based on historic information derived from market operating systems. Credit note provisions held in relation to household customers relate to bill adjustments made after the reporting date.

Payments received in advance of revenue recognition are recorded as deferred income. This includes revenue in respect of connection activities, which itself reflects a distinct performance obligation. The revenue recognised in respect of these activities is released to the income statement over a period of 60 years, which is deemed to be the time over which the performance obligation for providing the connection is satisfied.

Operating profit

Operating profit is stated after charging operational expenses but before investment income and finance expense and before the share of profits or losses of joint ventures.

Borrowing costs and finance income

Except as noted below, all borrowing costs and finance income are recognised in the income statement on an accruals basis. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial fair value of that instrument. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset in accordance with IAS 23 'Borrowing Costs'.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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. A current tax provision is only recognised when the group has a present obligation resulting from a past event and it is probable that the group will be required to settle that obligation to a taxing authority.

The amount of current tax provisions or assets is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax

Current tax is based on the taxable profit for the period and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at each reporting date, and includes any adjustment to tax payable in respect of previous years.

Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are non-taxable or non-deductible.

Current tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the tax is charged or credited within equity.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the financial statements – appendices

A6 Accounting policies continued

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at each reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is charged or credited within equity.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. These deferred tax assets will be recovered against the deferred tax liabilities in relation to fixed assets that will reverse in the same periods.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment comprises water and wastewater infrastructure assets and overground assets.

The useful economic lives of these assets are primarily as follows:

- Water and wastewater infrastructure assets:
  - Impounding reservoirs 200 years;
  - Mains and raw water aqueducts 30 to 300 years;
  - Sewers and sludge pipelines 60 to 300 years;
  - Sea outfalls 75 years;
- Buildings 10 to 60 years;
- Operational assets 5 to 80 years; and
- Fixtures, fittings, tools and equipment 3 to 40 years.

Employee and other related costs incurred in implementing the capital schemes of the group are capitalised. This includes an allocation of estimated time and resources incurred by the group's support functions in supporting capital programmes. The group is required to evaluate the carrying values of property, plant and equipment for impairment whenever circumstances indicate, in management's view, that the carrying value of such assets may not be recoverable. An impairment review requires management to make uncertain estimates concerning the cash flows, growth rates and discount rates of the cash-generating units under review.

Costs associated with a major inspection or overhaul of an asset or group of assets are capitalised within property, plant and equipment and depreciated over the period of time expected to elapse between major inspections or overhauls.

Water and wastewater infrastructure assets

Infrastructure assets comprise a network of water and wastewater pipes and systems. Expenditure on the infrastructure assets, including borrowing costs where applicable, relating to increases in capacity or enhancements to the resilience of functionality of the network, is treated as an addition. Amounts incurred in maintaining the operating capability of the network in accordance with defined standards of service are expensed in the year in which the expenditure is incurred. Infrastructure assets are depreciated by writing off their cost (or deemed cost for infrastructure assets held on transition to IFRS), less the estimated residual value, on a straight-line basis over their useful economic lives.

Other assets

All other property, plant and equipment is stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items, including relevant borrowing costs, where applicable, for qualifying assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost, less their estimated residual value, on a straight-line basis over their estimated useful economic lives, based on management's judgement and experience.

Depreciation methods, residual values and useful economic lives are reassessed annually and, if necessary, changes are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating costs.

Transfer of assets from customers and developers

Where the group receives from a customer or developer an item of property, plant and equipment (or cash to construct or acquire an item of property, plant and equipment) that the group must then use either to connect the customer to the network or to provide the customer with ongoing access to a supply of goods or services, or to do both, such items are capitalised at their fair value and included within property, plant and equipment, with a liability of the same amount credited to deferred grants and contributions. The assets are depreciated over their useful economic lives and the deferred contributions released to revenue over the 60 years, which is the estimated period over which an average connection through which the group provides water and wastewater services is expected to be operational. Where the receipt of property, plant and equipment is solely to connect the customer to the network, the deferred contribution is released immediately to revenue.

Assets transferred from customers or developers are accounted for at fair value. If no market exists for the assets, then incremental cash flows are used to arrive at fair value.

Government grants

Government grants (including those receivable from government agencies and local authorities) are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Where government grants relate to the acquisition or construction of assets, the group has elected to account for the grant by deducting the value of the grant from the asset's carrying amount. Other grants are typically recognised in other income in the period in which the conditions attached to them are fulfilled.

Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful economic lives. The carrying amount is reduced by any provision for impairment where necessary.

Internal expenditure is capitalised as internally generated intangibles only if it meets the criteria set out in IAS 38 'Intangible Assets'.

Intangible assets, which relate primarily to computer software, are generally amortised over a period of three to ten years.

The group expenses costs incurred in the implementation and ongoing operation of computing systems built and delivered on a 'software as a service' ('SaaS') basis and hosted in an external cloud environment. These do not generally give rise to an identifiable intangible asset that the group controls. In limited circumstances, costs incurred in association with the implementation and customisation of a SaaS system may enhance the group's existing digital infrastructure and would be expected to generate broader future economic benefit. Where this results in an identifiable intangible asset that the group controls, the costs are capitalised in accordance with IAS 38 and are subsequently amortised over a period of generally three to sixteen years.

A6 Accounting policies continued

Impairment of assets

Where appropriate, assets are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use represents the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

The recoverable amount of investments in subsidiary companies is assessed using Level 2 fair value hierarchy techniques, with reference to the regulatory capital value ('RCV') of the regulated water and wastewater business where appropriate. This is used as a proxy in estimating the subsidiary's market value, with the RCV being a regulatory measure determined by Ofwat, based on the company's historic market value plus the value of accumulated capital investment assumed at each price review. The RCV used in this assessment is adjusted for actual spend.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses in respect of assets are recognised in the income statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Financial instruments

Financial assets and financial liabilities are recognised and derecognised in the group's statement of financial position on the trade date when the group becomes/ceases to be a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash, have a maturity of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value. In the consolidated statement of cash flows and related notes, cash and cash equivalents include cash and short-term deposits, net of book overdrafts.

From time to time the group places cash on deposits that have a maturity greater than three months but less than 12 months, typically for the purpose of reducing the cost of carrying cash that is not required for the purpose of meeting short-term commitments. These deposits do not meet the group's definition of cash and cash equivalents, and so are not included in the group's cash and cash equivalents balance in the statement of financial position. In the consolidated statement of cash flows, the placement and receipt of these funds are reported as investing activities.

Financial investments

Investments (other than interests in subsidiaries, joint ventures and fixed deposits) are initially measured at fair value, including transaction costs. Investments classified as financial assets measured at fair value through profit or loss ('FVPL') in accordance with IFRS 9 'Financial Instruments' are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised in the net profit or loss for the period. The business model employed in respect of financial assets is that of a hold-to-collect model.

Trade and other receivables

Trade and other receivables are initially measured at fair value on initial recognition. Trade receivables are held within a business model to collect contractual cash flows, which comprise solely payments of principal and interest on the principal amount outstanding. After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. At each reporting date, the group evaluates the estimated recoverability of trade receivables and records allowances for expected credit losses.

The group estimates the expected credit loss on trade receivables applying the simplified approach as permitted under IFRS 9. For trade receivables that are assessed as not impaired individually, the expected credit loss is estimated based on the group's historical experience of cash collection, which is considered to be a good predictor of future collection, as well as the incorporation of other forward-looking information.

Amounts owed by related parties are assessed for credit risk based on the facts and circumstances of the balances receivable. The group assesses the lifetime expected credit losses of loans receivable from its joint venture, Water Plus, based on Water Plus's financial projections and a probability-weighted assessment of scenarios that could impact these. Credit risk is considered separately for trade receivables due from Water Plus and is considered immaterial as amounts outstanding are paid within 30 days.

Other receivables are assessed for credit risk and, where this is material, an allowance for expected credit losses is determined based on historic credit losses adjusted for expected changes in future collection, where applicable.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Borrowings

The group's default treatment is that bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently measured at amortised cost applying the effective interest method. The difference between the net cash proceeds received at inception and the principal cash flows due at maturity is accrued over the term of the borrowing.

The default treatment of measuring at amortised cost, while associated hedging derivatives are recognised at fair value, presents an accounting measurement mismatch that has the potential to introduce considerable volatility to both the income statement and the statement of financial position. Therefore, where feasible, the group takes advantage of the provisions under IFRS 9 'Financial Instruments' to make fair value adjustments to its borrowing instruments to reduce this volatility and better represent the economic hedges that exist between the group's borrowings and associated derivative contracts.

Where feasible, the group designates its financial instruments within fair value hedge relationships. To apply fair value hedge accounting, it must be demonstrated that there is an economic relationship between the borrowing instrument and the hedging derivative and that the designated hedge ratio is consistent with the group's risk management strategy.

Borrowings designated within a fair value hedge relationship

Where designated, bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently adjusted for any change in fair value attributable to the risk being hedged at each reporting date, with the change being charged or credited to finance expense in the income statement.

Notes to the financial statements – appendices

A6 Accounting policies continued

Hedge accounting is discontinued prospectively when the hedging instrument is sold, terminated or exercised, or where the hedge relationship no longer qualifies for hedge accounting.

Borrowings designated at fair value through profit or loss

Designation is made where the requirements to designate within a fair value hedge cannot be met at inception despite there being significant fair value offset between the borrowing and the hedging derivative. Where designated, bonds and loans are initially measured at fair value being the cash proceeds received and are subsequently measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement.

Under the provisions of IFRS 9 'Financial Instruments', changes in the group's own credit risk are recognised in other comprehensive income.

Derivative financial instruments

The group's default treatment is that derivative financial instruments are measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement. The group enters into financial derivatives contracts to manage its financial exposure to changes in market rates (see note A3).

Derivative financial instruments designated within a cash flow hedge relationship

Gains or losses resulting from the effective portion of the hedging instrument are recognised in other comprehensive income and in the cash flow hedge reserve with any remaining gains or losses recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item. At the maturity date, amounts paid/received are recognised against operating expenses in the income statement.

Upon discontinuation of a cash flow hedge, the amount accumulated in other comprehensive income remains in the cash flow hedge reserve if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to the income statement.

Derivatives and borrowings – valuation

Where an active market exists, designated borrowings and derivatives recorded at fair value are valued using quoted market prices. Otherwise, they are valued using a net present value valuation model. The model uses applicable interest rate curve data at each reporting date to determine any floating cash flows. Projected future cash flows associated with each financial instrument are discounted to the reporting date using discount factors derived from the applicable interest curves adjusted for counterparty credit risk where appropriate. Discounted foreign currency cash flows are converted into sterling at the spot exchange rate at each reporting date. Assumptions are made with regard to credit spreads based on indicative pricing data.

The valuation of debt designated in a fair value hedge relationship is calculated based on the risk being hedged as prescribed by IFRS 9 'Financial Instruments'. The group's policy is to hedge its exposure to changes in the applicable underlying interest rate and it is this portion of the cash flows that is included in the valuation model (excluding any applicable company credit risk spread).

The valuation of debt designated at fair value through the profit or loss incorporates an assumed credit risk spread in the applicable discount factor. Credit spreads are determined based on indicative pricing data.

Inventories

Inventories are stated at the lower of cost and net realisable value. For properties held for resale, cost includes the cost of acquiring and developing the sites, including borrowing costs where applicable.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Employee benefits

Retirement benefit obligations

The group operates two defined benefit pension schemes, which are independent of the group's finances, for its employees. Actuarial valuations to determine the funding of the schemes, along with future contribution rates, are carried out by the pension scheme actuary as directed by the trustees at intervals of not more than three years. In any intervening years, the trustees review the continuing appropriateness of the funding and contribution rates.

From a financial reporting perspective and in accordance with IAS 19 'Employee Benefits', defined benefit assets are measured at fair value, while liabilities are measured at present value using the projected unit credit method. The difference between the two amounts is recognised as a surplus or obligation in the statement of financial position. Where this difference results in a defined benefit surplus, this is recognised in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', on the basis that the group has an unconditional right to a refund of any surplus that may exist following the full settlement of plan liabilities in a single event.

The pension cost under IAS 19 is assessed in accordance with the advice of a firm of actuaries based on the latest actuarial valuation and assumptions determined by the actuary, which are used to estimate the present value of defined benefit obligations. The assumptions are based on information supplied to the actuary by the company, supplemented by discussions between the actuary and management. The assumptions are disclosed in note A4.

The cost of providing pension benefits to employees relating to the current years' service (including curtailment gains and losses) is included within employee benefits expense, while the net interest on the schemes' net defined benefit position is included within investment income where there is an overall net defined benefit surplus, and finance expense where there is an overall net defined benefit deficit. Remeasurement gains/losses on scheme assets and liabilities are presented in other comprehensive income.

In addition, the group operates a defined contribution pension section within the United Utilities Pension Scheme. Payments are charged as employee costs as they fall due. The group has no further payment obligations once the contributions have been paid.

Share-based compensation arrangements

The group operates equity-settled, share-based compensation plans, issued to certain employees. The equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a pro-rated basis over the vesting period, based on estimates of the number of options that are expected to vest and according to relevant measures of performance determining the number of shares awarded. The initial fair value of each award scheme is updated for each reporting period to account for lapsed shares and updated estimates of the performance measures. The group has the option to settle some of these equity-settled share-based payments in cash. At each reporting date, the group revises its estimate of the number of options that are expected to become exercisable, with the impact of any revision being recognised in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Expenditure that relates to an existing condition caused by past operations that does not contribute to current or future earnings is expensed.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates applicable on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange applicable on that date. Gains and losses arising on retranslation are included in net profit or loss for the period.

Exchange differences arising on investments in equity instruments classified as fair value through other comprehensive income are included in the gains or losses arising from changes in fair value, which are recognised directly in equity. To hedge its exposure to certain foreign exchange risks, the group enters into contracts for derivative instruments (see note A3).

Leases

At inception of a contract, the group assesses whether a contract is, or contains, a lease. Where a lease is present, a right-of-use asset and lease liability are recognised at the commencement date. The lease liability is measured at the present value of future lease payments due over the term of the lease, with the right-of use asset recognised as property, plant and equipment at cost. This is generally equivalent to the initial measurement of the lease liability.

Lease payments are discounted using the group's incremental rate of borrowing if the interest rate implicit in the lease cannot be readily determined. For materially all of the group's leases, the group's incremental rate of borrowing is used. This rate is calculated using a number of inputs, being observable risk-free gilt rates, specific data based on bonds already in circulation for the relevant group company, as well as data from the wider utility sector. Further adjustments for payment profile and the term of the lease are made.

After the commencement date, the lease liability is increased for the accretion of interest (being the unwinding of the discounting applied to future lease payments) and reduced by lease payments made. In addition to this, the carrying amount is updated to reflect any remeasurement or lease modifications. Remeasurements are typically required as a result of rent reviews or changes to the lease term. In these cases, a corresponding adjustment to the right-of-use asset is made.

Depreciation of right-of-use assets is charged on a straight-line basis over the term of the lease.

Where leases have a term of less than 12 months from the commencement date and do not have a purchase option, the group applies the short-term lease recognition exemption available under IFRS 16. The group applies the low-value recognition exemption permitted by the standard to leases of assets with a value of less than £2,500. Payments for short-term and low-value leases are instead charged to operating costs on a straight-line basis over the period of the lease.

Statement of cash flows

Grants and contributions received

Where government grants are received as a contribution against qualifying fixed assets, and where transactions with customers – typically property developers – result in the expansion of the group's water and wastewater network (and therefore its fixed asset base), the relevant cash inflows are classified within investing activities in the period.

Interest payments and receipts

IFRS allows interest payments and interest receipts to be classified within operating activities or financing activities/investing activities. The group classifies interest payments and interest receipts within operating activities, with management viewing these in conjunction with other operating cash flows in assessing the ability of the group to maintain its operating capability.

Cash flows from derivatives

The cash flows from derivatives as a result of the group's hedging activities are presented together with the cash flows relating to the underlying hedged item to provide a more faithful representation of the substance of the transaction.

Taxes paid

Taxes paid by the group are presented as cash flows from operating activities. The group deems it impracticable to identify the tax cash flows with respect to individual transactions, which may themselves be presented in investing activities or financing activities, and instead presents total tax cash flows as operating activities.

Changes in working capital

The movement in trade and other payables excludes movements in capital accruals, interest accruals and deferred grants and contributions. These movements are instead incorporated as adjustments in other areas of the statement of cash flows.

Financials

Notes to the financial statements – appendices

A7 Subsidiaries and other group undertakings

Details of the group's subsidiary undertakings, joint ventures and associates at 31 March 2025 are set out below. Unless otherwise specified, the registered address for each entity is Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP, United Kingdom. For further details of joint ventures, see note 12.

	Class of share capital held	Proportion of share capital owned/voting rights %[1]	Nature of business
Subsidiary undertakings			
Great Britain			
Halkyn District Mines Drainage Company Limited	Ordinary	99.9	Dormant
Lingley Mere Management Company Limited	Ordinary	90.0	Property management
North West Water Limited	Ordinary	100	Dormant
United Utilities (Overseas Holdings) Limited	Ordinary	100	Dormant
United Utilities Energy Limited	Ordinary	100	Energy generation
United Utilities Healthcare Trustee Limited	Ordinary	100	Corporate trustee
United Utilities International Limited	Ordinary	100	Non-trading
United Utilities North West Limited	Ordinary	100	Holding company
United Utilities Pensions Trustees Limited	Ordinary	100	Corporate trustee
United Utilities PLC	Ordinary	100	Holding company
United Utilities Property Services Limited	Ordinary	100	Property management
United Utilities Total Solutions Limited	Ordinary	100	Non-trading
United Utilities Utility Solutions (Industrial) Limited	Ordinary	100	Holding company
United Utilities Water Finance PLC	Ordinary	100	Financing company
United Utilities Water Limited	Ordinary	100	Water and wastewater services
UU (ESPS) Pension Trustee Limited	Ordinary	100	Corporate trustee
UU Group Limited	Ordinary	100	Dormant
UU Secretariat Limited	Ordinary	100	Dormant
YCL Transport Limited	Ordinary	100	Dormant
United Utilities Bioresources Limited	Ordinary	100	Wastewater services
Joint ventures			
All joint ventures are accounted for using the equity method and are strategic to the group's activities to varying degrees.			
Great Britain			
Lingley Mere Business Park Development Company Limited	Ordinary	50	Development company
Selectusonline Limited	Ordinary	16.7	Dormant
Water Plus Group Limited[2]	Ordinary	50	Holding company
Water Plus Limited[2]	Ordinary	50	Water and wastewater retail services
Water Plus Select Limited[2]	Ordinary	50	Water and wastewater retail services

(1) With the exception of United Utilities PLC, shares are held by subsidiary undertakings rather than directly by United Utilities Group PLC.

(2) Water Plus Limited and Water Plus Select Limited are wholly owned subsidiaries of Water Plus Group Limited. Registered address: Prospect House, Gordon Banks Drive, Trentham Lakes, Stoke-On-Trent, ST4 4TW, United Kingdom.

On 3 April 2025, United Utilities Water Limited purchased 100 per cent of the share capital of Trafford Property Limited, a property management company. Further information can be found in note 24.

Five-year summary – unaudited

The financial summary (unaudited) set out below has been derived from the audited consolidated financial statements of United Utilities Group PLC for the five years ended 31 March 2025. Revenue has been re-presented for the years ended 31 March 2021 to 31 March 2023 so that they are presented on a consistent basis to the revenue presented for the years ended 31 March 2024 and 31 March 2025.

Year ended 31 March Continuing operations	2025 £m	2024 £m	2023 £m	2022 £m	2021 £m
Revenue	**2,145.2**	1,949.5	1,804.2	1,844.3	1,794.6
Reported operating profit	**631.5**	480.2	440.8	610.0	602.1
Underlying operating profit	**633.8**	517.8	440.8	610.0	602.1
Reported profit before tax	**355.0**	170.0	256.3	439.9	551.0
Underlying profit/(loss) before tax	**338.7**	220.5	(34.3)	301.9	460.0
Reported profit/(loss) after tax	**264.7**	126.9	204.9	(56.8)	453.4
Underlying profit/(loss) after tax	**338.3**	227.3	(8.7)	367.0	383.0
Reported earnings per share (basic)	**38.8p**	18.6p	30.0p	(8.3)p	66.5p
Underlying earnings per share	**49.6**	33.3p	(1.3)p	53.8p	56.2p
Dividend per ordinary share	**51.85p**	49.78p	45.51p	43.50p	43.24p
Non-current assets	**14,685.6**	13,884.4	13,835.8	13,823.2	13,166.2
Current assets	**2,083.9**	1,769.0	691.4	613.8	1,012.9
Total assets	**16,769.5**	15,653.4	14,527.2	14,437.0	14,179.1
Non-current liabilities	**(13,693.7)**	(12,489.5)	(11,442.6)	(10,791.0)	(10,152.6)
Current liabilities	**(1,075.9)**	(1,107.8)	(575.9)	(688.6)	(995.5)
Total liabilities	**(14,769.6)**	(13,597.3)	(12,018.5)	(11,479.6)	(11,148.1)
Total net assets and shareholders' equity	**1,999.9**	2,056.1	2,508.7	2,957.4	3,031.0
Net cash generated from operating activities	**918.1**	745.1	787.5	934.4	859.4
Net cash used in investing activities	**(987.2)**	(731.4)	(593.4)	(639.7)	(549.3)
Net cash generated from/(used in) financing activities	**358.8**	1,037.7	(85.0)	(809.7)	(89.7)
Effects of exchange rates	**–**	–	(1.3)	1.5	–
Net increase/(decrease) in cash and cash equivalents	**289.7**	1,051.4	107.8	(513.5)	220.4
Net debt	**9,345.6**	8,762.7	8,200.8	7,570.0	7,305.8
RCV gearing[1] (%)	**60%**	59%	58%	59%	63%

(1) Regulatory Capital Value ('RCV') gearing is calculated as group net debt (see note A2) adjusted for loan receivables from joint ventures, divided by the RCV (as adjusted for actual spend and timing difference) of United Utilities Water Limited, including the expected value of AMP7 ex-post adjustment mechanisms.

Shareholder information

Key dates

19 June 2025
Ex-dividend date for 2024/25 final dividend

20 June 2025
Record date for 2024/25 final dividend

11 July 2025
DRIP election date for 2024/25 final dividend

18 July 2025
Annual general meeting

1 August 2025
Payment of 2024/25 final dividend to shareholders

13 November 2025
Announcement of half-year results for the six months ending 30 September 2025

18 December 2025
Ex-dividend date for 2025/26 interim dividend

19 December 2025
Record date for 2025/26 interim dividend

12 January 2026
DRIP election date for 2025/26 interim dividend

2 February 2026
Payment of 2025/26 interim dividend to shareholders

May 2026
Announce the final results for the 2025/26 financial year

June 2026
Publish the integrated annual report and financial statements for the year 2025/26

Dividends paid directly into your bank or building society account

The company no longer sends out dividend cheques by post. Dividends will be paid directly into a shareholder's UK bank or building society account. Please ensure your account details are kept up to date. Shareholders resident outside the UK may wish to use the overseas payment service (charges may apply) – please contact Equiniti via **shareview.co.uk**

You will receive one tax voucher each year. This will be issued with the interim dividend normally paid in February and will contain details of all the dividends paid in that tax year. If you would like to receive a tax voucher with each dividend payment, please contact Equiniti.

Electronic communications

We're encouraging our shareholders to receive their shareholder information by email and via our website. Not only is this a quicker way for you to receive information, it helps us to be more sustainable by reducing paper and printing materials and lowering postage costs.

Registering for electronic shareholder communications is very straightforward, and is done online via **shareview.co.uk** which is a website provided by our registrar, Equiniti.

Log on to **shareview.co.uk** and you can:

- set up electronic shareholder communication;
- view your shareholdings;
- update your details if you change your address; and
- keep your UK bank or building society account details up to date for dividends to be paid directly into your account.

Please do not use any electronic address provided in this integrated annual report or in any related document to communicate with the company for any purposes other than those expressly stated.

Online annual report

Our integrated annual report is available online. View or download the full integrated annual report and financial statements from: **unitedutilities.annualreport2025.com**

Keeping you in the picture

You can find information about United Utilities quickly and easily on our website: **unitedutilities.com/corporate.** Here, the integrated annual and financial statements, responsible business performance, company announcements, the half-year and final results and presentations are published.

Registrar

The group's registrar, Equiniti, can be contacted on:

+44 (0)371 384 2041 (please use the code when calling from outside the UK) or for deaf and speech impaired customers, we welcome calls via Relay UK. Please see **relayuk.bt.com** for more information. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Equiniti's address is: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Equiniti offers a share dealing service by telephone: **0345 603 7037** and online: **shareview.co.uk/dealing**

Equiniti also offers a stocks and shares ISA for United Utilities shares: call **0345 300 0430** or go to: **shareview.co.uk/dealing**

Dividend history – pence per share

	2021	2022	2023	2024	2025
Interim	14.41	14.50	15.17	16.59	**17.28**
Final	28.83	29.00	30.34	33.19	**34.57**
Total ordinary	43.24	43.50	45.51	49.78	**51.85**

Warning to shareholders

Please be very wary of any unsolicited contact about your investments or offers of free company reports. It may be from an overseas 'broker' who could sell you worthless or high-risk shares. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. Further information and a list of unauthorised firms that have targeted UK investors is available from the Financial Conduct Authority at: **fca.org.uk/consumers/unauthorised-firms-individuals**

Important information

Cautionary statement:
The integrated annual report and financial statements (the annual report) contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. These forward-looking statements include, without limitation, any projections or guidance relating to the results of operations and financial conditions of the group as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and any strategic initiatives relating to the group, as well as discussions of our business plan and our assumptions, expectations, objectives and resilience with respect to climate scenarios. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast. Certain regulatory performance data contained in this annual report is subject to regulatory audit.

Terms used in this report:
Unless expressly stated otherwise, the 'group', 'United Utilities', 'UU' or 'the company' means United Utilities Group PLC and its subsidiary undertakings; the 'regulated business', 'regulated activities' or 'UUW' means the licensed water and wastewater activities undertaken by United Utilities Water Limited (formerly United Utilities Water PLC) in the North West of England.

CARBON BALANCED PAPER
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CBP031155

The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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Stock Code: UU.
Registered in England and Wales
Registered number 6559020

Front cover image: The launch of a tunnelling machine to create a network of storm water tunnels under Bolton Arboretum and Longsight Park, helping to improve water quality in Bradshaw Brook – a tributary of the River Irwell.

United Utilities

Water for the North West