## 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 employees 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.<br>• No termination payment if full notice is worked.<br>• Otherwise, a payment in respect of the period of notice not worked of basic salary, plus pension and green travel allowance for that period.<br>• Half of the termination payment will be paid within 14 days of date of termination.<br>• 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.<br>• Performance targets would apply in all circumstances.<br>• 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.<br>• The default treatment is that any outstanding awards will vest in full on the originally intended vesting date with no time prorating applying.<br>• 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.<br>• 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).<br>• 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.<br>• 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.





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

| Year ended 31 March | Fixed pay | | | | | | | | Variable pay | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Base salary £'000 | | Pension £'000 | | Benefits £'000 | | Subtotal £'000 | | Annual bonus £'000 | | Long-term incentives £'000 | | Subtotal £'000 | | Total £'000 | |
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022**(1) | 2021(2) | **2022** | 2021 | **2022** | 2021 |
| Steve Mogford | **784** | 736(3) | **173** | 171 | **23** | 30 | **980** | 937 | **727**(4) | 824 | **1,471** | 1,562 | **2,198** | 2,386 | **3,178** | 3,323 |
| Phil Aspin(5) | **405** | 275 | **49** | 33 | **21** | 13 | **475** | 321 | **452** | 293 | **113** | 108 | **565** | 401 | **1,040** | 722 |

(1) The long-term incentive is in respect of the Long Term Plan (LTP) award which was granted in June 2019 for which the outcome is based on performance over the three-year period from 1 April 2019 to 31 March 2022. The LTP amount is estimated as the vesting percentage for the one-third relating to customer service excellence will not be known until later in 2022, and the award for Steve Mogford will not vest until the end of an additional holding period. Phil Aspin's award was granted prior to his appointment to the board and so no holding period applies. For the purpose of this table the value of LTP awards has been calculated using an average share price over the three-month period from 1 January 2022 to 31 March 2022 of 1,064.4 pence per share. This is greater than the share price at the time these awards were made to participants and accordingly some of the value shown is attributable to share price appreciation. See page 179 for further details.

(2) The long-term incentive amount for the year ended 31 March 2021 is in respect of the LTP award that was granted in June 2018 and whose performance period ended on 31 March 2021. The figure stated in last year's report was based on a latest best estimate (LBE) for the customer service excellence measure which indicated an overall vesting outcome of 89.6 per cent. The final confirmed outcome for the measure was better than the LBE which meant the actual overall vesting outcome was 97.9 per cent. The figures for 2021 have been updated to reflect this. The award for Steve Mogford is not due to vest until the end of an additional holding period, and for the purpose of this table dividend equivalents accrued to 31 March 2022 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 2022 to 31 March 2022 of 1,064.4 pence per share. Phil Aspin's award was granted prior to his 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 1,037.0 pence per share.

(3) In the context of the COVID-19 pandemic, in the year ended 31 March 2021 Steve Mogford took a salary reduction of 20 per cent of salary for three months, which was donated to charity.

(4) Steve Mogford informed the committee that he wished to unconditionally waive £150,000 of his 2021/22 bonus. This is reflected in the details shown.

(5) Salary, benefits, pension and annual bonus figures in 2021 for Phil Aspin reflect part-year earnings and are for the period from 24 July 2020 when he was first appointed to the board. A bonus of around £53,000 was earned by Phil Aspin in respect of the period 1 April 2020 to 23 July 2020 prior to him joining the board. This is not included in the table.

### Base salary

Executive director salaries were increased by 2.0 per cent with effect from 1 September 2021, in line with the headline increase applied across the wider workforce. The committee judged that the increase was supported by very good individual and business performance.

| Executive director | Base salary £'000 | |
|---|---|---|
| | **1 September 2021** | 1 September 2020 |
| Steve Mogford | **790.7** | 775.2 |
| Phil Aspin | **408.0** | 400.0 |

### Pensions

Steve Mogford has a contractual entitlement to receive a cash allowance of 22 per cent of base salary in lieu of pension. In accordance with Code provision 38, his pension arrangements will be aligned to those of the wider workforce with effect from 1 January 2023 and will reduce to 12 percent of base salary from that date. Phil Aspin receives a cash allowance of 12 per cent of base salary in lieu of pension which aligns with the workforce rate, and again illustrates the committee's intention to reposition the overall executive remuneration package. For employees, the company doubles any contributions that employees make up to a maximum of 14 per cent of salary.

### Benefits

For executive directors, benefits included: a car allowance of £14,000; health, life cover and income protection insurance; travel costs; and communication costs. Aside from the transition from a car allowance to a green travel allowance under the proposed policy no material changes are expected to benefits during the year commencing 1 April 2022.

### External appointments

Phil Aspin was a member of the UK Endorsement Board during the year ended 31 March 2022 for which he received and retained an annual fee of £14,000.

## Annual bonus

### Deferred Bonus Plan awards made in the year ended 31 March 2022 (audited information)

Bonuses are earned by reference to performance in the financial year and paid in June following the end of the financial year. Fifty per cent of any bonus is deferred 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 16 June 2021 to the executive directors as at that date in respect of deferred share bonus payments for the 2020/21 financial year.

| Executive director | Type of award | Basis of award | Number of shares | Face value of award[1] (£'000) | End of deferral period |
|---|---|---|---|---|---|
| Steve Mogford | Conditional shares | 50% of bonus | 39,987 | £412 | 17.6.2023 |
| Phil Aspin | Conditional shares | 50% of bonus[2] | 16,246 | £167 | 17.6.2023 |

(1) The face value has been calculated using the closing share price on 15 June 2021 (the dealing day prior to the date of grant), which was 1,030.8 pence per share.

(2) As stated in last year's report, a bonus of around £293,000 was earned by Phil Aspin in respect of the period 24 July 2020 to 31 March 2021 (following his appointment to the board), along with a bonus of around £53,000 in respect of the period 1 April 2020 to 23 July 2020 (prior to his appointment to the board). He received one overall Deferred Bonus Plan award in respect of both bonus payments, where the overall award value was based on 50 per cent of the bonus earned since his appointment to the board plus 40 per cent of the bonus earned prior to his appointment.

### Annual bonus in respect of financial year ended 31 March 2022 (audited information)

The performance measures, targets and outcomes in respect of the executive directors' annual bonus for the year ended 31 March 2022 are set out below. The table on page 166 summarises how the performance measures are linked to our business strategy, including delivery for customers and the environment. As disclosed in last year's report, the annual bonus for 2021/22 was wholly aligned to the group bonus scorecard with no specific personal performance element, although when determining the overall outcomes and whether any discretion should be exercised the committee takes into account the personal contributions of each individual. The committee was satisfied that the bonus scorecard outcome was reflective of overall company performance during the year and was aligned with the delivery of outcomes for our stakeholders (including those detailed on pages 52 to 75) and, as such, it would not seek to exercise its discretion over the bonuses for the executive directors. As outlined on page 161, prior to the committee determining the individual bonus outcomes for the executive directors, Steve Mogford expressed his wish to unconditionally waive £150,000 of any bonus that would otherwise have been due, and so this is reflected in the details shown in the table below.

| Measure | % weighting of measure | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Vesting as a % of maximum | Outcome |
|---|---|---|---|---|---|---|
| **Underlying operating profit[1]** | 25.0% | £708.8m | £738.8m | £758.8m | 100% | **25.0.%** |
| | | Actual: £768.2m | | | | |
| **Customer service in year** | | | | | | |
| C-MeX ranking out of the 17 water companies | 10.0% | 8th position | 6th position | 4th position | 37.5% | **3.8%** |
| | | Actual: 7th position | | | | |
| Written complaints (per 10,000 customers) | 10.0% | 20.50 | 20.25 | 20.00 | 100% | **10.0%** |
| | | Actual: 17.65 | | | | |
| **Maintaining and enhancing services for customers** | | | | | | |
| Outcome delivery incentive (ODI) composite[2] | 35.0% | £10.0m | £18.4m | £26.9m | 77.6% | **27.2%** |
| | | Actual: £23.1m | | | | |
| Time, cost and quality of capital programme (TCQi)[3] | 20.0% | 85.0% | 90.0% | 95.0% | 100% | **20.0%** |
| | | Actual: 95.6% | | | | |
| **Total scorecard outcome** | | | | | | **86.0.%** |

| | Steve Mogford[4] | Phil Aspin |
|---|---|---|
| **Actual award (% of maximum)** | **71.3%** | **86.0%** |
| Maximum award (% of salary) | 130% | 130% |
| **Actual award (% of salary)** | **92.7%** | **111.7%** |
| **Actual award (£'000 – shown in single figure table)[5]** | 727 | 452 |

(1) The underlying operating profit figure for bonus purposes is based on the underlying operating profit on page 83 and excludes infrastructure renewals expenditure and property trading.

(2) The outcome of the ODI composite measure has been subject to independent external assurance.

(3) TCQi is an internal measure which 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) Steve Mogford informed the committee that he wished to unconditionally waive £150,000 of his 2021/22 bonus. This is reflected in the details shown.

(5) Under the Deferred Bonus Plan, 50 per cent of the annual bonus will be deferred in shares for three years.



## Long-term incentives

### 2019 Long Term Plan (LTP) awards with a performance period ended 31 March 2022 (audited information)

The 2019 LTP awards were granted in June 2019 and performance was measured over the three-year period from 1 April 2019 to 31 March 2022. As Steve Mogford was an executive director when his award was granted in 2019 it will normally vest following an additional holding period so that the overall vesting period is at least five years from the grant date, and the unvested shares will remain subject to withholding provisions during this holding period. Phil Aspin was not an executive director when his award was granted and so in line with the remuneration policy this historic award will vest once the final outcome is confirmed. Under the shareholding guidelines he will be required to hold the vesting shares (on a net of tax basis).

Performance against each of the three measures applicable to the 2019 LTP has been very strong as shown in the table below. Note that the final outcome for the customer service excellence measure (which forms one-third of the award) will not be known until the customer service scores for the other water and wastewater companies are published in late summer 2022. The values of the 2019 LTP awards in the single total figure of remuneration table are therefore estimated and will be restated if necessary in next year's report.

Once the final outcome of the customer service excellence measure is known, before approving the final vesting outcome for the awards the committee will determine whether the underpins have been met and will also consider whether there should be any discretion applied.

| | | Achieved | | | | |
|---|---|---|---|---|---|---|
| **Measure** | % weighting of measure | Threshold (25% vesting) | Intermediate | Stretch (100% vesting) | Vesting as a % of maximum | **Outcome** |
| **Relative total shareholder return (TSR)** | | | | | | |
| TSR versus median TSR of FTSE 100 companies (excluding financial services, oil and gas, and mining companies)[1] | 33.3% | Median TSR | Straight-line between threshold and stretch | Median TSR × 1.15 | 100% | 33.3% |
| | | **Actual: TSR above stretch** | | | | |
| | | Company TSR of 48.1% was above stretch TSR of 39.3% | | | | |
| **Return on Regulated Equity (RoRE)** | | | (50% vesting) | | | |
| Average RoRE compared to the average allowed return set by the regulator across the three-year performance period | 33.3% | Average RoRE of -0.50% below the average allowed return | Average RoRE equal to the average allowed return set by the regulator | Average RoRE of 1.00% above the average allowed return | 100% | 33.3% |
| | | **Actual: Average RoRE of 6.10% was 1.64% above the average allowed return** | | | | |
| **Customer service excellence** | | | | | | |
| Ranking for the year ended 31 March 2022 out of the 11 water and wastewater companies using a combined customer service measure comprising C-MeX performance and customer complaints | 33.3% | Median rank (6th position) | Straight-line between threshold and stretch | Upper quartile rank (3rd position) | 100% | 33.3% |
| | | **Estimate: 2nd position[2]** | | | | |
| **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 | | ✓ Assumed met. The committee will make a final assessment of the company's performance once the outcome of the customer service excellence measure is known. | | | | |
| **Estimated vesting (% of award)** | | | | | | **100%** |

| | Steve Mogford | Phil Aspin |
|---|---|---|
| **Number of shares granted** | 125,126 | 9,595 |
| **Number of dividend equivalent shares** | 13,096 | 1,002 |
| **Number of shares before performance conditions applied** | 138,222 | 10,597 |
| **Estimated number of shares after performance conditions applied** | 138,222 | 10,597 |
| **Three-month average share price at end of performance period (pence)[3]** | 1,064.4 | 1,064.4 |
| **Estimated value at end of performance period (£'000 – shown in single figure table)[4]** | 1,471 | 113 |

(1) For the purposes of calculating TSR, the TSR index is averaged over the three months prior to the start and end of the performance period. TSR is independently calculated by the committee's advisers.

(2) This is an estimate as the final outcome will not be known until the volume of written complaints received by other companies are available later in 2022.

(3) Average share price over the three-month period from 1 January 2022 to 31 March 2022.

(4) 25.8 per cent of the value vesting is attributable to share price appreciation which equates to £380,000 for Steve Mogford and £29,000 for Phil Aspin.

### 2021 LTP awards with a performance period ending 31 March 2024 (audited information)

The table below provides details of share awards made to executive directors on 30 June 2021 in respect of the 2021 LTP:

| Executive director | Type of award | Basis of award | Face value of award (£'000)[1] | Number of shares under award | % vesting at threshold | End of performance period[2] |
|---|---|---|---|---|---|---|
| Steve Mogford | Conditional shares | 130% of salary | £1,008 | 102,539 | 25% | 31.3.2024 |
| Phil Aspin | Conditional shares | 130% of salary | £520 | 52,910 | 25% | 31.3.2024 |

(1) The face value has been calculated using the closing share price on 29 June 2021 (the dealing day prior to the date of grant) which was 982.8 pence per share.

(2) An additional holding period applies after the end of the performance period such that the overall vesting period is five years from the grant date.

LTP awards made during the year were based on two equally weighted components: Return on Regulated Equity (RoRE) and a customer basket of measures.

Stretching targets were set for the RoRE measure taking into account the allowed return over the period (as set out in the final determination) and the expected returns to be generated through financial and operational performance. When determining the measures that should form the customer basket component of the awards the committee took into account feedback received from customer research and focus groups (as to which areas of service and performance they considered the highest priority) and the performance commitments agreed with Ofwat in the final determination for the regulatory period, thereby ensuring that the measures selected reflected the views and priorities of key stakeholders. The committee is pleased that alongside focusing on areas of performance that will have meaningful and tangible outcomes for customers, the measures chosen reflect its commitment to recognising evolving expectations in regard to environmental, social and governance matters.

Details about the 2021 LTP performance measures and targets are shown in the following table. Performance is measured over the three-year period 1 April 2021 to 31 March 2024. The table on page 166 summarises how these performance measures are linked to our business strategy, including delivery for customers and the environment.

| Measure | Targets[1] Threshold (25% vesting) | Stretch (100% vesting) | Weighting |
|---|---|---|---|
| **Return on Regulated Equity (RoRE)** | | | |
| Company RoRE | Equal to the average of Ofwat's allowed RoRE over the three financial years of the performance period | 1.5% (or more) above the average of Ofwat's allowed RoRE over the three financial years of the performance period | 50.0% |
| **Customer basket of measures**[2] | | | |
| C-MeX ranking out of all the other water and wastewater companies[3] | Ranked 8th | Ranked 4th (or better) | 5.0% |
| Water poverty[3] | 64,300 customers have been lifted out of water poverty | 83,900 (or more) customers have been lifted out of water poverty | 5.0% |
| Priority services[3] | No threshold target. Stretch target must be achieved for any vesting on this measure | 6.3% (or more) of our customers are listed on the Priority Services Register | 5.0% |
| Sewer flooding incidents[3] | A combined total of 26.38 sewer flooding incidents per 10,000 connected properties | A combined total of 19.89 (or fewer) sewer flooding incidents per 10,000 connected properties | 5.0% |
| Pollution incidents[4] | 22.40 pollution incidents per 10,000km of our wastewater network | 12.21 (or fewer) pollution incidents per 10,000km of our wastewater network | 5.0% |
| Treatment works compliance[4] | 97.9% compliance | 99.0% (or greater) compliance | 5.0% |
| Water quality contacts[4] | 13.5 customer contacts per 10,000 customers | 12.0 (or fewer) customer contacts per 10,000 customers | 5.0% |
| Leakage[3] | A three-year average of 97.7 megalitres of leakage per 10,000km of our water network per day | A three-year average of 94.3 megalitres (or less) of leakage per 10,000km of our water network per day | 5.0% |
| Compliance risk index (CRI)[4] | CRI score of 3.27 | CRI score of 2.00 (or less) | 5.0% |
| The Environment Agency's Environmental Performance Assessment (EPA) rating[5] | 3 star rating | 4 star rating | 5.0% |
| **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) The customer basket of measures are based on the performance commitment definitions as per the AMP7 final determination

(3) Outcome based on performance in respect of the financial year ending 31 March 2024 as published in our own and/or the other water companies' Annual Performance Reports for 2023/24

(4) Outcome based on performance in respect of the calendar year ending 31 December 2023 as published in our own and/or the other water companies' Annual Performance Reports for 2023/24

(5) Outcome based on performance in respect of the calendar year ending 31 December 2023 as published in the Environment Agency's published report in 2024





## Incentives in 2022/23

### Ensuring alignment with our business plan

The performance measures used in our incentive schemes during 2022/23 will remain aligned directly with the business plan, with a material weighting on measures that are linked to delivery for customers and the environment.

### Annual bonus in respect of the financial year commencing 1 April 2022

The maximum bonus opportunity for the year commencing 1 April 2022 will remain unchanged at 130 per cent of base salary.

As is outlined on page 166, the measures used in our annual bonus arrangements for executive directors demonstrate significant alignment to stakeholder interests, including customers and the environment. In 2022/23 we will retain many of those measures but have also decided to introduce a number of new measures which further demonstrate our intention to incentivise stretching performance delivery for customers, including on our environmental commitments and obligations.

### New annual bonus measures for 2022/23

| Measure | Why it's being introduced |
|---|---|
| **Water quality contacts (appearance)** | 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 new measure will drive improvements in our performance in this aspect of our service, as we know it is a priority for our customers. |
| **Better Rivers commitments** | Improving river health and recreation in the North West is a priority for the company. We have published a four-part plan setting out how we will achieve this for the benefit of customers, the environment and other stakeholders, and details are shown on page 67. This new measure will focus on the delivery of our programme milestones. |
| **Capital programme delivery incentive (CPDi)** | The new CPDi measure is an evolution of the Time, Cost and Quality (TCQi) measure we have used in recent years, in which the time, cost and quality of our capital programme delivery remains important, but with an increased emphasis on efficiency. CPDi also takes account of the carbon impact of our enhancement projects, providing a further environmental element to the annual bonus arrangements. |

The table below summarises the measures, weightings and targets for the 2022/23 bonus. Targets that are considered commercially sensitive will be disclosed retrospectively in the 2022/23 annual report on remuneration.

| Measure | Targets Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Weighting (% of award) |
|---|---|---|---|---|
| **Underlying operating profit**[1] | | Commercially sensitive | | 25.0% |
| **Customer service in year** | | | | |
| C-MeX ranking out of the 17 water companies | 8th position | 7th position | 5th position | 10.0% |
| Written complaints (per 10,000 customers) | 17.50 | 17.10 | 16.80 | 5.0% |
| Water quality contacts (appearance) | 7,604 | 6,974 | 6,344 | 10.0% |
| **Maintaining and improving services for customers and the environment** | | | | |
| Better Rivers commitments (% of 2022/23 programme milestones delivered) | 90.0% | 95.0% | 100% | 10.0% |
| Outcome delivery incentive (ODI) composite | | Commercially sensitive | | 25.0% |
| Capital programme delivery incentive (CPDi) | 80.0% | 85.0% | 95.0% | 15.0% |
| **Total** | | | | 100% |

(1) Underlying operating profit for bonus purposes excludes infrastructure renewals expenditure and property trading.

In line with policy the executive directors will be required to defer at least 50 per cent of any bonus received into shares and these only become available after a period of three years. 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.

### 2022 LTP awards with a performance period ending 31 March 2025

The 2022 LTP award level for executive directors will remain unchanged at 130 per cent of base salary. As outlined on page 163 the committee is seeking approval of the new Long Term Plan 2022 at the 2022 AGM, and so we will wait until late July to grant the LTP awards in order that they might be granted under this new plan if it is approved. If it is not approved, the awards will again be granted under the existing LTP 2013.

While awards will not be granted until after the AGM, the committee has accelerated the target-setting process compared to previous years so that the measures and targets that are expected to apply to the awards are available to shareholders in this directors' remuneration report.

Consistent with the approach in 2020 and 2021 the awards will be based on Return on Regulated Equity and a customer basket of measures, with each component being equally weighted at 50 per cent.

Stretching targets have been set for the RoRE measure taking into account the allowed return over the period (as set out in the final determination) and the expected returns to be generated through financial and operational performance.

In respect of the customer basket, the approach used to date means that award outcomes are directly attributable to clearly identified customer, environmental and social measures, including those which are within scope of our key regulators.

As outlined on page 163 the committee has decided to introduce carbon measures in the LTP from 2022, linked to the company's efforts to continually strengthen the way we govern the resilience and sustainability of our business and public services. This runs to the heart of living our purpose to provide great water and more for the North West.

Climate change is a priority risk to the company and its stakeholders because the affordability and resilience of our operations and services fundamentally rely on a stable climate and a healthy natural environment. You can find out more about our long-standing approach to both carbon reduction (mitigation) and climate resilience (adaptation) as detailed in our TCFD on pages 86 to 99.

We have recently enhanced our carbon commitments and governance after achieving previous goals to further grow our renewable energy generation capabilities and purchase only certified green electricity. We made six new carbon pledges in 2020, and in 2021 we became the first UK water company to independently verify that we have international best practice Science-Based Targets (SBTs). This means that our targets have been assessed to ensure they follow a reduction trajectory sufficient to help prevent the most damaging effects of climate change by limiting average global warming to no more than 1.5°C.

In our 2022 LTP we will introduce four measures covering four priority areas of our carbon agenda, each with an equal weighting of 2.5 per cent, so that 10 per cent of the overall LTP outcome is directly related to carbon-related performance. In the longer term, as we further mature our carbon plan, we aspire to introducing one or two holistic carbon measures that are directly aligned to our SBTs for 2030.

To create space for the new carbon measures we have removed the C-MeX and water quality contacts measures used in previous LTP awards on the basis that they are both covered under the 2022/23 annual bonus. With these new carbon measures, the whole of the customer basket now focuses executives on areas of performance that are in the interests of customers and have an environmental or social impact.

| | Targets[1] | | |
|---|---|---|---|
| **Measure** | **Threshold (25% vesting)** | **Stretch (100% vesting)** | **Weighting** |
| **Return on Regulated Equity (RoRE)** | | | |
| Company RoRE | 0.25% above the average of Ofwat's allowed RoRE over the three financial years of the performance period | 2.00% (or more) above the average of Ofwat's allowed RoRE over the three financial years of the performance period | 50.0% |
| **Customer basket of measures[2]** | | | |
| Carbon – green fleet | 170 electric or other low carbon vehicles will be deployed in our fleet by 31 March 2025 | 200 (or more) electric or other low carbon vehicles will be deployed in our fleet by 31 March 2025 | 2.5% |
| Carbon – peatland restoration | 527 hectares of peatland will be restored and certified to the Peatland Carbon Code (or equivalent standard) by 31 March 2025 | 644 hectares (or more) of peatland will be restored and certified to the Peatland Carbon Code (or equivalent standard) by 31 March 2025 | 2.5% |
| Carbon – woodland creation | 77 hectares of woodland will be created and certified to the Woodland Carbon Code (or equivalent standard) by 31 March 2025 | 94 hectares (or more) of woodland will be created and certified to the Woodland Carbon Code (or equivalent standard) by 31 March 2025. | 2.5% |
| Carbon – supply chain engagement | No threshold target. Stretch target must be achieved for any vesting on this measure | 66% (or more) of suppliers, by emissions within scope 3 capital goods, will have science-based targets by 31 March 2025 | 2.5% |
| Water poverty[3] | 66,500 customers have been lifted out of water poverty | 83,900 (or more) customers have been lifted out of water poverty | 5.0% |
| Priority services[3] | No threshold target. Stretch target must be achieved for any vesting on this measure | 7.0% (or more) of our customers are listed on the Priority Services Register | 5.0% |
| Sewer flooding incidents[3] | A combined total of 26.38 sewer flooding incidents per 10,000 connected properties | A combined total of 18.85 (or fewer) sewer flooding incidents per 10,000 connected properties | 5.0% |
| Pollution incidents[4] | 19.50 pollution incidents per 10,000km of our wastewater network | 11.80 (or fewer) pollution incidents per 10,000km of our wastewater network | 5.0% |
| Treatment works compliance[4] | 97.9% compliance | 99.0% (or greater) compliance | 5.0% |
| Compliance risk index (CRI)[4] | CRI score of 2.75 | CRI score of 2.00 (or less) | 5.0% |
| Leakage[3] | A three-year average of 93.1 megalitres of leakage per 10,000km of our water network per day | A three-year average of 90.5 megalitres (or less) of leakage per 10,000km of our water network per day | 5.0% |
| The Environment Agency's Environmental Performance Assessment (EPA) rating[5] | 3 star rating | 4 star rating | 5.0% |
| **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) Unless indicated otherwise, straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance
(2) The customer basket of measures are based on the performance commitment definitions as per the AMP7 final determination
(3) Outcome based on performance in respect of 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 respect of the calendar year ending 31 December 2024 as published in our own and/or the other water companies' Annual Performance Reports for 2024/25
(5) Outcome based on performance in respect of the calendar year ending 31 December 2024 as published in the Environment Agency's published report in 2025

In line with policy, any LTP outcome for executive directors will only become available following the end of a holding period such that the total vesting period is at least five years from the date of grant. 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 holding period.





## 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 employee 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 employees throughout the company.

| Employee group (number of employees covered) | Element of pay | Policy | Implementation |
|---|---|---|---|
| **Employees at all levels (around 6,000)** | Salary | We want to attract and retain employees of the experience and quality required to deliver the company's strategy. Salaries are reviewed annually, with executive directors normally receiving a salary increase generally no greater than the increase awarded to the general workforce. | In 2021 the base salary increase for employees was 2.0 per cent. As a Living Wage accredited employer all our employees (except those on a training scheme such as apprentices) receive at least the voluntary living wage rate. |
| | Health and wellbeing benefits | We want to create an environment that promotes healthy behaviours and ensure that employees have access to early and effective treatment, advice and information to improve their health and wellbeing. | All employees are eligible for company-funded healthcare and an enhanced company sick pay scheme. Employees have access to a medical advice and information service (Best Doctors) service for them and their families. All employees have free 24/7 access to our employee assistance programme which provides counselling and support to employees and their households. We have around 250 trained mental health first aiders who can listen to and signpost employees 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 employees covering a broad range of money management topics such as financial planning, managing debt and pensions. |
| | Flexible benefits | All employees have access to a variety of additional voluntary benefits to suit their lifestyle, and can choose from a range of deals and discounts all year round. Employees can donate to their chosen charities directly from their pay if they want to. | Around 50 per cent of employees take up at least one of these flexible options. |
| | Pension | Employees at all levels can participate in our award-winning pension arrangements and almost all of our employees choose to do so. | The company doubles any contributions that employees make up to a maximum of 14 per cent of salary. As part of the pension scheme employees receive company-funded life assurance and income protection. |
| | ShareBuy | Any employee can become a shareholder in our company and share in our success by participating in our ShareBuy scheme. For every five shares an employee buys the company gives another one free. | Around half of the workforce participate in our ShareBuy scheme. |
| | Annual bonus – cash | This provides a strong alignment to strategy throughout the organisation, with the same scorecard applying at all levels. | Employees at all levels participate in the annual bonus scheme, receiving financial rewards based on the performance of the company and their personal contribution. Specific weightings and award levels vary by grade. |
| **CEO, CFO and executives (10)** | Annual bonus – deferred shares | Deferral of part of bonus into shares aligns the interests of executive directors 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 55)** | 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 (10)** | Shareholding guidelines | 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. | All executives are subject to shareholding guidelines, aligning their interests with those of shareholders. |

## Alignment of executive pay approach with that of the wider workforce and listening to the employee voice

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 183 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 workforce's pay and benefits.

The committee has mechanisms through which it hears from and engages with the workforce on executive pay. As chair 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 this respect. Alison hosts sessions with the Employee Voice panel which cover topics including the alignment of our executive pay approach with that of the wider workforce, providing valuable opportunities for open discussions and feedback. See page 126 for further details. During the year, the committee sought views from the Employee Voice panel as part of the consultation on the proposed directors' remuneration policy.

The figures below show how the percentage change in the CEO's salary, benefits and bonus earned in 2020/21 and 2021/22 compares with the percentage change in the average of each of those components for a group of employees. The table below that shows the same information in respect of each board member.

### Change in CEO remuneration

| Base salary[1] | Bonus[2] | Benefits[3] |
|---|---|---|
| +6.5% | -11.8% | -23.9% |

### Change in employee remuneration[4]

| Base salary[5] | Bonus | Benefits |
|---|---|---|
| +3.7 | +11.6% | +5.0% |

### Change in other board member remuneration

| | Salary/Total Fees[1] | | Benefits[6] | | Bonus | |
|---|---|---|---|---|---|---|
| Year ended 31 March | 2022 versus 2021 | 2021 versus 2020 | 2022 versus 2021 | 2021 versus 2020 | 2022 versus 2021 | 2021 versus 2020 |
| **Executive directors** | | | | | | |
| Steve Mogford | **6.5%** | -4.2% | **-23.9%** | -14.1% | **-11.8%** | 16.7% |
| Phil Aspin[7] | **1.2%** | n/a | **61.6%** | n/a | **7.6%** | n/a |
| **Non-executive directors[8]** | | | | | | |
| Sir David Higgins | **6.5%** | 111.1% | **1,555.9%** | -96.6% | **n/a** | n/a |
| Liam Butterworth[9] | **n/a** | n/a | **n/a** | n/a | **n/a** | n/a |
| Stephen Carter | **6.3%** | -4.4% | **1,556.3%** | -93.0% | **n/a** | n/a |
| Kath Cates[9] | **6.5%** | n/a | **1,555.9%** | n/a | **n/a** | n/a |
| Mark Clare | **6.3%** | -4.4% | **1,555.9%** | -96.6% | **n/a** | n/a |
| Alison Goligher[10] | **11.5%** | 9.4% | **708.6%** | -81.0% | **n/a** | n/a |
| Brian May[7] | **6.5%** | -4.4% | **5,076.4%** | -96.6% | **n/a** | n/a |
| Paulette Rowe | **6.5%** | -4.2% | **782.1%** | -95.2% | **n/a** | n/a |
| Doug Webb[9][11] | **23.6%** | n/a | **1,418.0%** | n/a | **n/a** | n/a |

(1) In 2020/21 Steve Mogford and the non-executive directors in role at that time received no salary/fee increases and the salary/fees they received reflected a voluntary reduction of 20 per cent for three months which was donated to charity. The actual salary/fee increase in 2021/22 was 2 per cent in line with the headline increase for employees. The annual percentage changes shown are therefore greater than they would have been had their 2020/21 salary/fees not been reduced.
(2) Steve Mogford informed the committee that he wished to unconditionally waive £150,000 of his 2021/22 bonus. This has resulted in a material reduction in bonus value compared to 2020/21.
(3) During the year Steve Mogford ceased to be eligible for group income protection and so the value of his benefits reduced compared to 2020/21.
(4) To aid comparison, the group of employees selected by the committee are all those members of the workforce who were employed over the complete two-year period.
(5) Includes promotional increases. The headline salary increase for employees was 2.0 per cent.
(6) For non-executive directors, taxable benefits relate primarily to certain travel expenses and accommodation which, given the relatively small numbers involved, can produce sizeable percentage changes from year to year. The significant change for 2021/22 versus 2020/21 primarily reflects the fact that as a result of the COVID-19 pandemic, in 2020/21 the value of benefits received (typically less than £100) were materially less than normal. Face-to-face meetings resumed during 2021/22, with travel related expenses increasing towards their normal levels.
(7) Phil Aspin was appointed to the board on 24 July 2020. Brian May stepped down from the board on 23 July 2021. To enable a meaningful year-on-year comparison their salary/fees and bonus (for Phil Aspin) reflect hypothetical full-year earnings in 2020/21 and 2021/22 respectively.
(8) Calculated using the fees and taxable benefits shown in the table on page 188.
(9) Kath Cates and Doug Webb were appointed to the board on 1 September 2020. To enable a meaningful year-on-year comparison their salary/fees for 2020/21 reflect hypothetical full-year earnings. Liam Butterworth was appointed to the board on 1 January 2022 so no year-on-year comparison is possible.
(10) The fee increases for Alison Goligher reflects her appointment as remuneration committee chair with the associated fee effective from 24 July 2020.
(11) The fee increase for Doug Webb reflects his appointment as audit and treasury committee chair with the associated fee effective from 23 July 2021.





## 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 employees. The ratios have been calculated in accordance with the regulations which provide for three different approaches to determine the pay ratio (Options A, B and C).

The data in the tables below has been calculated using Option A which 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 177.

- We identified all employees who received base salary during the year ended 31 March 2022 and who were still employed on that date.
- The calculations were carried out using their total pay and benefits received in respect of the year ended 31 March 2022, including bonuses earned by reference to performance in the financial year and paid in June following the end of the financial year.
- For employees 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 | | |
|---|---|---|---|
| | **2021/22** | 2020/21 | 2019/20 |
| Methodology used | **A** | A | A |
| Average number of employees | **5,866** | 5,570 | 5,461 |
| **Ratio of CEO single figure total remuneration:[1]** | | | |
| – To employee at the 25th percentile | **92:1** | 97:1 | 87:1 |
| – To employee at the 50th percentile | **69:1** | 72:1 | 66:1 |
| – To employee at the 75th percentile | **54:1** | 57:1 | 53:1 |
| **Ratio of CEO base salary plus annual bonus:** | | | |
| – To employee at the 25th percentile | **44:1** | 52:1 | 47:1 |
| – To employee at the 50th percentile | **37:1** | 38:1 | 37:1 |
| – To employee at the 75th percentile | **30:1** | 30:1 | 31:1 |
| **Ratio of CEO base salary:** | | | |
| – To employee at the 25th percentile | **24:1** | 26:1 | 26:1 |
| – To employee at the 50th percentile | **20:1** | 19:1 | 20:1 |
| – To employee at the 75th percentile | **17:1** | 15:1 | 17:1 |
| **Additional details** | | | |
| CEO total single figure (£'000) | **3,178** | 3,323 | 2,925 |
| CEO base salary plus annual bonus (£'000) | **1,511** | 1,560 | 1,476 |
| CEO base salary (£'000) | **784** | 736 | 769 |
| **Employees total pay and benefits (£'000)** | | | |
| – at the 25th percentile | **35** | 34 | 33 |
| – at the 50th percentile | **46** | 46 | 44 |
| – at the 75th percentile | **59** | 58 | 56 |
| **Employees base salary plus annual bonus (£'000)** | | | |
| – at the 25th percentile | **34** | 30 | 32 |
| – at the 50th percentile | **41** | 42 | 40 |
| – at the 75th percentile | **51** | 52 | 48 |
| **Employees base salary (£'000)** | | | |
| – at the 25th percentile | **32** | 29 | 30 |
| – at the 50th percentile | **39** | 39 | 38 |
| – at the 75th percentile | **47** | 50 | 44 |

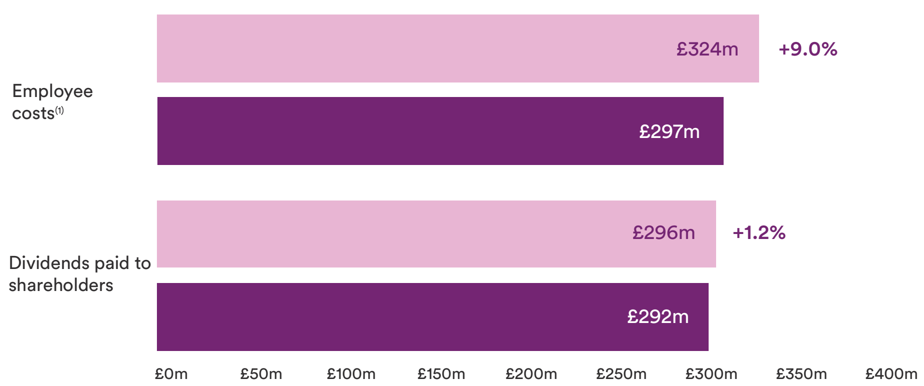
(1) The figures for 2020/21 have been restated to reflect the final vesting outcome, additional dividend equivalents and updated share price for Steve Mogford's 2018 LTP as shown in the single figure table on page 177. The figures for 2019/20 have also been restated to reflect additional dividend equivalents and closing share price on the date of vesting for Steve Mogford's 2017 LTP.

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 55 executives and senior leaders, with none of the individuals identified as P25, P50 and P75 in this group. On the other hand, employees 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.

This year the pay ratio of CEO single figure total remuneration to the median employee (P50) has reduced slightly compared to last year at 69:1, with a reduction also being noticeable at P25 and P75. The committee observes a similar picture across the other reported ratios, which is to be expected given our approach to cascading the annual bonus and having aligned executive director salary increases with the broader workforce. The committee will continue to consider the pay ratios in the context of other important metrics such as the gender pay gap and employee engagement levels.

## Relative importance of spend on pay

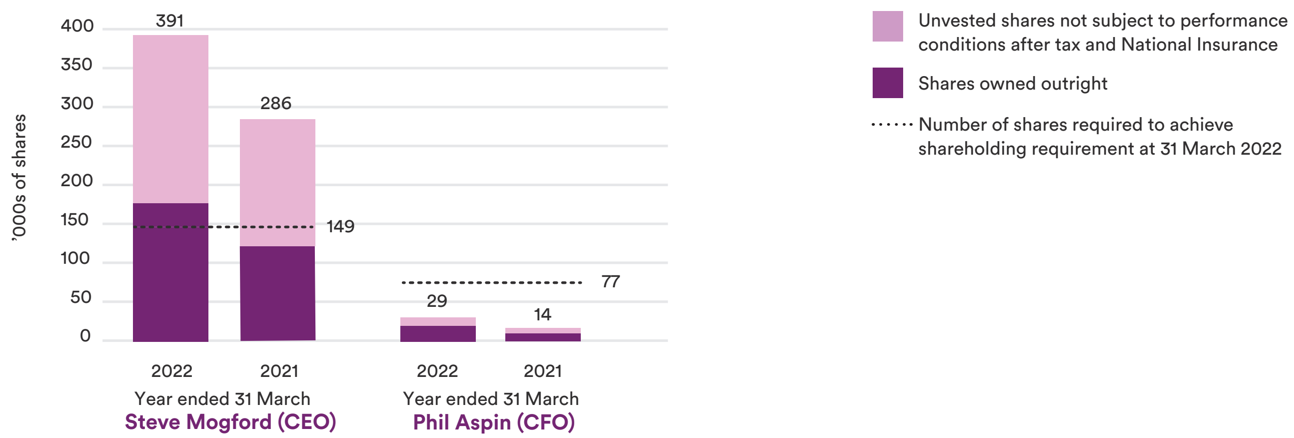
The table below shows the relative importance of spend on pay compared to distributions to shareholders.




(1) Employee 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 2022 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. Steve Mogford continues to exceed the target shareholding requirement level of 200 per cent of salary. Phil Aspin is expected to reach the minimum guideline by 24 July 2025 (within five years of his appointment to the board).




Further details of the executive directors' shareholdings and share plan interests are given in the table below and in the appendix on page 191.

| Director | Shareholding requirement (% of salary) | Number of shares required to meet shareholding requirement[1] | Number of shares owned outright (including connected persons) 2022 | Number of shares owned outright (including connected persons) 2021 | Unvested shares not subject to performance conditions[2] 2022 | Unvested shares not subject to performance conditions[2] 2021 | Total shares counting towards shareholding requirements[3] 2022 | Total shares counting towards shareholding requirements[3] 2021 | Shareholding as % of base salary at 31 March 2022[1] | Shareholding requirement met at 31 March 2022 | Unvested shares subject to performance conditions[4] 2022 | Unvested shares subject to performance conditions[4] 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Steve Mogford[5][6] | 200% | 148,572 | **181,144** | 110,630 | **395,160** | 331,476 | **390,595** | 286,331 | **526%** | **Yes** | **363,303** | 390,702 |
| Phil Aspin[5] | 200% | 76,663 | **17,440** | 11,439 | **21,367** | 4,299 | **28,781** | 13,736 | **75%** | **No** | **126,738** | 79,794 |

(1) Share price used is the average share price over the three months from 1 January 2022 to 31 March 2022 (1,064.4 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 (on a notional net of tax and National Insurance basis), plus the number of shares owned outright.

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

(5) In the period 1 April 2022 to 22 May 2022, additional shares were acquired by Steve Mogford (27 ordinary shares) and Phil Aspin (27 ordinary shares) in respect of their regular monthly contributions to the all-employee ShareBuy scheme. These will be matched by the company on a one-for-five basis. Under the scheme, matching shares vest one year after grant provided the employee remains employed by the company.

(6) On 1 April 2022, shares granted on 27 June 2017 under the Long Term Plan vested for Steve Mogford following an additional two-year holding period. Steve Mogford had 110,948 shares vesting, of which 52,277 shares were sold to cover tax and National Insurance. Steve retained the remaining balance of 58,671 shares.





## Other information

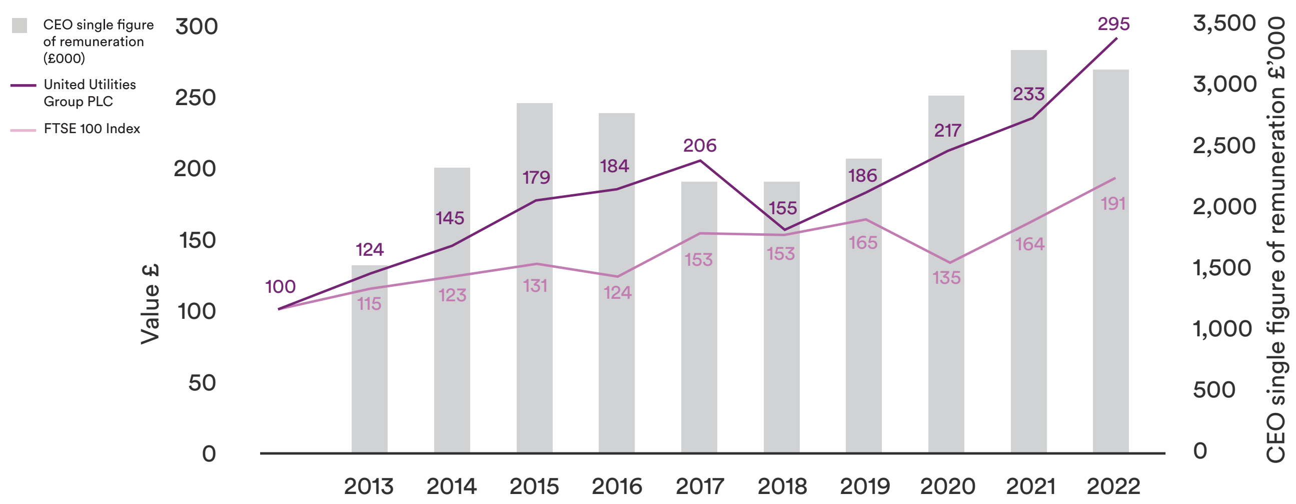
### Dilution limits

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, and shares are bought to satisfy the vesting of share plans. 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 (10 per cent in any rolling ten-year period) and executive share plans (5 per cent in any rolling ten-year period). No treasury shares were held or utilised in the year ended 31 March 2022.

### 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 2022 for comparison. The table below the TSR chart shows the remuneration data for the CEO over the same period. Steve Mogford was the CEO over the whole period.




| Year ended 31 March | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | **2022** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Steve Mogford** | | | | | | | | | | |
| CEO single figure of remuneration (£'000) | 1,549 | 2,378 | 2,884 | 2,760[1] | 2,233 | 2,221 | 2,448 | 2,925[2] | 3,323[3] | **3,178** |
| Annual bonus payment (% of maximum) | 84.4 | 78.2 | 77.4 | 54.5 | 83.7 | 74.9 | 79.0 | 70.7 | 81.8 | **71.3**[4] |
| LTP vesting (% of maximum)[5] | n/a[6] | 93.5 | 97.5 | 33.6 | 54.5 | 55.4 | 64.4 | 87.3 | 97.9[3] | **100**[7] |

(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 2017 LTP, which vested on 1 April 2022 after the end of a two-year holding period, has been updated to reflect the additional dividends accruing on this award and the closing share price on the date of vesting of 1,122.2 pence per share.

(3) The payout and vesting percentage for the 2018 LTP have been restated to reflect the additional dividend equivalents accruing on the award, the final vesting outcome and updated share price. See page 177 for further details.

(4) Steve Mogford unconditionally waived part of his 2021/22 bonus. The actual bonus scorecard outcome was 86.0 per cent.

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

(6) Steve Mogford was not a participant in any long-term incentive plans that had performance periods ending during 2013. For those who did participate in those plans, the vesting as a percentage of maximum was 35.3 per cent for those vesting in 2013.

(7) The 2019 Long Term Plan amount vesting percentage is estimated. See page 179 for further details.

### Exit payments and payments to former directors made in the year

There have been no exit payments or payments to former directors in respect of their roles as directors during the year ended 31 March 2022 other than the vesting of legacy share awards. See page 191.

## 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 | **2022** | 2021(1) | **2022** | 2021 | **2022** | 2021 |
| Sir David Higgins | **304** | 285 | **2** | 0 | **306** | 285 |
| Liam Butterworth(2) | **17** | n/a | **0** | n/a | **17** | n/a |
| Stephen Carter | **81** | 76 | **2** | 0 | **83** | 76 |
| Kath Cates(3) | **69** | 40 | **2** | 0 | **71** | 40 |
| Mark Clare | **83** | 78 | **2** | 0 | **85** | 78 |
| Alison Goligher | **83** | 74 | **1** | 0 | **84** | 74 |
| Brian May(4) | **26** | 80 | **5** | 0 | **31** | 80 |
| Paulette Rowe | **69** | 65 | **1** | 0 | **70** | 65 |
| Doug Webb(3)(5) | **80** | 40 | **1** | 0 | **81** | 40 |

(1) In the context of the COVID-19 pandemic it was determined that fees should not increase in the year ended 31 March 2021. The fees received by the non-executive directors reflect a voluntary reduction of 20 per cent for three months, the total value of which was donated to charity.

(2) Liam Butterworth joined the board on 1 January 2022.

(3) The fees for Kath Cates and Doug Webb in respect of year ending 31 March 2021 reflect part-year earnings as they both joined the board on 1 September 2020.

(4) Brian May stepped down from the board on 23 July 2021. The benefits value shown for 2022 includes the cost of a retirement gift he received, alongside other expenses.

(5) Doug Webb was appointed as chair of the audit and treasury committees with effect from 23 July 2021 and received the applicable additional fees from that date.

### Fees

Non-executive director base fees were reviewed and increased with effect from 1 September 2021 as shown below. Base fees were increased by 2.0 per cent which is the same as the increase applying to the general workforce in 2021. Additional fees for the senior independent non-executive director and the chairs of committees were not increased.

| | Fees £'000 | |
|---|---|---|
| Role | **1 Sept 2021** | 1 Sept 2020 |
| Base fee: Chair(1) | **306.0** | 300.0 |
| Base fee: other non-executive directors(2) | **69.6** | 68.2 |
| Senior independent non-executive director(2) | **13.5** | 13.5 |
| Chair of audit and treasury committees(2) | **16.0** | 16.0 |
| Chair of remuneration committee(2) | **13.5** | 13.5 |
| Chair of corporate responsibility committee(2) | **12.0** | 12.0 |

(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 2022 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 2022(1) |
|---|---|---|
| Sir David Higgins | 13.5.19 | 3,000 |
| Liam Butterworth | 1.1.22 | 3,000 |
| Stephen Carter | 1.9.14 | 3,075 |
| Kath Cates | 1.9.20 | 2,135 |
| Mark Clare | 1.11.13 | 7,628 |
| Alison Goligher | 1.8.16 | 3,000 |
| Brian May(2) | 1.9.12 | 3,000 |
| Paulette Rowe | 1.7.17 | 3,000 |
| Doug Webb | 1.9.20 | 5,700 |

(1) From 1 April 2022 to 24 May 2022 there have been no movements in the shareholdings of the non-executive directors.

(2) Brian May had 3,000 shares when he stepped down from the board with effect from 23 July 2021.



## The remuneration committee

### Summary terms of reference

The committee's terms of reference were last reviewed in November 2021 and are available on our website at: corporate.unitedutilities.com/corporate-governance

The committee's main responsibilities include:

- 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 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;
- Approving the general employment and remuneration terms for selected senior employees;
- 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.

### Composition of the remuneration committee as at 31 March 2022

| Member | Member since |
|---|---|
| Alison Goligher (chair since 24.7.20) | 1.8.16 |
| Kath Cates | 1.9.20 |
| Mark Clare | 1.9.14 |
| Doug Webb | 23.7.21 |

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 2022 and carried out a number of key activities:

- Approved the 2020/21 directors' remuneration report;
- Reviewed the pay comparator group;
- 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 2020/21 annual bonus scheme, reviewed progress against the targets for the 2021/22 annual bonus scheme, and considered the targets for the 2022/23 annual bonus;
- Assessed the achievement of targets for the Long Term Plan (LTP) awards made in 2018, reviewed progress against the targets for the 2019 and 2020 LTP awards, and set the measures and targets for the 2021 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;
- Considered governance developments and market trends in executive remuneration, including in the wider utilities sector;
- Noted progress on the company's gender pay gap reporting;
- Reviewed the executive pay arrangements and consulted with shareholders and other stakeholders on the proposed remuneration policy; and
- Reviewed the rules of the executive incentive plans.

### Support to the remuneration committee

By invitation of the committee, meetings are attended by the Chair, the Chief Executive Officer, the company secretary (who acts as secretary to the committee), the customer services and 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 directly from other employees 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, the committee was assisted in its work by the following external advisers:

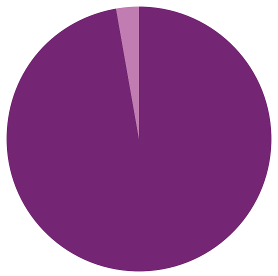
| Adviser | Appointed by | How appointed | Services provided to the committee in year ended 31 March 2022 | Additional services provided in year ended 31 March 2022 | Fees paid by company for these services in respect of year and basis of charge |
|---|---|---|---|---|---|
| Ellason LLP | Committee | Appointed January 2021; services retained during the financial year | General advice on remuneration matters including analysis of the remuneration policy and regular market and best practice updates | Advice and benchmarking on non-executive director and senior leader remuneration | £54,000 on a time/cost basis as set out in terms and conditions in the relevant engagement letter |

Ellason are signatories 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 www.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 do not have any connection with the company that may impair their independence.

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

### 2021 AGM: statement of voting

At the last annual general meeting on 23 July 2021, votes on the 2021/22 directors' remuneration report (other than the part containing the directors' remuneration policy) were cast as follows:



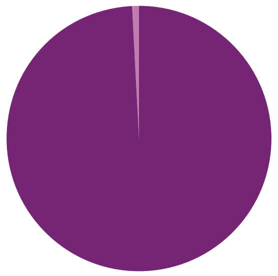
Votes for 466,214,257 (97.32% of votes cast)

Votes against 12,828,512 (2.68% of votes cast)

**479,042,769** Total votes cast

**2,205,642** Votes withheld (abstentions)

At the annual general meeting on 26 July 2019, votes on the directors' remuneration policy were cast as follows:



Votes for 458,175,960 (99.41% of votes cast)

Votes against 2,709,122 (0.59% of votes cast)

**460,885,082** Total votes cast

**667,337** Votes withheld (abstentions)

The directors' remuneration report was approved by the board of directors on 24 May 2022 and signed on its behalf by:

**Alison Goligher**
Chair of the remuneration committee



## Appendix 1: Executive directors' share plan interests 1 April 2021 to 31 March 2022

| | Award date | Awards held at 1 April 2021 | Granted in year | Vested in year | Lapsed/forfeited in year | Notional dividends accrued in year(1) | Awards held at 31 March 2022(1) |
|---|---|---|---|---|---|---|---|
| **Steve Mogford** | | | | | | | |
| **Shares not subject to performance conditions at 31 March 2022** | | | | | | | |
| DBP | 18.6.18 | 54,457 | – | 54,457 | – | – | **–** |
| DBP | 17.6.19 | 51,576 | – | – | – | 2,083 | **53,659** |
| DBP | 17.6.20 | 40,561 | – | – | – | 1,638 | **42,199** |
| DBP(2) | 16.6.21 | – | 39,987 | – | – | 1,614 | **41,601** |
| LTP | 28.6.16 | 78,203 | – | 78,203 | – | – | **–** |
| LTP | 27.6.17 | 106,640 | – | – | – | 4,308 | **110,948** |
| LTP | 25.6.18 | 144,046 | – | – | 3,106 | 5,778 | **146,718** |
| ShareBuy matching shares(3) | 1.4.21 to 31.3.22 | 39 | 35 | 39 | – | – | **35** |
| **Subtotal** | | 475,522 | 40,022 | 132,699 | 3,106 | 15,421 | **395,160** |
| **Shares subject to performance conditions at 31 March 2022** | | | | | | | |
| LTP | 28.6.19 | 132,854 | – | – | – | 5,368 | **138,222** |
| LTP | 30.11.20 | 113,802 | – | – | – | 4,597 | **118,399** |
| LTP(4) | 30.6.21 | – | 102,539 | – | – | 4,143 | **106,682** |
| **Subtotal** | | 246,656 | 102,539 | – | – | 14,108 | **363,303** |
| **TOTAL** | | 722,178 | 142,561 | 132,699 | 3,106 | 29,529 | **758,463** |
| **Phil Aspin** | | | | | | | |
| **Shares not subject to performance conditions at 31 March 2022** | | | | | | | |
| DBP | 17.6.20 | 4,259 | – | – | – | 171 | **4,430** |
| DBP(2) | 16.6.21 | – | 16,246 | – | – | 656 | **16,902** |
| LTP | 25.6.18 | 10,886 | – | 10,408 | 768 | 290 | **–** |
| ShareBuy matching shares(3) | 1.4.21 to 31.3.22 | 40 | 35 | 40 | – | – | **35** |
| **Subtotal** | | 15,185 | 16,281 | 10,448 | 768 | 1,117 | **21,367** |
| **Shares subject to performance conditions at 31 March 2022** | | | | | | | |
| LTP | 28.6.19 | 10,186 | – | – | – | 411 | **10,597** |
| LTP | 30.11.20 | 58,722 | – | – | – | 2,372 | **61,094** |
| LTP(4) | 30.6.21 | – | 52,910 | – | – | 2,137 | **55,047** |
| **Subtotal** | | 68,908 | 52,910 | – | – | 4,920 | **126,738** |
| **TOTAL** | | 84,093 | 69,191 | 10,448 | 768 | 6,037 | **148,105** |

(1) Note that these are subject to performance conditions where applicable.
(2) See page 178 for further details.
(3) Under ShareBuy, matching shares vest provided the employee remains employed by the company one year after grant. During the year, Steve Mogford purchased 173 partnership shares and was awarded 35 matching shares (at an average share price of 1,038.5 pence per share). Phil Aspin purchased 173 partnership shares and was awarded 35 matching shares (at an average share price of 1,038.8 pence per share).
(4) See page 180 for further details

### Vesting of legacy share awards for former directors

Russ Houlden retired from the board and left the company in July 2020. In line with policy he retained a number of awards under the DBP and, as a 'good leaver', the LTP. On 1 April 2021, 49,356 shares arising from his 2016 LTP vested. On 18 June 2021, 34,157 shares arising from his 2018 DBP vested.

Steve Fraser left the board and company in August 2019. In line with policy he retained a number of awards under the DBP, and his outstanding LTP awards lapsed. On 18 June 2021, 25,509 shares arising from his 2018 DBP vested.

# Corporate governance report
## 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;
- do not engage in marketed, aggressive or abusive tax avoidance;
- do not use tax havens for tax avoidance purposes including not taking advantage of any related secrecy rules which 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, he will 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 which 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 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.

### Taxes/contributions to public finances for 2022

**Total taxes and contributions to public finances**

**£230m**

| | |
|---|---|
| £92m | Business rates |
| £9m | Corporation tax* |
| £27m | Employment taxes: company |
| £59m | Employment taxes: employees |
| £12m | Environmental taxes and other duties |
| £31m | Regulatory services fees (e.g. water extraction charges) |

* The corporation tax paid for 2022 and 2023 will be lower due to benefits accruing from the temporary capital allowances super deductions rules introduced in 2021.

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. For 2021/22, the impact of tax deductions on capital investment alone reduced average household bills by around £20.

The group's principal subsidiary, United Utilities Water Limited (UUW), operates solely in the UK and its customers are based here. All of the group's profits are taxable in the UK and the group's one remaining overseas subsidiary, a non-trading former holding company in the Netherlands, is currently in liquidation.

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 5,000 strong workforce. Details of the total payments for 2022 of around £230 million are set out opposite.

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 2022.

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 third year, having been only the second FTSE 100 company to be awarded the Fair Tax Mark in July 2019.