

# Directors' report

## Statutory and other information

Our directors present their management report, including the strategic report, on pages 16 to 109 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 2022.

<b>Business model</b>	A description of the company's business model can be found within the strategic report on pages 20 to 51.
<b>Dividends</b>	Our directors are recommending a final dividend of 29.0 pence per ordinary share for the year ended 31 March 2022, which, together with the interim dividend of 14.50 pence, gives a total dividend for the year of 43.50 pence per ordinary share (the interim and final dividends paid in respect of the 2020/21 financial year were 14.41 pence and 28.83 pence per ordinary share respectively). Subject to approval by our shareholders at our AGM, the final dividend will be paid on 1 August 2022 to shareholders on the register at the close of business on 24 June 2022.
<b>Directors</b>	The names of our directors who served during the financial year ended 31 March 2022 can be found on pages 112 to 115 and on page 124.
<b>Reappointment</b>	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 130 to 137.
<b>Interests</b>	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 160 to 191 which is hereby incorporated by reference into this directors' report.
<b>Corporate governance statement</b>	The corporate governance report on pages 112 to 191 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 2022, can be found at the Financial Reporting Council's website <a href="http://frc.org.uk">frc.org.uk</a> . 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.
<b>Share capital</b>	<p>At 31 March 2022, 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 23 to the financial statements on page 235. 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 2022.</p> <p>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.</p> <p>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 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 2022 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 21 July 2021, 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 £1,704,721.</p>
<b>Voting</b>	Electronic and paper proxy appointment and voting instructions must be received by our registrars (EQ) 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.
<b>Transfers</b>	<p>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.</p> <p>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.</p>

<b>Major shareholdings</b>	<p>At 25 May 2022, 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:</p> <table border="1" data-bbox="435 320 1439 477"> <thead> <tr> <th></th> <th>Per cent of issued share capital</th> <th>Direct or indirect nature of holding</th> </tr> </thead> <tbody> <tr> <td>Lazard Asset Management LLC</td> <td>9.93</td> <td>Indirect</td> </tr> <tr> <td>BlackRock Inc.</td> <td>10.03</td> <td>Indirect</td> </tr> <tr> <td>Norges Bank</td> <td>2.95</td> <td>Direct</td> </tr> </tbody> </table>		Per cent of issued share capital	Direct or indirect nature of holding	Lazard Asset Management LLC	9.93	Indirect	BlackRock Inc.	10.03	Indirect	Norges Bank	2.95	Direct
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<b>Purchase of own shares</b>	<p>At our AGM held on 21 July 2021, 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 2022 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 2023.</p>												
<b>Change of control</b>	<p>As at 31 March 2022, 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.</p> <p>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.</p>												
<b>Information required by UK Listing Rule 9.8.4</b>	<p>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 223. In line with current UK tax legislation, the amount is fully deductible against the group's corporation tax liability, resulting in tax relief of £5.8 million.</p> <p>There are no other disclosures to be made under Listing Rule 9.8.4.</p>												
<b>Directors' indemnities and insurance</b>	<p>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 which 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.</p>												

# Directors' report

## Statutory and other information

### 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 which 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 £15,834 (2021: £5,801; 2020: £23,627) as part of this process. At the 2021 AGM, an authority was taken to cover such expenditure.

A similar resolution will be put to shareholders at the 2022 AGM to authorise the company and its subsidiaries to make such expenditure.

As the provider of services to seven million people across the North West, customers can sometimes contact their constituency MP and ask that they raise an issue with the company on their behalf. In 2021/22, we received 378 such MP contacts covering a wide variety of topics, including flooding, water supply and land management. As part of our work to build constructive relationships with all our stakeholders, we encourage MPs and members of their offices to work closely with us to address constituency concerns and arrange case work events to discuss such issues in detail. Throughout the year, when COVID-19 guidelines allowed, we held face-to-face meetings with key MPs to discuss a number of topics, including river water quality, storm overflows and recreational land management.

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 and enhancing the North West's natural capital. Our sponsorship of the All Party Political Groups for GMCA and 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 the Confederation of British Industry. 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 GC 100, 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 2021/22 was £408,441 (2020/21: £420,403; 2019/20: £400,916).

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 topics such as the performance of storm overflows in relation to river water quality. The company supported Water UK in its effort to engage the Government as the Environment Bill passed through its parliamentary stages, including preparation of the 21st century rivers report.

Through our membership with both the CBI, in particular as a member of its North West regional council, and 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. For example, we have participated in discussions as part of the unlocking regional growth/levelling up agenda, and employee resilience and wellbeing.

### Employees

Our policies on employee consultation and on equal opportunities for all employees can be found on pages 22 and 24. 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 employees' engagement (see page 30). The effect of our regard towards employees in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 40 to 41.

Employees 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 221.

<b>Environmental, social and community matters</b>	Details of our approach, as a responsible business, is set out in the strategic report, in particular where we describe our approach to purpose and stakeholder value on pages 16 to 17 and 22. Further information is available on our website at <a href="https://unitedutilities.com/corporate/responsibility">unitedutilities.com/corporate/responsibility</a> Our approach to engagement with our environmental stakeholders and those in the communities we serve can be found on pages 29 to 35. The effect of our regard towards the environment, social and community matters in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 40 to 41.
<b>Customers and suppliers and key stakeholders</b>	Our approach to engagement with customers, suppliers, regulators and other key stakeholders can be found on pages 29 to 35. 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 40 to 41.  Our United Supply Chain approach sets out how we work with our suppliers, which can be found on our website at <a href="https://unitedutilities.com/corporate/about-us/governance/suppliers/delivering-value/united-supply-chain">unitedutilities.com/corporate/about-us/governance/suppliers/delivering-value/united-supply-chain</a> 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 2022, our average time taken to pay invoices was 13 days; in the previous six months it was 13 days.
<b>Energy and carbon report</b>	Our TCFD reporting includes our energy and carbon report on pages 86 to 97 and is hereby incorporated by reference into this directors' report.
<b>Approach to technology development</b>	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 that we continue to be alert to emerging technological opportunities.
<b>Financial instruments</b>	Our risk management objectives and policies in relation to the use of financial instruments can be found in note A4 on page 242.
<b>Events occurring after the reporting period</b>	Details of events after the reporting period are included in note 25 on page 236.
<b>Slavery and human trafficking statement</b>	Our statement can be found on our website at <a href="https://unitedutilities.com/human-rights">unitedutilities.com/human-rights</a>

### Annual General Meeting

Our 2022 annual general meeting (AGM) will be held on 22 July. Full details of the resolutions to be proposed to our shareholders, and explanatory notes in respect of these resolutions, can be found in our notice of AGM. A copy can be found on our website.

At our 2022 AGM, resolutions will be proposed, among other matters:

- to receive the annual report and financial statements; to approve the directors' remuneration report; to approve the directors' remuneration policy; to declare a final dividend; and
- to approve the company's climate-related financial disclosures; 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 authorise the making of limited political donations by the company and its subsidiaries; to approve a new directors' long-term plan; and to enable the company to continue to hold general meetings on not less than 14 clear days' notice.

### 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

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

Approved by the board on 25 May 2022 and signed on its behalf by:

**Simon Gardiner**

Company Secretary