

Our business model – S172(1) Statement

Our key decisions during the year to 31 March 2022

Introduction

Throughout this annual report, we provide examples of how we have thought about the likely consequences of long-term decisions and how we:

- build relationships with stakeholders and balance their needs and expectations with those of the business;
- understand the importance of engaging with our employees;
- understand the impact of our operations on the communities in our region and the environment we depend upon;
- are mindful of the interactions we have with our regulators; and
- understand the importance of behaving responsibly and being consistent with the company's purpose, vision and values.

Haweswater Aqueduct Resilience Programme

Link to strategy



The decision

In December 2021, the board agreed delivery of the replacement of six of the existing tunnel sections of the Haweswater Aqueduct (the aqueduct) and connections to existing multilane siphons between the tunnel sections and associated facilities had the potential to be delivered as a Direct Procurement for Customers (DPC) project rather than through the traditional UUV procurement route. Under DPC the CAP* will be responsible for the detailed design and build of the project and, crucially, for securing the project finance. The CAP will also be responsible for maintaining and inspecting the new tunnels for a period of 25 years post construction. In November 2020, the replacement of the Hallbank section of the aqueduct was successfully completed by UUV, which was delivered via a traditional approach working with a design and build contractor.

How we engaged with stakeholders

Our regulator, Ofwat, has introduced the new DPC approach for companies to consider when delivering large infrastructure projects. (More information on the DPC approach can be found on Ofwat's website.) Ofwat 'believe that by outsourcing the delivery of infrastructure projects using DPC, water companies can achieve significant benefits for customers. This includes both through innovation and lower whole life costs of the project'. The company

has been working with Ofwat on developing the detail of the DPC approach for this complex project since proposing the delivery of HARP via DPC in its AMP7 business plan.

In developing this project, we have sought customers' views and worked with their representatives through YourVoice to develop a solution to balance risk reduction and the cost of delivery. We have completed initial design work and submitted all planning applications taking into account impacts on local communities and the environment, and have sought to minimise this as much as possible. We have actively engaged stakeholders through the planning process, undertaking extensive public engagement including an innovative 'virtual public exhibition' when face-to-face interactions were restricted due to the pandemic. We have also completed environmental impact assessments and are seeking a ten per cent biodiversity net gain from the project.

Read more at ofwat.gov.uk/regulated-companies/markets/direct-procurement/direct-procurement-for-customers/

The board's view

The aqueduct is a critical asset in being able to deliver our purpose to provide great water and more for the North West. It is a major part of our water supply network serving our customers in parts of Cumbria, Lancashire and Greater Manchester. The board does not underestimate the complexities of the project to replace six sections of tunnel in some remote stretches of countryside and with sections of the tunnel at a depth of up to 370 metres. As well as the technical challenges, the complexities of the new and untested DPC approach have added to the challenge of a

Statement by the directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006

The board of directors of United Utilities Group PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2022 including:

project estimated to require investment of over £1 billion and take circa 9–10 years to complete.

The board has been kept fully apprised of progress at key stages of the project through regular presentations at board meetings, 'deep-dive' sessions and as part of strategy discussions.

The board approved the submission of the Outline Business Case to Ofwat under DPC having evaluated and considered the DPC approach and identified, and sought to mitigate as far as possible, the known and likely risks associated with the DPC approach. The board is cognisant of the many challenges ahead including amongst other things: the appointment of the CAP through a new DPC tender process, the implications for the group of the different commercial construct and financing of the project, and the critical nature of the aqueduct to the business.

Under the current circumstances, the board considers that the DPC delivery approach has the potential to be most likely to promote the long-term success of the company for the benefit of its members as a whole. This is based on the information currently available, which suggests that the DPC route has the potential to offer the best value for customers and, therefore, supports the position that this should be tested through the market through progressing HARP through a DPC procurement process.

In April 2022, Ofwat gave its consent for UUV to procure HARP through a DPC procurement process under Condition U of its licence.

* CAP means a limited company which has been competitively appointed to be the provider in accordance with a DPC Procurement Process in respect of a DPC Delivered Project.

operational performance; and reduced travel costs and carbon emissions. Increased hybrid working provides opportunities including: the ability to attract employees from a wider and potentially more diverse talent pool; being the catalyst to improve our digital capabilities and in time shape the workplace of the future; and potentially make savings on accommodation.

Our plans have seen 2,000 employees adopting hybrid ways of working. In terms of the non-hybrid roles which are typically directly supporting our customers and critical operations, we are continuing to look at providing additional flexible opportunities and changing workplace practices to retain, attract and stay aligned to the employment market. The board concluded that the incorporation of a hybrid way of working alongside the traditional approach would be most likely to promote the long-term success of the company for the benefit of its members as a whole. This way of working will be monitored closely to ensure it remains efficient and effective.

Hybrid working

Link to strategy



The decision

The COVID-19 pandemic has changed the world of work. United Utilities is an organisation where, pre-pandemic, the majority of our employees routinely travelled to work on a daily basis to attend one of the group's offices or sites. As the pandemic progressed, the need to evolve our ways of working to face the future became evident. The board was fully involved in the development of the group's next ways of working, including the pilot project prior to rolling out the hybrid way of working for roles which fulfilled specific criteria within the organisation.

How we engaged with stakeholders

Weekly online webinars were established during the early stages of the pandemic in

order to communicate with line managers prior to the cascade of information to their teams, and with these resources being made available to all employees via the intranet. Our Employee Voice panel has been a valuable mechanism for employees to provide feedback, particularly on how they felt they have been supported during the pandemic. Over 1,000 employees, including those based out in the field or at one of our many operational sites, provided their views, which were taken into account when formulating the plans for our next ways of working. Feedback from the teams involved in the pilot project have helped shape our current approach to hybrid working.

The board's view

Our employees are fundamental to fulfilling our purpose of providing great water and more for the North West. We have seen a number of positive benefits relating to work during the pandemic including: reductions in employee sickness absences; improvements in engagement and wellbeing; improvements in

Our strategic themes

The best service to customers

At the lowest sustainable cost

In a responsible manner

River health

Link to strategy



The decision

The group has committed to deliver £230 million in environmental improvements within our base capital programme, supporting at least a one-third sustainable reduction in the number of spills recorded from our storm overflows by 2025 compared to the 2020 baseline, leading to 184 kilometres of improved waterways across the region.

How we engaged with stakeholders

There has been much negative press coverage regarding river health and bathing water quality aimed primarily at the wastewater sector,

with the Environment Agency (EA) and Ofwat currently investigating whether wastewater companies' treatment works have been operated in line with their environmental permits. We have written to all our stakeholders including the EA, Ofwat, The Consumer Council for Water and MPs in our region. We announced that we would be launching a community fund to support local rivers initiatives, work alongside The Rivers Trust, RSPB and local authorities to deliver projects, and launch a new partnership to protect watercourses with farmers to incentivise farming practices that reduce impact to river health.

The board's view

The group has co-operated fully with the EA/Ofwat investigation. The board is cognisant that United Utilities needs to do more to play its part in improving river health in the North West, and amongst other things, we will:

- aim to publish investigations and plans for all overflows that operate frequently;
- ensure all storm overflows are monitored by 2023;
- aim to provide near real-time data when an overflow operates and ensure this data is easily accessible by 2023;
- aim to deliver a significant reduction in impact caused by storm overflows and sewage treatment works by 2030; and
- aim for there to be no serious pollution incidents from our assets.

The board, in committing to playing its part in improving river health, believes this would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Non-financial information statement

The table below constitutes the company's non-financial information statement, produced to comply with sections 414CA(1) and 414CB(1) of the Companies Act 2006. Our purpose-driven approach, as described on pages 16 to 17, sets out how we act as a responsible business and is applicable to the areas of disclosure required by s414CB(1). The performance tables we publish for each stakeholder that we create value for, so that we can demonstrate we are fulfilling our purpose (see pages 52 to 75), include data in relation to the areas of disclosure required by s414CB(1).

Read more about our purpose on our website at unitedutilities.com/corporate/about-us/what-we-do/our-vision

| Reporting requirement | Information necessary to understand our business and its impact; policies and due diligence activities; and outcomes | Policies, guidance and standards which govern our approach (some of which are only published internally) |
|---|--|--|
| Environmental matters | Reflecting the needs of the environment: <ul style="list-style-type: none"> • Natural resources – see page 24 • Natural environment – see pages 26 and 31 • Reducing our carbon footprint – see pages 86 to 97 | <ul style="list-style-type: none"> • Waste and resource use policy • Environmental policy – see the responsibility pages on our website • Water Resources Management Plan – see page 48 • Emissions target – see pages 86 to 97 |
| Employees | Reflecting the needs of our employees: <ul style="list-style-type: none"> • Health and safety – see page 62 • Mental wellbeing – see pages 61 to 62 • Competitive base salaries and benefits – see page 183 • Gender pay report 2021 – see page 44 • Engagement – see pages 7, 30, 60 to 62 and 196 • Board diversity – see pages 133 to 134 | <ul style="list-style-type: none"> • Health and safety policy • Mental wellbeing policy • Equality, diversity and inclusion policy • Flexible working arrangements • Agency worker policy • Human rights policy – see page 36 • Board diversity policy – see pages 133 to 134 |
| Respect for human rights | Reflecting the needs of our stakeholders: <ul style="list-style-type: none"> • Suppliers – see page 31 • Diversity within our workforce – see pages 7, 44 to 45, 60 to 63, 133 to 134, and 137 to 138 | <ul style="list-style-type: none"> • Employee data protection policy • Slavery and human trafficking statement • Human rights policy – see page 36 |
| Social matters | Reflecting the needs of our stakeholders: <ul style="list-style-type: none"> • Customers – see page 30 • Communities – see page 30 • Environment – see pages 31 and 86 • Suppliers – see page 31 • Regulators – see page 32 | <ul style="list-style-type: none"> • YourVoice – see page 29 • Charitable matched funding guidance • Volunteering policy • United Supply Chain – see pages 36 and 73 • Commercial procurement policy |
| Anti-corruption and anti-bribery | Reflecting the needs of employees and suppliers: <ul style="list-style-type: none"> • Employees – see pages 61 and 154 • Suppliers – see page 73 | <ul style="list-style-type: none"> • Anti-bribery policy • Fraud investigation and reporting processes • Whistleblowing policy • Internal financial control processes • Commercial procurement policy |