



Sir David Higgins
Chair of the nomination committee

Quick facts

- All members of the committee are independent, thus fulfilling the code requirement that a 'majority of members of the nomination committee should be independent non-executive directors'. On joining the board, all independent non-executive directors become members of the nomination committee.
- The role of the committee is to lead the process for appointments to the board and ensure plans are in place for orderly succession to both the board and senior management positions and oversee a diverse pipeline for succession.
- The company secretary attends all meetings of the committee.
- The customer services and people director has responsibility for human resources, she regularly attends meetings and is responsible for engaging with executive search recruitment advisers.
- The CEO is not a member of the committee, but from time to time is invited to attend. Neither the Chair nor the CEO would participate in the recruitment of their own successor.

Quick link



Terms of reference:
unitedutilities.com/corporate-governance

The appointment of a new chief executive officer for any company is an important decision, and a responsibility that the nomination committee must think long and hard about to ensure it appoints the best person to fit the role, the company and its culture, and meet the expected challenges ahead.

Dear shareholder

During the year, the committee has spent considerable time on improving and developing a more structured approach to executive succession planning, a need highlighted during the 2020/21 evaluation of the committee's performance. We announced on 27 April 2022 that Steve Mogford had expressed his wish to step down as CEO in early 2023, and that Louise Beardmore, customer service and people director, would be appointed as a director and CEO designate with effect from 1 May 2022. The committee engaged Lygon Group to undertake the CEO succession process, further information on the process can be found on page 133.

During his tenure as CEO, Steve has led the transformation of the group to become one of the top performers in the water and wastewater sector. Steve has championed the company's ethos of behaving as a responsible business for so many years. The committee was acutely aware that Steve's successor would need to demonstrate the same passion and commitment to ensuring the continued implementation of the group's strategic themes; providing the best service to customers; at the lowest sustainable cost and in a responsible manner. Since her appointment in 2016 as customer service and people director, Louise has spearheaded the customer initiatives on affordability and looking after the needs of vulnerable customers. She has a strong strategic mind set, and a track record of leading teams that have delivered major transformational change within regulated utility and service structures, improving profitability and delivering enhanced outcomes for multiple stakeholders. Louise is a passionate advocate of United Utilities. Suffice to say, the company and its ethos are in her DNA and she was a natural fit to succeed Steve.

Furthermore, the committee was particularly pleased that Louise will have the opportunity to work alongside Steve prior to his retirement next year.

In making the appointment, the committee took into account the importance of the CEO:CFO dynamic, concluding that Louise and Phil Aspin, with their combined skills and experience, would be a strong team, having extensive knowledge of the group, its culture and an in-depth understanding of the water sector and the regulatory framework it operates within. As was the case with Phil's appointment in 2021, Louise has been a core part of Steve's team in implementing the group's transformational journey over the last 11 years. After the rigorous external and internal appointment process, identifying Louise as the outstanding candidate, the committee was particularly pleased to promote an internal candidate to the CEO designate role, and it demonstrates the strength in the senior management team that Steve, as CEO, has developed and fostered.

The committee, as part of the planned board succession, conducted a search during the year for the appointment of a new independent non-executive director to replace Mark Clare who is approaching nine years' service on the board. Serving beyond a nine-year term for a non-executive director is identified in the code as being one of the reasons that could affect a non-executive director's independence. For this reason, we say a fond farewell to Mark, our senior independent director since 2014, at the annual general meeting in July 2022. Furthermore, Stephen Carter, chair of the corporate responsibility committee, informed the board that he would not be seeking re-election at the annual general meeting after nearly an eight-year term. We express our thanks and gratitude to both Mark and Stephen for their considerable contribution to the group. The committee's search concluded in the appointment of Liam Butterworth as an independent non-executive director in January 2022. As a serving CEO, Liam brings strong engineering and industrial technology experience to the board and his experience of managing performance will provide additional commercial focus as we embark on the 2025–30 regulatory price review process. Having grown up in the North West, he has a close affinity with our region.

As a consequence of the various board changes, the committee reviewed the membership and diversity of the board committees (more information can be found on page 133).

With Mark Clare stepping down, the committee needed to consider who among its members was best placed to succeed Mark as the senior independent director (SID). Alison Goligher was felt to be best placed to fulfil this important role. Her board colleagues recognise that she is an outstanding leader and her communication style, approach and values fit well with the ethos of the company. Furthermore, with this as her first SID role, it would provide a new challenge for Alison.

At 31 March 2022, 30 per cent of the board were female. At the conclusion of the annual general meeting in July 2022, subject to all board directors receiving the required number of votes, our board diversity policy targets will be met, namely that: at least 40 per cent of the board be female, at least one of the senior board positions be held by a female and that at least one member of the board is from a minority ethnic background.

As a collective, and with some relatively new board members among us, we are working hard to prepare for the forthcoming price review process.

Sir David Higgins

Chair of the nomination committee

Nomination committee members:



Sir David Higgins
Chair of the nomination committee



Mark Clare



Liam Butterworth



Stephen Carter



Kath Cates



Alison Goligher



Paulette Rowe



Doug Webb

Main responsibilities

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



Steve has championed the company's ethos of behaving as a responsible business for so many years."

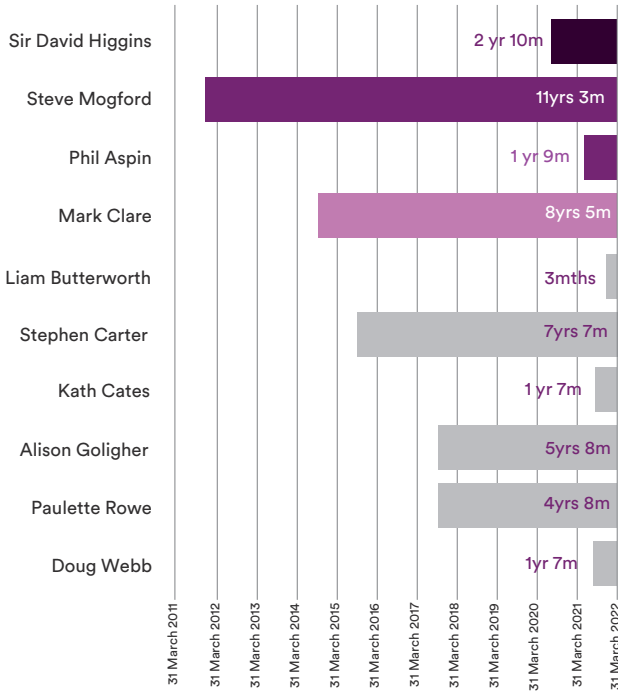


Read more about **our approach as a responsible business** on page 12



Read more about **diversity, equality and inclusion** on pages 44 to 45

Directors' tenure as at 31 March 2022



Age and gender profile as at 31 March 2022



Composition, success and evaluation



Principle J: Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The board is satisfied it has applied principle J. An explanation of the board appointment and succession planning activities can be found on pages 133 to 134 and forms our disclosure as part of provision 23, our policy on board diversity is set out below and details of the gender balance of senior management on page 134. Information on the company's approach to diversity, equality and inclusion is set out on pages 44 to 45. Our disclosure against provision 20 is on page 133.

Principle K: The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

The board is satisfied it has applied principle K. Biographies of the board can be found on pages 112 to 115. An overview of directors' areas of expertise is set out in the skills matrix on page 134 and the length of service of board members on page 132. Board biographies include our reporting against provision 18.

Principle L: Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

The board is satisfied it has applied principle L. Details of the board evaluation and disclosure against provision 23 can be found on pages 135 to 137.

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

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

What has been on the committee's agenda during the year?

Board succession

The succession planning matrix tool and skills matrix (see page 134) for board directors is used to support the planning process for board appointments. The skills matrix captures the skills and experience board directors' need as a collective, to be able to deliver the company's purpose and strategic themes. The succession planning matrix tool highlights the code governance requirements; existing directors' terms of appointment and a forecast/anticipated time frame when an individual might leave the business; the projected strategic needs of the business and resulting preferred experience of any potential new board member; existing potential internal successors to a role (where identified) and those who could act as an interim should the need arise. A candidate suitable for the role of CEO would need to demonstrate that their management approach would fit with the company's culture of behaving responsibly. The committee would seek to consult with the incumbent CEO, given his unique knowledge and perspective of the group, on his view of the needs of the business going forward. Neither the Chair nor the CEO would be involved in the appointment process of their successor.

Board succession – non-executive

In line with the board succession plan, and the approximate timescales therein, the process of the appointment of Liam Butterworth as an independent non-executive director was undertaken during the year with a view to replacing Mark Clare as he approached almost nine years on the board. The committee is supported during any non-executive director recruitment process by the customer services and people director, Louise Beardmore, as part of her human resources responsibilities. The executive search firm Lygon Group were engaged as part of the recruitment process.

Board succession – executive

As stated above, the committee sought the views of Steve Mogford on the attributes of the candidate best placed to succeed him in the CEO role, but he was not involved in the final decision. The Chair, supported by the company secretary, led the process to identify suitable candidates for the CEO role and the executive search firm Lygon Group were engaged as part of the recruitment process, having demonstrated, of the executive search firms considered, that they had the best understanding and knowledge of the group and its culture. Against the brief for the role, Lygon Group undertook the internal appraisal process for a number of internal candidates and identified a number of potential external candidates for the committee to consider. Louise Beardmore, in relation to her human resources responsibilities, had no involvement in the process other than being an internal candidate.

Other than providing executive search services on previous occasions Lygon Group have no other connection with the company.

Membership of the principal board committees

Doug Webb took over the role as chair of the audit committee and of the treasury committee when Brian May left the board in July 2021. Doug had served as a member of the audit committee since his appointment in September 2020 and chairs the audit committee at Johnson Matthey plc. Prior to his appointment as chair of the treasury committee, Doug had attended a meeting of the committee. Doug also replaced Brian as a member of the remuneration committee. On his appointment, Liam Butterworth was appointed as a member of the audit committee.



Corporate governance report
Nomination committee

Paulette Rowe, having being appointed as a member of the corporate responsibility committee during the year, will succeed Stephen Carter as the committee's chair at the conclusion of the annual general meeting.

On Alison Goligher's appointment as SID at the conclusion of the AGM she will step aside as chair of the remuneration committee, although remaining as a member of the committee, to be succeeded by Kath Cates.

The board has applied the board diversity policy to the board committees, thereby ensuring female representation on each committee.

Board diversity
The board diversity policy is to "ensure the selection process for board appointments provides access to a range of candidates.

to the board table, be it in terms of experience, skills, perspective, interests or other attributes. The selection process and application of the board diversity policy aims to attract board members whose values reflect those of the company and that of our strategic theme of behaving in a responsible manner.

As a board, the benefits of diversity and inclusion and associated benefits to the decision-making process are widely recognised and is a topic regularly discussed with major investors. When Mark Clare and Stephen Carter step down from the board at the annual general meeting, the measurable targets of at least 40 per cent female representation on the board and one director from an minority ethnic background will be met.

Skills matrix of board directors

	Sir David Higgins	Steve Mogford	Phil Aspin	Louise Beardmore	Mark Clare	Liam Butterworth	Stephen Carter	Kath Cates	Alison Goligher	Paulette Rowe	Doug Webb
Finance/accounting											
Utilities											
Regulation											
Government											
Construction/engineering											
Industrial											
Customer-facing											
FTSE companies											
Digital/technology											
ESG											
Current CEO/CFO of FTSE 350 *											
Former CEO/CFO of FTSE 350											

* Excludes UU

Non-executive director's induction programme
Since joining the board in January 2022, Liam Butterworth has spent time with members of the executive team and met with representatives from the company's advisers as follows:

- The CFO and members of the finance function and gained external perspective from representatives of the group's statutory auditor, KPMG;
- The water, wastewater and digital services director to gain an understanding of the company's operations and digital monitoring and control of the group's water and wastewater network and assets and insight into the group's IT systems;
- The company secretary to gain an understanding of the group's corporate structure, governance arrangements and associated processes and met with Slaughter and May, the group's legal advisers, to receive an external perspective on governance best practice;
- The commercial, engineering and capital delivery director to gain an understanding of the group's capital delivery programme and, in particular, insight into the Haweswater Aqueduct Resilience Programme;
- The customer services and people director to discuss the actions undertaken by the business to improve services to customers, and along with the director of health, safety, wellbeing and estates, a number of topics in relation to the group's employee agenda were discussed;
- The strategy, policy and regulation director and the director of environment, planning and innovation to discuss the requirements of the economic and quality regulators; and
- The corporate affairs director to gain an understanding of the group's engagement with political stakeholders.

Evaluation of the effectiveness of the board, board committees and individual directors

An annual evaluation of the board, its committees, the Chair and the individual directors is conducted as recommended by the code. This year the evaluation was facilitated internally by the company secretary, in consultation with the Chair and the board committee chairs.

Overall, the self assessment evaluation completed by the directors and others attending and supporting the board committees, concluded that the board and its committees functioned well, were well chaired and the position was positive.

Internally facilitated self-assessment evaluation process

1 Questionnaires
The evaluation was based on the completion of questionnaires (including questions to be scored and free text questions) by board members assessing both the performance of the board and each of its principal committees, as well as that of the Chair.

Board members were also asked to provide a view on how well the actions identified in the 2020/21 evaluation had been addressed.

In addition to board members, other members of the executive team and representatives of external advisers who regularly attend and support the committee meetings were asked to participate in the evaluation process.

2 Appraisal

The results were collated by the company secretary.

3 Consultation

The results were then shared and reviewed with the Chair and each of the chairs of the relevant committees and presented at a meeting of the relevant committee and discussed. The results of the board evaluation were presented to the board for discussion.

The Chair reviewed the performance of the individual directors.

Mark Clare, as the senior independent non-executive director (SID) led the review of the Chair. He held a discussion with the non-executive directors without the Chair present. The SID also discussed the Chair's performance with the CEO and CFO. Detailed feedback was provided to the Chair.

4 Evaluation and actions

The conclusions of the evaluation were reached and actions identified as set out on page 136.



Stock Code: UU.

A summary of the review of the responses of the self-assessment questionnaire process is set out below:

2021/22 areas of assessment	Commentary and actions
Strategic oversight	Responses indicated the need for the board to be kept aligned with progress and developments on the PR24 plan; and ensuring board members understood the strategic drivers of the group's various regulators and focused on climate change and improving asset resilience.
Board composition, dynamics and expertise	It was felt there was an appropriate mix of skills and experience with members drawn from a range of backgrounds. The diversity among the personalities provided a good mix, and there was a good dynamic between members. Meetings were generally conducted in a way that encouraged open communication and the proper resolution of issues.
Board agenda	Responses indicated there was a good coverage of the items of strategic importance, but board time must be made sufficiently available to consider strategic matters where non-executive directors could add most value.
Managing risk	Risk was considered to be well managed and the board had a clear overview of the principal risks. Deep dives on risk topics (see pages 121 to 123) provided during the year had been particularly well received.
Support and information	Respondents felt meetings were well chaired and the board arrangements and administration provided by the company secretary and his team were effective. Views were sought on the use of virtual meetings, with the consensus being that, whenever possible, board members and key contributors should be present either all virtually or all face to face. From time to time, it would be satisfactory for guests attending for just a short section of the meeting to attend virtually.
Committees	<ul style="list-style-type: none">Audit committee: there was a good balance in meetings over in-depth discussions and time management. More focus on risk management, processes and controls would be beneficial and on the growing importance of non-financial/ESG reporting.Remuneration committee: the committee worked well with all views being heard and debates focused and inclusive. The committee should ensure any future ESG metrics were understood and incorporated in a meaningful way into the new directors' remuneration policy and long-term plan.Nomination committee: there was a good level of debate and discussion, and it would be helpful to expand discussion on all aspects of diversity of any potential candidates. Improved focus on long-term succession planning was needed along with ensuring talent management and retention of senior management was debated.Corporate responsibility committee: given the broad range of ESG activities within the committee's remit, respondents felt the committee should focus on the areas where it could add greater value and link in with the PR24 process.Treasury committee: respondents felt the committee should continue to test the existing policies to ensure they remained relevant and consider the treasury-related challenges of PR24.
Individual directors	<p>The responses from the questionnaires completed by each director assessing their own effectiveness were reviewed by the Chair. Individual directors were asked, among other things, to identify how they could improve their overall contribution to the board and its committees and if they had any skill or knowledge gaps that could be addressed. The following were identified: to attend more site visits and interactions with specific areas of the business and more interaction and engagement opportunities with the senior management team and employees.</p> <p>The review supported the view that all the directors were considered to be contributing effectively to the board and all demonstrated the expected level of commitment to their roles.</p>
Chair	<p>The responses from the questionnaires completed by each director assessing the Chair's performance were reviewed by the senior independent director (SID) and discussed at a session with the non-executive directors without the Chair present. The SID also discussed the Chair's performance with the CEO and CFO. Detailed feedback was provided to the Chair.</p> <p>It was concluded that the Chair had fulfilled the expected commitment to the role and was an effective leader of the board.</p>

2020/21 evaluation recommendations	Actions taken during 2021/22
Greater visibility of the people skills, characteristics and diversity for the future needs of the business along with enhancing the oversight of culture.	Resourcing strategies, where appropriate, are being adapted to address emerging risks around resourcing and skills particularly in entry level and digital and technology roles and in building robust early careers talent pools.
Provide more opportunities to consider IT security and other emerging risks.	The board received two specific updates on information technology and operational technology security activities and matters concerning cyber security regulation and legislative compliance.
Nomination committee: develop a more structured approach towards the executive succession pipeline.	The committee has spent considerable time on improving and developing a more structured approach to executive succession planning.
Remuneration committee: consider the employee's perspective on how remuneration and wider policies align with the group's values and impact culture.	Through its engagement with the employee voice panel, including when consulting with stakeholders on the proposed remuneration policy, the committee was able to consider how the executive remuneration approach was perceived by employees, and the extent to which the principles cascaded through the company. See page 183 for details on the cascade of remuneration through the organisation.
Audit committee: provide better insight on how the key risk and control functions operated together.	Progress made in this area in particular in relation to the joint project between the risk and control functions to update the RADAR system and the fraud risk management review (see page 154).
Corporate responsibility committee: ensure the focus on areas where the committee could add greatest value to the ESG debate and seek more feedback from the board on its activities.	The committee concluded that its role was to ensure that the PR24 submission was aligned with the group's purpose and that its contents focused on, for example, carbon, resilience and affordability.

Ongoing board development and training

Board directors regularly receive updates to improve their understanding and knowledge about the business and, in particular, its regulatory environment. As part of the individual director's element of the board evaluation exercise, directors are asked to identify any skills or knowledge gaps they would like to address. Directors made a number of suggestions, as set out on page 136.

Consideration of ESG issues are fundamental to the way in which we operate as a responsible business at United Utilities; such matters are central to board discussions (see the summary of board activity on pages 121 to 123 and the report of the corporate responsibility committee on pages 156 to 159). The board's approach to these matters is reflected in our strategic themes, and our corporate culture of behaving in a responsible manner as reflected throughout the strategic report. Through presentations and discussions with representatives of YourVoice, the independent customer challenge group, whose role is predicated on protecting customer interests in how the group goes about its business, the board is kept informed of customer, in-region environmental affairs and social matters.

In addition to this less formal approach to board development, during the year the board received briefings from both Slaughter and May (legal and governance matters) and KPMG (governance changes relating to reporting requirements), along with a number of other advisers. Non-executive directors completed an in-house online training course on water quality awareness. A number of board members attended events organised by Ofwat for non-executive directors.

Our non-executive directors are conscious of the need to keep themselves properly briefed and informed about current issues and to deepen their understanding of the business. During the year, Alison Goligher has again chaired the Employee Voice panel as part of the ongoing work to ensure the board has a direct link to understanding the views of employees

(see page 126) of the business. Paulette Rowe has contributed to the work on diversity, equality and inclusion (see pages 44 to 45).

Induction of new non-executive directors

An induction programme is arranged for new non-executive directors. The programme for Liam Butterworth is set out on page 135. On joining the board, non-executive directors would meet members of the operational teams and visit some of the key operational sites and capital projects to ensure they get a first-hand understanding of the water and wastewater business. New directors receive information on the key duties of being a director of a regulated water company. They are required to meet with representatives of Ofwat prior to appointment.

Wider succession pipeline and talent management

For a number of years, the group has had a written succession plan for the executive directors and other members of the executive team, which includes outline timescales. The plan was developed further during the year and a more structured approach adopted towards the executive succession pipeline. The plan identifies an interim internal successor to fill a role in the short term should the need arise, and the longer-term development needs of potential successors to be able to fulfil a role on a more permanent basis. As with all board appointments, in aiming to appoint the best person to fulfil a role, it would be common when recruiting for a senior role, for an external search to be conducted alongside an internal candidate recruitment process.

Any changes that are required to the profile of the management team to reflect the changing needs of the business are considered by the board in the executive succession plan. Succession and development initiatives for senior executives include executive mentoring and coaching and/or participating in an executive business school programme, as appropriate. Leadership development centres have been delivered to identify and validate potential for future director and senior leader positions and develop a number of

➔
Read more about
our apprenticeship
schemes on page 63

➔
Read more about
our employees
on pages 60 to 62

role-ready diverse candidates to provide the group with leadership capacity in an increasingly complex environment. Senior managers are encouraged to take on a non-executive directorship role as part of their personal development, but it is recognised that this is very much a personal commitment for each individual. The current talent programme at a senior level is well embedded and we believe a non-executive appointment for senior managers provides an excellent opportunity for both personal and career development, and is a way of gaining valuable experience that may be applied at United Utilities so long as no conflicts of interest occur.

During the year, board directors had a number of opportunities to meet with members of the executive team, both formally when senior managers were required to present at board meetings on matters related to their responsibilities, and on more informal occasions.

Our graduate and apprentice programmes are thriving and from time to time, board members have the opportunity to attend events and meet with members of these programmes and other employees identified as potential talent within the business.

Historically, our industry has been male dominated, but measures are in place to increase diversity in broad terms among our employees (see pages 44 to 45). At present fifty per cent of our executive team (excluding the CEO and CFO) is female, as yet there is no ethnic diversity among the team. The gender balance of the direct reports of the executive team is 65 per cent male and 35 per cent female, representation of ethnic minorities is 3 per cent. Gender pay data can be found on page 44.

Along with the wider employee population, we continue to work towards improving the diversity of our succession pipeline as part of our ongoing diversity and inclusion plans.

Financial oversight responsibilities of the board

Audit, risk and
internal control

4

Principle M:
The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Our application of principle M is formalised in our non-audit services policy and terms of engagement with the auditor as agreed by the committee. The head of internal audit and risk reports to the committee and to the CFO but only on a functional

basis, thereby ensuring a direct line of communication between internal audit and the committee. In accordance with provision 25, an explanation of the independence and effectiveness of the external audit process can be found on pages 148 to 149, and the reappointment of the statutory auditor on page 150. The board considered and was satisfied on the integrity of the financial and narrative statements, as advised by the audit committee in accordance with DTR 7.1.3(5).

Principle N:
The board should present a fair, balanced and understandable assessment of the company's position and prospects.

We have applied principle N, as confirmed by our disclosure against provision 27, which can be found on page 198 and is supported by our disclosure against provision 25 on pages 147 to 148.

Principle O:
The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Our risk management framework and principal risks are on pages 100 to 109. Further information on the company's internal audit function and controls can be found on pages 153 to 154 and together set out our application of principle O.

Board's responsibility for financial oversight

One of the fundamental roles of the board is to oversee the financial performance of the business. The board is supported in this role by the audit committee whose activities are described on pages 143 to 154. The board reviews the financial performance of the company at every scheduled board meeting, receiving a report from the CFO which provides the board with the up-to-date position of the consolidated financial statements, interpretative analysis and other key performance indicators, metrics and ratios. The board takes into account the review by the audit committee of the financial and narrative statements, and the auditor's views on the key risks and judgements identified and given particular focus in their audit work and set out in their report (see pages 202 to 209), and the information and explanations provided by management in relation to their key judgements and adjustments to APMs (see page 82). The board considered the review and assurance process undertaken by management, and considered by the audit committee to support the application of principle N. The board concluded that in the 2021/22 annual report and financial statements it had presented a fair, balanced and understandable assessment of the company's position and prospects, and the board was satisfied on the integrity of the financial and narrative statements. Furthermore, the board approved the accounts and provision of the directors' responsibility statement at its meeting on 25 May 2022, see page 198.

Oversight of financial aspects of ESG
ESG, and behaving responsibly, has been a long-term commitment and part of the board ethos for many years and is embedded throughout the business. It naturally flows through into the board's approach to the integrity of the group's financial reporting. Recognising that climate change is a key risk to the group's provision of water and wastewater services (see page 102), 2021/22 is the third year that the group has reported against the TCFD recommendations. As part of the processes supporting the provision of the 'fair, balanced and understandable' statement, the board took into account the existing processes of review and assurance of the TCFD and wider narrative reporting. Management reviewed the assurance processes relating to narrative reporting and ESG matters, particularly those relating to TCFD reporting, and determined that the levels of assurance provided by the combination of the work by internal audit and of the various third parties was satisfactory at this time – a stance endorsed by the audit committee. The TCFD report addresses the TCFD recommendations and includes, for the second year, scenario analysis (see page 92). Inclusion of climate-related information in accordance with the TCFD is mandatory for the company in its 31 March 2023 annual report.

Board's approach to risk management and internal control

The board discharges its responsibility for determining the nature and extent of the risks that it is willing to take to achieve its strategic objectives through the risk appetite framework. As a key part of the risk management framework, risk appetite (see page 100) captures the board's desire to take and manage risk relative to the company's obligations, stakeholder interests and the capacity and capability of our key resources.

The board is responsible for ensuring that the company's risk management and internal control systems are effectively managed across the business and that they receive an appropriate level of scrutiny and board time. The risk profile is reviewed in conjunction with the full and half-year reporting cycle alongside deep dives and routine performance reviews.

The group's risks predominantly reflect those of all regulated water and wastewater companies. These generally relate to the failing of regulatory performance targets or failing to fulfil our obligations in any five-year planning cycle, potentially leading to the imposition of fines and penalties, in addition to reputational damage. Climate change is a causal risk theme that underpins our core operations and provision of water and wastewater services to customers (see page 102).

Review of the effectiveness of the risk management and internal control systems

During the year, the board reviewed the effectiveness of the risk management systems and internal control systems, including financial, operational and compliance controls. Taking into account the principal risks and uncertainties set out on pages 100 to 109, the ongoing work of the audit committee in monitoring the risk management and internal control systems (see pages 153 and 154) on behalf of the board, (and to whom the committee provides regular updates), the board:

- was satisfied that it had carried out a robust assessment of the emerging and principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; and

