

Board leadership and company purpose

1

Principle A:

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

We set out our application of principle A and provision 1 on pages 118 and 119, our reporting against risk as part of provision 1 on pages 100 to 109. The S172(1) Statement is on page 40.

Principle B:

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The board is satisfied it has applied principle B - see page 16. See pages 125 to 126 and 183 for our reporting against provisions 2 and 5.

Principle C:

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Application of principle C to identify the resource within the business is delegated to management, but monitored by the board through the measurement of performance. See page 137 regarding our succession pipeline, and page 139 for the board's approach to risk management and internal control.

Principle D:

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Engagement of stakeholders fulfilling the application of principle D, and our reporting against provision 3 is set out on pages 127 to 128 in relation to our engagement with shareholders and stakeholders.

Principle E:

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

The board recognises the importance of a two-way flow of communication and the

importance of employees having the facilities to raise matters of concern. See pages 30, 60 and 126 to 127 in relation to engagement with employees for our reporting against provisions 5 and 6.

Providing great water and more for the North West

Embedding our purpose

Board members, individually and collectively, are cognisant of their statutory duties as set out in the Companies Act 2006 (the Act). In accordance with section 172 of the Act, directors are individually required to act 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. In doing so, the directors must have regard to the likely consequences of any decision in the long term and the interests of, among other matters, employees, customers, suppliers, the community and the environment, and on the company's reputation. By virtue of the long-term nature of the water and wastewater industry, thinking about our stakeholders is an integral part of our decision-making process and underpinned by our regulatory contract. The board's 2021/22 S172(1) Statement can be found on page 40, and provides examples of how our purpose is embedded in board decisions.

Incorporating sustainability in our stewardship along side creating value

Long-term sustainability is a key component of the way in which the board manages the business. With many parts of the water and wastewater network across the North West built over 100 years ago, the board continues to apply the ethos of sustainability and building assets that last, and, crucially, operate efficiently and effectively to serve customers' needs. The group's planning horizons can be found on pages 46 to 49. During the year, the board held deep-dive sessions to consider the group's Water Resources Management Plan and its Drainage and Wastewater Management Plan. Sustainability and environmental protection drivers underpin both these plans.

Set out on page 22, as part of our business model, is how value is created for our shareholders and other stakeholders in a sustainable manner. The board's governance approach, its culture and the way it operates the business is to behave responsibly towards all of the group's stakeholders.

Being a guardian for future generations

Environmental issues are high on the list of matters considered by the board. The corporate responsibility committee takes the lead in overseeing management's development of our climate change mitigation strategy, and reports regularly to the board on the matter. Plans are progressing to drive the group's transition to a low carbon future by minimising our contribution to global warming through a reduction in our carbon emissions. Carbon has been incorporated as a factor to be considered in:

- our investment appraisal and decision-making processes;
- our land management practices to enhance/improve natural capital;
- the innovation that we encourage both within our operations and through working with our partners and suppliers; and
- our implementation of a 'circular' mindset.

The board is kept fully informed by management on the impacts of climate change from an operational perspective. Extreme weather events impacting our region and our operations in recent years are increasingly common. When such incidents occur,

the CEO keeps board members fully apprised of the impact on operations via virtual meetings and other forms of communication. The board would be informed of any material points of learning identified in the post-incident review process, and progress with the implementation of material actions. Our reporting against TCFD can be found on pages 86 to 94.

Improving river health and recreation

During the year, the board has been fully engaged in considering the criticism aimed at the group for its part in the health of some of the rivers in our region. This criticism has also been widely made in relation to a number of other companies operating in the wastewater sector. The sewerage network in the North West carries sewage and rainwater. Storm overflows are incorporated into the wastewater network to help to prevent the flooding of streets, homes and businesses during periods of heavy rainfall. When sewers and treatment plants are operating at full capacity they can spill storm water (including diluted sewage) into rivers via the storm overflow. The board has committed to £230m in environmental improvements, 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.

Working with our regulators

Ofwat has introduced a new approach for major capital construction projects, namely Direct Procurement for Customers (DPC). The group's first project that has been approved for procurement via the DPC method is the Haweswater Aqueduct Resilience Programme (HARP), which the board considered during the year. The information currently available 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 by progressing HARP through a DPC procurement process. Given the importance of this asset to the business, this decision is included in the statement by the directors in performance of their statutory duties in accordance with S172(1) of the Act and set out on page 40.

Diversity, equality and inclusion

The board recognises the need to recruit and retain fantastic people to enable the delivery of a great service as part of the long-term sustainable success of the business. Good progress has been made on the journey to drive forward diversity, equality and inclusion within the business, as evidenced by the findings of the specialist inclusion partner who conducted a progress review during the year, observing that there was now much greater recognition of the strategic importance of diversity, equality and inclusion within the business with 'great progress in all audited areas', since their initial engagement in October 2020. Further information on diversity, equality and inclusion can be found on pages 44 to 45. Furthermore, as part of the board diversity policy (see page 133) the 'tone from the top' by the Chair has been set, by including the requirement for an inclusive and belonging environment being fostered in the boardroom encouraging open and frank contributions from all board members.

Delivering against our regulatory contract

Under the current regulatory model, we are a monopoly supplier of water and wastewater services to our domestic customers. Simplistically, the opportunities for improving our financial performance are based on outperforming our five-year contract. Underlying this is



Overview of the board's responsibilities

- Sets the strategy of the group, ensuring the long-term success of the group for customers, investors and wider stakeholders.
- Is responsible for challenging and encouraging the executive team in its interpretation and implementation of how it manages the business, and that it is doing so in accordance with the strategic goals the board has set.
- Has responsibility for ensuring the company's internal control systems (including financial, operational and compliance) and processes are sound and fit for purpose (see pages 154 to 155).
- Must ensure that the company has the necessary financial resources and people with the necessary skills to achieve its objectives. It reviews managerial performance annually.
- Approves appointments to and removals from the board and membership of the committees.
- Applies the principles of the code and reports against the provisions.
- Has oversight of major capital expenditure projects within UUW that exceed £150 million, and any project which materially increases the group's risk profile or is not in the ordinary course of the group's business.

Quick link



Terms of reference: unitedutilities.com/corporate-governance

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a complex set of regulatory key performance indicators, including total expenditure (totex) outperformance, the outcome delivery incentive (ODI) mechanism, customer measure of experience (C-MeX) and financing expenditure (see pages 50 to 83) which are managed and monitored by the business.

Governance structure for the board and its committees

The board has responsibility for establishing the strategy, which is broken down into the three strategic themes. The governance structure encompassing the board, its principal committees and the principal management committees (and set out in the diagram below) contributes to ensuring that the group focuses on its strategic themes.

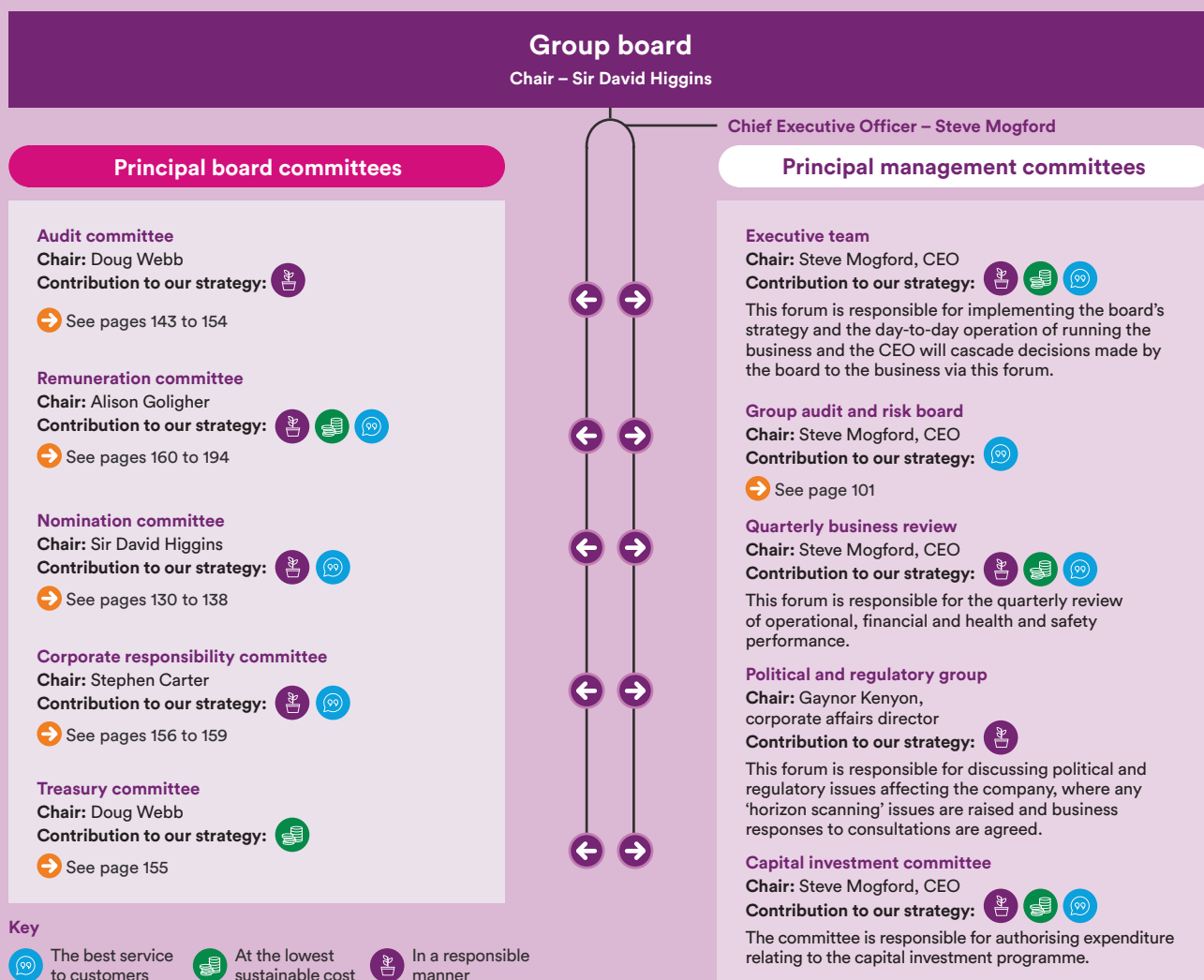
In line with the code, the board delegates certain roles and responsibilities to its principal board committees. While the board retains overall responsibility, a sub-committee structure allows these committees to probe the subject matters more deeply and gain a greater understanding of the detail. The committees then report back to the board on the matters discussed, decisions taken, and, where appropriate, make recommendations to the board on matters requiring its approval. The reports of the principal board committees required by the code can be found on the subsequent pages. Minutes of the board and principal

board committee meetings (with the exception of the remuneration committee) are tabled at board meetings and the chairs of each of the board committees report verbally to the board on their activities. The Chair chairs the nomination committee; all other principal board committees are chaired by independent non-executive directors who have particular skills or interests in the activities of those committees.

The executive team is chaired by the CEO, and its members are the senior managers who have a direct reporting line to the CEO. The executive team meets monthly. It is responsible for the day-to-day running of the business and other operational matters and implementing the strategies that the board has set. The diagram below shows the principal management committees and a brief description of their roles. These committees are vital to the implementation of the group's strategic themes, enabling senior management to meet together to discuss the needs of the business, raise issues, identify and delegate appropriate actions, and monitor progress. The board receives reports providing an updated overview of the business, and its financial and operational performance at every scheduled meeting,

Short biographies of the executive team can be found on the company's website at unitedutilities.com/executive-team





































Governance structure of the board and its principal committees and the principal management committees






































Summary of board activity in 2021/22

Actions	Outcomes	Cross reference	Link to strategic themes
Leadership and employees			
Review of health, safety and wellbeing activities and consideration of health and safety incidents of employees and contractors.	Continued focus on the 'home safe and well' programme embedding a health and safety culture within the business, with added focus being placed on process safety improvements at operational sites.	See pages 60 to 62	
Review of board succession plans.	Succession plans for the appointment of a CEO designate and a non-executive director during the year and approved changes to the membership of the board committees.	See pages 130 to 134	
Reviewed progress with our aspiration for a diverse and inclusive workforce.	Board kept apprised of programme of work to increase diversity of the workforce and improve inclusivity, with progress independently assessed.	See pages 44 to 45	
People deep-dive session.	Provide the board with an in-depth view of the group's comprehensive people plan focusing on optimising next ways of working; accelerating digital capability; rewarding for outcomes; improving change and leadership capability; talent management and the effective employee experience.	See pages 60 to 62	
Reviewed and discussed the results of the annual employee engagement survey and received updates on employee voice workforce engagement mechanisms, including the Employee Voice panel chaired by Alison Goligher, the non-executive director designated for engagement with the workforce.	Board kept informed of the activities and insight provided by the Employee Voice panel and its links to the employee network groups, and the panel's contribution to the work on diversity and inclusion and the 'next ways of working' project.	See page 126	
Reviewed the company's dashboard of culture metrics and associated analysis.	Monitored and assessed culture and agreed it was aligned with the company's purpose, values and strategy.	See page 125	
Strategy			
Reviewed and monitored the progress against the climate change mitigation/carbon reduction strategy.	Board apprised of the maturing governance structures and options being considered to reduce the group's carbon footprint.	See pages 86 to 97	
Price Review 2024 (PR24) deep-dive session – developing strategy for PR24 relating to customers, stakeholders and financial matters. Discussed the timeline for PR24 and the overlap with related price review submissions, including the Drainage and Wastewater Management Plan, the Water Resources Management Plan and the Water Industry National Environment Plan.	Provided the board with an in-depth view on the price review process to facilitate the provision of strategic guidance.	See pages 48 to 49	
Received regular updates at each meeting of items with a strategic component, such as emerging changes to regulation, major capital expenditure and business structuring decisions.	Facilitated more informed board discussion and planning.	–	
Bioresource, energy and carbon deep dive session.	Provided an in-depth review of progress to develop a northern hub for sewage sludge treatment and consideration of the non-appointed business strategy for the bioresources market and reviewed the bioresources asset strategy.	See pages 95 to 97	
Held a full day meeting to consider the strategic development of the group and its long-term priorities.	In-depth review of the Haweswater Aqueduct Resilience Programme and Direct Procurement for Customers approach, water and wastewater strategy and the 2025–30 price review.	See page 40	

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Actions	Outcomes	Cross reference	Link to strategic themes
Governance			
Reviewed and debated the overall risk profile of the group, and in particular the principal risks, emerging risks and risk appetite, including a review of the most significant operational risks.	Endorsed the nature, extent and management of key business risks and endorsed the view that the risk appetite approach and framework remained fit for purpose.	See page 100	  
Reviewed the risk management systems, including financial, operational and compliance controls and reviewed the effectiveness of the internal control systems.	The risk management and internal control systems were considered to be effective.	See page 139	  
Reviewed and discussed developments in cyber crime.	Approved the activities undertaken to enhance the effectiveness of the group's security controls.	See page 107	 
Reviewed the terms of reference for the audit, remuneration, treasury and corporate responsibility committees and received post-meeting reports from the chairs of each committee summarising discussions and actions.	Approved amendments to the terms of reference of the company's committees as appropriate.	–	 
Reviewed biannual updates on changes and developments in corporate governance.	Matters implemented as considered appropriate.	–	
Reviewed and discussed the internal evaluation of the board, its committees and individual directors and conflicts of interest.	Identified action points and any ongoing training needs.	See page 136	
Reviewed the performance of the statutory auditor and recommendation for reappointment at the 2022 AGM.	Accepted the recommendation from the audit committee that KPMG be reappointed at the 2022 AGM.	See page 150	 
Reviewed the resolutions and notice of meeting for the 2022 AGM.	Approved the resolutions to be proposed at the AGM, and convened the AGM.	See page 197	
Reviewed the approach and progress of work to identify areas where there is any risk of modern slavery occurring in our supply chain.	Approved the 2022/23 slavery and human trafficking statement.	See page 197	 
Reviewed the effectiveness of the whistleblowing policies and processes and incidents under investigation and noted the activities within the business to prevent and detect fraud.	Concluded that the whistleblowing policies and processes were effective and noted the activities within the business to protect and detect fraud.	See pages 127 and 154	 
Reviewed the BEIS consultation on 'Restoring trust in audit and corporate governance'.	Approved the submission of the group's response to the BEIS consultation.	See page 151	
Considered the impact of the Russian invasion of Ukraine on the supply chain.	Sought to mitigate the impact on the supply chain and source alternative suppliers where possible.	See page 109	 
Regulated business and its stakeholders			
Regular review of the progress of the Direct Procurement for Customers (DPC) approach and readiness of UUW as part of the project to replace sections of the Haweswater Aqueduct.	Board 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 UUW board approved the submission of the Outline Business Case to Ofwat under DPC.	See page 40	  
Water resources deep dive.	Provided an in-depth view of the strategy for managing water resources and consideration of the opportunities to deliver new sources along with the planning process for the Water Resource Management Plan.	See page 48	  
Reviewed customer service performance measures.	In-year customer performance measures monitored against regulatory targets.	See page 58	  
Drainage and Wastewater Management Plan deep dive.	Provided an in-depth review of the submission and the opportunity for the board to challenge management's approach and provide strategic guidance prior to submission of the plan in June 2022.	See page 48	  
Considered the final capital sanction to close out the West Cumbria supplies project to provide a long-term sustainable water supply to customers on the west coast of Cumbria.	Approved the final capital sanction.	See page 33	  

Actions	Outcomes	Cross reference	Link to strategic themes
Other group business			
Considered the opportunities to dispose of United Utilities Renewable Energy Limited (UURE) and its non-regulated renewable asset portfolio.	Endorsed the marketing of UURE for sale.	See page 152	 
Considered the consolidation of credit support in the form of guarantees to Water Plus to comply with the requirements of the Wholesale-Retail Code.	Approved the consolidation of credit support facilities, aligning with those provided by Severn Trent, the joint venture partner.	See page 256	  
Shareholder relations			
Received and discussed a presentation by Rothschild Investor Advisory on investors' views and perceptions of the group in relation to, among other things: strategy; the group's unique selling proposition; performance; and how the company compares with other listed water and wastewater companies.	Provided the board with an indirect view of investor perceptions.	See page 127	  
Regularly received and discussed feedback from roadshows, presentations and face-to-face meetings between investors and the Chair, CEO and/or the CFO and other communications received from large investors.	Provided the board with a direct view of investor perceptions and provided a point of comparison with the indirect approach.	See page 127	  
Financial			
Reviewed the 2020–25 business plan and the 2022/23 budget.	Noted the 2020–25 business plan and approved the 2022/23 budget.	–	  
Reviewed and approved the half and full-year results and associated announcements and applicable dividend payments.	Approved the half and full-year results and associated announcements and considered and approved the interim and final dividend payments to be paid to shareholders.	–	  
Reviewed management's proposed going concern and long-term viability statement.	Approved the going concern and long-term viability statement.	See pages 140 to 142	  
Reviewed tax policies and objectives proposed by management for 2021/22.	Approved tax policies and objectives for 2021/22.	See page 192	  
Reviewed the annual pensions update.	Pensions strategy affirmed and endorsed the preferred methodology for Guaranteed Minimum Pension equalisation.	See page 232	  
Reviewed the annual treasury update.	Approved the treasury policies; the group's funding requirements for the year and the potential sources to meeting these funding requirements; and managing the group's interest rate and other market risk exposure.	See page 155	  
Reviewed the annual insurance programme for 2022/23.	Approved the annual insurance programme for 2022/23.	–	  
Reviewed progress with material litigation involving the group.	Strategy to defend claims robustly affirmed.	See page 109	  

Key

The best service to customers



At the lowest sustainable cost



In a responsible manner

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Attendance at board and committee meetings

Eight scheduled board meetings were planned and held during the year (2021: eight). A number of other board meetings and telephone conferences were held during the year, as the need arose. The table below shows the number of scheduled meetings attended and the maximum number of scheduled meetings that the directors could have attended. Only in exceptional circumstances would directors not attend board and committee meetings. Similarly, every effort is made to attend ad hoc meetings either in person or via the use of video or telephone conferencing facilities if needs be. None of the non-executive directors has raised concerns over the time commitment required of them to fulfil their duties. Scheduled meetings are normally

held face to face, but due to the COVID-19 restrictions impacting the early part of the year, meetings were held virtually.

On the evening before most scheduled board meetings all the non-executive directors meet either by themselves, or together with just the CEO, or with the entire board and the company secretary. This time is usefully spent enabling board members to build a rapport with each other and a relationship on a personal level, share views and consider issues impacting the company, resulting in better board dynamics and decision-making. In the early part of the year, due to the COVID-19 restrictions, these informal pre-board meeting sessions were held virtually.

	Board meetings ⁽¹⁾	Audit committee	Remuneration committee	Nomination committee	Corporate responsibility committee	Treasury committee
Sir David Higgins	8 8			6 6		
Steve Mogford	8 8				4 4	
Phil Aspin	8 8					3 3
Mark Clare	8 8		5 5	6 6		
Liam Butterworth	1 ⁽²⁾ 1	1 ⁽²⁾ 1		2 ⁽²⁾ 2		
Stephen Carter	8 8	3 ⁽³⁾ 4		4 ⁽³⁾ 6	4 4	
Kath Cates	8 8		5 5	6 6		
Alison Goligher	8 8		5 5	6 6	4 4	
Brian May	4 ⁽⁴⁾ 4	1 ⁽⁴⁾ 1	2 ⁽⁴⁾ 2	1 ⁽⁴⁾ 1		1 ⁽⁴⁾ 1
Paulette Rowe	8 8	4 4		6 6	1 ⁽⁵⁾ 1	
Doug Webb	8 8	4 4	3 ⁽⁶⁾ 3	6 6		2 ⁽⁶⁾ 2

● Meetings attended ● Possible meetings

(1) Actual number of meetings attended/maximum number of scheduled meetings which the directors could have attended during the financial year ended 31 March 2022.

(2) Liam Butterworth was appointed to the board and as a member of the audit committee and the nomination committee on 1 January 2022.

(3) Stephen Carter was unable to attend one meeting of the audit committee and two meetings of the nomination committee due to other commitments.

(4) Brian May stepped down from the board at the AGM held in July 2021.

(5) Paulette Rowe was appointed as a member of the corporate responsibility committee with effect from 26 October 2021.

(6) Doug Webb was appointed as chair of the audit committee, as a member and chair of the treasury committee and as a member of the remuneration committee on Brian May stepping down from the board in July 2021.

Purpose, vision, values and culture

Our purpose is to provide great water and more for the North West. Our vision is to be the best UK water and wastewater company through providing the best service to customers, at the lowest sustainable cost and in a responsible manner. In setting the company's purpose, the board took into account information and views from stakeholders, utilising much of the research and engagement that contributed to our 2020–25 business plan submission and feedback obtained from customers as part of the company's brand refresh undertaken during 2019/20. For the year ended 31 March 2022, the board is satisfied that the formulation of our aspirations in terms of our purpose, values and culture have been informed by our stakeholders and we operate our business in such a way that will create long-term value for all.

Our values demonstrate how we behave individually and collectively as the board and how we ask our employees to behave. Our employees are fundamental to delivering our strategy and achieving our purpose. Our values of being customer focused, trustworthy and innovative underpin our culture of behaving as a responsible business in the way we interact with all the stakeholders we serve. We must continually reinforce these values so that the right behaviours cascade throughout the organisation, ensuring our culture of behaving responsibly drives what we do.

Monitoring our culture

Throughout the organisation, our culture is monitored to ensure behaving responsibly drives what we do. Key to this is taking action to address any issues where there is misalignment with the company's culture.

We are pleased to have received external validation of our approach to monitoring culture, featuring as a best practice case study with the Financial Reporting Council 'Creating Positive Culture Opportunities and Challenges Report', December 2021. A recent independent audit found our approach to be a "pragmatic and effective model" for supporting the board in their role of monitoring and assessing culture and a "useful framework for driving improvements and interventions" (PwC, February 2021).

01

Dashboard of cultural metrics

In addition to the existing reporting, management has developed a dashboard of cultural metrics, providing a comprehensive overview to support the board in fulfilling its role in monitoring and assessing culture.

The dashboard comprises relevant metrics derived from: the annual employee engagement survey; human resources policies in relation to diversity, equality and inclusion along with associated training; whistleblowing reporting; health, safety and wellbeing policies and practices; and other key performance indicators relating to how we behave as a responsible business. During the year, the United Utilities culture model was developed as set out below.

02

Existing reporting structures for discussion

There are a number of existing reporting structures that allow these cultural metrics to be measured, discussed and challenged by the board and its committees, many of which are regularly provided to the board at its scheduled board meetings.

03

Alignment with purpose, values and strategy

The board was satisfied that policies, practices and behaviours within the business were aligned with the company's purpose, values and strategy.

United Utilities culture model



- We have agreed four categories which are key for setting our culture – people, values, strategy and purpose.
- There is a supporting dashboard of cultural metrics, many of which are presented and considered by the board and its committees throughout the year.
- We have separate board updates on our Employee Voice panel to share the 'lived experience' of employees, together with an update on our annual employee opinion survey.

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Read more about **our employees** on pages 60 to 63



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

Listening to our employees

Our employees are at the heart of the culture of our business and their 'lived experience', is a key part of the board's assessment and monitoring of culture. Alison Goligher, the current designated non-executive director for engagement with the workforce, facilitates two-way dialogue between the board and employees. There is an open invite to all board members to attend meetings of the panel and during this year, Sir David and Kath Cates have participated and answered questions from panel members on board strategy.

Alison chairs the Employee Voice panel (the panel) formed from representatives of a number of employee groups and employee networks from within the business and with representatives drawn from across the geographical region. Alison has met the panel virtually four times throughout the year. In order to ensure two-way communication, Alison provides updates to the panel from the perspective of the board and its committees, and similarly she provides feedback to the board on the work of the panel. Alison also has regular meetings with senior trade union representatives as part of the agreed panel approach.

The panel has adapted its approach during the pandemic and moved from face-to-face and site meetings to

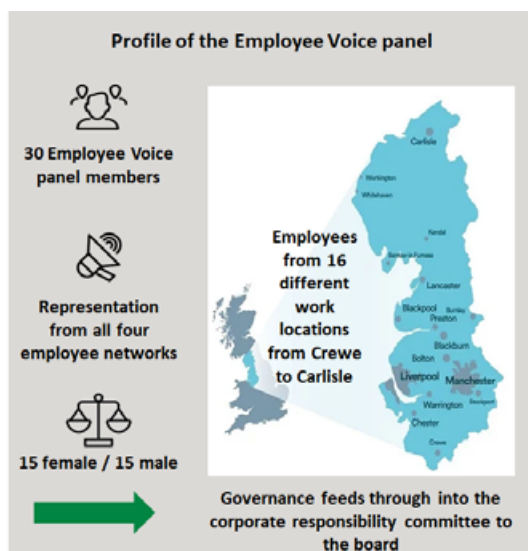
virtual meetings. These have proved popular with panel members, particularly field-based operational staff who find it much easier to attend virtually than travel from their operational sites. There are 30 members of the panel and membership rotates approximately every two years.

The panel has been provided with business updates and information sessions to broaden their knowledge of the board and corporate governance. The three key sub-groups have focused on the continual improvement of the employee opinion survey, supporting our employee networks to promote diversity and inclusion across the company, and to explore in more detail the drivers and measures of organisation culture. The culture sub-group has focused its energies on obtaining a grass-roots view of the changes to the ways of working during the pandemic and contributed to the 'next ways of working' project. It also contributed to discussions on topical issues relating to culture, such as the focus on racial inequality.

Employees' views are measured annually through the employee engagement survey with the objective of taking any required action to improve how permanent employees feel about the company and understand its direction. Employees are provided with information through briefings and access to online materials, to enable them to understand the financial and economic factors affecting the group's performance. Along with our employee relations team, our CEO holds regular face-to-face meetings with senior trade union representatives to facilitate two-way communication and engagement with the views of employees' representatives.

The group has a commercial arrangement with a third party for the provision of agency staff and contractors. Engagement and communication in relation to these members of the wider workforce is managed directly by the third party via a dedicated third party account manager who liaises directly with the company's human resources team. If there is any significant change activity, a representative of the third party joins the project team, thereby ensuring consistency when communicating key information to employees, agency staff and contractors.

Set out on page 30 is the company's approach to our engagement with and creating value for employees, with health, safety and wellbeing a priority. Furthermore, an explanation of the company's approach to rewarding the workforce can be found in the report of the remuneration committee on page 183.



The board



Employee voice panel

Chair: Alison Goligher (non-executive director)

Employee networks groups:

- Multicultural
- GENEQ
- Armed Forces
- LGBT+
- Ability

Employee champion groups:

- Health, safety and wellbeing champions
- Engagement champions
- Colleague engagement group
- Career development forums

Early careers and management:

- The Early Careers board
- Aspiring managers
- Apprentices
- Graduates
- Bands 3 and 4 managers

Union partners

- UNISON
- Unite
- GMB
- Prospect

Employee Voice panel

Outcomes from the work since the panel was established to strengthen the 'employee voice' in the boardroom include:

- The transfer of the governance of the annual employee survey to the Employee Voice panel. The panel enhanced the underlying anonymity of the survey for employees and provided more opportunities to provide free text comments. Survey questions were updated to reflect key topics, including: wellbeing; inclusivity; and working differently;
- Additional administrative and communications resource was made available for network groups and executive sponsors identified; and
- Panel members' views were sought on the 'next ways of working' project, the 'home safe and well' project and the 'diversity and inclusion' audit.

Whistleblowing policy

The following sets out the company's compliance with code provision 6.

As part of our two-way communication the board has responsibility for reviewing the group's arrangements for individuals to raise matters of concern and the arrangements for the investigation of such matters. The group's whistleblowing policy (the policy) supports the culture within the group where genuine concerns may be reported and investigated without reprisals for whistleblowers. A confidential telephone helpline and a web portal are available to enable employees (including agency workers and contractors) to raise matters of concern in relation to possible incidents of fraud, dishonesty, corruption, theft, security and bribery. Furthermore, employees are encouraged to raise any matters relating to health and safety and any activities of the business that have caused or may cause damage to the environment, such as pollution or other contamination. Both the helpline and web portal are operated by a third party, enabling any concerns to be reported anonymously. The policy states that no employee will be victimised for raising a matter in accordance with the policy. Matters raised with the helpline/portal are in the first instance raised with the relevant director and investigated by senior managers independent of any involvement of the issues being considered. Details of the findings of the investigation and proposed solution are considered by the whistleblowing committee (whose membership comprises the company secretary, the customer services and people director, the strategy, policy and regulation director, the head of internal audit and the commercial, engineering and capital delivery director) and which meets quarterly. The board routinely reviews matters considered by the whistleblowing committee, the outcome of the investigation and the ways in which the matters were brought to a conclusion, thus ensuring that the core value of integrity is upheld and fostering an environment where employees feel it is 'safe to speak up' and to do so without fear of reprisal.

Board engagement with shareholders and other stakeholders

The board as a whole accepts its responsibility for engaging with shareholders and is kept fully informed about information in the marketplace through the following channels:

- The investor relations adviser produces an annual survey of investors' views and perceptions about United Utilities, the results of which are presented and discussed by the board;
- The board receives regular updates and feedback on investor meetings involving the CEO, CFO and/or investor relations team and reports from sector analysts to ensure that the board maintains an understanding of investors' priorities; and
- The executive and non-executive directors are available to meet with major shareholders and institutional investors. When revising the directors' remuneration policy, the chair of the remuneration committee invited engagement from the company's major shareholders. Feedback from any such engagement would be shared with all board members.

Institutional investors

As well as current investors, we engage actively with institutional investors who do not currently hold shares in United Utilities, as we are keen to ensure our business is well understood across the investment community, and to hear and discuss the views of all investors.

We have an active investor relations programme, which includes:

- An invitation to major shareholders to meet with the Chair;
- A regular schedule of meetings between the CEO and CFO and representatives from our major shareholders, supplemented with meetings hosted by our investor relations team;
- Presentations by the CEO and CFO to groups of institutional investors, both on an ad hoc basis and linked to our half and full-year results announcements and at our 'Capital Markets Days' and an event focusing on ESG matters;
- The programme covers a range of major global financial centres, typically including the UK, Europe, North America and the Asia Pacific region;
- Regular feedback provided to the board on the views of our institutional investors following these meetings; and
- Close contact maintained between the investor relations team and a range of City analysts that conduct research on United Utilities.

In 2021/22, our investor relations activities were conducted through a combination of virtual and face-to-face meetings. We met or offered to meet with 80 per cent (2020/21: 81 per cent), by value, of the active targetable institutional shareholder base (after adjusting for shareholders who do not typically meet with companies, such as indexed funds).

Frequent areas of common interest arising in meetings with investors include operational and environmental performance, customer service, capital investment, efficiency initiatives, regulatory performance, regulatory changes and ESG matters. Investors are always keen to observe financial stability and are interested in: the level of gearing versus regulatory assumptions; cost of finance; our debt portfolio and debt maturity profile; future financing requirements; and dividends. Investors are keen to understand how the company is performing relative to the price review allowances and targets each year, along with the potential implications of regulatory change.

Retail shareholders

Despite the privatisation process being around 30 years ago, we have retained a large number of individual shareholders with registered addresses in the North West – in fact, over 50 per cent of registered shareholdings on the share register. We have historically held our AGM in our region in Manchester, which enables our more local shareholders, many of whom are customers, to attend the meeting. The 2022 AGM will be held in a hybrid format. There is a considerable amount of information on our website, which provides information on our key social and

Investor dialogue with the Chair

During the year, the Chair offered to meet with 13 institutional investors, and nine meetings were held. Common themes from these discussions were:

- our corporate reporting of ESG matters;
- board governance topics;
- board succession; and
- the recent Ofwat/Environment Agency investigation into the operation of storm overflows.

Corporate governance report



Read more about
**engaging with
our stakeholders**
on pages 30 to 32



Read more about
our **treasury
committee** on
page 155

environmental impacts and performance during the year. Together with the annual and half-yearly results announcements, our annual report and financial statements are also available on our website; these are the principal ways by which we communicate with our retail shareholders. Our company secretariat and investor relations teams, along with our registrar, Equiniti, are on hand to help our retail shareholders with any queries. Information for shareholders can also be found on the inside back cover of this document, with a number of useful website addresses.

Other stakeholders

The board has direct contact with other stakeholder representatives, including: Ofwat and YourVoice (the independent customer challenge group). The chair of YourVoice attends a UUW board meeting to provide an opportunity for discussion, in-depth customer insight and the sharing of views.

The remuneration committee regularly engages with stakeholders, including employees. During the year, a consultation exercise was undertaken to gather stakeholders' views on the proposed directors' remuneration policy and the intention to introduce carbon measures in to the long-term incentive arrangements, with supportive feedback being received.

Engagement with representatives of all our stakeholder groups occurs widely across many aspects of the business, and more information can be found on pages 30 to 32.

Further information on stakeholder engagement can be found in the report of the corporate responsibility committee on page 156 and in the measures reported on pages 52 to 74.

Relations with banks and credit investors

Running a water and wastewater business, by its very nature, requires a long-term outlook. Our regulatory cycle is based on five-year periods, and we raise funding to build and improve our water and wastewater treatment works and associated network of pipes for each five-year cycle and beyond. We are heavily reliant on successfully raising long-term funding from banks and credit investors to fund our capital investment programme and refinance upcoming debt maturities.

This requires long-term support from our credit investors who invest in the company by making term funding available in return for receiving interest on their investment and repayment of principal on maturity of the loans or bonds. We arrange term debt finance in the debt capital markets (with maturities typically ranging from seven years to up to 50 years at issue). Debt finance is primarily raised via the group's London listed multi-issuer Euro Medium Term Note Programme (the programme limit was increased and redenominated from EUR7 billion to £10 billion in November 2021), which gives us access to the sterling and euro public bond markets and privately arranged note issues. Committed credit facilities are arranged with our relationship banks on a bilateral basis.

Additionally, the European Investment Bank (EIB), which is the financing arm of the European Union (EU), remains a significant lender to United Utilities Water, currently providing around £1.1 billion of loan funding supporting past capital investment programmes, with our existing EIB loan portfolio expected to 'run-off' in line with the scheduled maturities of each loan.

A greater proportion of the group's term finance is therefore likely to come from the debt capital markets, including funding raised under the group's sustainable finance framework that was established in November 2020. In July 2021, the group published its inaugural sustainable finance framework allocation and impact report, which provides credit investors with details on the use of proceeds of our debut sustainable bond issue, along with the selected case studies on eligible projects funded.

The group currently has gross borrowings of circa £7,979.8 million. Given the importance of debt funding to our group, we have an active credit investor programme coordinated by our group treasury team, which provides a first point of contact for credit investors' queries and maintains a dedicated area of the company's website. One-to-one meetings are held with credit investors through a programme aimed at the major European fund managers known to invest in corporate bonds that may be existing holders of the group's debt or potential holders. Regular mailings of company information are sent to keep credit investors informed of significant events. The treasury team has regular dialogue with the group's relationship banks, the EIB and the credit rating agencies.



More information can be found on our website at unitedutilities.com/corporate/investors/credit-investors

Outcome of 2021 AGM

At the 2021 AGM, votes were cast in relation to approximately 70 per cent of the issued share capital (2020: 69 per cent; 2019: 67 per cent). All 21 resolutions proposed by the board were passed by the required majority; there were no significant votes cast against the board's recommendations.

Votes cast in favour of the election/reappointment of the board directors were as follows:

Sir David Higgins	99.72%	Kath Cates	99.91%
Steve Mogford	99.96%	Alison Goligher	99.74%
Phil Aspin	99.91%	Paulette Rowe	99.74%
Mark Clare	91.59%	Doug Webb	99.91%
Stephen Carter	99.74%		

Rating agency services continue to be provided to the group by Moody's Investors Service Limited, Fitch Ratings Ltd and S&P Ratings UK Limited under contracts signed at the beginning of 2020 for an initial three-year term. Debt capital markets issuance by the group has therefore been made on a solicited basis by all three rating agencies during the 2021/22 financial year.

Division of responsibilities

2

Principle F:

The Chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all non-executive directors, and

ensure that directors receive accurate, timely and clear information.

The internally facilitated board evaluation (see pages 135 to 137) tested and confirmed the Chair's application of principle F. Sir David was independent on appointment when assessed against the circumstances set out in provision 10, his biography is on page 112.

Principle G:

The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

The internal board evaluation (see pages 135 to 137) tested and

confirmed the application of principle G, concluding that the skills and experience of executive and independent non-executives were appropriate with the board working together as a cohesive unit, but maintaining the clear division of responsibility between the board and the executive management team. See pages 112 to 115 for our reporting against provision 10; and the governance structure of the board and its principal committees on page 120.

Principle H:

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

As part of the annual review of conflicts of interest, the board was satisfied that, after taking into account the other commitments of directors, board members had sufficient time to

meet their board responsibilities and principle H had been applied (see page 129). The board demonstrated constructive challenge and offered strategic guidance and advice to management in relation to the delivery of the Haweswater Aqueduct Resilience Programme using the Direct Procurement for Customers approach (see page 40).

Principle I:

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The internally facilitated board evaluation tested and confirmed the application of principle I, the views of board members were sought on whether the necessary support and information was provided effectively and efficiently, see page 136.

Chair of the board

The role and behaviour of the Chair is fundamental to the effective operation and decision-making of the board and in creating an atmosphere where open and frank discussion is facilitated and encouraged. The roles and responsibilities of the Chair are set out as part of the company's governance framework. Sir David was independent on appointment when assessed against the circumstances set out in provision 10 of the code.

It is the role of the Chair, supported by the company secretary, to drive forward the business agenda of board meetings to ensure that the board is kept abreast of the regulatory drivers and strategic needs of the business, and to ensure that the directors receive accurate, timely and clear information. The Chair and company secretary hold regular meetings to discuss agenda items and board materials. Board packs are distributed electronically five days before the meeting. Ensuring board materials are of an appropriate length, on what can be particularly complex and technical issues, is a constant challenge, and progress has been made during the year by the introduction of a revised board paper template.

Conflicts of interest and time commitment

The following section sets out the company's compliance with provision 7.

The company's articles of association contain provisions which permit unconflicted directors to authorise conflict situations. Each director is required to notify the Chair of any potential conflict or potential new appointment or directorship. Additionally, the board reviews the position of each director annually. No changes were recorded that would impact the independence of any of the directors. No conflicts of interest had arisen during the year.

The board does not specify the precise time commitment it requires from its non-executive directors in taking on the role as they are expected to fulfil it and manage their diaries accordingly. The board is content that none of its directors is overcommitted and unable to fulfil their responsibilities as a board director for United Utilities. Each individual's circumstances are different, as is their ability to take on the responsibilities of a non-executive directorship role. Should a director be unable to attend meetings on a regular basis, not be preparing appropriately or not contributing appropriately to board discussions, the Chair would be responsible for discussing the matter with them and agreeing a course of action.

During the year, permission was sought from the board to take on additional non-executive responsibilities by: Kath Cates as a non-executive director of Brown Shipley, and by Steve Mogford who will join the board of QinetiQ Group plc as a non-executive director with effect from 1 August 2022.

Executive directors are not normally allowed to take on more than one non-executive position, a non-executive role is considered to be beneficial from a developmental perspective.