# United Utilities Group PLC

Integrated Annual Report and Financial Statements for the year ended 31 March 2026

United Utilities

Water for the North West

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## Our reporting suite

For further information and reporting across our business, please visit the following publications on our website:

### Our online annual report

Use the link below or scan the QR code to view our online report and download the full integrated annual report and financial statements. Visit our online report at **unitedutilities.annualreport2026.com**

### Our sustainability report

Our sustainability report is available at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

### Our annual performance report

Our annual performance report will be available from 15 July at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

### Corporate website

**unitedutilities.com/corporate**



# Our BIG North West upgrade.

We are delivering the step change that customers want to see, bringing the largest investment in infrastructure that our region has seen for decades, to build a stronger, greener and healthier North West.

Our investment throughout 2025 to 2030 is delivering on the things that matter for customers, communities and the environment:

**0**
**category 1 pollution incidents**
the most serious form of pollution

**23%**
**reduction in spills per overflow**
which has contributed to a 47% reduction versus our 2020 baseline, on track to meet our target of 60% by 2030

**422,041**
**customers supported with affordability**
and on track to support one in six customers with affordability by 2030

**42%**
**reduction in internal sewer flooding**
since last year, with external sewer flooding down by 25%

## Financial highlights

**34.8%**
increase in underlying operating profit year on year to £1,060 million (reported: £1,099 million)

**107.1p**
underlying earnings per share (EPS) up from 75.3p in FY25 (reported: 86.1p, up from 38.8p in FY25)[1]

**35.78p**
final recommended dividend, in line with policy

**13.0%**
regulatory return, reflecting the return on regulatory equity comprising base return, outperformance and inflation[2]

**£1,525m**
capital expenditure, with asset base growth of 7.5% to £16.5 billion

**60%**
gearing, within the target range of 55–65%

(1) Details of the group's alternative performance measures, including a reconciliation between underlying and reported metrics, is provided on pages 96 to 97.
(2) See page 65 for details of how regulatory return is calculated.

Stock code: UU.

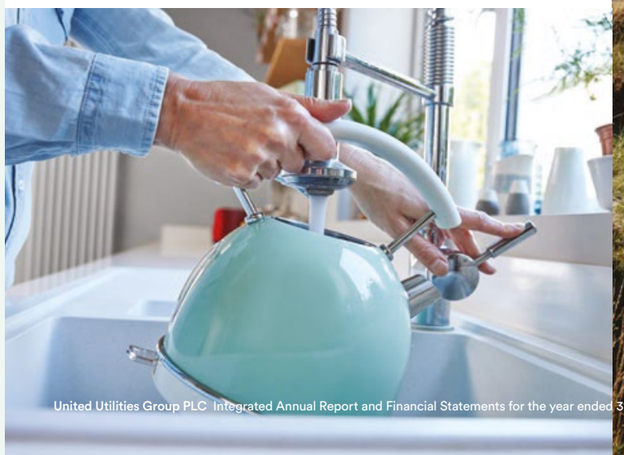
Our purpose

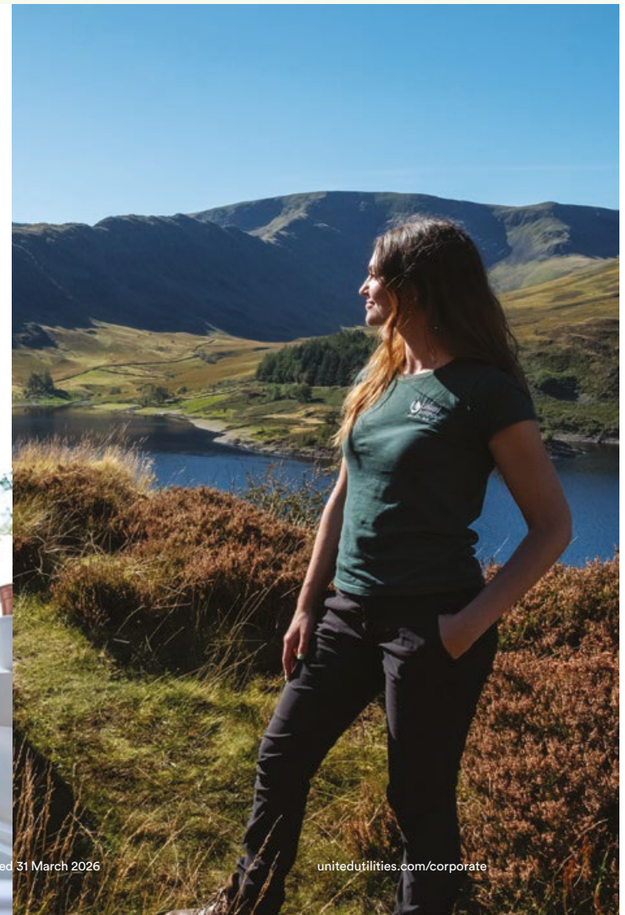
# To provide great water for a stronger, greener and healthier North West.

Our purpose highlights how environmental, social and governance (ESG) considerations are at the heart of what we do.

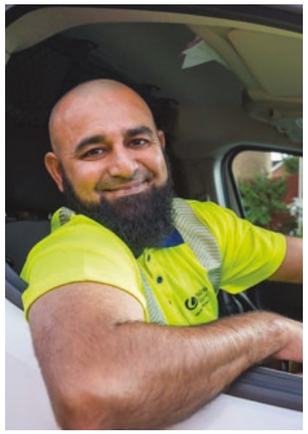
Our purpose is underpinned by six strategic priorities permeating our activities, including throughout this integrated report.

This includes the stages in our water cycle, material themes, our principal risks, board and committee activities, and the measures in our remuneration policy.









## Stronger

We deliver an essential service, help customers in vulnerable situations, invest in local communities across the region, and support thousands of jobs and the economy, giving the North West resilience in a changing world.

### Strategic priorities

- Spend customers' money wisely
- Contribute to our communities

### Governance

**Operational highlights**

**100%**
performance of our internal capital programme delivery incentive (CPDi)

**£3.84m**
community investment into North West communities (B4SI)

**Upper quartile**
performance across a range of trusted investor indices

## Greener

We protect and enhance urban and rural environments, and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive, making the North West a better place to live now and for the future.

### Strategic priorities

- Improve our rivers
- Create a greener future

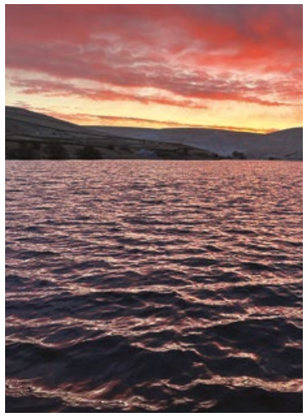
### Environmental

**Operational highlights**

**0**
category 1 pollution incidents

**47%**
reduction in spills against 2020 baseline

**13%**
reduction in scope 1 and 2 greenhouse gas emissions since 2019/20



## Healthier

We provide great-quality drinking water and safely remove and recycle used water for around eight million people in the North West, while providing excellent customer service and a great place to work.

### Strategic priorities

- Deliver great service for all our customers
- Provide a safe and great place to work

### Social

**Operational highlights**

**Excellent**
customer service rating of 4.5 on Trustpilot

**422,041**
customers supported with affordability

**90%**
level of colleague engagement from our annual colleague opinion survey

Chair's review

# Resilient, high-performing, and well placed to deliver in AMP8 and beyond.

**“At the end of April, we submitted our proposals to Ofwat requesting approval for additional investment in housing growth, the new economy and proactive asset replacement. This £1.4 billion investment plan underlines the critical importance of our infrastructure as an enabler of economic growth and development.**

## Performance review

This year is the first year of our transformational plan, which will bring a huge upgrade to the water and wastewater infrastructure in the North West. Before the start of the year, we talked a lot about our plan, but now our colleagues and suppliers are delivering, making great progress, with a ramp up in capital expenditure, creating jobs and bringing economic growth to the region. We are focused on delivering this investment efficiently and on time.

We have also achieved improvements in performance, with 80% of our key performance metrics improving since last year. Despite this culture of continuous improvement, this year we are in a net penalty against the outcome delivery incentives (ODIs), set by Ofwat in this first year of the asset management plan (AMP) period. As more of our investment is finalised, and our investments in asset health and operational efficiency continue to pay off, we expect to see this turn into a reward as we progress through the AMP. We have also seen strong financial performance this year, with an increase to our regulatory capital value (RCV) of 7.5.%, and earnings per share of 107.1p, up from 75.3p in the prior year.

## Regulatory environment

Month by month, we are getting more clarity on the future regulatory environment of the water sector following the Independent Water Commission's (IWC) 88 recommendations released in July 2025. In January 2026, Defra published its white paper 'A new vision for water', setting out the Government's plans to take forward IWC recommendations for reform. We then expect Defra to release its transition plan and a ministerial statement sharing more detail on the move to a new regulatory environment in 2026. We have been working collaboratively with regulators and Defra during this process to ensure a smooth transition. We have confidence in the direction being taken and are pleased to see that many recommendations that United Utilities proposed are being pursued. In particular, we are happy to see the shift towards a regional systems planning approach gaining momentum, with the first pilot being held in the North West, taking learnings from our multi-sectoral integrated water planning activities across the Manchester and Liverpool city regions. We have been proponents of place-based approaches for many years and it is positive to see these gain greater traction across the sector.

## Supply chain capacity and capability

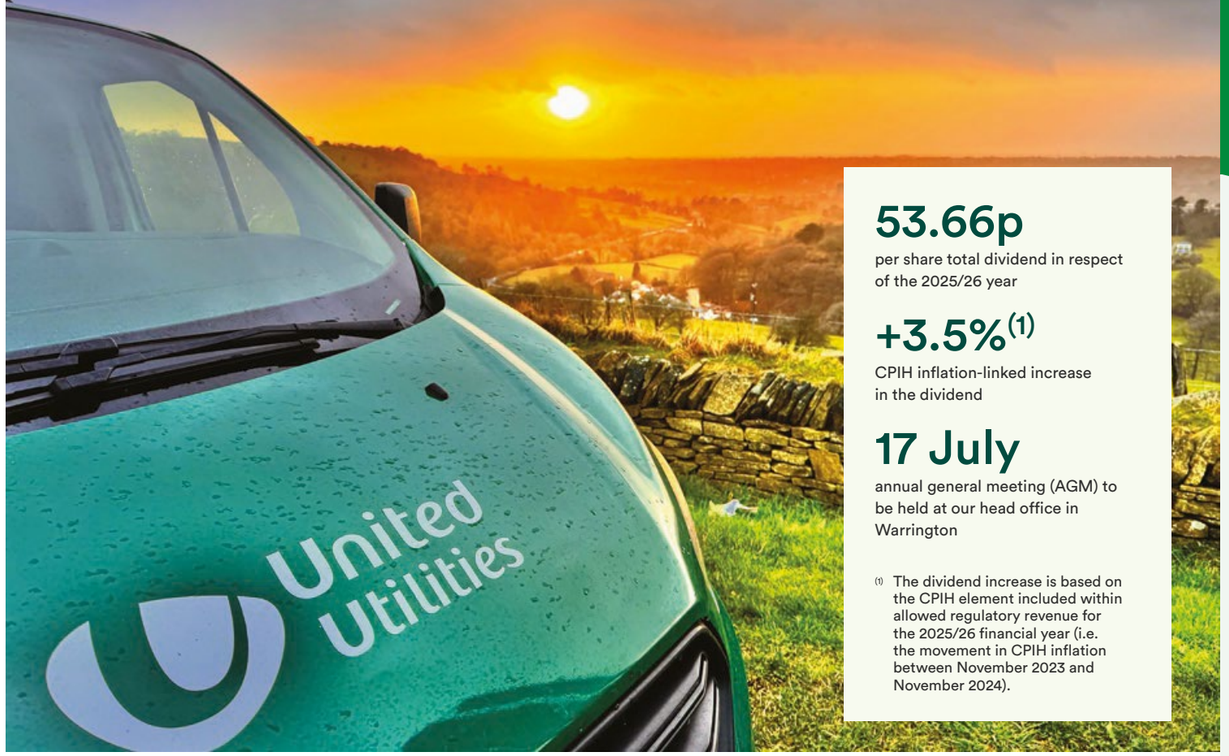
A key area of focus for the board and management throughout the year has been the capacity and capability of our supply chain partners. We have appointed over 100 partners, ranging from smaller build-only contractors, to the eight large infrastructure companies making up our Enterprise delivery model. We have been delighted with the progress so far, achieving 100% against our internal capital delivery key performance indicator, demonstrating that the scaling up of our programme has not negatively impacted its quality or efficiency.

## Haweswater Aqueduct Resilience Programme (HARP)

A significant milestone this year is the board's approval of the contract with the competitively appointed provider (CAP), Cascade Infrastructure, which was formed from a consortium that included STRABAG and Equitix. The CAP will finance, design, build and maintain a £3 billion replacement of six sections of the Haweswater Aqueduct, bringing enhanced resilience to 2.5 million people in the Greater Manchester region. This flagship direct procurement for customers (DPC) project is demonstrating how large-scale water infrastructure can be competitively tendered to deliver best value, innovation and long-term efficiency.

## Cyber security

As with all companies, the external operating environment remains challenging, with a rise in uncertainty around global security. The board has continued to provide challenge and oversight to the group's approach to cyber security. The chief security officer provides the board with focused reports twice a year, outlining the mitigation measures in place to address the continually evolving risk of cyber attacks. In addition, the board receives regular updates on relevant industry and national security developments to ensure it remains fully informed of the broader threat landscape.




**53.66p**
per share total dividend in respect of the 2025/26 year

**+3.5%[1]**
CPIH inflation-linked increase in the dividend

**17 July**
annual general meeting (AGM) to be held at our head office in Warrington

[1] The dividend increase is based on the CPIH element included within allowed regulatory revenue for the 2025/26 financial year (i.e. the movement in CPIH inflation between November 2023 and November 2024).

## Dividends and annual general meeting

I look forward to welcoming shareholders to our main offices in Warrington for the annual general meeting (AGM) in July. Full details are provided in the notice of meeting, and this year's agenda includes a revised remuneration policy that reflects the scale and ambition of the current AMP and a non-binding advisory vote on the company's net zero transition plan.

The board has proposed a final dividend of 35.78 pence per share to be paid on 3 August 2026, taking the total dividend to 53.66 pence per share for FY26, increasing in line with CPIH.

## Board succession

Marina Wyatt joined the board on 1 October 2025, succeeding Doug Webb as chair of both the audit and treasury committees with effect from 14 November 2025. The board considers that Marina brings recent and relevant financial experience to these roles, drawing on her background as a chartered accountant and her recent retirement as Chief Financial Officer of Associated British Ports.

Alison Goligher will step down at the conclusion of the AGM on 17 July 2026, after serving on the board for more than nine years. Throughout her tenure as a non-executive director, she has made an outstanding contribution, particularly through her expertise in major capital programmes, her wise counsel and her pragmatic approach. As the board's first designated non-executive director for workforce engagement, Alison established a relationship of trust and openness with members of the colleague voice panel. Liam Butterworth will now lead on workforce engagement on behalf of the board. We thank Alison sincerely for her service and wish her every success in her future roles.

## Enabling economic growth

At the end of April, we submitted our proposals to Ofwat requesting approval for additional investment to support housing growth, the new economy and proactive asset replacement. This £1.4 billion investment plan underlines the critical importance of our infrastructure as an enabler of economic growth and development. The proposed package of investment would see us supplying the region's growing population with critical water infrastructure, unlocking data centre growth and providing water for the hydrogen economy. We have also submitted plans to invest in asset health to bring further resilience to our networks and services. We await the draft decision on these plans in August, with the final decision expected in December.

This growth has been underpinned by a successful £800 million equity placement, providing a robust foundation for our expanded strategic ambitions. Consequently, we have upgraded our financial guidance for the AMP, increasing our capital expenditure forecast to £11.5 billion – a significant rise from the previous guidance of £9.0 billion.

## Outlook

Despite some residual regulatory uncertainty, a significant reason for optimism is the culture of continuous improvement that has been instilled across United Utilities by our CEO, Louise, and her executive team. This can be seen in an engagement score of 90% in our colleague survey, well above industry benchmarks, the ongoing reduction in our occupational health and safety risk, and how teams have grasped the opportunity of Ofwat's Re-openers to improve our resilience. My priority as Chair is to bring stability and continuity to our leadership team, ensuring that the same focused individuals who created our generational investment plan are the ones who drive its full delivery.

**Sir David Higgins**
Chair

15 May 2026

The strategic report on pages 01 to 99 was approved at a meeting of the board on 15 May 2026 and signed on its behalf by Sir David Higgins, Chair.

# Our business at a glance

## We provide essential water and wastewater services to around eight million people across the North West of England.

We have consistently been one of the strongest performers against the regulatory framework in the UK water industry.

Our strong track record and sustainability credentials, alongside predictable earnings, long-term investment drivers, and robust financial resilience, position us very well for long-term success.

We are one of only three listed water companies in the United Kingdom. The vast majority of our activities sit within our regulated business. The regulatory model for UK water sets revenue over five-year periods, giving a high degree of clarity and certainty over future income.

## Our performance in 2026

We have consistently earned regulatory outperformance and we maintain a robust balance sheet with low gearing, investment-grade credit ratings, and a fully funded, low dependency defined benefit pension scheme.

**£1.5bn capex**
Delivering the first year of our five-year plan, contributing to 7.5% RCV growth

**£2.6bn revenue**
With an underlying operating profit of £1,060 million

**13.0% return**
The regulatory return is made up of the base return, outperformance and inflation

**60% gearing**
Gearing is within the target range of 55–65%

## Our five-year plan to 2030

With asset management period 8 (AMP8) representing the biggest investment in water and wastewater infrastructure in over 100 years, we have entered a new period of high growth and will be delivering significant improvements for customers, communities and the environment.

**c. £11.5bn capex**
Cumulative capital expenditure for the five-year period

**10–11% return**
The regulatory return generated is based on actual regulatory equity, calculated using average actual gearing, applied to RCV

**c. 10% CAGR**
Asset base compound annual growth rate

**Fully equity funded**
A strong balance sheet to maintain financial resilience

## Longer-term opportunities (after 2030)

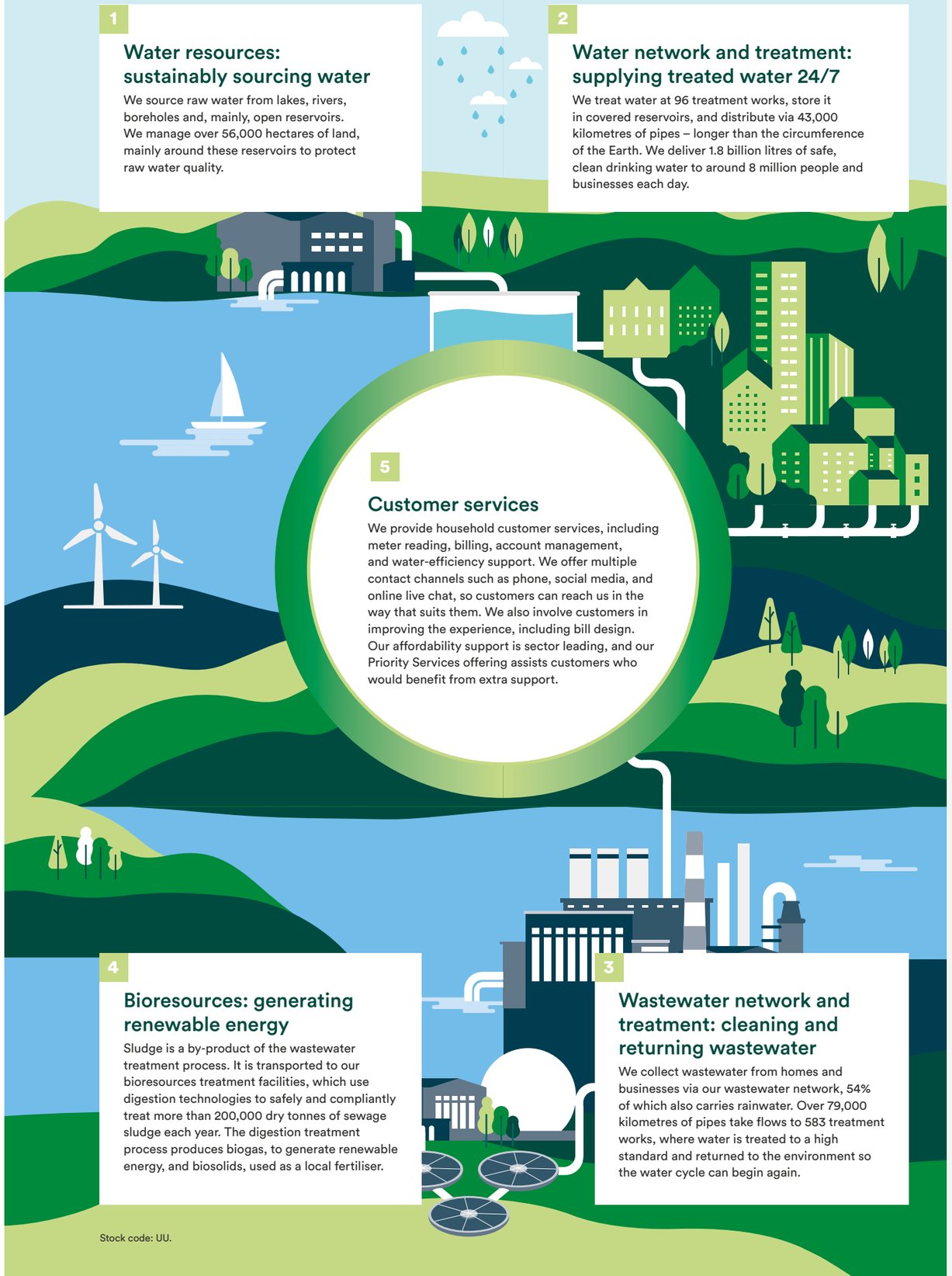
Higher investment needs in the sector are expected to persist beyond AMP8; they are driven by a number of long-term regulatory and environmental drivers. These include:

- tightening environmental standards;
- the renewal and replacement of ageing infrastructure;
- long-term resource management and industrial development; and
- climate change resilience, and net-zero targets.

**Our dividend policy remains unchanged, growing in line with CPIH**



# Our core activities



### 1 Water resources: sustainably sourcing water

We source raw water from lakes, rivers, boreholes and, mainly, open reservoirs. We manage over 56,000 hectares of land, mainly around these reservoirs to protect raw water quality.

### 2 Water network and treatment: supplying treated water 24/7

We treat water at 96 treatment works, store it in covered reservoirs, and distribute via 43,000 kilometres of pipes – longer than the circumference of the Earth. We deliver 1.8 billion litres of safe, clean drinking water to around 8 million people and businesses each day.

### 5 Customer services

We provide household customer services, including meter reading, billing, account management, and water-efficiency support. We offer multiple contact channels such as phone, social media, and online live chat, so customers can reach us in the way that suits them. We also involve customers in improving the experience, including bill design. Our affordability support is sector leading, and our Priority Services offering assists customers who would benefit from extra support.

### 4 Bioresources: generating renewable energy

Sludge is a by-product of the wastewater treatment process. It is transported to our bioresources treatment facilities, which use digestion technologies to safely and compliantly treat more than 200,000 dry tonnes of sewage sludge each year. The digestion treatment process produces biogas, to generate renewable energy, and biosolids, used as a local fertiliser.

### 3 Wastewater network and treatment: cleaning and returning wastewater

We collect wastewater from homes and businesses via our wastewater network, 54% of which also carries rainwater. Over 79,000 kilometres of pipes take flows to 583 treatment works, where water is treated to a high standard and returned to the environment so the water cycle can begin again.

# Making strong progress in AMP8...

We have kicked off AMP8 at pace, focusing on delivery, with over 1,000 projects live: we're building the infrastructure that will see performance improvements for years to come.

## Strong operational performance

Driving continuous improvement across the majority of our performance measures, supported by infrastructure investment securing further improvements into the future.

**80%**
of key performance metrics improved since last year

**42%**
reduction in internal sewer flooding

**47%**
fewer spills (vs. 2020 baseline)

**200,000**
smart meters installed

## Robust financials

Strong balance sheet, with gearing in the middle of our target range, supporting solid credit ratings across Moody's, Fitch and S&P.

**22%**
increase in revenue

**13.0%**
underlying regulatory return

## Putting customers first

Driving great customer service with an 'excellent' Trustpilot rating, and an ambition to support one in six customers with affordability by 2030.

**Reward**
for our regulatory customer service metrics

**Record levels**
of affordability support

# ...and new economy growth unlocked.

On 30 April, we submitted plans for additional investment to our regulator, Ofwat, totalling £1.4 billion. This was supported by a highly successful equity placing of £800 million from new and existing shareholders.

**1 Supporting housing growth**
Providing essential infrastructure for 66,000 new homes

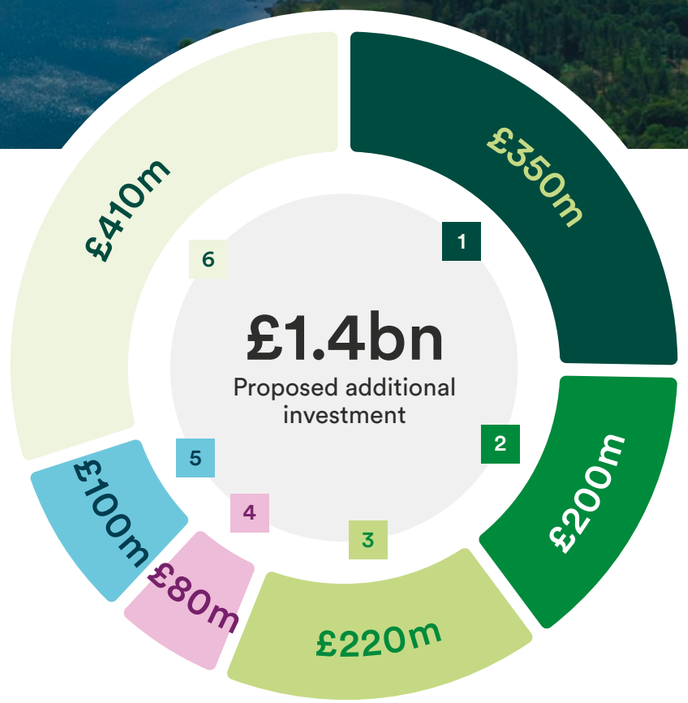
**2 Enabling green energy and data centres**
Supporting the hydrogen economy and artificial intelligence

**3 Building resilience into our services**
Through proactive asset replacement

## Providing critical infrastructure for key sectors

This £1.4 billion programme reinforces our role as an enabler of the region's broader growth ambitions through the construction of essential infrastructure.

1. New homes
2. Data centres and growth in Greater Manchester
3. Enabling green energy
4. Strategic water resources
5. Windermere
6. Proactive asset replacement




Figures in nominal prices as at 31 March 2026

Stock code: UU.

Chief Executive Officer's review

# Our BIG North West upgrade – for a stronger, greener, healthier future.

**"This year marks a truly defining moment for United Utilities and for the communities we are so proud to serve. We have begun the biggest upgrade to our region's water and wastewater infrastructure in more than a century.**

## Efficient delivery at scale: the BIG North West upgrade

Our AMP8 capital delivery is progressing to plan. We have successfully recruited over 1,300 new colleagues to join United Utilities whilst at the same time onboarding over 100 suppliers to help us deliver our ambitious programme. The scaling-up of our activity has not impacted its quality, with the capital programme delivery incentive (CPDi), our measure of effective, efficient and quality delivery of the capital programme, hitting 100%. We have achieved our year one regulatory outcomes with our spend in line with the expected profile.

As AMP8 scales up, our award-winning approach to standardisation, Project Blueprint, is playing a vital role in keeping us within cost and quality allowances while accelerating delivery for customers and communities. By standardising designs, bulk-purchasing materials and embedding more efficient maintenance regimes, we are cutting cost and time across multiple projects. This approach allows us to identify repeatable solutions, streamline design, and secure critical components early.

## Continuous improvement across our operations

We are pleased to report a strong start to the year, with the majority of our operational performance measures improving year on year. We met our stretching targets for both internal and external sewer flooding – two of the outcomes customers value most. Long-term investment in dynamic network management is supporting this improved performance, despite last year's stormy weather, with internal sewer flooding down 42% and external flooding down 25%.

While the UK, overall, experienced a relatively dry year, the North West still saw above-average rainfall. Despite this, our spills performance improved, with activations falling 23% and duration falling 27% versus the prior year. We remain firmly on track to deliver a 60% reduction in spills by 2030 with our current performance showing a 47% reduction against our 2020 baseline.

We also made strong progress on smart metering, installing more than 200,000 meters during the year. This marks the first phase of a sustained rollout across the region. Smart meters are a critical enabler of better network insight, helping us identify losses earlier, improve water efficiency and support long-term demand management.

Due to the current geo-political environment, energy markets remain volatile. We continue to benefit from our disciplined and prudent energy hedging. Our hedging levels remain above policy minimums, reflecting proactive execution during the benign market conditions experienced in the third and fourth quarters. We are fully hedged for summer 2026 and over 90% hedged for winter 2026/27. In addition, the regulatory true-up mechanism introduced for AMP8 provides further protection against any potential future commodity price movements.

## Future areas of focus

We are delivering strong all-round performance, while staying focused on the areas where we can go further. One of these is total pollution incidents – importantly, we recorded no category 1 pollutions, the most serious form of pollution. Despite a reduction in category 2 and 3 pollution incidents compared with the previous year, we expect an overall penalty for FY26 for this measure. Industry reporting rules have changed, meaning incidents previously excluded, such as those caused by extreme weather and power supply interruption, are now counted. Around 21% of our 2025 incidents were linked to named storms, including 12% during Storm Éowyn. We remain fully committed to driving pollution down and are confident in our Pollution Incident Reduction Plan, which focuses on strengthening asset resilience, boosting customer engagement on responsible waste disposal and deepening partnerships to tackle wider pollution drivers.

Leakage is another key area of focus. This year we fixed more leaks than ever and replaced over 150 kilometres of mains, more than in the previous five years combined, supporting long-term leakage reduction and fewer supply interruptions. Our in-year leakage performance is the best the North West has ever seen. Despite this progress, we expect to miss our regulatory three-year rolling average target, reflecting the impact of prior years and the time it takes for the rolling methodology to capture improvements. We are confident that the investment and momentum built in year one will continue to strengthen performance as we move through the AMP.

## Prioritising customers

Delivering a high-quality service every time customers contact us is central to building trust. We are proud that every caller speaks directly to our North West–based customer service team, whose strong service culture is reflected in our Trustpilot score of 4.5 (Excellent) out of 5. We remain above the median and 'in reward' for our regulatory customer service measures. While performance is strong, our ambition is higher: to deliver a consistently leading customer experience, benchmarked not just within the water sector but against the best service providers in any industry.

With bills rising this year, we strengthened our sector-leading affordability support. Our ambition to help one in six customers is progressing well, with over 422,000 customers now receiving support. Working with partners such as the Department for Work and Pensions, we have proactively moved 180,000 customers onto better tariffs without them needing to get in touch. We know how important this support is, and we are proud to be among the first in the sector to achieve the Martin Lewis Money and Mental Health accreditation.

We are equally committed to accessibility. More than 580,000 customers are now registered for Priority Services, enabling us to tailor support for those who need it most. We are leading the sector both in the breadth of services offered and the number of customers enrolled, working closely with outreach partners to ensure our services flex and adapt to meet the needs of every community we serve.

## A great place to work

Our 7,000 colleagues are at the forefront of the BIG North West upgrade, delivering for customers across the five counties. Given the size and scale of our investment programme, health and safety remains a top priority. Over the year, we have further strengthened our Home Safe and Well programme, which underpins our approach to occupational health and safety. The increased focus, awareness and capability delivered through these initiatives has resulted in meaningful improvements in safety performance. Our lost time injury rate reduced by 30% during the year, reflecting the collective commitment of our people to continuous improvement. These initiatives will remain central to our approach throughout AMP8 as we work towards sustained, long-term improvements in keeping colleagues safe.

Engaged, committed colleagues are central to our success. This year, 86% of employees took part in our engagement survey, and we are proud to report an outstanding 90% engagement score, well above global utilities and UK high-performance benchmarks. Our strong culture is also reflected in our Glassdoor rating of 4.6 out of 5. The strength of our brand as an employer is critical to ensure we retain and attract the talent that we need to deliver our ambitious plans.

## Looking ahead: unlocking growth in the new economy

On 30 April, we submitted to Ofwat our plans for additional investment to support housing growth, the new economy and proactive asset replacement. This £1.4 billion programme reinforces our role as an enabler of the country's broader growth ambitions through the construction of essential infrastructure. We expect our investment could support a further 4,000 jobs across our supply chain, on top of the 30,000 supported by our existing AMP8 programme.

The investment programme sets out how we will deliver the vital water infrastructure required for thousands of new homes across the region, unlock capacity for data centre expansion and facilitate decarbonisation. We have also outlined further investment in our assets to strengthen the resilience and reliability of our networks, treatment works, and services.

It is a proposal which will enable an additional £17 billion of economic value in the North West and £31 billion nationally by 2050. It will support the housing growth that our region needs, and help to turbocharge the UK's digital economy. We expect Ofwat's draft decisions in August, with final decisions due in December.

Plans for a further circa £1.2 billion of investment are expected to be submitted for approval through subsequent submissions in 2027 and 2028 and transitional investment into AMP9, taking total incremental investment to circa £2.5 billion and total AMP8 capital investment to circa £11.5 billion.

This was supported by a highly successful equity placing of £800 million from new and existing shareholders, providing additional funds for the transformational investments we are making in the water and wastewater infrastructure of the North West.

**Louise Beardmore**
Chief Executive Officer

15 May 2026

### Materiality

Our integrated annual report and financial statements aim to meet the information needs of our investors to help them make informed decisions regarding their participation, for example, whether to buy, hold or sell our shares or bonds, whether to engage with management on issues, and to inform voting. We have included information that we believe is material to these decisions, which is presented in a way that we believe is fair, balanced and understandable. Our assessment of materiality can be found on page 25.

### Integrated Report and TCFD disclosure

This annual report is an Integrated Report and has been prepared and presented in accordance with the International <IR> Framework published by the International Integrated Reporting Council in January 2021. The board, which is responsible for the integrity of this report, has considered the preparation and presentation of this report and concluded that it is accordance with the Framework. This report contains all climate-related financial disclosures required to be consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and in line with the Listing Rules requirements (UK Listing Rule 6.6.6R(8)) and the 2022 amendments in S414CB (A1) of the Companies Act. In making our disclosures, we have considered 'Guidance for All Sectors' in the TCFD implementation guidance. Further supplementary detail, such as our 2024 adaptation progress report, Water Resources Management Plan (WRMP) and supporting technical documents, are available on our website.

Our business model

# Providing great water...

## 1. Key resources

We depend on, and strive to have positive impacts on, each of the six capitals (see pages 14 to 15) – from sustainable natural resources across the water cycle, to our extensive network of assets, and our colleagues and supply chain.

▶ See more on pages 14 to 15

**1.8bn**
litres of water supplied every day across the North West

**122,000km**
of water and wastewater pipes – enough to circle the Earth more than three times

## 2. External environment

We are influenced by, and must adapt to, a number of external factors, including the regulatory and economic environment we operate in, and our reliance and impact on the natural environment.

▶ See more on pages 16 to 20

**Five-year**
regulatory cycles (AMPs), with long-term adaptive plans

**40%**
higher urban rainfall in the North West than average across England and Wales

## 3. Culture and core values

We have an innovative and high-performance culture, underpinned by three core values that reflect the behaviours we believe are most important to help us deliver our purpose.

▶ See more on pages 21 to 22

**Robust**
governance with culture clearly led from the top

**Aligned**
executive remuneration, closely linked to sustainability-related performance

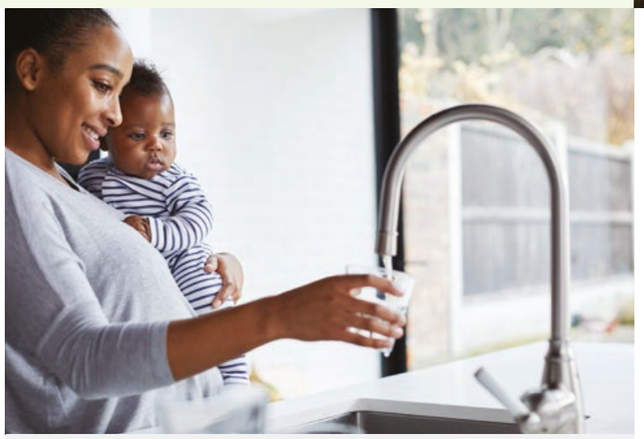
## 4. Strategic priorities and material themes

Our strategic priorities are designed to help us deliver our purpose, and we regularly engage with stakeholders to ensure we are addressing the things that are most material to them and to the company.

▶ See more on pages 23 to 25

**Progressive**
approach to ESG with strategy clearly aligned

**Transparent**
reporting with most material themes all covered through comprehensive disclosures



We plan across multiple planning horizons to protect long-term resilience and sustainability.

We look at key trends and developments in the external environment, strategic priorities to deliver our purpose and other things that are material to our stakeholders. We undertake long-term horizon scanning, and use an adaptive planning approach to ensure we are delivering our commitments in the most efficient and effective way, whatever the future brings.

One year | Up to 2035 | Up to 2100

### Short-term planning

Short-term planning helps us work towards our medium- and long-term goals and provides us with measurable targets so that we can continually monitor and assess our progress.

We set annual, measurable targets but retain flexibility so we can respond to emerging challenges. Each year, we agree an internal company business plan with targets for service, environment and efficiency, approved by the board. These are designed to work towards the medium-term regulatory commitments, and to help us move closer to our longer-term goals.

Executive directors hold regular reviews with senior managers, and key measures are monitored in monthly performance reporting. We operate with flexibility, allowing us to adjust plans while still delivering resilient, cost-effective services, for example, by bringing forward enhancements, investing to maintain service or reprioritising spend to reflect unexpected issues. Recent extreme weather shows why this adaptability is essential, as climate change increases risks such as drought, flooding and freeze-thaw damage to pipes.

Performance against stretching annual targets underpins bonus outcomes for all colleagues, covering customers, the environment, health and safety, and financial performance. To keep focus on longer-term outcomes, executive directors and senior leaders also have a three-year long-term incentive plan (LTP) based on RoRE and customer and environmental measures.

### Medium-term planning

Our medium-term plans align with five-year regulatory asset management plan (AMP) periods and regulatory final determinations. The current period, AMP8, runs from 2025 to 2030. The period from 2030 to 2035 is referred to as AMP9. For each AMP, we develop a five-year plan, which sets out how we will deliver required service levels, incentives and returns, and support our long-term delivery strategy and resilience. We use extensive stakeholder research so plans reflect customer preferences and environmental priorities.

Following scrutiny and challenge from Ofwat, we receive the final determination, which sets the price (in terms of total expenditure recovered through customer bills) and the service-level package that we must deliver over the five-year period, including an expected return to meet financing costs and a series of performance targets and incentives. We create value by delivering or outperforming the final determination. Each July, we publish an annual performance report (APR), allowing stakeholders to compare sector performance on metrics such as RoRE.

Medium-term plans are developed and executed by our team of strategic asset managers, one for each of the five counties in our region, allowing for tailoring to the circumstances of each county. These strategic asset managers will incorporate factors such as asset health, performance, local stakeholder views and expenditure to feed into the company-wide business plans for each AMP, as well as provide alignment with our long-term activity.

### Long-term planning

We plan decades ahead, using adaptive pathways to manage uncertainty while maintaining reliable, high-quality services. We track asset health, technology, long-term customer and environmental commitments, and risk indicators such as economic forecasts, population growth, climate projections and regulatory change. Depending on the context, 'long term' can mean 25 to 75+ years. This intelligence feeds our long-term planning and risk management, shaping how we respond to climate change, population growth, competition, water trading, tighter environmental standards and evolving customer expectations. Key long-term plans include our:

- Drainage and Wastewater Management Plan (flooding, pollution, storm overflows and treatment over 25 years);
- Water Resources Management Plan (investment to maintain supplies under climate change, considering forecasts out to 2080);
- Drought Plan (actions to manage drought risk); and
- Climate adaptation progress reports.

Our long-term delivery strategy to 2050 underpins AMP8 and beyond. We use whole-life cost modelling and a robust financing structure to invest efficiently, and we build a strong talent pipeline through training, graduate and apprenticeship programmes, and work with schools on STEM careers, ensuring we retain the skills needed to keep delivering for the North West.

How we manage our dependencies and impacts

# We strive to positively impact and manage our dependencies on each of the six capitals.

## Natural capital

| We depend/rely on it: | We can impact on it: | How we manage this resource | UN SDG link |
|---|---|---|---|
| • to source clean water from reservoirs, rivers and boreholes, from which abstraction licences permit us to take water to be treated and supplied to customers;<br>• to receive cleaned wastewater back into the environment;<br>• to recycle biosolids, citing engineered or nature-based interventions, and to attenuate water flows; and<br>• to provide resources, such as chemicals, cement, metals and energy. | • by improving the condition of land, including habitat health and biodiversity;<br>• by improving the condition of rivers and water bodies and reducing overflows and pollution incidents;<br>• by reducing greenhouse gas (GHG) emissions contributing to climate change; and<br>• by storing greenhouse gases in our land, e.g. in soils and woodland. | Our approach to managing natural capital is underpinned by our strategic priorities to create a greener future and improve our rivers. We produce natural capital accounts of our land and region to understand the stocks and flows of natural capital in our region.<br>▶ **Our TNFD** on pages 36 to 44 has more information on **our strategy to protect and enhance natural capital** | 3,<br>6,<br>13,<br>14,<br>15 |

## Intellectual capital

| We depend/rely on it: | We can impact on it: | How we manage this resource | UN SDG link |
|---|---|---|---|
| • to provide real-time monitoring and analytics that helps us provide our service efficiently and effectively;<br>• to provide innovative ways of doing things, which drive more value and better efficiency;<br>• to keep us safe from cyber attacks; and<br>• to give us a competitive advantage in how our processes and systems drive continuous improvement. | • by investing in research and development, and innovation;<br>• by improving our system monitoring and investing in smart assets;<br>• by investing in our digital capability and harnessing the power of artificial intelligence; and<br>• by collaborating with the supply chain and other partners. | Our simpler, smarter, better approach dictates how we work to improve our intellectual capital. This includes embracing technological change by making better use of data and artificial intelligence (AI), investing in innovative ideas, or working across the sector on collaborative innovation projects to tackle long-term challenges such as process emissions or river health. | 6,<br>9,<br>11,<br>12 |

## Human capital

| We depend/rely on it: | We can impact on it: | How we manage this resource | UN SDG link |
|---|---|---|---|
| • to deliver great services for customers through the skills, knowledge and experience of our workforce and supply chain;<br>• to provide diversity of thought and a range of perspectives; and<br>• to run a responsible business and deliver our services in an efficient and productive way. | • by creating a safe and great place to work;<br>• by prioritising health, safety and wellbeing;<br>• by bringing in new colleagues, including through graduate and apprentice programmes;<br>• by developing and training all of our people; and<br>• by creating a diverse workforce with fair opportunity for all. | The importance of our colleagues to the success of our business is reflected in our strategic priority to provide a safe and great place to work. This means attracting and retaining a diverse and highly engaged team of people, continuously training and developing them, and looking after their health and wellbeing as well as their safety.<br>▶ Read more on **our approach** on pages 47 to 48 | 3,<br>4,<br>5,<br>8,<br>10 |

UN Sustainable Development Goals (SDGs) key:

## Social capital

| We depend/rely on it: | We can impact on it: | How we manage this resource | UN SDG link |
|---|---|---|---|
| • to build trust with all of our stakeholders (customers, environment, communities, colleagues, suppliers and investors);<br>• to understand the needs of customers and stakeholders to deliver the things that are important to them; and<br>• to collaborate with customers and stakeholders on shared challenges such as flooding and water efficiency. | • by providing high-quality water, wastewater and customer services;<br>• by making our services resilient now and for the future;<br>• by supporting customers who struggle to pay their bills and those in vulnerable circumstances;<br>• by creating spaces for access and recreation; and<br>• by communicating and collaborating with all stakeholders. | Our strategic priorities to deliver a great service for all our customers and contribute to our communities underpin how we work to enhance social capital with our stakeholders. Our place-based approach helps us tailor our service to what matters most across the five counties we serve.<br>▶ Read more about **our customer strategy** on pages 45 to 46 and **our community strategies** on page 50 | 1,<br>8,<br>11,<br>16,<br>17 |

## Manufactured capital

| We depend/rely on it: | We can impact on it: | How we manage this resource | UN SDG link |
|---|---|---|---|
| • to deliver reliable performance for customers;<br>• to secure resilience of our assets to extreme weather and other shocks;<br>• to keep operating costs low by operating efficiently;<br>• to keep our assets secure; and<br>• to meet regulatory obligations and stakeholder expectations. | • by maintaining, protecting and improving assets and infrastructure;<br>• by developing new assets and infrastructure;<br>• by maintaining our assets effectively;<br>• by performing well in capital delivery; and<br>• by following best practice approaches to asset management, such as ISO 55001. | Our ISO 55001 accreditation demonstrates the wide range of activities we undertake to maximise the value from our assets for the long term. This includes balancing proactive and reactive maintenance, managing risk and value, and managing assets throughout their lifecycle, from planning to decommissioning.<br>▶ Read more in our **striving for asset management excellence** case study on page 87 | 6,<br>9,<br>11,<br>12 |

## Financial capital

| We depend/rely on it: | We can impact on it: | How we manage this resource | UN SDG link |
|---|---|---|---|
| • to finance our activities and smooth out cash flows;<br>• to pay our operating, financing, and capital delivery expenses;<br>• to demonstrate financial resilience to allow us to finance our activities in an affordable way; and<br>• to allow us to spread the cost to customers of infrastructure upgrades over the long term. | • by being efficient in our operations;<br>• by investing in our assets, improving asset health and reducing the likelihood of asset failure;<br>• by working with long-term investors and demonstrating good governance for fair and sustainable returns; and<br>• by being a responsible business. | Our strategic priority to spend customers' money wisely means that we consider efficiency in everything we do, from our day-to-day expenses to delivering our capital programme. Alongside this, we have robust financial controls and treasury policies designed to provide long-term financial resilience. | 6,<br>8,<br>9,<br>11 |

# How our operating environment influences what we do

## Regulatory environment

### Regulatory framework

United Utilities Water Limited (UUW) is the regulated water and wastewater business. It is the second largest of 11 such businesses in England and Wales, and is subject to regulation of price, performance and compliance by various bodies, including Ofwat, the Environment Agency, the Drinking Water Inspectorate and the Consumer Council for Water. These bodies exist to help protect the interests of customers and the environment, and to assess whether companies are meeting their obligations.

Water companies are required to prepare and maintain long-term plans for managing water resources, resilience, drinking water quality, and drainage and wastewater. The majority of programmes set out in these plans are statutory requirements and, as part of the optioneering process, we appraise and select best-value investments for customers and the environment.

The Water Industry National Environment Programme (WINEP) is developed by the Environment Agency, Defra, and Natural England, in consultation with water companies and other stakeholders. It sets out the environmental improvement actions that water companies are required to deliver. The Drinking Water Inspectorate similarly specifies programmes of work to improve drinking water quality.

These plans feed into business plans for the price review, where Ofwat evaluates our proposed solutions. Following its assessment, Ofwat then sets a final determination (FD) detailing allowed revenue, required service levels, and the incentive package for the five-year period. Companies may either accept the FD or appeal to the Competition and Markets Authority. Companies report on progress and performance against the FD through an annual performance report published each July.

### Competitive retail market

Since April 2017, non-household retail activities have been open to competition, meaning businesses can choose who provides their retail services. Our non-household retail activities do not sit within UUW, but via a joint venture known as Water Plus.

### Developments in the regulatory environment

This year, the Government published its white paper, 'A new vision for water', in response to the Independent Water Commission's final report. The white paper outlines the Government's commitment to reforming the water sector and the wider water system to deliver safe and secure water supplies, a protected and enhanced environment, fair outcomes for customers and investors, and create a more efficient and integrated planning system.

Defra plans to publish a transition plan in 2026, providing a roadmap for transformation of the water industry. During 2025/26, we engaged with Defra and regulators in the development of the plan through structured working groups. The plan will be supported by the interim strategic policy statement for Ofwat and ministerial direction to the Environment Agency, ensuring regulators have the direction and clarity they need during the transition. In addition, Defra plans to introduce a new Water Reform Bill in 2026 or 2027 to implement its long-term vision for water.

## Natural environment

### Climate change

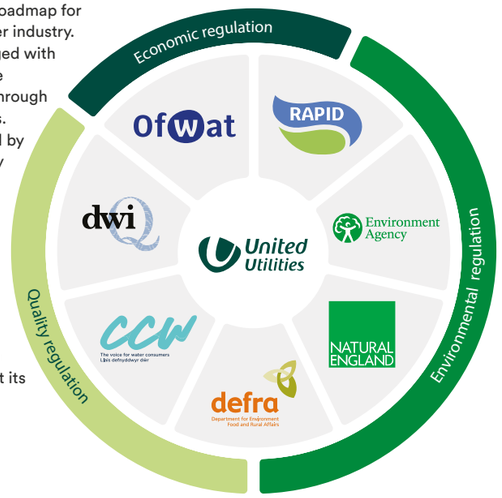
We are already experiencing more extreme rainfall events, freezing temperatures followed by rapid thawing, and prolonged dry periods. This increases the level of risk for water availability, flooding, and network damage. We have detailed plans for both adaptation (building resilience against these changes) and mitigation (reducing our emissions).

### Population growth

The North West population is already increasing and is forecast to grow by around a million by 2050. We plan well into the future and continually adapt to strengthen our long-term operational resilience. Our Water Resources Management Plan, for instance, considers consumption forecasts out to 2080.

### Protecting and restoring ecosystems

Much of the landscape in our region is legally protected for its environmental or cultural significance, including national parks and sites of special scientific interest (SSSI), and we play a role in conserving and restoring healthy, resilient ecosystems.




RAPID is a partnership made up of Ofwat, the Environment Agency and the Drinking Water Inspectorate.

## Economic environment

### Market rate movements

The impacts on our business of movements, such as interest rates and inflation, are complex. Cost increases are partly offset by increased allowances under the regulatory mechanism. £4.5 billion of our debt is index-linked; therefore, it is impacted by inflation. Our regulatory capital value (RCV) also rises with inflation, and our £6.1 billion of fixed-rate debt increases in benefit as interest rates rise. Unlike many companies, our low dependency pension schemes are protected from market rate movements.

### Customer affordability

The economic environment also impacts customers, with the most deprived, typically, hit the hardest. The North West has 47% of the most deprived neighbourhoods, more than any other region, making the industry-leading affordability support we provide even more critical. We have doubled our support in AMP8, helping one in six households in the region by 2030, and we remain strong supporters of the Consumer Council for Water's call for a national social tariff, pooling funds to help those in most need.

## Political environment

### Engagement and adaptability

Political decisions have the potential to impact on our operations, including changes to legislative obligations under environmental and competition law. We engage with regional and national politicians, and other policymakers, to understand developments and key issues, improving policy development where possible, and stay flexible to adapt as needed.

### Environment Act 2021

The Government set out an ambitious plan for reducing spills from storm overflows, as well as obligations to reduce phosphorus and address nutrient imbalance. We have already invested significant amounts to improve the quality of rivers and seas in the North West, and AMP8 will see our biggest ever environmental investment programme.

### Water (Special Measures) Act

Passed in 2025, this act strengthens the power of regulators to impose special measures on failing water companies, including blocking executive bonuses, imposing penalties and potential criminal charges for law breaking.

## Technology and innovation

### Developments

New technology and innovation can create opportunities for improvements in service and efficiency. The use of artificial intelligence and machine learning helps us to improve performance, and is central to our dynamic network management approach. We work closely with suppliers and innovators from around the world to maximise the opportunities presented by new technology and ideas.

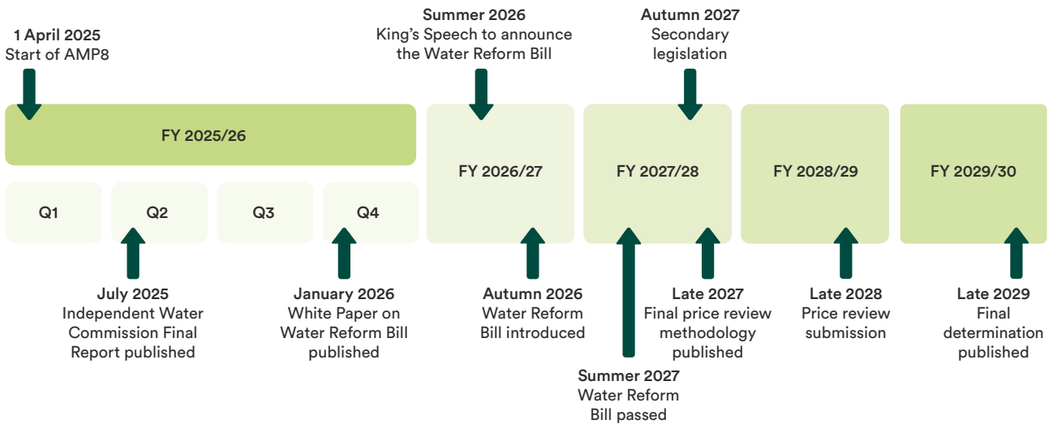
### Customer interaction

In an increasingly digital world, we must evolve our services to ensure we meet changing customer expectations. We have modernised the methods and channels through which customers can get in touch to access their bills, update their information, and receive updates on services and support.

### Cyber and data security

Technology can give rise to risks, such as the threat of cyber attacks, which has increased in recent years. Protecting infrastructure, customer information and commercial data from malicious activity is a key priority, as set out on page 52.

## Indicative regulatory timeline

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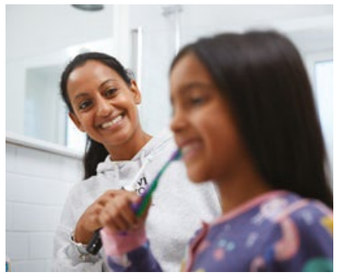
# The value we create for stakeholders



## Customers

### Resilient and continually improving service

We provide a continuous, resilient and reliable service, ensuring clean water at the tap and wastewater taken away. Clean, safe drinking water and sanitation services support long-term health and wellbeing across the North West. We continually seek improvements, engaging customers on their priorities and setting ambitious targets to improve water quality, cut leakage and enhance the customer experience. We monitor performance against these commitments and report transparently.

### Sharing the cost of investment

Through long-term financing and the regulatory framework, we deliver a multi-billion pound infrastructure that strengthens service and resilience. We pre-fund significant amounts so costs are shared fairly between current and future customers, helping to keep bills down.

### Supporting customers

We operate efficiently to maintain value for money, while providing help for those struggling to pay and support for vulnerable customers. Our affordability and vulnerability summits share ideas and best practice, and the Hardship Hub helps debt advisers support more people and find cross-industry help in one place. When customers contact us, we listen and act quickly to resolve issues.

**Excellent**
4.5 rating on Trustpilot for customer service

**Reward**
for our regulatory customer service metrics

## Environment

### Reducing the environmental impact of our services

We meet increasingly stringent environmental consent levels, such as reducing the level of phosphorus in treated wastewater, and avoiding pollution incidents. We manage our land in a way that safeguards habitats and protects wildlife.

### Reducing spills from storm overflows

We have made significant progress on our journey to achieve fewer than ten spills per overflow by 2050. Since 2020, we have reduced the level of spills by 47% versus our 2020 baseline, aiming to reduce the number of spills by 60% by 2030. As well as traditional solutions, we are ramping up the use of nature-based solutions, such as rainwater management and sustainable drainage solutions, to help us achieve lasting reductions.

### Protecting the long-term resilience of water resources

Investment in infrastructure, such as our West-East Link Main, the West Cumbria pipeline and the Haweswater Aqueduct Resilience Programme (HARP), allows us to transfer water around the region more efficiently to avoid the depletion of individual water sources. We are dedicated to reducing the level of leakage in our network, and we support customers to use water efficiently.

**0**
category 1 pollution incidents

**47%**
reduction in spills versus 2020 baseline

## Communities

### Access and recreation

We look after beautiful rural landscapes and pockets of urban green space, and open much of our land to the public, supporting regional tourism and offering communities health and wellbeing benefits through access to relaxation and recreation in nature.

### Giving back

We make direct community donations to support local groups, and the total taxes we pay – including business rates, employment taxes, and environmental taxes – contribute significant amounts to public finances, helping to fund essential public services.

### Active engagement and collaborative partnership

Our operations and projects are often near homes and businesses, and we engage with these communities to build understanding and trust. We also work in partnerships, enabling us to accomplish more, such as engaging people with nature and river improvement.

### Future generations

Our graduate and apprentice programmes provide skills development and opportunities across the region. We work with teachers and children to raise awareness about water and the natural environment, giving the next generation an understanding of the true value water brings and how we can all play our part in protecting the services that nature provides.

**£3.84m**
community investment, assured by B4SI

**£290m**
total taxes paid in 2025/26

## Colleagues

### Health, safety and wellbeing

Our top priority is ensuring all colleagues go home safe and well every day, with a strong focus on both physical and mental health. We raise awareness of stress and other mental health issues and encourage long-term healthy lifestyles, helping to ease pressure on regional healthcare services. We support colleagues' financial wellbeing through pension offerings, and we encourage community involvement by providing up to three days of paid volunteering leave each year. We also match individual fundraising for any UK registered charity of up to £200 per person annually, and cover the administration fees for payroll giving.

### Skilled and diverse workforce

We invest in training and development to help colleagues grow, stay motivated and ensure we have the skills needed for the future. Promoting opportunity for all helps us build a workforce that reflects the region we serve.

### Communication and engagement

Listening to colleagues strengthens engagement and job satisfaction. Regular updates from leaders, team communications and colleague conferences keep everyone informed. We maintain open channels for feedback and have hosted all-colleague events to share our plans for the future.

**90%**
colleagues engaged, measured by our annual colleague opinion survey

**30%**
reduction in lost time injury frequency rate since last year

## Suppliers

### Supporting the regional economy

We expect the step up in investment for AMP8 will support over 30,000 jobs across our business and supply chain. We spend significant amounts with suppliers each year, and, by paying invoices promptly, we help them maintain cash flow and strengthen their resilience. Supporting employment throughout our supply chain helps develop skills, create opportunities and stimulate long- term economic growth in the North West.

### Partnership and innovation

We incentivise innovation within our supply chain and have a strong record of strategic partnerships that deliver more through collaboration. This has led to successful long-term partnerships and helped bring new technologies and approaches into our operations.

### Responsible business

We act with integrity, transparency and fairness, giving suppliers confidence in how we work. Although our operations and suppliers are mainly based in the UK and Europe, we collaborate closely with them to address human rights risks, including modern slavery. Through our United Supply Chain approach, we treat suppliers as an extension of United Utilities and require them to follow our responsible sourcing principles.

**76%**
suppliers delivering 'strong' performance

**76%**
suppliers signed up to our responsible sourcing principles

## Investors

### Strong performance and sustainability credentials

Our focus on innovation drives continuous improvement and keeps us at the forefront of our industry. Our regulatory returns are linked to delivering customer and environmental commitments, and our sustainable finance framework connects debt investor returns to environmental and social projects.

### Asset growth and inflation-linked dividend

Investors lend us capital in exchange for a fair share in risk and return, which we provide through dividend income and long-term growth. Our dividend policy is to grow annually in line with CPIH inflation, a commitment maintained since 2010. Our shareholders include charities, customers, pension funds that pay income to millions of older people, and colleagues through our share scheme.

### Long-term resilience

We plan far ahead, invest to ensure the sustainability of our infrastructure, and manage risk prudently to maintain stability and resilience.

### Robust governance and reporting

We uphold high standards of transparency, ethics and corporate governance, giving investors confidence in how we operate.

**53.66p**
dividend per share for 2025/26, grown in line with CPIH

**c. 10%**
asset base compound annual growth rate for AMP8

## How we engage with stakeholders

Our role is to balance the needs of our varied stakeholders, considering their diverse views in the development of our plans and activities.

There are many people and groups who take an interest in the water industry, its role in society, and the North West region. The nature of our work and the huge areas of land we manage means we interact with a wide variety of stakeholders, from communities and environmental interest bodies, to suppliers and regulators.

It is important that we understand what matters to each of them and develop constructive relationships built on mutual trust. We engage and consult with stakeholders to understand their views and priorities as we develop and execute our plans, balancing their often-conflicting priorities.

### Active engagement and responding to feedback

We engage with all of our stakeholders, including the six key groups for whom we create value and others that influence our activities. Strong, constructive relationships help us to understand what matters most to them, and their feedback has an influence on what we do, helping us to create long-term value for all.

There is robust governance to ensure regard is given to stakeholder views and priorities in decision-making at executive and board level. Our S172(1) Statement on pages 88 to 89 provides examples of how the board has had regard to stakeholders in some of the key board decisions made during the year. The ESG committee has stakeholder engagement and reputation as standing agenda items.

The independent customer challenge group, YourVoice, aims to ensure that we put customers at the centre of our day-to-day service delivery, decision-making and formulation and delivery of our business plans. The chair of YourVoice attends the relevant board meeting each year to provide the group's perspective on the customer-related content in our annual performance report.

### Customers

To deliver value for customers, we need to understand their immediate issues, and longer-term expectations of us as their water and wastewater company. As expectations change, we need to evolve our services to ensure we meet them. We actively seek feedback on what customers think about our service so we can make our services better and address the issues that matter to them.

### Environment

We depend on the environment and have a key role in protecting and enhancing it. We engage with interested groups such as environmental regulators, non-governmental organisations, campaigners and local communities to find the best ways to tackle environmental issues, such as climate change and land management. Working together is often the best way to find the right solution.

### Communities

Our work puts us at the heart of local communities – places where customers and colleagues live and work. We want to support them to be stronger and increase understanding of the impact and contribution our work has. We balance decisions based on often-competing stakeholder interests and look to develop collaborative and partnership solutions where feasible.

### Colleagues

We could not deliver our services without our colleagues. They know the business better than anyone, bringing a diverse range of views and experience, making them well placed to identify new ways of working and opportunities for improvement, which can be raised directly to the CEO through our 'Call it Out' initiative. We host regular all-colleague events to share and discuss our future plans.

### Suppliers

Good relationships help ensure projects are delivered effectively and efficiently. Awareness of issues in the supply chain means we can address them together and become more resilient. Supplier engagement can also help us identify and realise innovative approaches and solutions. Collaboration with our suppliers is key to driving efficient delivery of our business plans.

### Investors

It is important that investors have confidence in the organisation and how it is managed. We provide regular updates to debt and equity investors to establish a two-way dialogue about matters of interest to them. Increasingly, this includes environmental, social and governance (ESG) updates alongside financial and performance data.

### Media

The media is influenced by current public interests and, in turn, the media also has the power to influence the public through what it reports. Many people hear about us and our activities from traditional and/or social media, so it is important that coverage is fair, balanced and accurate. This requires effective two-way dialogue, and we continuously engage with local and national media on important issues.

### Politicians

Politicians influence the long-term national water strategy and environmental priorities, matters that affect how all businesses operate, and champion issues raised by their constituents. Local government, elected representatives and devolved administrations provide insight into shared environmental, social and economic issues across the North West.

### Regulators

Through proactive, constructive engagement with economic, quality and environmental regulators, we understand requirements and deliver against commitments, aiming to meet, or exceed, the expectations they have of our business. We actively engage in workshops and respond to consultations to contribute towards the policy and regulatory framework.





## How we maintain a high-performance culture

Our culture shapes stakeholder interactions and reflects our commitment to responsible business.

Our policies, practices, and behaviours align with our purpose, strategic priorities, and core values, supporting a high-performance culture. Promoting equity, diversity, and inclusion brings fresh thinking, represents our communities, and drives innovation.

A strong culture also helps us to attract and retain talent. We want colleagues to feel comfortable being themselves and speaking up, making use of our 'Call it Out' inbox for direct CEO feedback or our confidential helpline, supported by our whistleblowing policy.

We celebrate colleagues who live our values through the 'ACE awards', where monthly winners are recognised across business areas.

The way we measure and report performance helps us to track how effectively we have embedded a high-performance culture. Metrics are monitored and targets set for the stronger, greener and healthier ambitions within our purpose. These are closely aligned to our strategic priorities and to ESG matters, as well as being linked to stakeholder value creation. This includes key metrics relating to our colleagues including engagement, health and wellbeing, diversity, and development.

Leadership has a strong influence on culture, so, as well as colleague behaviours, we also assess colleague perceptions of the tone that is being set by management.

Importantly, we prioritise health, safety and wellbeing, at the core of our culture, supported by our 12 life-saving rules.

▶ Read more on **these rules** on page 48

### Governance and oversight

Strong governance sets the tone from the top. The board and its committees provide oversight, while the executive team meets monthly to discuss performance and quarterly to discuss strategy, supported by weekly scrums and ad hoc communications.

▶ **Board and committee structures** are detailed on page 108

Additional governance groups include the compliance working group, integrated risk reviews, new and emerging risk forum, price control boards, water quality first board, operational risk and resilience board, dam safety group, asset management board, and land management steering group.

### Our purpose is underpinned by our core values and our six strategic priorities

Our core values define how we act and support us in delivering our purpose to provide great water for a stronger, greener and healthier North West.

Our strategic priorities direct our activities, from strategic planning to our day-to-day activities, supporting the realisation of our purpose.

▶ Read more about **our core values and strategic priorities** on pages 22 to 23

## 1 Our purpose: why we are here

# To provide great water for a stronger, greener and healthier North West.

### Greener – Environmental

We protect and enhance urban and rural environments, and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive, making the North West a better place to live now and for the future.

### Healthier – Social

We provide great-quality drinking water and safely remove and recycle used water for around eight million people in the North West, while providing excellent customer service and a great place to work.

### Stronger – Governance

We deliver an essential service, help customers in vulnerable situations, invest in local communities across the region, and support thousands of jobs and the economy, giving the North West resilience in a changing world.

## 2 Our core values: how we work

Our culture is built on three core values that guide behaviour across the organisation, from the board to every colleague.

These values focus on responsible actions, delivering for customers and stakeholders, continuous improvement, and sustainable practices. They reflect what matters most in achieving our purpose and fostering a high-performing, innovative culture.

### Do the right thing

We are committed to responsible business practices and expect our people to always do the right thing. This means prioritising safety, acting with integrity and courage, championing fairness, and speaking up when something feels wrong.

Doing the right thing builds trust and helps deliver our purpose. Protecting the environment creates a greener North West, while acting responsibly for customers, communities, colleagues and suppliers strengthens the region.

### Make it happen

We work as a team to make things happen, taking accountability and valuing progress over perfection. We celebrate success, learn from setbacks and embrace new ways of working through initiatives like our graduate innovation competition – the Chadders Cup.

Our ability to act quickly and seize opportunities enables us to accelerate investment and deliver improvements for customers and the environment faster.

### Be better

Everything we do aims to create a better tomorrow. We encourage curiosity, ambition, and solution-focused thinking, seeking innovative ways to improve efficiency and effectiveness.

We learn from the best by embracing diversity, collaboration, nature-based solutions, and best practice from across our sector and other industries.





## 3 Our strategic priorities: how we deliver our purpose

Each of our six strategic priorities is linked to the delivery of one of the key elements of our purpose – helping us to make the North West stronger, greener and healthier.

These priorities reflect the key long-term drivers of our business and how we create value. They align with our materiality assessment, which is set out on the following two pages.

### Our activities contribute to the UN SDGs

The Sustainable Development Goals (SDGs) were developed in 2015 by the United Nations. They are a set of 17 interconnected objectives which aim to end poverty, protect the planet and ensure prosperity for all by 2030.

**UN SDGs key:**

### Greener – Environmental

#### Improve our rivers

**SDGs: 6, 14, 15**

Reducing storm overflows, protecting bathing waters, and eliminating pollution. We are rethinking how we manage rainwater through our reduce, recycle, rethink approach to ease pressure on sewers, while pursuing the best environmental performance and enhancing wastewater treatment quality. Together, these actions will create cleaner, healthier rivers and support a more sustainable future.

#### Create a greener future

**SDGs: 13, 14, 15**

Delivering our net zero transition plan and using our land and resources to generate clean energy. We aim to create value from bioresources, reduce the use of diesel in vehicles, and reduce water consumption in homes and businesses. At the same time, we are committed to protecting and enhancing nature and biodiversity, ensuring our operations contribute to a more sustainable and resilient environment.

### Healthier – Social

#### Deliver great service for all our customers

**SDGs: 3, 6, 11**

Reducing leakage, driving down sewer flooding, and improving water quality. We aim to minimise interruptions to supply while providing strong support for customers facing affordability challenges or living in vulnerable circumstances. These actions ensure reliable, high-quality services and a customer experience that meets the needs of every household and business.

#### Provide a safe and great place to work

**SDGs: 3, 5, 8, 10**

Continually improving health, safety and wellbeing, while attracting, developing, and engaging talented people. We are committed to our 12 life-saving rules to get our colleagues home safe and well. We are building a diverse and inclusive workforce, and empowering everyone to contribute through open feedback channels, from 'Tell Us' to 'Call it Out'. These actions create a workplace where colleagues feel valued, supported, and able to thrive.

### Stronger – Governance

#### Spend customers' money wisely

**SDGs: 6, 9, 11, 14**

Improving asset management and maintenance, removing duplication and waste, and applying value engineering to capital delivery. We aim to work with the right partners to secure value for money across our supply chain, while driving digital and automation opportunities to enhance efficiency and deliver long-term benefits.

#### Contribute to our communities

**SDGs: 8, 11, 17**

Being actively involved in our communities through regional stakeholder managers and speaker panels, creating partnerships that deliver real value. By building trust and being recognised as a reliable partner, we aim to strengthen relationships and make a meaningful difference in the communities we serve.

# How we assess and prioritise material themes

Our strategic priorities reflect the areas of highest focus for our business and our stakeholders. To ensure our disclosures cover all areas of material interest, we regularly refresh our materiality assessment, which ranks material themes based on their potential impact on our ability to create value for the company and for our stakeholders.

## Stakeholder views and priorities

There are many stakeholders who take an interest in the water industry, its role in society, and the North West. We actively engage with these stakeholders to help us understand their views and priorities.

Understanding what matters to our stakeholders helps us to prioritise areas for focus and investment, enabling us to factor their views into strategic decision-making at board level, as set out in our S172(1) Statement on pages 88 to 89.

This understanding feeds into our materiality assessment and materiality matrix on page 25, which drives the matters disclosed across this report, helping to ensure we are disclosing all material information.

## Other considerations

In defining the strategic relevance of a theme to the company, we continue to adopt the integrated reporting <IR> framework definition of materiality and value creation. This means considering the impacts of the company on all of our stakeholders, alongside our dependencies, i.e. the impacts of the material themes on the company. This value may be financial or non-financial, and this approach is consistent with the concept of double materiality.

We consider the impact on value created for stakeholders (based on a balance of views from those who influence what we do and/or benefit from the value we create), in addition to the potential effect on our ability to create value as a company (based on the potential effect on our ability to create financial and non-financial value over the short, medium and long term).

Disclosure guidance from the ISSB suggests that material sustainability-related risks and opportunities are discussed using a four pillar approach. We have adopted this approach to report on our most material themes.

## 2025/26 assessment

We have carried out a thorough review of our material themes and materiality matrix. Striking the right balance between different interests and views is not easy, but our assessment process consolidated feedback based on a balance of views from across our stakeholders.

The applicability of industry-specific topics in the Sustainability Accounting Standards Board (SASB) standards were also considered as part of this assessment, as required by ISSB S1: General requirements for disclosure of sustainability-related financial information. We also considered the UN Sustainable Development Goals, which we contribute towards.

Our materiality assessment is aligned closely with our assessment of principal risks and uncertainties, with close linkage between the themes highest in terms of company value (horizontal axis) and our top principal risks and common causal and consequence themes identified.

Our assessment process this year identified 29 material themes.

## Our materiality assessment process

### 1 Define

We reviewed current best practice in materiality reporting. The assessment criteria was confirmed as potential value creation for both the company and stakeholders. This assessment provides the basis for disclosures included in this report, with more detailed commentary on the most material themes.

### 2 Engage

Views were obtained from across all our stakeholder groups. Insight from consultations and data was made available through the engagement processes described on page 20. Key internal subject matter experts and stakeholder relationship managers provided further insight on themes.

### 3 Assess

Comments and data were drawn together to form an initial view of the themes. The rationale for theme selection and its significance was reviewed and approved by the executive team. This included potential new themes, removal of themes, and movement of existing themes.

### 4 Align

We cross-referenced and aligned identified themes with SASB industry-specific topics and our principal risks and uncertainties, as set out on pages 54 to 63. Matrix visuals were then created to easily display the prioritisation of themes.

## Reporting on our material themes

One way that we use the assessment and ranking of material themes is to ensure that our disclosures, in this integrated report and across our other reports and corporate website, are comprehensive.

Information on all material themes can be found within our reporting, with the most material of these themes being covered by the fullest disclosures. The material themes matrix, and signposting to key disclosures, can be found on the next page.

The top three are overarching themes that are addressed extensively across the report.

For the remaining material themes in the top two segments of the matrix, which cover the next 15 highest areas of interest, we provide voluntary disclosures across the four pillars set out by the ISSB – strategy, governance, risk management, and metrics and targets.

These are grouped in line with the key elements of our purpose – greener, healthier and stronger. The 'greener' elements cover our disclosure requirements under TCFD (climate-related) and voluntary disclosures under TNFD (nature-related), as shown on page 53.

Other material themes are addressed to the level of detail deemed appropriate.



## Material themes matrix

Themes are plotted on the matrix from higher (top right) to lower (bottom left) in terms of their potential to impact company value and impact on the value we create for stakeholders.

### 1 Trust, transparency and legitimacy

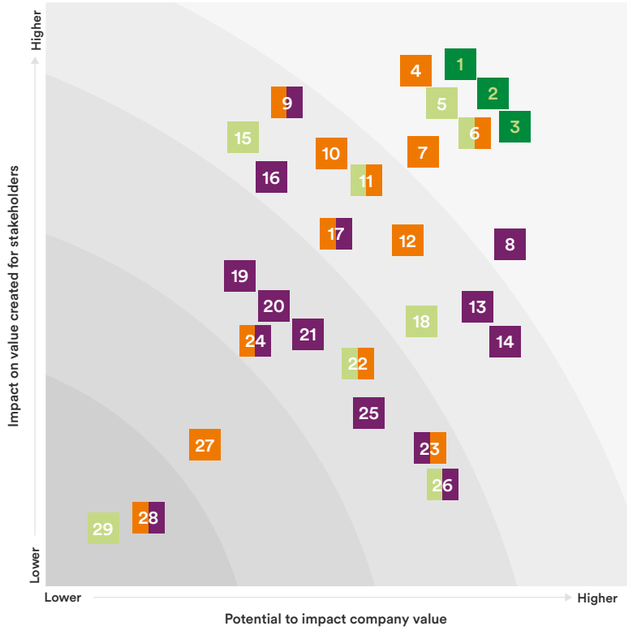
Our comprehensive disclosures and integrated reporting approach provide leading levels of transparency throughout this report.

### 2 Resilience

Resilience is a key consideration in our long-term planning (page 13), the way we manage our key resources (pages 14 to 15), and the ultimate focus of our risk management approach (pages 54 to 63).

### 3 Political and regulatory environment

The political and regulatory environment can have a material impact on company value and the value we create (pages 16 to 20).




**Key:** Our material themes are aligned to one or more of the key ambitions of our purpose – stronger, greener and healthier.

Overarching theme
Greener
Healthier
Stronger

| Greener | | Pages |
|---|---|---|
| 5 | Environmental river water quality and storm overflows | 68 to 71 |
| 6 | Climate change adaptation | 26 to 36 |
| 11 | Water resources and leakage | 45 and 69 |
| 15 | Climate change mitigation | 26 to 36 |
| 18 | Natural capital and biodiversity | 36 to 44 |
| 22 | Recycling biosolids | 61 to 62 |
| 26 | Energy management | 26 to 36 |
| 29 | Waste management | 44 |

| Healthier | | Pages |
|---|---|---|
| 4 | Customer service and operational performance | 64 and 78 |
| 7 | Health, safety and wellbeing | 47 to 48 |
| 9 | Affordability and vulnerability | 80 to 81 |
| 10 | Drinking water quality | 45 to 46 |
| 12 | Emerging contaminants | 61 to 62 |
| 17 | Diverse and skilled workforce | 47 to 48 |
| 24 | Colleague engagement | 76 and 78 to 79 |
| 27 | Competitive markets | 16 |
| 28 | Human rights | 41 |

| Stronger | | Pages |
|---|---|---|
| 8 | Cyber and data security | 52 and 89 |
| 13 | Financial risk management | 49 and 59 |
| 14 | Corporate governance and business conduct | 49 |
| 16 | Supporting communities | 50 to 51 |
| 19 | North West regional economy | 8, 9 and 51 |
| 20 | Recreational land and waters | 38 to 39 |
| 21 | Land management | 39 |
| 23 | Innovation | 17 and 19 |
| 25 | Responsible supply chain | 85 and 89 |

# Climate change

**Strategic priorities related to climate**

Create a greener future

**Material themes related to climate**

6 Climate change adaptation

15 Climate change mitigation

## Strategy

### TCFD disclosures

a. Our strategic assessments and planning include the forecasted impacts at three time horizons and under multiple climate change scenarios.

b. The risks with the most material impact on our organisation are those associated with the security of water supplies and increased volumes and intensity of rain to drain.

c. We are prepared for the immediate challenges and our BIG North West upgrade will improve our resilience across of a range of climate scenarios at county, regional and national levels.

## Planning horizons for climate-related risks

Climate change in the North West of England will cause hotter, drier summers, more extreme temperature and storm events, and changes in seasonality such as milder, wetter winters. As a business, we plan across three broad time horizons (see page 13) to ensure long-term resilience and sustainability. For climate risks and opportunities, we use the same horizons as other business planning for short term (one year) and long term (out to 2100); however, for the medium term, we use 2050 to align with the Met Office UKCP18 mid-century climate change projections.

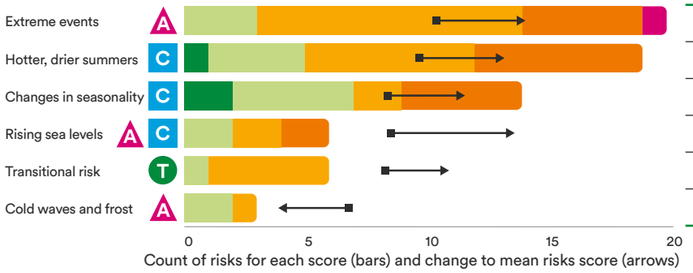
Short-term climate risks – such as increasingly frequent high-volume rainfall and distortions in seasonal weather patterns – are already affecting our operations and worsening existing material issues such as sewer and asset flooding, and asset deterioration. Some infrastructure assets, such as pipes and aqueducts, have long lifespans so, to match this, our long-term planning horizon extends out to 2100.

Our climate-related risk assessment uses the latest climate science and both regional- and county-specific approaches. 68 risks were identified and grouped by causal factor. We evaluated the likelihood and consequence of each risk out of five. The risk score is the product of these ratings with a maximum possible score of 25. Each risk was scored for each of the five counties and three planning horizons with the long term quantified in both benign (2°C) and adverse (4°C) climate scenarios. Details of this approach and the outputs can be found in Appendix E of our 2024 adaptation progress report.

The chart below summarises the risk profile by causal factor after our 2026 review. The 'Extreme events' category includes risks related to extreme rainfall, wet and windy storms, and wider ranges of weather, and has both the most risks and the highest risk scores.

### Climate-related risks categorised by causal factor

Bar colours indicate the maximum risk score across the five county-specific assessments. Arrows show how the regional mean risk scores change between the short and the long term (adverse scenario).




| Short term 2026 | Medium term 2050 | Long term 2100 Benign | Long term 2100 Adverse |
|---|---|---|---|
| 10.1 | 10.25 | 10.25 | 13.8 |
| 9.3 | 9.47 | 9.47 | 12.84 |
| 8.1 | 8.36 | 8.50 | 11.36 |
| 8.3 | 10.17 | 10.17 | 13.50 |
| 8.0 | 8.00 | 8.00 | 10.83 |
| 6.7 | 6.67 | 6.67 | 3.67 |

**Key:**

**TCFD risk categories**

- A Acute physical risks
- C Chronic physical risk
- T Transitional risks

Max risk score (1 to 25) and risk score rating (very low to very high)

| 1 2 3 | 4 5 6 | 8 9 10 | 12 15 16 | 20 25 |
|---|---|---|---|---|
| Very low | Low | Medium | High | Very high |

Mean score: Short term → Long term

TCFD



The majority of risks are physical. These physical risks pose a material risk of destruction or disruption of our assets and systems. They include both acute risks, such as shocks from severe weather, and chronic risks. We are also exposed to some transitional risks associated with the move to a low-carbon economy, including policy, legal, technological, market and reputational risks.

The following four risks have a very high risk score (20 or 25) for at least one county by 2100:

1. Extreme events where intense rainfall overwhelms the capacity of the drainage system and leads to flooding.
2. Extreme events where the volume of rain is beyond the capacity and asset design for the drainage network. Where combined sewer overflows are used to prevent sewer flooding of properties and businesses there is the potential for environmental pollution.
3. Lower average summer rainfall, reducing water resource availability and necessitating greater use of supply restrictions and potential failures of the water service.
4. Changes in seasonal weather patterns, promoting extended growing seasons, which increases the likelihood and potential consequences of algal blooms.

### How geography affects our climate-related risks

Operating in the North West presents distinct challenges compared with the rest of the UK. Our region experiences some of the highest levels of rainfall in England and has a higher proportion of older and, therefore, combined sewers. These pressures on our wastewater network and treatment assets elevate the likelihood of sewer flooding and storm overflow activations during periods of intense rainfall.

Around 95% of the region's water supply comes from surface water rather than groundwater. This strong dependence on surface water means water availability is closely linked to recent rainfall and makes the region more vulnerable to prolonged dry and hot periods.

Sub-regional geography and demographics also influence the challenges of climate change and we found that climate-related risks scores can vary markedly between the five counties. See the chart at the bottom of this page.

**Greater Manchester** faces elevated flood risk due to its bowl-shaped topography, combined with 40% higher-than-average urban rainfall, pressures from pollution and a high density of combined sewer overflows.

**Cumbria and Lancashire** are home to key surface water reservoirs that support supplies across the region. Lower average rainfall in these counties would have a greater operational impact because of their central role in our water resource system.

Algal blooms are already being managed in Lancashire and Greater Manchester, resulting in increased treatment costs to reduce the impacts on the acceptability of water with customers. While Cumbria has not experienced widespread impacts to date due to the high proportion of raw water supplied from the county, more algal blooms in the future could have significant impact.

The differences between counties supports the need for targeted, place-based resilience strategies to address local challenges.

## Impact of climate-related risks on strategy and financial planning

The last 12 months have seen extreme contrasts for the weather in the North West of England. There were severely dry conditions in the spring of 2025, followed by a hot summer with several heatwaves, and autumn was exceptionally wet with above-average rainfall continuing into 2026.

With such challenges, it should be expected that both resilience and climate change adaptation are material and prioritised themes for our organisational strategic and financial planning. We have, therefore, embedded climate considerations into both short-term operational decisions and long-term strategies.

We have established and tested operational response plans to minimise disruption from severe or unpredictable weather. When incidents do occur, our Integrated Control Centre plays a critical role in providing real-time visibility of our water, wastewater and bioprocessing operations. This enables swift, coordinated responses that reduce customer impact and environmental risk.

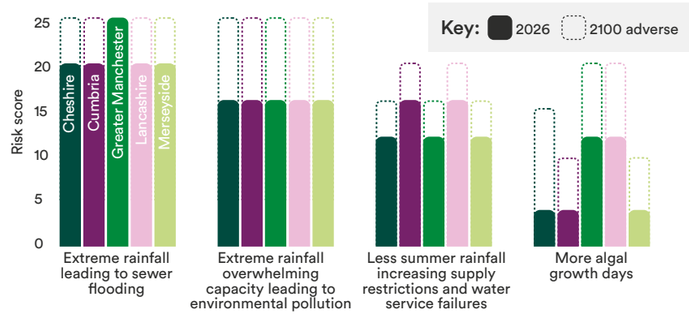
Our longer-term planning is set out in our Water Resources Management Plan (WRMP), Drainage and Wastewater Management Plan (DWMP) and long-term delivery strategy (LTDS). These plans draw on a range of future climate scenarios and take into account environmental, regulatory, technological and societal factors. Sophisticated modelling helps us translate outputs from this scenario analysis into actionable long-term corporate and financial plans while staying aligned with immediate operational needs.

Through our WRMP, we will deliver enhanced drought resilience by 2039, targeting resilience to a one-in-500-year event. Key commitments include halving leakage (from a 2017/18 baseline) and improving water efficiency to 110 litres per person per day by 2050, while reducing abstraction from sensitive environments and progressing new strategic resource options.

Our DWMP sets out how we will respond to population growth, urbanisation and climate pressures by improving environmental protection and customer service. This includes delivering our storm overflow reduction plan for 2050, expanding stormwater capacity, upgrading treatment processes, and increasing the use of nature-based solutions to manage rainfall.

Our LTDS integrates these plans with our asset management approach, creating an adaptive long-term pathway certified to ISO 55001:2014. Scenario analysis means we have been able to prioritise investment where the evidence shows material climate impacts, while maintaining flexibility where uncertainties remain. This ensures our financial plans reflect a low-regrets approach with clear core pathways and optional routes should climate science, legislation or customer expectations evolve.

### Risk scores for the top four climate risks by county




**Climate adaptation progress report**

Read more details about the **impacts of climate change, and our strategies and tactics to address the climate risks**, in our adaptation progress report at **unitedutilities.com/corporate/responsibility/environment/climate-change**

TCFD

# How we respond to material themes: climate change

## Building resilience to a changing climate

Climate change, and the shifting weather patterns that come with it, has the potential to significantly influence our operations, the services we deliver, and the wider environment we depend on. This connection is already clear as five of our top ten operational risks are highly sensitive to climate change, even under a 'benign' scenario where global temperature rise is limited to below 2°C by 2100. Because of this direct link, all of our core strategies are shaped by both the risks and the opportunities that climate change presents.

To prepare for the future, we assess our resilience under three Representative Concentration Pathway (RCP) climate scenarios:

- **No change**
- **Benign** (RCP 2.6, ~1.6°C rise by 2081–2100)
- **Adverse** (RCP 8.5, ~4.3°C rise)

We conclude that our potential to adapt is strong. This comes from our board and leadership being fully committed to climate adaptation, and from consistently using a systems-based approach that considers resilience across all areas – operational, corporate, and financial. Our approach also recognises that resilience is not just about our own assets and we look carefully at interdependencies and cascade failure risks – how failures in connected services or infrastructure could affect us. To better understand these risks we have brought together employees, infrastructure providers, local authorities, and government stakeholders in a resilience community of practice.

One of the biggest emerging challenges is **compound risks**, where several climate-related impacts occur close together in time or location. To understand this and prepare, we stress test our plans using scenarios that combine actual examples of extreme weather. For example, we examine how our systems would cope with two consecutive hot, dry summers like those in 2020 and 2021, followed by an exceptionally dry winter such as the one in 1984. We also look for compound benefits, where a single action delivers multiple positive outcomes. Sustainable drainage systems (SuDS) are a good example of this. They reduce runoff, free up capacity in wastewater treatment, and provide opportunities for wider social and environmental improvements in local communities.

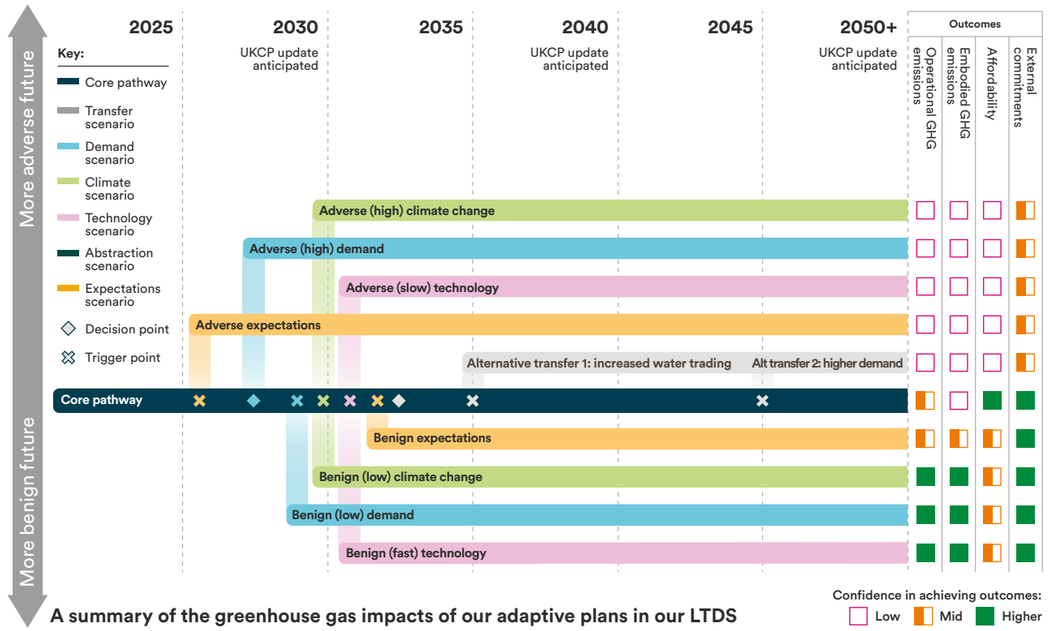
Alongside physical risks, we assess how implementing our water, wastewater and bioresources plans will affect our greenhouse gas (GHG) emissions. We have prioritised water efficiency to meet the needs of a growing population while protecting water sources and rivers over the long term, however, this growth brings significant increases in embodied and operational emissions. This means to stay on track for net zero by 2050, we will need:

- transformational innovation;
- more investment to cut GHG emissions; and
- a full and fair valuation of GHG impacts across national policy frameworks.

### Comparing the GHG emissions impact of various long-term delivery strategy (LTDS) pathways

Our adaptive long-term plans for water, wastewater and bioresources each include one core pathway and several alternative pathways. Alternative pathways diverge at defined decision or trigger points where different investment choices would be made, depending on how future conditions evolve.

Adverse scenarios require additional investment to meet higher service demands – such as those driven by a larger population, tighter environmental standards or more intense peak rainfall. The associated increase in construction activity or chemical use would make delivering our transition plan more challenging and potentially unaffordable. Conversely, under more favourable (benign) scenarios, lower service pressures would allow us to meet outcomes with fewer emissions-intensive interventions, supporting more efficient and cost-effective progress towards our transition plan.

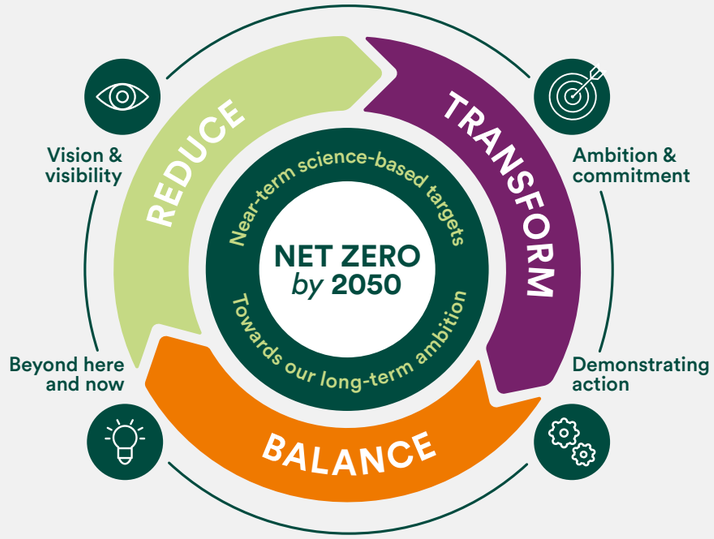



**A summary of the greenhouse gas impacts of our adaptive plans in our LTDS**



# Net zero transition plan

Our transition plan sets out how we will support and prepare for a rapid global shift to a low-emission economy, targeting net zero across all three emissions scopes by 2050 in line with the SBTi Net-Zero Standard.




Our plan is built on our established climate change mitigation strategy that guides our priorities and implementation approach and exhibits the Transition Plan Taskforce principles of ambition, action and accountability.

## Vision and visibility

### 'Demonstrating integrity and leadership in carbon reporting and disclosure'

Vision and visibility are the foundations of our approach to climate change mitigation. Our aspiration is to consider the climate in all operational and strategic decision-making. This includes influencing strategy and behaviours by integrating emissions management into remuneration schemes and incorporating carbon pricing into our value-based decision-making approach.

The board, through the ESG committee, provides oversight of the transition plan and management. Leading the executive team our CEO is responsible for designing, developing, delivering and governing a plan that is in line with standards and our strategic ambition. This is primarily done through the director-led steering group, which has the technical skills and competencies to manage the setting of science-based targets and effectively balance the competing environmental and social responsibilities within the financial constraints of a regulated business.

We are committed to inclusive and transparent climate-related disclosures, aiming to be recognised as among the best in the UK. We use CDP as the benchmark of disclosure leadership and are proud to have maintained our position in the leadership level across all three climate, water security and supplier engagement assessments in 2025.

Our long track record of annual GHG emissions reporting has been supported by independent, third-party verification of our GHG inventory by Achilles Group since 2008. We publish data, in line with reporting requirements in the Companies Act 2006, and seek to continually improve our disclosures to meet the emerging guidance and recommendations such as the UK Sustainability Reporting Standards.

## Ambition and commitment

### 'Playing our part to mitigate climate change through setting and meeting ambitious science- based targets'

Our transition plan is ambitious and adaptive and takes into consideration the risk, impacts and dependencies on our resources, our value chain and our stakeholders. Our emissions reduction targets are based on climate science, cover all three emission scopes and are aligned with the 1.5°C ambition of the Paris Agreement. The Science Based Targets initiative (SBTi) is a collaboration that defines and promotes global best practice in science-based target setting. We are proud to have been the first UK water company to have near-term, long-term and net-zero targets approved by the SBTi as compliant with the Corporate Net-Zero Standard. Having achieved two of the four near-term targets and, in the context of our accepted regulatory business plan, we have reviewed all our targets and successfully had them revalidated in March 2026.

As a regulated service provider and infrastructure operator, elements of our transition plan are outside of our control. Our ability and approach to net zero is ultimately determined by national policy frameworks and legislative duties, such as the new Environment Act and economic regulation. Between them, these drive both the emissions growth pressures we need to counteract and the level of investment we can allocate to emissions reductions. Our transition plan, therefore, also includes engagement activities with regulators and the Government to inform effective policy that fully values GHG emissions to support sustainable development in the round.

## Demonstrating action

### 'Reducing our environmental impacts through the delivery of transformational strategies and culture change'

Our action plan to achieve net zero by 2050 (in line with climate science and the UK Government targets) has three themes aligned to our company purpose and values:

We will:

**Reduce**

what we can control today;

**Transform**

our systems for tomorrow; and

**Balance**

the unavoidable with integrity, to build a resilient, competitive organisation that contributes meaningfully to a sustainable future.

We have a roadmap of intended activities over short-, medium- and long-term horizons and have modelled four delivery scenarios for each workstream. These scenarios cover a business-as-usual position with no additional investment targeted at net zero, our planned investment profile, an accelerated plan investing sooner than the business plan, and a fast-tracked plan to achieve net zero.

We already use on-site generated renewable electricity and our next steps are to reduce the GHG intensity of the energy and materials used. To support further reductions, we are engaging with our value chain and partners to take advantage of emerging markets, promote sustainable practices and drive innovation to close technological gaps.

# How we respond to material themes: climate change

Our first priority is to reduce emissions. We recognise that those from the biological treatment of wastewater cannot be fully eliminated so we are collaborating with others in the water sector to develop and promote more sustainable methods. To offset some of these residual emissions, we have programmes in place to remove and store carbon through peatland restoration and woodland creation. In the longer term, we may opt to purchase carbon credits to further offset residual emissions and achieve net zero.

## Beyond here and now

### 'Innovating across processes, technology and culture'

Our strategy pillar of 'beyond here and now' reflects our intention to influence beyond our current emissions inventory and also beyond existing capabilities. We will go beyond emissions reductions and enable, encourage and reward interventions that protect and enhance the natural environment, while promoting the value of wider ecosystem services. This will include challenging standards, promoting nature-based solutions, and the increased application of circular economy principles with industry peers, our supply chain, and other partners.

We work closely with others across the water sector through the Water UK carbon network and its subgroups, UKWIR's carbon big question, and on innovation projects. We co-chair the Water UK carbon network, and we have led working groups to develop and improve GHG emissions accounting, to ensure consistency in regulatory reporting and to understand and quantify the GHG emissions related to chemicals used.

Working with other water companies and academic partners, we are leading two Ofwat Innovation Fund projects.

'Metagenomics: Making Microbes Matter' will link microbial population data with wastewater treatment performance to better understand nitrous oxide emissions pathways and identify opportunities for emissions reduction.

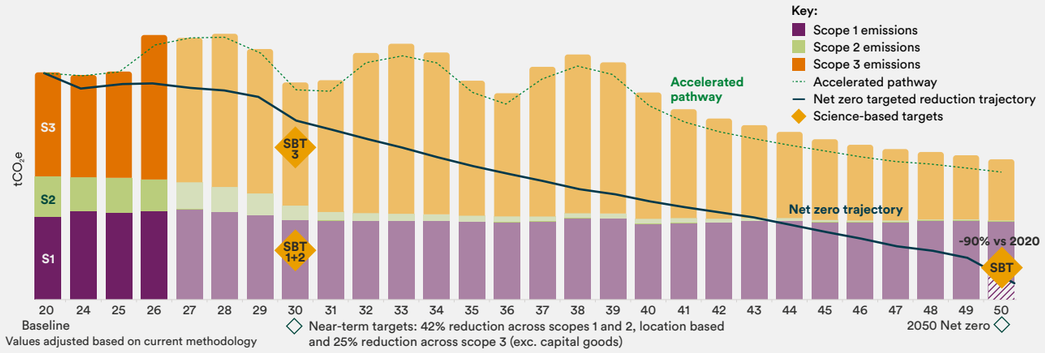
'Next-Gen Digestion' will increase biogas generation while reducing volumes of residual biosolids (treated sludge).

We collaborate with our supply chain to innovate. We have trialled natural coagulants for phosphorus removal, we are quantifying the GHG benefits of alternative treatment technologies like FujiClean, and we are developing use cases for lower-carbon concrete such as LowCast.

An example of our evolving commercial practice is in our selection of AMP8 programme partners. All the tenders assessed suppliers' capability to manage and reduce GHG emissions and we favoured those with a robust and science-based approach.

## Our route to net zero

As we move into the next phase of our net-zero journey, our ambition remains clear: achieving net zero by 2050. We expect continued growth in the services we provide to a rising population, alongside the need to adapt our assets for climate change, and meet evolving legal and regulatory requirements to protect the water environment. The figure below illustrates both our current pathway and an accelerated version of our plans. While the pathway to net zero is not yet fully defined, and there is no universal roadmap for a business of our scale and complexity, we recognise the challenge and are actively developing the technologies, partnerships and operational changes needed to close the gap.




## Action plan

| | | Short term | Medium term up to 2035 | Long term to 2050 and beyond |
|---|---|---|---|---|
| | | Progress in 2025/26 | Plans to deliver proven interventions | Developing solutions for the future |
| Reduce | Tackling emissions at the source – rapid, cost-effective cuts in scopes 1 and 2 | Delivered nine projects through the energy efficiency programme, saving 0.9 GWh of electricity and avoiding 221 $tCO_2e$ pa | Build on ESOS Phase 3 submission to develop our energy management capability supported by the recruitment of net zero engineers | Recovery of phosphorus, ammonia and cellulose to reduce the load on existing assets and support a circular economy |
| | | 200 new electric vans added to our fleet, and installation of 68 EV charge points across our sites | Transition our van fleet from diesel to electric vehicles where practical and continue trialling electric HGVs | Digital tools to improve route optimisation and incentivise and encourage good driver behaviour to improve fuel usage |
| | | 1.16m litres of HVO deployed for use in generators and 32,625 MWh of biogas used in boilers | Increase use of renewable fuels like biogas and HVO in our equipment and fleet | Low-carbon fuels for HGV fleet and equipment including electricity, biomethane and hydrogen, as viable options come to market |
| | | 164 GWh of renewable electricity generated, 19% of electricity used | Expand renewable energy use enabled by the recent development of a commercial framework for behind-the-meter renewable PPAs | Maximise biogas yield from sludge through high-temp side-stream treatment, digesters in series and new AAD treatment hubs |
| Transform | Redesigning systems for a low-carbon future, targeting hard-to-abate emissions | Nitrous oxide monitoring project commenced, with mobilisation activities initiated across ten of the planned eighteen sites representing 34% coverage | Liquid and gas-phase nitrous oxide monitoring and mitigation, enhanced leak detection for methane; low-nitrous oxide and low-methane wastewater and sludge treatment technologies such as MBBR and AAD | Advance lower-carbon operations through predictive modelling and next-generation monitoring technologies; enable selection of specific microbes to improve $N_2O$ emissions through microbial infrastructure mapping |
| | | LowCast (cement free pre-cast concrete) demonstration project for our better rivers programme delivered 64% carbon saving vs. standard design | Deliver carbon benefits through Project Blueprint by expanding the catalogue of carbon-assessed standardised products | Deploy low-carbon materials and emerging construction techniques, such as cement alternatives and 3D concrete printing |
| | | Delivered a cloud platform for sharing carbon project-level data (MOATA) – providing the tools to measure, monitor and reduce emissions for capital programmes | Embed whole-life carbon decision-making in capital delivery projects and programmes | Expand nature-based treatment solutions such as swales, reed beds and SuDS to transition away from high-carbon engineered systems |
| Balance | Managing what is left with integrity, and partnering on what is beyond our control | 1,245 hectares of peatland restored and 142 hectares of woodland created in the past 12 months | Maximise the value of our land for biodiversity and carbon through peatland restoration and woodland creation | Harness waste heat from the sewer network as a new source of low-carbon energy |
| | | Completed an award-winning LOOP demonstration project – complete carbon capture for the water industry and fully sustainable hydrogen production | Increase production of grid-quality biomethane from biogas to displace fossil natural gas and decarbonise the UK grid | Upscale engineered carbon capture and storage (i.e. hydrogen and graphene from biogas) |
| | | Initiated structured carbon engagement with key suppliers that account for 34% of our scope 3 emissions from goods and services | Extend partner and supply chain engagement to drive low-carbon solutions | Introduce commercial frameworks that incentivise suppliers to innovate and reduce embodied and operational carbon |
| | | Installed nine additional FujiClean systems – compact biological treatment providing chemical-free phosphate removal | Reduce the embodied carbon of our chemical use by optimising dosing and transitioning to greener alternatives | Extraction of biopolymers from sludge for use as coagulants in the water sector and AI automation for polymer dosing |

The Reduce theme focuses on improving the way we use and generate electricity and accelerating the shift to low-carbon vehicles and fuels. Targeted energy-efficiency projects, increased on-site renewable generation, and the continued roll-out of electric vehicles and low-carbon fuels are delivering reliable, low-regret carbon reductions while potentially lowering operating costs and strengthening resilience.

Building on this progress, we are piloting next-generation technologies including digital tools that optimise energy use and emerging low-carbon fuels for heavy goods vehicles. These actions are delivering immediate benefits and establishing the foundations for deeper decarbonisation across our sites.

The Transform theme focuses on reshaping how we design, build and operate our assets. We are investing in longer-term transformation of our assets and processes to address harder-to-abate emissions, particularly those associated with treatment processes and infrastructure projects.

We are improving our understanding of process emissions through enhanced monitoring, modelling and smart controls, enabling targeted interventions without compromising treatment performance. We are also embedding low-carbon principles into our capital delivery programme by integrating whole-life carbon assessments, low-carbon materials, and innovative design approaches across new infrastructure and major upgrades.

The Balance theme focuses on managing emissions that cannot be responsibly eliminated by leveraging high-quality carbon removal solutions. We will prioritise the use of verifiable removal schemes aligned with emerging UK standards. Where appropriate, we may also purchase credible carbon credits to further offset residual emissions and support the achievement of net zero.

In parallel, we are working closely with our supply chain to decarbonise our activities. This includes strengthening data sharing, promoting transparent reporting, and jointly innovating with suppliers to reduce embodied emissions across our value chain.

# How we respond to material themes: climate change

## Governance

**TCFD disclosures**

a. The board and its committees, in particular the ESG committee, consider climate-related matters when reviewing and guiding strategy, approving the business plan and annual budgets and overseeing environmental performance, including science-based targets, our transition plan and adaptation progress.

b. Managing climate-related risks and opportunities is fully integrated in the responsibilities of multiple principal management committees, including the ESG leadership group, climate change mitigation steering group and risk boards.

### Board oversight

Climate-related matters are integrated throughout board and committee activities as climate and the natural environment are central to our purpose of providing great water for a stronger, greener and healthier North West. The board has overall responsibility for ensuring climate risks are reflected in policies, strategies and plans. Certain responsibilities such as remuneration and incentives are delegated to board committees to allow deeper scrutiny.

The chart below illustrates how the board and its committees ensure climate-related issues are considered when reviewing and guiding strategy and its implementation. Actions include setting annual budgets and monitoring implementation and performance of our business plans, including our net zero transition plan (see pages 29 to 31).

The ESG committee, supported by the ESG leadership group, oversees all environmental, social and governance matters. Areas of focus this year included how to ensure a responsible and resilient value chain considering the increased scale of the capital programme, impact of the changing political and meteorological climates on ESG matters and company water use. The committee was also provided oversight on the company's progress against its updated Science Based Targets and the refreshed net zero transition plan.

The audit committee considers climate as part of its oversight of internal controls and risk management, including through oversight of reporting, audit and assurance, twice-yearly integrated risk reviews, and periodic climate-related risk reviews.

The remuneration committee continues to incentivise carbon performance primarily through the long-term performance measures.

The financial statements also describe how climate change affects group assets and liabilities (see within the accounting policy notes to the financial statements on page 198).

### Management role

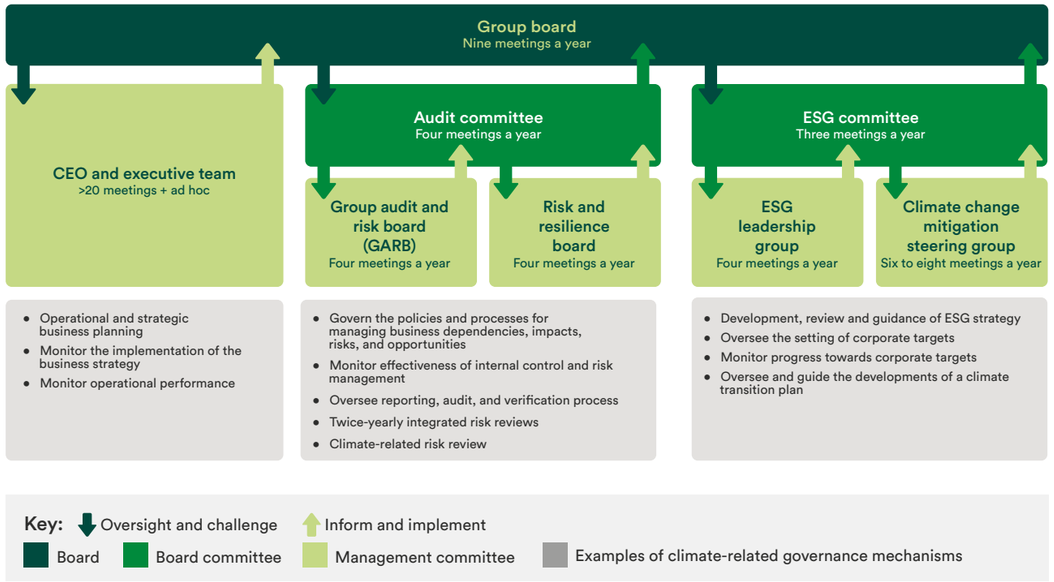
Given the links between weather, ecosystem health and water services, climate change poses both strategic and operational challenges. The CEO holds the highest management level responsibility for climate matters and connects the board with the executive team. The executive team, through various groups and committees, manages all climate-related dependencies, impacts, risks, and opportunities, ensuring appropriate financial resources and skills are in place to deliver our business plans. Its key responsibility is to balance competing operational and strategic priorities related to compliance, commitments and costs.

The CEO and executive team meet to discuss day-to-day matters and separately to consider strategic issues. Monthly reports, collated by the management team, update the board on operational and financial performance, with board direction cascaded back to the management team or via a relevant management committee.

This year, a water-demand function was introduced into the organisation with the purpose of developing a company water-use strategy to understand usage and improve water, energy and carbon efficiency across our sites.

A process that demonstrates the management's key role in assessing and managing climate-related risks is the twice-yearly integrated risk review (IRR). Coordination of this process is the responsibility of the corporate risk team, overseen by the group audit and risk board, which, in turn, reports to the audit committee. The IRR considers all the risks in the corporate risks profile, including those sensitive to climate change (see page 34), updates individual risks where necessary and presents a view of the latest position in board reports.

▶ Read more about **our committees, including their ESG skills,** on page 108 and 117




## Risk management

**TCFD disclosures**

a. We have two processes to identify and assess the additional threats and variability from climate change.

b. We manage both physical and transitional climate-related risks in our corporate business risk profile. Five of our ten most significant operational risks are sensitive to climate change (see page 34).

c. Climate-related risk management is fully integrated in our overall risk management system. Climate change adaptation and mitigation are material themes (see page 25) and extreme weather/climate change is noted as a common causal theme of event-based risks.

### Risk identification

We have a robust framework for the identification, assessment and mitigation of risks that threaten the strategic priorities that underpin our purpose and this is described on page 34. As our services are closely linked to the natural environment, climate change is both a direct cause of risk to the business and a compounding factor to other risks with other causes. To acknowledge this, we have two processes to identify and assess the risks of climate change. One is a process to assess the climate sensitivity of business risks and the other identifies direct climate-related risks.

Both processes use a range of tools – including PESTLE analysis, specialist climate models and structured risk reviews – to identify and evaluate physical risks affecting our assets, operations and resources, and transition risks arising from evolving low-carbon policies, regulations and legislation. The most recent assessments used the latest available climate change projections from the Met Office CP18 and evaluated for two scenarios:

- **Benign scenario:** RCP 2.6, representing ~1.6°C global warming by 2081 to 2100.
- **Adverse scenario:** RCP 8.5, representing ~4.3°C global warming over the same timeframe.

### Climate sensitivity of business risks

Since recognising climate change as a material issue in 2020, we periodically conduct special reviews of our complete business risk profile to understand how climate change and the transition to a low-carbon economy might influence the frequency or severity of risk events.

This work gauges each risk's sensitivity to climate change by quantifying the potential change in likelihood and impact for a time horizon. For example, a weather event that currently occurs once every five years but climate projections predict by 2050 will happen twice every five years. The outputs were translated into financial exposure values (£) and non-financial risk categories. These were assessed over a 40-year horizon to capture the likelihood of repeat events and interdependencies with demographic and environmental change. A summary was presented to the board in February 2025 and is shown on page 34.

### Risks directly related to climate change

For our 2024 adaptation progress report, we identified and analysed 68 risks of climate change. These were grouped by six causal factors: extreme events, hotter, drier summers, changes in seasonality, rising sea levels, cold waves and frost, and transition risks. These risks are summarised on page 26 and collectively represent our resilience to the physical impacts of climate change and the transition to a low-emission economy. More detail, including county-level impacts of each risk, is provided in appendix E of the adaptation progress report.

### Managing climate-related risks

Our special reports on climate risk and the adaptation reporting have strengthened the visibility of climate change within our risk processes. The board uses this insight to determine risk appetite and tolerance, applying our group governance, controls and materiality thresholds.

Given the uncertainty around climate change, population growth, technology and societal change, we continue to mature our long-term and adaptive planning capability. By modelling the causes and consequences and quantifying cost, compliance and commitment impacts, we can proactively adapt our strategies to protect performance across areas such as water supply, leakage, sewer flooding and pollution. Our plans for water resources, wastewater and drainage and long-term delivery are the result of testing service resilience against a wide range of plausible and extreme future climates, alongside alternative demand scenarios defined by different demographics, economic trends and patterns of water use.

By understanding likelihood, impact and interdependencies, we have been able to prioritise risks and target interventions that improve climate resilience while maintaining affordability.

### Integration into the risk management framework

Our processes for identifying, assessing and managing climate-related risks are fully embedded in our enterprise risk management framework. Climate resilience, climate adaptation, and net-zero transition are material themes, and climate risks inform financial planning across all time horizons, including valuation approaches for long-lived assets such as property, plant and equipment.

Extreme weather/climate change is recognised as one of the seven common causal themes for event-based risks. Four of our twelve principal risks are materially impacted by climate change, and we also monitor a dedicated corporate risk for potential failure to meet carbon commitments.

Through the ongoing refinement of our understanding of climate uncertainty, we continue to build resilience across our corporate, operational and financial structures. Our adaptive long-term planning approach, combined with our value framework, helps us balance environmental, social and financial outcomes. This includes choosing lower-carbon, nature-based solutions, such as green infrastructure for rainwater management, in place of traditional, engineered assets where appropriate.

**Company processes to identify and assess risks related to climate change**

| Identification and assessment process | Number of risks and categorisation | Quantification of each risk | Horizon and climate scenario combinations |
|---|---|---|---|
| Climate sensitivity of event-based business risks | 8 Climate sensitive<br>20 Moderately sensitive<br>81 Not sensitive<br>109 Business risks | **Financial impact:** Cumulative £m impact over 40-year period<br>**Non-financial:** Stakeholder perception on a scale of 1 to 8<br>**Likelihood of event:** Expressed as a percentage 0 to 100% | Short term: Current<br>Medium term 2050: Benign<br>Medium term 2050: Adverse |
| Climate change risks by causal factor | 20 Extreme events<br>19 Hotter, drier summers<br>14 Changes in seasonality<br>6 Rising sea levels<br>6 Cold waves and frost<br>3 Transition risks<br>68 Climate change risks | Risk score for each climate change risk for each county | Short term: Current<br>Medium 2050: Benign<br>Long term 2100: Benign<br>Long term 2100: Adverse |

| Impact | <5% (1) | 0–20% (2) | 21–31% (3) | 31–50% (4) | >50% (5) |
|---|---|---|---|---|---|
| 5 | 5 | 10 | 15 | 20 | 25 |
| 4 | 4 | 8 | 12 | 16 | 20 |
| 3 | 3 | 6 | 9 | 12 | 15 |
| 2 | 2 | 4 | 6 | 8 | 10 |
| 1 | 1 | 2 | 3 | 4 | 5 |

Likelihood

# How we respond to material themes: climate change

## Business risks categorised as 'sensitive' to climate change

*Five are in the top ten operational business risks.

| Business risk | | Description of climate sensitivity | 2026 risk assessment: Likelihood % | 2026 risk assessment: Financial impact £m[1] | 2026 risk assessment: Non-financial impact[2] | Change by 2050[3]: Benign scenario RCP 2.6 | Change by 2050[3]: Adverse scenario RCP 8.5 |
|---|---|---|---|---|---|---|---|
| Failure of gravity and conventional sewers* | C A | Intense storms can overload the sewers and lead to severe flooding. Climate change will increase the frequency and intensity of storms, and urbanisation makes this worse due to quick runoff from hard surfaces. | | | 4 Medium | ↑↑ | ↑↑↑ |
| Recycling of biosolids* | C | Water logging resulting from more persistent rainfall will limit options for recycling biosolids to land for a greater part of the year. Uncovered sludge stores and stockpiles will be more vulnerable in persistent wet, winter weather, increasing the risk of environmental pollution from runoff. | | | 5 High | ↑↑ | ↑↑↑ |
| Water availability* | C | Changing seasonal rainfall patterns impact water availability, and warmer temperatures intensify supply challenges in dry periods because of evapo-transpiration. | | | 5 High | ↑↑ | ↑↑↑ |
| Failure to treat wastewater* | A | Extremely heavy rainfall, which is projected to happen more often, can exceed our wastewater treatment works capacity and result in activations of overflows to prevent flooding of assets, streets and homes. | | | 4 Medium | ↑↑ | ↑↑↑ |
| Combined sewer overflows* | C A | Increased rainfall, together with our significantly higher proportion of combined sewers, is highly likely to exceed the capacity of the combined sewers and lead to storm overflow activations. | | | 5 High | ↑↑ | ↑↑↑ |
| Pumping stations and rising mains | C A | More frequent and intense storms will increase the likelihood and impact of failures of pumped wastewater systems leading to sewage discharge into the environment or foul flooding. | | | 4 Medium | ↑↑ | ↑↑ |
| Land management | C | Deterioration in land quality due to climate change has both direct and indirect impacts. Hotter, drier summers lead to fire, flood, subsidence and landslip events, which, in turn, have associated health, safety and environmental impacts. | | | 3 Medium | ↑↑ | ↑↑↑ |
| Failure of above ground water and wastewater assets (flooding) | C | Operational sites can be flooded from sea, river or surface water sources. Climate change is expected to increase the likelihood of flooding due to average winter rainfall being projected to rise, frequent storm events and rising sea levels. | | | 5 High | ↑↑ | ↑↑↑ |

(1) Financial impact is estimated for a 40-year period (2026 to 2066) and the valuation includes impacts on income, capex, opex, interest, tax, penalties, and fines and incorporates inflation. The financial impact of the climate-sensitive risks above ranges between £10 million and £550 million.

(2) Non-financial impact to stakeholder perception on scale of 1 to 8. Stakeholders include customers, regulators, investors, politicians and the media.

(3) Approximate scale of change in risk by 2050 in this climate change scenario. Climate sensitive risks at least double in their likelihood and/or impact.

## Moderate climate sensitive risks

| Business risk | | Description of climate sensitivity |
|---|---|---|
| Carbon commitments | T | Additional obligations to meet climate-related policies, regulation and legislation. |
| Customer experience | C | Climate change will increase frequency of events and incidents when customers suffer an actual or perceived poor experience. |
| Pollution from wastewater assets* | A | More events that exceed hydraulic capacity or strain assets will lead to more frequent pollution incidents. |
| Water efficiency | C | Hotter, drier summers will increase use of water due to changes in customer behaviour. |
| Power loss | A | Greater variation in temperatures and precipitation will cause stresses and strains to the power infrastructure, leading to more asset failures. |
| Water production capacity | C | Hotter, drier summers will increase the likelihood of being unable to meet the required water production capacity. |
| Contamination of raw water sources | A | More frequent events and incidents that impact raw water sources such as flooding, landslides, algal bloom, and faecal and pesticide runoff. |
| Brand management | T | Increased frequency of events and incidents that impact operational performance. |

**Key:**

**C Chronic physical risk**
Changing trends in weather patterns, such as temperatures, sea level and rainfall

**A Acute physical risk**
Severe weather events, such as storms, heat waves and floods

**T Transitional risk**
Associated with move to lower-carbon economy



# Metrics and targets

### TCFD disclosures

a. We track both physical and transitional metrics to assess climate-related risk and opportunities with metrics associated with rainfall being the most critical to our operations.
b. We disclose our GHG emissions and underlying energy use for 2025/26 in our energy and carbon report on pages 72 to 73.
c. Our main climate-related targets are our near-term and long-term science-based targets. Other environmental measures can be found on page 67.

## Metrics to monitor climate risks

We track both physical and transitional metrics to assess climate-related risks and opportunities. We also monitor our environmental key performance indicators (KPIs) to build understanding of our resilience to climate change and use carbon pricing to monetise risk assessments and in business cases.

### Physical metrics

Weather data is the most critical input to our operational planning, as temperatures and rainfall volume, intensity and location directly influence our water resources, wastewater and bioresources functions. Consequently, we analyse recent and historic weather patterns to continually improve our understanding of how different patterns can affect demand and our ability to deliver our services. This insight is combined with Met Office short-term forecasts and climate projections to feed into both immediate and longer-term adaptive planning.

Peak rainfall is a key long-standing physical metric, and climate-change-driven fluctuations to this will cause material impact to our organisation. For Manchester city centre, the one-in-100 year, 24-hour summer rainfall level has already increased from around 93mm in the 1960s to more than 94mm today. By 2100, this is projected to rise further to between 96mm (benign scenario RCP 2.6, <2°C) and 112mm (adverse scenario RCP 8.5, 4°C). These trends highlight the need to accelerate surface water management initiatives to reduce the risk of sewer flooding driven by increasing hydraulic pressures.

### Transitional metrics

Transitional risks arise when actions intended to protect or restore nature and transition to a lower-carbon economy have financial implications. These risks are influenced by changes in policy, regulation, legal precedent, technology and investor expectations. In line with TCFD guidance, we monitor developments across policy and legal, technology, markets and reputation.

Transitional metrics meaningful to United Utilities typically relate to the availability and cost of emissions reduction technologies and of low-emission fuel and energy. We track fossil fuel and low-carbon energy price trends, the maturity of the alternative fuel vehicle market, the share of UK electricity generated from renewable sources and the prices of energy attribute certificates (EAC) like REGOs. As the UK renewable generation increases, the price for EACs tends to decrease but the risks of power issues due to an unstable grid increase.

### Environmental KPIs

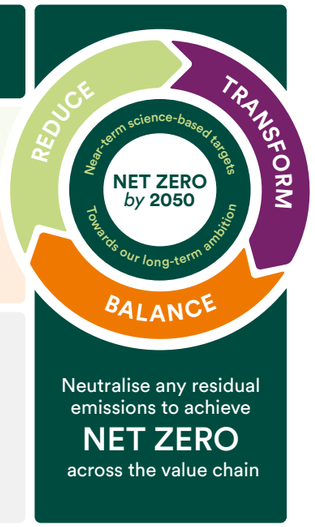
Management of our climate-related risks is embedded throughout our processes by putting in place controls, such as those described in the 2024 adaptation progress report. The effectiveness of these controls is seen in our operational performance metrics such as those on page 67, so some environmental measures are also recognised as climate-related metrics. These include leakage reduction, per capita consumption, water service supply and resilience and counts of flooding incidents, storm overflow activations and sewer collapses.

### Internal carbon pricing

Carbon prices can be a useful tool to assign a monetary value to GHG emissions. We use pricing in a variety of ways for different purposes. We apply a shadow price, £ per tonne carbon dioxide equivalent ($tCO_2e$) from UK Government 'Carbon Values for Policy Appraisal' for the relevant year in risk assessments to quantify the total financial impact of failing to meet our carbon commitments, and the potential penalties associated with regulatory performance commitments.

We also apply carbon pricing to assess financial implications of operational and investment decisions. For example, EAC prices serve as an implicit cost of reducing market-based scope 2 emissions. We have used shadow pricing to evaluate business cases for reducing operational emissions by switching to lower-emission fuels, such as HVO, and for designing out construction-related emissions through deployment of no dig techniques, LowCast cement-free concrete in pipes, and air pigging – a sustainable, non-destructive pipeline cleaning method and a world first when deployed in the Vyrnwy Aqueduct Modernisation Programme.

| Validated GHG emissions targets | Near-term targets 2030 | Long-term targets 2050 |
|---|---|---|
| Scopes 1 and 2 Location-based | 42% Reduction in absolute GHG emissions from base year of 2020 | 90% Reduction in absolute GHG emissions from base year of 2020 |
| Scope 3 | 25% Reduction in absolute GHG emissions (excluding category 2) from base year of 2020 | 90% Reduction in absolute GHG emissions from base year of 2020 |




SCIENCE BASED TARGETS | THE NET ZERO STANDARD APPROVED NET-ZERO TARGETS

## How we respond to material themes: climate change

### Performance measures and targets

#### Science-based emissions targets

Our ambition and commitments are based on international guidance and climate science. Our near-term science-based targets were verified by the Science Based Targets initiative (SBTi) in July 2021 and our long-term and net-zero targets against the SBTi Net Zero Standard in 2024.

SBTi mandates a target review, at minimum, every five years to ensure consistency with the latest criteria. With this in mind, and having met two of the four near-term targets, we have recently reviewed with the SBTi Net Zero Standard v1.3. The refreshed targets, which you can see on the previous page, were successfully revalidated, and now align with our business plan and use the same location-based scope 2 accounting approach as the new regulatory operational GHG emissions performance commitments.

#### New regulatory targets

Ofwat has introduced two common performance commitments related to operational GHG emissions for water activities and wastewater activities. These measures include scope 1 and 2 emissions in their entirety plus some scope 3 emissions. They are calculated using an Ofwat-defined methodology that is different to annual emission reporting. Depending on annual performance, each performance commitment may result in a penalty or reward of £188 per $tCO_2e$.

United Utilities also has a bespoke performance commitment designed to incentivise reduction of embodied GHG emissions resulting from a subset of our AMP8 WINEP wastewater treatment, non-infrastructure programme. Reducing emissions from these 57 projects by more than 5% from the baseline will result in a reward of £188 for each $tCO_2e$ but increasing will incur a penalty of £94 per $tCO_2e$.

The carbon prices used for the common and bespoke performance commitments are from the UK Government carbon values 'for use in policy appraisal' and are set at 70% and 35% of the 2027 central scenarios.

#### Performance and remuneration

Part of being a responsible business and delivering our purpose involves making sure our executive directors and colleagues are remunerated in line with our performance against sustainability metrics rather than purely financial.

Annual bonuses for all colleagues are linked to the company scorecard (see pages 150 and 151) and up to half is based on performance in measures linked to reducing pollution, spills, or other aspects of environmental performance, which are often impacted by weather and climate.

Since 2022, the long-term incentive plans (LTP) for senior leaders and executive directors have included a carbon measure that contributes to the delivery of our net zero transition plan worth 10%. The remuneration committee oversees the setting and vesting of LTPs and, as each one covers three years, three are active at any one time. The targets currently in place are:

- LTP 2023 percentage of energy used from low-carbon sources in year 2025/26
- LTP 2024 reduction of fuel-related GHG emissions measures in year 2026/27
- LTP 2025 percentage of energy used from low-carbon sources in year 2027/28

▶ For this year's **greenhouse gas emissions inventory**, see our **energy and carbon report** on pages 72 to 74

# Task Force on Nature-related Financial Disclosures (TNFD)

Becoming an early adopter of the TNFD improved our ability to assess how nature-related risks could affect water quality, supply resilience and long-term planning, including future investment and financial impacts. Below is a summary of the six general requirements.

### Application of materiality

Page 25 sets out our materiality assessment for disclosures, which includes nature- and climate-related themes. The materiality of nature-related matters reflects the impact on the environment through direct operations and activities across the value chain.

### Scope of disclosures

Our disclosure covers activities and assets, impacted and dependent on by our direct operations, upstream value chain (e.g. materials and construction), and downstream value chain (e.g. water use and customer behaviour).

### Location of nature-related issues

Our direct operations impact and depend on the type and condition of land across the North West, including, but not limited to, more than 56,000 hectares of land that we own.

### Integration with other sustainability-related disclosures

Our annual report has included climate-related financial disclosures (TCFD) since 2020, and nature-related financial disclosures (TNFD) since 2022. We report on nature loss in the World Economic Forum (WEF) risk index. Nature- and water-related matters are also reported on in our annual CDP response.

### Time horizons considered

As set out on page 13, we plan over short-, medium- and long-term horizons:

**Short term** – up to one year

**Medium term** – up to 2035

**Long term** – beyond 2035, typically 25 to 75 years

### Engagement of stakeholders on nature-related issues

We engage with customers to inform our decisions, with environmental issues at the heart of our business planning research. Our five counties model has a key focus on stakeholder management, to strengthen relationships with local community groups. We also rely on our partnerships to deliver multiple benefits, for us, nature and the rest of society.





# Nature pledges

We are strengthening our environmental ambition by evolving our earlier carbon pledges and better rivers pledges to adopt a broader, more integrated set of nature pledges.

**This evolution reflects a growing understanding that climate, water quality, biodiversity, and community wellbeing are interconnected. By taking a whole-ecosystem approach, we can deliver greater environmental resilience, support national policy goals, and contribute meaningfully to nature recovery.**

### Peatland restoration

**7,000 hectares of peatland will be under restoration by 2030.**

We will continue to extend our activities restoring peatland habitats across the North West, building on the 3,000 hectares delivered since 2020 to deliver an additional 4,000 hectares by 2030.

### Woodland creation

**We will plant one million trees by 2030 to create 550 hectares of woodland.**

Continuing work towards our 2020 carbon pledge, we will deliver a programme of both woodland creation and improvement projects valuing actions that have broad sustainability merit enhancing biodiversity as well as climate resilience and mitigation.

### Protecting rivers

**We will protect and enhance 1,800 kilometres of river by 2030.**

Having delivered more than 1,400 kilometres of river enhancement work since 2020, we pledge to protect and enhance a further 400 kilometres by 2030 as we deliver investments to improve our infrastructure and reduce spills.

### Nature recovery

**By 2030, we will exceed the UK Government target and manage at least 30% of our land for nature.**

Our pledge supports the UK goal to protect at least 30% of land and sea for biodiversity by 2030. We will deliver biodiversity net gain across our capital projects and landscape-recovery schemes, creating wildlife-rich places that restore, enhance, and connect habitats across the North West.

As one of the country's largest landowners, it is vital that we understand the role we play in driving nature recovery and demonstrate leadership in protecting and enhancing the natural environment. Our pledges align closely with national and global frameworks, including the Global Biodiversity Framework (GBF), the UN Sustainable Development Goals (SDGs), and UK Environment Improvement Plan (EIP). By restoring ecosystems, reducing pollution and supporting Local Nature Recovery Strategies, we are contributing directly to the UK's long-term environmental targets.

▶ Read more on **how our impacts and dependencies link to SDGs** on pages 14 to 15

# How we respond to material themes

## Nature

### Strategic priorities related to nature

- Improve our rivers
- Create a greener future

### Material themes related to nature

- 5 Environmental river water quality and storm overflows
- 11 Water resources and leakage
- 18 Natural capital and biodiversity

## Strategy

### TNFD disclosures

a. We have identified our most material nature-related matters. Our strategies are built to consider nature over the short, medium and long term.
b. Nature-related dependencies, impacts, risks and opportunities are considered when developing our strategic plans and inform our investment decisions.
c. Our long-term adaptive plans support investment in the resilience of the ecosystems we impact and depend on.
d. Our direct operations, upstream (first tier) and downstream value chains are within the UK.

## Identifying our nature-related dependencies, impacts, risks and opportunities

Protecting and enhancing the natural environment is at the heart of our purpose and strategy. Providing great water for a greener North West means we aim to protect and enhance the natural environment and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive. Our strategic priorities to 'create a greener future' and 'improve our rivers' drive us to go above and beyond our regulatory requirements to maximise value for the environment. We aim to protect and enhance the natural environment by investing in our assets, driving performance improvements, investing in nature-based solutions, and adopting best practice in asset management.

Our environmental policy is underpinned by a framework of strategies and long-term plans in response to nature-related risks and opportunities. We are highly dependent on nature, with potential for material positive and negative impacts. We manage nature-related impacts and dependencies by creating long-term adaptive plans that support investment in the resilience of the ecosystems we depend on. Through adaptive planning, horizon scanning and natural capital accounting, we have identified the most material nature-related impacts and dependencies in our direct operations, upstream and downstream from our value chains. The table below shows the impacts and dependencies we have identified.

| Biome | We depend/rely on it: | We can impact on it: |
|---|---|---|
| Freshwater | • to source clean water from reservoirs, rivers, and boreholes, from which abstraction licences permit us to take water to be treated and supplied to customers; and<br>• to receive cleaned wastewater back into the environment. | • by improving the condition of rivers and water bodies;<br>• through our abstractions, final effluent quality, overflows, pollution incidents, and asset failure; and<br>• by cleaning our waterways through our River Rangers and volunteer activities. |
| Land | • to store and clean sources of water;<br>• to recycle biosolids, to host engineered or nature-based interventions, and to attenuate water flows; and<br>• to provide resources, such as chemicals, cement, metals and energy. | • by improving the condition of the land we are stewards of, including improving habitat health and biodiversity;<br>• by storing greenhouse gases (GHGs) in our land, e.g. soils, peatland, and woodland; and<br>• by altering land drainage and hydrology through our infrastructure, which can change soil conditions and affect groundwater levels. |
| Atmosphere | • to provide a healthy and safe work environment;<br>• for temperature regulation; and<br>• to reduce our fossil fuel consumption through wind power. | • by restoring habitats that sequester carbon, such as peatland and woodland; and<br>• by releasing GHG emissions, and other atmospheric pollutants, thereby contributing to climate change and impacting the health of people and nature. |

## Integrating nature in our business planning activities

### Natural capital accounting

Understanding the socioeconomic benefits nature provides is a valuable tool for our strategic planning and informs our long-term investment decisions. We have embedded a value-based decision-making approach and incorporate environmental metrics throughout our direct operations and value chains. To inform this process, we use natural capital accounting to understand the extent and condition of our natural assets.

Over 83% of our land is within water catchment areas and over half of our land is under a form of statutory designation. We have a responsibility as stewards to make investment decisions based on the benefits and impacts our operations have on nature and the value we can create for customers, society and the environment.

In our latest natural capital account (2024/25), the ecosystem services modelled were valued at over £5.9 billion in total; this is a combined benefit for us, our tenants, and wider society over 60 years. The findings from our natural capital account highlight the importance of understanding our relationship with nature and the benefits we all use, such as carbon reduction, climate regulation, and cultural services. We own and maintain over 56,000 hectares of land. Most of this is open to the public, providing significant benefit to communities by providing natural open spaces for access, recreation, and tourism. Our natural capital account valued access and recreational benefits for society at £109 million annually; this figure models the health benefits associated with exercise, access to open spaces, and contributing to the local economy.

### Biodiversity and invasive non-native species

All new developments in our capital programme requiring planning permission must deliver a 10% uplift on biodiversity. To achieve this, we are applying the biodiversity net gain hierarchy prioritising the delivery through the creation and buying of on-site and off-site units. We are also prioritising how we can conserve and enhance biodiversity across our business for inclusion in the AMP8 biodiversity performance commitment.

Invasive non-native species (INNS) are a major driver of biodiversity loss and pose significant risks to the provision of safe drinking water and the safe return of treated wastewater to the environment. To address these challenges, we have developed a comprehensive INNS strategy for 2030 and beyond, focused on strengthening detection, reporting, and targeted management across our landholdings. We maintain proactive biosecurity measures throughout our operations and continue to analyse pathways of spread to refine and enhance these protections.

Collaboration remains central to our approach: we work closely with other UK water companies, local action groups, and environmental NGOs to share knowledge, align on best practice, and embed robust, evidence-based biosecurity and INNS management into our wider land-management strategy.

### Integrated water management

The water sector in the UK is facing a complex and evolving set of challenges, from climate change and population growth to ageing infrastructure and changing customer expectations. To unlock sustainable growth for the UK, there is a need for more resilient approaches to managing water and it is increasingly clear that everyone has a part to play.

Integrated water management (IWM) goes beyond organisations that have clear water-management responsibilities and includes other sectors that also have a key dependency on water. Working with the Environment Agency and Greater Manchester Combined Authority, we have pioneered IWM in Greater Manchester. Partners developed an integrated water management plan (IWMP) to manage all aspects of the Greater Manchester water cycle differently. This IWMP was developed, funded, adopted, and delivered by a collaborative team and governed by a trilateral board of directors.

We will continue to work with partners to drive IWM across the region, delivering and evolving as we go. We expect to see increasing focus on collaboration, partnership working, catchment scale nature-based solutions, and place-based business cases. As we've already seen in Greater Manchester, by working closely with the devolved administrations, we can bolster the business case for key initiatives that are important to the region.

## Estate management plans and priority locations

Land is a critical natural capital asset for our business, and we are transforming how we manage our estate. We are undertaking a thorough land optimisation process across our estate to plan the right use for each parcel of land we own. Through this process, we will develop estate management plans across all catchments, assessing risks and opportunities, and consider where it is appropriate for our land to be maintained for the benefit of nature. For 75% of our estate, we have completed our land optimisation process to produce estate-management plans. The remaining catchments will be completed in early 2027.

In parallel to our land optimisation work, we, alongside most major landowners in the UK, became members of Defra's 'National Estate for Nature' (NEN) group in 2025. NEN convened to support the delivery of the terrestrial Environment Act targets and related nature recovery objectives such as 30 by 30 (Defra's commitment to protecting 30% of the UK's land and sea by 2030) through action on members' own estates. As part of our commitment to NEN, we have assessed where we currently are against the draft key delivery actions published to members. These cover five land use types: wildlife-rich habitat, farmed land, commercial forestry, water, and urban. Our position against the delivery actions will be set out in our estate management plan.

## Transitioning to a nature-positive economy

The environment is a core consideration in our long-term planning and decision-making. We are committed to supporting the Global Biodiversity Framework target to 'reduce biodiversity loss and restore degraded ecosystems by 2030'. Our investment in nature includes our Water Industry National Environment Plan (WINEP), Site of Special Scientific Interest (SSSI) enhancement schemes, nature-based solutions (NbS), woodland creation, and peatland restoration projects. This year, we have brought our carbon and better rivers pledges together into a single, integrated set of nature pledges. The challenges we face in climate, biodiversity, and water quality are interconnected and, through integrating our commitments, we can act more holistically, more efficiently, and with greater ambition.

▶ Find out more information about **our nature pledges** on page 37

Alongside our internal strategy development, we play an active role in helping to shape future UK policy and regulation on nature and biodiversity. In 2025, we became signatories to Nature-Positive Pathways (NPP) developed by Green Finance Institute (GFI) and World Wide Fund for Nature (WWF). Engaging with the NPP water utilities working group, we help drive practical, evidence-based solutions that will strengthen nature-positive action across the sector.

### Our BIG North West upgrade

Over the next five years, we are delivering our biggest investment in water and wastewater services, improving and safeguarding water supplies for customers as well as delivering environmental benefits. Examples of our investment in nature across the five counties include:

- **Cumbria** – circa £200 million investment to reduce spills across Windermere;
- **Greater Manchester** – circa £150 million investment to increase storm water capacity – helping to improve water quality in the River Irwell;
- **Lancashire** – circa £77 million upgrade at Burnley, helping improve water quality in the River Calder, which flows into the River Irwell;
- **Merseyside** – circa £50 million to enhance our works at Southport, playing a key role in enhancing water quality along the Sefton Coast; and
- **Cheshire** – circa £20 million upgrade at Congleton, improving the River Dane.

## Upstream value chain

We collaborate with our supply chain through our United Supply Chain approach, underpinned by our responsible sourcing principles (RSP) covering environmental, social and governance priorities. As a signatory to our RSP, suppliers commit to developing their own supply chain by sharing resources, training, and upskilling their colleagues, while working with United Utilities to assure this approach by identifying and mitigating risk.

As a leader against our RSP, suppliers commit to go further by demonstrating their commitment to the principles, collaborating with us in improving practice and identifying new ways of working to enhance the value delivered to customers. We embed our RSP within our procurement processes. We worked with our external

# How we respond to material themes: nature

partner Supply Chain Sustainability School to create pre-qualification and invitation to tender questions, specific to each principle. The questions are identified following a sustainability risk assessment, which is undertaken as part of the strategy development. We use this mechanism to mitigate and manage ESG-related risks within the procurement processes and post-contract award, building the principles into our supplier relationship activities.

We have identified that our tier one suppliers are primarily based in the UK. We are working towards understanding our full value chain and trace products to their source location, where we can then evaluate the impacts and dependencies on the environment.

## Downstream value chain

Blockages in the wastewater network, from wet wipes and fats, oils and grease, cause sewer flooding and environmental harm. To address this, we run awareness campaigns highlighting the impact of flushing inappropriate items. Our 'Stop the Block!' campaign appears across radio, digital TV, social media, ITV weather sponsorship, and our fleet vehicles. In areas with high blockage rates, we target hotspot campaigns to encourage behavioural change.

We encourage our customers to use water more efficiently. Our programme combines engagement, water-saving devices, audits, and multi-channel communications, supported by partnerships that extend our reach into local communities. In high-demand areas, we deliver interventions with tailored advice and community engagement. These measures lower consumption, reduce environmental pressure from abstraction and strengthen the resilience of water sources.

## Scenario analysis

We are dependent on nature's capability to regulate water; for example, slowing the natural flow of water, flood mitigation, and providing reliable and clean water for us to treat and supply to our customers. Scenario planning helps us prepare for the uncertainty of changes in the state of nature, and modelling future scenarios – demonstrating different levels of resilience – informs our long-term strategies and adaptive plans. The two scenarios we have chosen to assess are: a future where nature is depleted beyond acceptable levels, and a future where nature is restored and resilient to climate change. Here, we model the physical risks associated with ecosystem service degradation and the potential impact on our services.

### Degraded impermeable future

#### Scenario description

The destruction of nature caused by deforestation, land use change, urbanisation, and the over-exploitation of natural resources has led to landscapes with poor water regulating capacity. The environment is dry, arid and unable to cope with rain where it falls, causing fast-flowing water and flooding events. The inability of the land to retain water results in significant changes in water availability in the environment, increasing the likelihood of drought conditions.

#### Impact on our service

- Higher costs associated with sourcing and distributing potable water.
- Increased need to implement short-term solutions such as water rationing and emergency water imports from other regions.
- As a result of water shortages and disruptions, customers could become increasingly dissatisfied with the service we provide.
- Interruptions in water available for use (WAFU) can lead to financial penalties and increased regulatory scrutiny.
- Assets at risk, leading to service disruptions and increased costs.
- If the flood levels reach a certain depth, there is a risk of contamination of water assets, pollution events and access issues, posing a risk to public health and requiring extensive clean-up and treatment efforts.

#### Our response

Our Water Resources Management Plan 2024 (WRMP24) targets a one-in-500-year drought resilience by 2039, incorporating the impacts of climate change on water availability. We are also developing strategic water resource options and reducing abstractions from environmentally sensitive sites. The WRMP24 plans to meet all individual targets included in the Environmental Improvement Plan, including those relating to business demand.

Our Drainage and Wastewater Management Plan (DWMP) integrates risk assessments, infrastructure resilience, climate change adaptation, and emergency preparedness, to help create a more resilient and adaptive future capable of managing the challenges posed by flooding. Across both the water and wastewater sides of our business, we are investing in rainwater management at key sites. Nature can support our resilience to extreme weather, for example, by investing in upland restoration, or urban sustainable drainage.

### Resilient nature future

#### Scenario description

Nature is protected, restored and prospering as a result of nature-positive economic changes. Rivers are restored to their natural meandering state with leaky dams installed to help slow the flow of water downstream. Water catchments are healthy and spongy, slowing the flow of water through the landscape. Vegetation is diverse and tree planting initiatives have increased flood resilience across various habitats. Nature-based solutions such as SuDS are pervasive across urban and rural settings, delivering multiple benefits, including flood resilience and access to green space.

#### Impact on our service

- Effective water conservation methods.
- Consistent and reliable access to raw water sources, posing minimal environmental impact.
- Positive societal behavioural change towards water conservation and management.
- Increased resilience of our services, reducing costs associated with incident response.
- The improved water-regulating capability of landscapes helps keep rainwater where it lands, topping up ground water levels and avoiding overloading the North West's combined sewer systems, reducing the use of storm water overflows.

#### Our response

Since 2005, we have taken a sustainable catchment management-based approach to water-quality improvement, working in partnership with the Government, NGOs and other stakeholders with the aim of protecting and enhancing the water environment through managing the surrounding land. We are managing land across the North West strategically to improve raw water quality and tackle pollution at the source, improving the quality in lakes and rivers.

Our AMP8 investment programme adopts a wide range of approaches to improve our service while enhancing the resilience of the environment to climate change. We are delivering these improvements through a combination of grey and blue/green solutions, such as asset health improvement, nature-based solutions, nature restoration, catchment management, and sustainable drainage system approaches – working to manage rain where it falls, reducing the impact of increased rainfall, and reducing the likelihood of flooding.



# Governance

**TNFD disclosures**

a. Nature is embedded in our governance structure and regulatory commitments. Nature matters are overseen and challenged by the board and its committees.
b. Interactions with nature, through our operations, is managed in multiple principal management committees across the business.
c. We actively work with our supply chain through our responsible sourcing principles to encourage our suppliers to operate in a sustainable way.

## Oversight of nature-related dependencies, impacts, risks and opportunities

As with climate-related matters, our CEO holds overall accountability for nature-related matters, while the tracking, monitoring, and management of impacts and dependencies on nature are spread across our board and principal management committees.

Operational responsibilities are shared as follows:

- **Executive team** – oversees regulatory performance related to nature.
- **Political and regulatory group** – monitors existing and emerging legislation concerning nature.
- **ESG leadership group** – manages matters such as land use and biodiversity.

Nature-related matters are escalated to board level through the ESG committee, which considers and recommends the overarching approach to environmental, social, and governance issues. In doing so, the committee takes into account the company's ESG positioning, strategic objectives, associated costs and benefits, and relevant external factors. The committee oversees the development of ESG targets and key performance indicators to the board. The committee receives and reviews regular reports on progress towards achieving those targets.

## Assessing and managing nature-related issues

Natural capital and biodiversity matters are primarily managed by the ESG leadership group, with risks identified through natural capital accounting, climate adaptation planning, and our natural capital risk assessment process. Identified risks and opportunities are fed into our corporate risk register to be overseen and escalated as necessary by the executive team. Biodiversity and nature recovery are embedded in our strategic planning processes throughout the organisation. To support biodiversity enhancement and nature recovery across business functions, we have established a biodiversity governance structure that facilitates discussion, decision-making, and risk management. Our performance and progress in priority locations are shared monthly with the executive team.

We have a dedicated director to manage the end-to-end process of our better rivers programme to improve river water quality and reduce storm overflow operation. The better rivers programme is overseen by the executive team, with regular updates and challenge from the board and its committees.

## Local communities and stakeholder engagement

The decisions, development, and delivery of our business plan are scrutinised by an independent customer and stakeholder challenge group, YourVoice. The environmental and social capital subgroup meets periodically throughout the year to review our environmental proposals, outcomes and performance, ensuring that we are optimising the value of natural and social capital in our activities. A full history of the agenda and minutes can be found on the YourVoice website.

## Approach to human rights

Our CEO has overall responsibility for compliance with human rights and modern slavery laws and best practice, with oversight from the board. The political and regulatory group and the ESG leadership group both have human rights and modern slavery within their remit. Last year, we completed a number of site audits with modern slavery due diligence checks on our construction partner sites, as well as a number a management system reviews across our contractors. All roles identified as relevant must complete our modern slavery e-learning course, focusing on customer- and community-facing roles to raise awareness of potential modern slavery risks. In addition, colleagues in key roles are targeted for role-specific training.

▶ Our **human rights policy and anti-slavery and human trafficking Statement** is available on our website at **unitedutilities.com/corporate/responsibility/our-approach/human-rights**

# How we respond to material themes: nature

## Risk management

### TNFD disclosures

a. We use horizon scanning, natural capital accounting, and land management approaches to identify, assess, and prioritise nature-related risks and opportunities.
b. We identify, assess and prioritise nature-related matters in our upstream and downstream value chain at site and corporate level using a range of controls.
c. We manage and monitor identified matters in the near term through our business planning process and over the long term through our drainage and water resources management plans.
d. Nature is fully integrated into our risk management process and informs the development of our short- and long-term strategic plans.

Risk and impact management focuses on identifying how our direct operations, upstream, and downstream value chains both depend on and influence the natural systems that support water and wastewater services. Nature-related matters are embedded in our internal control processes ensuring that impacts on biodiversity, water quality, and catchment resilience are assessed alongside operational and financial risks. This approach strengthens long-term planning by highlighting where nature loss could disrupt our service delivery and where nature-positive interventions can create operational, environmental, and community value.

There are five main drivers of nature change: climate change; land and freshwater use change; resource use and replenishment; pollution and pollution removal; and invasive non-native species. We consider these nature-related impact drivers in our most significant group risks. A list of our principal risks can be found on pages 58 to 61. Identified risks and opportunities are managed, prioritised and integrated into our overarching risk management framework through a range of preventative and responsive controls.

### Horizon scanning

Horizon scanning is a crucial strategic tool to proactively navigate the dynamic landscape of the UK water industry and its global context. This approach provides system-wide visibility, covering our direct operations and our upstream and downstream value chains. It enables us to proactively identify, understand, quantify, and respond to emerging trends, risks and opportunities that can impact on the sustainable and ethical operation of the business over the medium and long term.

### Direct operations

Short-term and medium-term physical risks, at specific locations across the North West, are captured on an ongoing basis through our internal asset management systems. Our long-term risks are captured and managed as part of our long-term planning activities, such as our Drainage and Wastewater Management Plan (DWMP) and Water Resources Management Plan (WRMP), which look over a 25-year time horizon and are reviewed every five years. Identified risks and opportunities are reported in the table on page 43.

We incorporate the drivers of nature change in our risk management process. For example, we have evaluated the risk of invasive non-native species across our operations and have developed a strategy to control and mitigate their presence. In this strategy, we have preventative controls in place, such as training and biosecurity protocols, and responsive controls such as direct management and removal at the source.

### Upstream value chain

We have reviewed the tier one suppliers within our upstream value chain areas, such as purchased goods and services, capital goods, construction, and energy. In each area, we assessed the top ten suppliers by spend and quantity, and on how they interact with nature on a broad scale. One of the most pertinent areas within the supply chain for the water industry is the supply of the chemicals used in the process of treating water and wastewater. We have a robust process to monitor the resilience of our chemicals supply and we regularly track the resilience of raw materials at each country of origin, through our chemical risk and resilience register. This process is updated daily, tracking specific risks at site level. We receive monthly input from the national chemical steering group, monitoring risks to UK chemicals availability. To mitigate impacts and improve the resilience of our supply, we aim that our supplies originate from multiple sustainable sources.

We will continue to review our full supply chain to identify specific dependencies and impacts relating to nature, and adapt our strategies to reduce our risks and impacts.

Through our United Supply Chain approach and responsible sourcing principles, we will continue to encourage our suppliers to identify their impacts on nature and demonstrate best practice in the management of the natural environment, preventing loss and moving towards net gain of biodiversity.

### Downstream value chain

Blockages in our wastewater network are identified as a key risk in our downstream value chain. Products that should not be flushed can build up in the pipes, and, when combined with fats, oils and grease, cause significant network blockages, potentially leading to sewer flooding and pollution in the environment. To avoid blockages, our 'Stop the Block!' campaign runs adverts on live TV, social media channels, our fleet vehicles, ITV weather sponsorship, and in the community via pop-up stands.

In addition to our educational campaigns, we actively engage in the development of standards and policy. We collaborated with the Water Research Centre (WRC) to help define what is 'Fine to Flush' for the accreditation scheme; this certification will help customers with their decisions when purchasing products and avoid putting 'unflushables' into our network. We will continue to engage in future research into new technologies and utilise innovations in the water sector.

### How nature-related risks are integrated into and inform our risk management processes

Once our material risks are identified, we evaluate and prioritise our operational and strategic dependencies and impacts over short-term (one year), medium-term (up to 2035), and long-term (beyond 2035) time horizons. The identification, analysis and management of risk is integrated in our overall risk framework and often gives rise to opportunities that will positively affect our performance. All upside and downside risks are monitored through our business risk management processes, as outlined on pages 54 to 63.

| Biome | Material risks | Risk key: A Physical Acute C Physical Chronic T Transitional |
|---|---|---|
| **Physical risk** | | |
| Freshwater | A | • Lack of ecosystem resilience, leading to damage to assets and infrastructure from adverse climate-related events. |
| | C | • Reduced raw water quality, leading to increased treatment burden.<br>• Runoff from agriculture, leading to increased difficulty of meeting river water quality targets.<br>• Reduced raw water availability, leading to more frequent drought risk. |
| Land | A | • Fire events in the catchment, leading to catastrophic impact on peatlands and water quality. |
| | C | • Reduced natural flood management, leading to more engineered interventions or more instances of flooding.<br>• Increase in invasive non-native species, leading to reduced ecosystem resilience and impact on water treatment and flood management.<br>• Peatland erosion increases dissolved organic carbon, raising treatment costs and chemical treatment demand.<br>• Landscape change, leading to reduced ecosystem resilience and impact on water treatment and flood management.<br>• Increased risk of landslides, leading to disruption at our operational sites.<br>• Biodiversity loss and nature degradation. |
| Atmosphere | C | • Altered rainfall patterns, leading to droughts or intense rainfall events. Increasing pressures on raw water sources.<br>• Reduced air quality ecosystem regulation, leading to worse impacts on customers, colleagues and society from our operations.<br>• Reduced wind ecosystem regulation, leading to physical impacts at our sites or infrastructure.<br>• Higher climate temperatures, increasing reservoir evaporation and algal blooms. |
| **Transitional risk** T | | |
| • Increasing pace of change towards a nature-positive economy, leading to difficulty in attracting finance.<br>• Evolving expectations and requirements on reporting, leading to additional resources needed.<br>• Existing technology not fit for requirements or outpaces natural replacement rates, leading to additional investment requirements.<br>• Stricter discharge and water quality standards, increasing compliance costs and accelerate the need for investment in treatment and nature-based solutions.<br>• Changes in statutory compliance, leading to additional requirements such as biodiversity net gain.<br>• Climate-nature integration in planning (PR24, WRMP24), demonstrating how we will protect ecosystems while maintaining supply resilience. | | |
| **Material opportunities** | | |
| Sustainable and efficient use of resources | | • Adoption of nature-based solutions such as sustainable drainage systems (SuDS), catchment interventions, and natural flood management.<br>• Application of circular economy principles to design out waste, circulate products and materials, and regenerate nature.<br>• Investment prioritisation through a value-based approach, which maximises value to customers, society and the environment at an efficient cost.<br>• Transition to processes with lower negative impacts on nature and/or increased positive impacts on nature, including reducing resource extraction. |
| Markets | | • Delivery of broader impacts through partnership working and collaborative approaches, such as the Integrated Water Management Plan in Greater Manchester.<br>• Access to new and emerging markets, such as renewable and carbon/biodiversity markets. |
| Capital flow and financing | | • Access to nature-related green and sustainability funds, bonds or loans, for example, through our sustainable finance framework.<br>• Use of financial incentives for suppliers to improve nature and ecosystem management.<br>• Improved performance against regulatory objectives. |
| Social capital and trust | | • Building trust with stakeholders through partnerships where different organisations come together to deliver shared outcomes.<br>• Actions that create positive changes in sentiment towards United Utilities due to impacts on environmental assets and ecosystem services that have impacts on society. |
| Ecosystem protection, restoration, and regeneration | | • Direct and indirect restoration, conservation or protection of ecosystems or habitats. For example, improving peatland, woodland and other Sites of Special Scientific Interest (SSSIs).<br>• Protection and conservation of native, threatened species and management of non-native, invasive species.<br>• Investment in blue-green and traditional infrastructure for nature-positive outcomes.<br>• Enhancing biodiversity and strengthening the presence of nature in an urban setting, through rainwater management. |

# How we respond to material themes: nature

## Metrics and targets

### TNFD disclosures

a. We track and monitor our nature-related risks and opportunities through our risk management framework, long-term strategic planning, and nature-related reporting.
b. We set short-, medium-, and long-term nature-related targets that align with regulatory expectations.
c. Our 2030 nature targets can be found on page 37. Environmental performance is on page 67.

## Risks and opportunities

We monitor a wide variety of metrics and set targets to help track and assess nature-related risks and opportunities. To measure our performance, we demonstrate delivery against contributing targets from a number of statutory requirements, such as the condition of protected sites, biodiversity net gain, and environmental performance. We manage our material nature-related risks through the controls set out on pages 56 to 57.

## Impacts and dependencies

We embed our impacts and dependencies on nature and total value into our decision-making. One of the ways we do this is through natural capital accounting to assess the extent and value of the benefits our land provides to us and the rest of society. As we update our account in future, we can track changes to our natural assets and quantify improvements from our investments.

We use disclosure and assessment metrics to monitor our regulatory performance and inform our short-, medium- and long-term strategic planning activities. Our targets are developed to achieve best value for our customers while aligning with regulatory expectations.

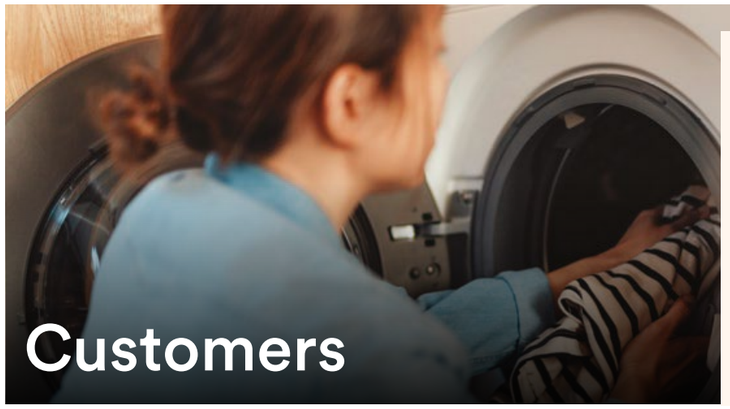
The table below discloses relevant local level nature-related metrics, including sector-specific metrics, as set out by the TNFD. Where applicable, we present our targets and describe our progress towards these targets. Performance towards our full list of environmental key performance measures is reported on page 67.

| TNFD metric ID | Driver of nature change | Metric | Disclosure or 2030 target | Commentary |
|---|---|---|---|---|
| C1.0 | Land/ freshwater/ ocean use change | Total spatial footprint | 56,000ha | Our natural capital account presents a full breakdown of our over 56,000 hectares of owned land assets. Beyond this, we also depend on over 550,000 hectares of catchment land across the North West, not under our ownership or management. |
| C.1.1 | | Extent of land use change | 7,000ha under restoration by 2030 | We have restored natural processes on our core upland sites owned by United Utilities and also on land we depend on, through large-scale planting and natural regeneration, peatland restoration and re-establishment of historic river systems. |
| | | | Not measured | Action towards favourable or unfavourable recovering condition SSSIs. Our estate includes 22,500 hectares of SSSI sites; we have made significant investments in nature recovery at priority locations since 2005. |
| | | | Plant 1 million trees by 2030 | We continue to identify suitable locations for further tree planting to meet our 2030 ambitions. |
| C2.0 | Pollution/ pollution removal | Pollutants released to soil | Not measured | We do not currently measure this activity. |
| C2.2 | | Waste generation and disposal | 100% sludge diverted from landfill by 2030 | All of our sewage sludge is treated to required standards before recycling to local agricultural land as biosolids for use as a fertiliser. Our biosolids comply with the Biosolids Assurance Scheme and have a 99.99% pathogen reduction. |
| C2.3 | | Plastic bottles provided to customers | 9 tonnes | We provide bottled water to our customers during periods when water supply is interrupted or may be unfit for consumption. The bottles we supply contain at least 25% of recycled materials and are 100% recyclable by users. |
| C2.4 | | Non-GHG air pollutants | Not measured | Our combined heat and power (CHP) engines are equipped with an integrated Leanox control system, which continually optimises the air-to-gas ratio to support efficient combustion and minimise NOx formation. We carry out monthly emissions monitoring using accredited testing methods. |
| C3.0 | Resource use/ replenishment | Water withdrawal from areas of water scarcity | Zero | According to the Environment Agency classification, our operations do not reside in areas of water scarcity. |
| C3.1 | Invasive alien species (IAS) and other | Quantity of high-risk natural commodities | 2 | Using the SBTN High Impact Commodity List, we identified the use of cement and steel throughout our capital programme as high-risk natural commodities or products where production can have a negative impact on nature. |
| C4.0 | | Proportion of high-risk activities operated under appropriate measures to prevent the unintentional introduction of IAS | Not measured | We do not currently report on the proportion of high-risk activities. We have identified areas where unintentional spread of invasive non-native species (INNS) can occur within our operations and have developed a strategy to tackle INNS. |
| A3.2 | Resource use/ replenishment | Water reduced, reused or recycled | Not measured | We do not currently report this activity. |
| A3.3 | | Water loss mitigated | 23.9% leakage reduction by 2030 | Detecting and repairing leaks is a top priority. We use the latest technology to find and fix leaks, reported via our website or identified through our early detection technology. |
| **Sector-specific disclosure indicators and metrics** | | | | |
| WU.C2.11 | Pollution/ pollution removal | Sanitary sewer overflows and recovery | 17.71 spills per storm overflow monitored by 2030 | As part of our commitment to improve storm overflow performance and reduce spills impacting on the environment, we have a large overflow investment programme, reducing spills through the use of blue-green or hybrid solutions. |
| WU.A6.0 | Ecosystem condition | Clean drinking water provision | 9.6% reduction in per capita consumption by 2030 | We aim to reduce per capita consumption, in line with the Government's Environmental Improvement Plan 2023. Customer behaviour to reduce water consumption plays a key role in reducing overall demand and this, combined with our efforts to reduce leakage, helps to ensure a sustainable supply of water across the North West. |





# How we respond to material themes




### Strategic priorities related to customers

Deliver great service for all our customers

### Material themes related to customers

- 4 Customer service and operational performance
- 10 Drinking water quality
- 12 Emerging contaminants
- 9 Affordability and vulnerability

## Strategy

Providing great water is central to our purpose, and delivering great service for all our customers is one of our six strategic priorities. Our strategy covers the essentials: clean, safe drinking water and sanitation, while ensuring comprehensive and compassionate support for customers in vulnerable circumstances.

Customer engagement has shaped the priorities for our short- and long-term planning, aligning investment with what matters most: improving water quality, reducing leakage, replacing lead pipes, tackling sewer flooding, and supporting affordability.

Drinking water quality remains a top priority. Our water quality first programme has significantly reduced instances of discolouration, earning recognition from the Drinking Water Inspectorate (DWI) and cutting complaints. We continue embedding water quality improvements across the business and supply chain year after year.

Throughout AMP8, we are replacing 900 kilometres of water mains, upgrading seven treatment works, and replacing 30,000 lead pipes. We are relining the Vyrnwy Aqueduct and starting construction on the Haweswater Aqueduct Resilience Programme (HARP) through direct procurement for customers (DPC), with the board's approval this year of the contract with Cascade Infrastructure to deliver this major project.

Leakage reduction is a major focus, with a long-term goal to halve leakage by 2050 (from a 2017/18 baseline). Our mains replacement programme for AMP8 is well underway, driving long-term leakage improvements, supported by our investment in smart meters, helping us to measure and locate leaks more accurately.

Our Water Resources Management Plan includes our long-term strategy for our water investment and operations, factoring in long-term trends such as climate change and population growth.

Sewer flooding remains a challenge despite progress on collapses and blockages. Throughout AMP8, we are upgrading rising mains, expanding dynamic network management with 10,000 sewer-level sensors, and installing property-level flood alerts.

We offer industry-leading affordability and vulnerability support, helping over 422,041 customers in this year alone, and reaching 597,401 on our Priority Services Register. Open banking speeds up eligibility checks, and initiatives like the Hardship Hub and annual summits foster cross-sector collaboration. With rising investment needs, supporting customers who struggle to pay is critical. We've introduced new social tariffs, doubled financial assistance to £525 million over AMP8, and continue to advocate for a national social tariff to ensure fair access to support.

## Governance

Operational performance, including water quality, is overseen by the CEO and the executive team, with monthly board updates via the executive performance meeting. The group board has primary oversight responsibility of all customer-related material themes, with additional oversight provided by the ESG committee on our Priority Services offering.

Additional governance oversight of our performance on drinking water quality is provided by the DWI, as quality regulator, who has recognised the significant improvements we are making. Operational performance is also overseen by our other regulators, as detailed on page 16.

The customer services management team has responsibility for the delivery of our affordability and vulnerability schemes, including our certification to ISO 22458 for our Priority Services scheme. Performance is continuously monitored and reported via the executive performance meeting and the board on a monthly basis. Affordability and vulnerability are reviewed by the board twice a year.

## Risk management

Being fundamental to our day-to-day service, customer and operational performance underpin many of our top risks. Seven principal risks, set out on pages 58 to 61, are directly linked to material customer themes:

- Strategic aqueduct failure
- Treatment and transportation of wastewater
- Cyber
- Water availability
- Failure to treat water
- Recycling of biosolids
- Programme delivery

Drinking water quality has the potential to be particularly impacted by the risks around 'strategic aqueduct failure' and 'water availability', while all affect customer service and operational performance. Other risks, such as dam failure, terrorism, and process safety, also have significant potential impacts.

We also assess broader risks through common causal and consequence themes on pages 56 and 57. Key causal themes include:

- **'asset health'**, which has the potential to impact water quality and service performance;
- **'demographic change'** and **'economic conditions'**, potentially influencing affordability and vulnerability;
- **'climate change/extreme weather'**, with potential major service implications; and
- **'legislative and regulatory change'** and **'technology and data'**, with the potential to affect adaptability, efficiency, and resilience.

The common consequence theme of 'service delivery' is all about customer service and operational performance, and 'suppliers', as a common consequence theme, has the potential for knock-on impacts for customers.

## How we respond to material themes: customers

We monitor additional risks outside the top 13, including customer experience, cash collection, billing accuracy, and affordability support. These reflect economic conditions and cost-of-living pressures, ensuring value for money and support for vulnerable customers.

To achieve high performance, our customer experience and debt strategy includes controls such as customer consultation and surveys, affordability schemes, tariff-setting policies, and reconciliation processes. Our increased affordability support throughout AMP8 will have a significant impact on risks in relation to affordability and vulnerability going forward.

Given the fundamental nature of these themes, risk management is fully embedded across organisational processes. Details on exposure, controls, and assurance for each principal risk are on pages 58 to 61.

### Metrics and targets

We have several performance commitments with associated customer outcome delivery incentives (ODIs) to monitor and assess operational performance for customers and the environment. These include ambitious annual targets over the five-year regulatory period, with rewards or penalties for over or underperformance.

We track individual performance and overall net rewards or penalties. Detailed disclosures for each commitment are available in our annual performance reports. Material ODI rewards/penalties and overall net ODI performance are reported in this report in both monetary value and percentage return on regulated equity (RoRE). Key customer metrics include Ofwat's customer satisfaction measure (C-MeX) and customers lifted out of water poverty.

▶ See the **full list of customer measures** on pages 76 to 77

We also report other operational performance metrics beyond regulatory commitments. Our targets to 2030, to improve customer performance, include:

**34%**
reduction in water quality contacts

Replacement of
**30,000**
lead pipes

Upgrading
**65km**
of the Vyrnwy Aqueduct

**13%**
leakage reduction

**5%**
reduction in household water use

**7%**
reduction in business water use

Installing around
**one million**
smart meters to help customers manage usage and lower bills

**40%**
reduction in internal sewer flooding

**13%**
reduction in external sewer flooding

Doubling affordability support to
**£525m**
helping one in six customers

These medium-term targets support long-term goals, including reducing water demand to 110 litres per person per day by 2050, halving leakage by 2050, and eliminating lead pipes by 2070.

## How we respond to material themes

# Colleagues

**Strategic priorities related to colleagues**
Provide a safe and great place to work

**Material themes related to colleagues**
7 Health, safety and wellbeing
17 Diverse and skilled workforce

### Strategy

Our colleagues are central to our success, which is why we prioritise creating a safe, supportive workplace. This means attracting and retaining a diverse, engaged team, investing in training and development, and prioritising health, wellbeing and safety.

We believe our strength comes from differences, and we're proud to have a working environment that promotes opportunity for all. We want our workforce to reflect the communities we serve, so everyone feels welcome and valued, regardless of gender, age, race, disability, sexuality or background. We encourage colleagues to bring their whole selves to work, knowing diversity drives creativity and helps us serve customers better.

Our equity, diversity and inclusion plan focuses on five areas:

- **Leadership development** – helping leaders drive inclusion
- **Encourage openness** – enabling colleagues to share and act
- **Reset and refresh** – embedding inclusion in everything we do
- **Bring the outside in** – raising awareness and educating
- **Amplify voices** – creating safe spaces for colleagues to be heard

Increased awareness of different cultures and faiths has given colleagues the tools to understand possible differences in water usage, helping to improve customer service. We also continue to offer British Sign Language (BSL) training for colleagues, raising awareness and helping them to communicate effectively with customers.

We're committed to improving gender diversity, supporting women across all areas and reducing the gender pay gap. Our partnership with Nurole (formerly WB Directors) provides tools and advice to help under-represented groups progress, regardless of gender, age or background.

To attract STEM talent, we run our award-winning engineering masterclass with local schools, including those in disadvantaged areas, to help improve social mobility. We invest in ongoing training to maintain skills for the future. Digital platforms support diverse learning needs and, last year, we delivered 18,700 classroom training sessions. Our Bolton technical training centre has hosted 6,000 events over 11 years, training 420 apprentices and supporting accredited schemes for water treatment and networks.

Safety is paramount. Our Home Safe and Well programme promotes the principle that 'nothing we do is worth getting hurt for'. We have launched a three-year safety programme focused on three behaviours and 12 life-saving rules. These rules address our biggest risks and are non-negotiable: work stops if a rule is broken. We foster a fair culture where speaking up is encouraged, mistakes are learning opportunities, and everyone can stop work for safety reasons.

Our three behaviours are:

- **Do the right thing** – I do it safely, or I don't do it
- **Make it happen** – I see it, I own it, and I sort it
- **Be better** – I always think, "how can we be safer?"

We also have a strong focus on supporting wellbeing. We have a range of support for colleagues, including our free virtual GP service, which is available to all. We offer discounted gyms, an on-site fitness hub, and enhanced maternity and paternity leave. Mental health support includes 400 trained mental health first aiders, an employee assistance programme, and partnerships with groups like Andy's Man Club and Hub of Hope.

Recognition matters too. Our ACE awards celebrate colleagues living our values, with over 21,500 nominations since inception in September 2024 and monthly winners across the business.

### Governance

Health, safety and wellbeing matters, including policies and ISO 45001 accreditation, are managed by a dedicated team, which reports to the executive health and safety committee chaired by the CEO. Key performance metrics and strategic programmes are reported monthly to the committee and board, with detailed reviews twice a year.

Each director implements targeted health and safety plans for their directorates, supported by regular site visits to encourage and recognise good practice. Our operations and capital teams run weekly 'Team Tuesdays', where colleagues and leaders review site issues and agree solutions, reinforcing risk management and permit to work systems.

Board succession is overseen by the nomination committee, ensuring the right skills mix, including a non-executive director responsible for workforce engagement. Day-to-day responsibility sits with our people director. Leaders champion equity, diversity and inclusion (ED&I) under our 'Opportunity for All' approach, with executive directors driving strategy and modelling inclusivity. Managers complete inclusive leadership and disability awareness training to improve ways of working.

Colleague networks, each supported by two executive sponsors, focus on education, awareness and celebrating key events. They meet regularly with sponsors and the people director for feedback. Our inclusion steering group, led by the ED&I manager, oversees delivery of the ED&I plan and progress against 2030 targets, with additional oversight provided by the ESG committee.

We empower colleagues to raise concerns and stop work for safety reasons without fear of blame. When incidents occur, we focus on learning and improving systems. Channels for raising issues include line managers, engagement champions, surveys, the Call It Out mailbox (direct to CEO), AskHR, AIRline for safety reporting, and the Safecall whistleblowing hotline.

## How we respond to material themes: colleagues

# Do the right thing

### I do it safely, or I don't do it

This means undertaking a risk assessment, ensuring colleagues have the correct tools and equipment, and stopping work if there is a safety risk. If something doesn't feel safe then it probably isn't, so we encourage colleagues to raise safety concerns and will always support anyone who stops a job for safety reasons.

# Make it happen

### I see it, I own it, and I sort it

This means moving trip hazards, cleaning up spills, challenging any unsafe behaviour and responding positively to challenge. It's important that any hazard is made safe and/or reported, and we encourage everyone to challenge anything that isn't safe, from a position of respect and care, and have the confidence to intervene.

# Be better

### I always think, "how can we be safer?"

This means sharing ideas or suggestions, collaborating with each other to make sure we are working in the safest way possible, and recognising good practice. We encourage colleagues to share their skills, knowledge and ideas to make things better and safer for everyone.

## Our 12 life-saving rules

**Safe system of work**
I identify all hazards and implement effective controls before I start work.

**Driving**
I respect the speed limit, wear my seat belt and avoid driving when tired or distracted.

**Wellbeing**
I am fit and healthy to perform my tasks.

**Working at height**
I always use the correct fall protection when working at height.

**Lifting operations**
I ensure a safe lift and keep the areas clear under a suspended load.

**Excavations**
I always check for services before digging, and only enter safe excavations.

**Moving vehicles and plant**
I always keep a safe distance from moving equipment or vehicles.

**Service with respect**
I remove myself from any situation where I feel threatened.

**Working near water**
I only work near water or hazardous areas if I am trained and able to follow the correct procedures.

**Isolation**
I only work on equipment after confirming all energy sources are isolated.

**Fire and explosion**
I control all ignition sources when working with fire and explosion risks.

**Confined spaces**
I only enter a confined space when it is confirmed that it is safe to do so.

## Risk management

A safe, inclusive workplace helps manage key risks:

- **Programme delivery** – the scale of AMP8 demands increases in skills and engagement from colleagues and the supply chain.
- **Cyber** – training colleagues to spot and avoid attacks protects our network.
- **Process safety** – compliance with mandatory training and life-saving rules is critical for hazardous processes.
- **Treasury and reporting risks** – rely on strong governance and skilled colleagues.

Health and safety risks fall into personal safety, process safety, and health and wellbeing, including mental health. Mitigation is built on six principles: active leadership, empowered colleagues, clear expectations, safe environments, simple systems, and continuous improvement.

Common causal themes include asset health, culture, adaptability to extreme weather, and vigilance on regulatory and technological changes. Protecting diversity, skills, engagement and wellbeing is central to avoiding compliance breaches.

## Metrics and targets

We monitor health, safety and wellbeing through engagement surveys and track lost-time injuries, near misses, and contractor safety, aiming for ongoing reductions. We maintain Workplace Wellbeing Charter accreditation and monitor training compliance via our portal, with reminders for mandatory refreshers.

We track diversity metrics (gender, ethnicity, disability, social mobility, LGBT+) and aim to match or exceed sector benchmarks. Our ED&I report, Opportunity for All, sets measurable targets:

By 2027:

- 5% ethnic minority – executive and direct reports

By 2030:

- 5.4% ethnic minority – total workforce
- 40% females – total workforce
- 44% females on the board
- 50% female executives and direct reports

We remain committed to supporting candidates and colleagues from all backgrounds, tracking progress on disability, lifelong conditions, social mobility and LGBT+ inclusion.



## How we respond to material themes

# Efficiency

**Strategic priorities related to efficiency**

Spend customers' money wisely

**Material themes related to efficiency**

13 Financial risk management

14 Corporate governance & business conduct

## Strategy

With AMP8's increased size and complexity, efficiency is more important than ever. We're finding simpler, smarter and better ways to deliver, including:

- Technology – making better use of data, sensors, AI for automation, and building our analytics and in-house app teams.
- Runway model – using a mix of large and small suppliers to match project risk and design needs, including build-only projects to involve more local suppliers.
- Make vs. buy – deciding when to insource or outsource for best value.
- Standardised solutions – cutting design costs and achieving economies of scale.

We also focus on financial risk management, which is important to:

- ensure our financing costs are efficient;
- hedge electricity commodity prices to manage volatility in power costs, which is our largest base operating cost;
- raise efficient finance to fund our large capital projects; and
- maintain adequate liquidity to ensure we can cover all expenses as they fall due.

We have robust treasury policies covering liquidity, credit, market (inflation, interest, energy, currency) and capital risks. These minimise volatility, align with regulation, maintain strong credit ratings, and enable efficient financing.

▶ See **note A3**, pages 217 to 224 for details

Strong corporate governance is important to ensure we deliver efficiently and maintain customers' trust that we are spending their money wisely.

▶ More information can be found in our **corporate governance report** starting on page 100

## Governance

Operational efficiency is monitored by the executive team and capital investment committee, with monthly reports to the board. Treasury strategy and governance sit with the board, reviewed annually.

The treasury committee sets and monitors policies, with compliance reports provided monthly and detailed analysis quarterly. The treasury function does not act as a profit centre or trade speculatively.

## Risk management

The main principal risk that is reliant on efficiency is 'programme delivery' and with the necessary increase in customer bills to fund the improvements we need to deliver, it is more important than ever that we demonstrate that we are spending that money wisely.

The principal risk 'recycling of biosolids to agriculture' also has a potentially significant impact on the efficiency of our operations.

Efficiency is central to common causal themes, including 'asset health', and 'technology and data'. 'Climate change/ extreme weather' also has a major impact on how efficiently we are able to operate.

'Financial risk' is another of our principal risks, and the ability to raise efficient debt finance in all economic conditions is critical to the long-term principal risk around 'programme delivery'. The controls in our financial risk management policies and processes provide a high degree of mitigation and protection from market volatility, enabling us to raise finance across the economic cycle. Our debt has a long average life with maturities spread to avoid a high concentration of risk in any year.

## Metrics and targets

Efficiency is a core KPI as part of our capital programme delivery incentive (CPDi). We monitor and report on financial metrics such as regulatory return (pages 90 and 99), total expenditure vs. regulatory allowance, and financing costs vs. allowed debt cost.

We operate within treasury policy targets for liquidity, debt mix, and energy hedging, and set credit risk limits to avoid over-exposure. We target gearing of 55–65% to support credit ratings. Compliance is monitored monthly, with quarterly analysis and forecasting to maintain covenant compliance (e.g. EIB interest cover and gearing).

## How we respond to material themes

# Communities

**Strategic priorities related to communities**

Contribute to our communities

**Material themes related to communities**

16 Supporting communities

### Strategy

We work closely with communities across the North West, supporting them through open engagement and communication, funding for local projects and partnerships, and, most importantly, continuously improving our core service. One of our six strategic priorities is to contribute to our communities, underpinning our place-based planning approach.

To shape our business plan, we engaged with 95,000 customers and stakeholders and created five tailored plans for Cumbria, Lancashire, Merseyside, Greater Manchester and Cheshire. Each plan addresses local needs, challenges and opportunities, ensuring outcomes are relevant to the communities we serve. We've also reorganised our teams into a five-county structure to deliver AMP8's investment and performance improvements effectively.

We are working to improve our approach to measuring and quantifying the social value we create through our activities, to help us better target how we contribute to communities. In particular, we have been working with our supply chain to set strategies to bring additional social value through our capital delivery and procurement.

### Governance

AMP8 brings the largest investment programme we've ever delivered, making community engagement critical for planning approvals and minimising disruption. Our county-based approach helps customers understand what we're doing locally and how their bills fund improvements.

Dedicated stakeholder managers and delivery squads for each county, overseen by our head of regional engagement, will monitor and manage the delivery of our plans in each county.

### Risk management

This material theme plays into several of our principal risk areas as we are reliant on the support of communities and successful planning permission to deliver our improvement projects. This is a key driver in enabling 'programme delivery', and also impacts the risks of 'failure to treat and transport wastewater' and 'treatment of water'. The causal theme of 'demographic change' reflects the make-up of the communities that we serve, and the causal theme around 'economic conditions' can have varying degrees of impact across the unique counties.

▶ Pages 58 to 61 detail **how we are managing our principal risks** – our county delivery squad structure and dedicated stakeholder managers will be key to managing these

### Metrics and targets

In AMP8, we have set ambitious county-level targets and will monitor progress locally and across the business.

**Delivering for our communities in:**

**1 Cumbria**

Improving resilience and water quality, including major upgrades around Windermere.

**2 Lancashire**

Enhancing bathing waters, river quality, and restoring peatland.

**3 Merseyside**

Tackling overflows, supporting growth, and improving climate resilience and affordability.

**4 Greater Manchester**

Serving around 40% of the North West region's population, improving rivers, reducing overflows, and securing resilient supply.

**5 Cheshire**

Working with farmers on sustainable catchment management and reducing flood risk.

# Our BIG North West upgrade has begun

Our BIG North West upgrade is a once-in-a-generation investment to future-proof our communities against climate change and population growth, and meet rising service expectations, while creating skilled jobs and protecting the natural environment.

**Over £13bn**
five-year investment programme

**2m+ customers'**
water supplies safeguarded

**500km**
of rivers benefiting from environmental improvements

**30,000 jobs**
supported across the North West

### Our changing region

#### A growing population

The North West's population is projected to grow by 500,000 people over the next 25 years. This growth, alongside increasing demand from sectors such as data centres, reinforces the need for resilient, future-proof water infrastructure.

#### Climate change in the North West

In 2025 alone, the region experienced record rainfall, one of the driest spells in over 100 years just months later, and the wettest autumn since the early 1980s. These extremes are happening months apart, not decades apart – placing unprecedented pressure on infrastructure.

### How we are responding

#### A place-based approach

We have restructured our business around the region's five counties. Putting place at the heart of decision-making brings partners together around a single objective: protecting and improving regional water supply, tailored to local needs and identities.

#### Investing in nature as infrastructure

Infrastructure is not only pipes and treatment works. Nature-based solutions are embedded across our investment programme to reduce flood risk, slow and filter water naturally, and improve ecosystem resilience. These solutions deliver flood protection, water quality, and environmental benefits at the same time, strengthening long-term resilience.

### Project spotlight:

#### Haweswater Aqueduct Resilience Programme (HARP)

This £3 billion flagship investment will be replacing six tunnel sections, safeguarding supplies for 2.5 million customers, with up to 1,200 people employed at peak construction. It is one of the North West's largest single infrastructure projects, HARP exemplifies how major investment delivers resilience, reliability, and local employment.

### Looking ahead

Our BIG North West upgrade is more than an investment programme – it is a long-term commitment to regional prosperity. By working closely with partners, communities, and stakeholders, we are ensuring that today's decisions strengthen tomorrow's opportunities. We're building infrastructure that supports thriving communities, protects the environment, and creates brilliant jobs for the next generation.

# How we respond to material themes

## Cyber

**Material themes related to cyber**

8 Cyber and data security

## Strategy

Our cyber security strategy focuses on meeting the requirements of the Cyber Assessment Framework from the National Cyber Security Centre (NCSC), which includes 39 controls aligned to EU best practice for essential services. We've had a dedicated programme for six years to maintain compliance and have consistently met expectations.

Our long-term plan strengthens security across people, process and technology, with AMP8 investments focused on meeting extended framework requirements. Our technology portfolio includes security enhancements, and our regulator has endorsed our AMP8 cyber plans. We maintain close links with the NCSC to stay ahead of emerging threats.

## Governance

The board oversees cyber security, receiving updates at every meeting and detailed presentations twice a year. The executive team reviews performance monthly.

Our security steering group (SSG) meets monthly to assess risks, incidents and actions. It includes the company secretary, chief security officer, and business unit representatives. The SSG reports quarterly to the group audit and risk board and six-monthly to the board. The chief security officer reports to the customer and technology director and works closely with digital services.

Our information security policies and compliance are aligned to ISO 27001, and as a critical national infrastructure provider, we comply with network and information systems regulations, and security and emergency measures direction (SEMD). SEMD compliance is independently assured and reported annually to the Drinking Water Inspectorate.

## Risk management

'Cyber' is one of our principal risks, linked to the common causal theme of technology and data. We have not had a material breach to our IT security to date. We continue to mitigate risks through:

- enhanced physical security against crime and terrorism;
- monitoring NCSC and US CISA alerts, upgrading firewalls and enforcing multi-factor authentication;
- strong industry information-sharing links;
- a structured security policy framework with regular audits;
- mandatory colleague training (Security Seven), phishing tests, and incident response exercises;
- a dedicated third-party incident responder and a tested cyber incident response plan integrated with business continuity; and
- independent assurance, including penetration testing, red team exercises, regulatory audits, and supply chain security checks.

## Metrics and targets

We monitor a number of security metrics and aim to meet or exceed national standards, such as targets for security patching recommended by the NCSC, and our phishing test platform, where we monitor comparative performance on clicks, compromises and reports.

We target zero malware outbreaks and maintain strict controls to achieve this. All major suppliers must meet our security standards, monitored through live assessments.

We remain fully compliant with NIS regulations and PCI-DSS requirements, confirmed through annual regulatory assessments.

Cyber security is one of the key considerations of the group board and is included in our S172 Statement on page 89.

# Our non-financial and sustainability information statement

The table below constitutes the company's non-financial information statement, produced to comply with section 414CA of the Companies Act 2006.

It sets out where we have made our climate-related financial disclosures required by s414CB(A1) and non-financial areas of disclosure required by s414CB(1), including information on our business model, policies, principal risks and the non-financial key performance indicators (KPIs).

This table also demonstrates where we have made the recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD) frameworks.

Key: Environmental matters | Colleagues | Respect for human rights | Social matters | Anti-corruption and anti-bribery

| Reporting requirement | Environmental matters | Colleagues | Respect for human rights | Social matters | Anti-corruption and anti-bribery | TCFD | TNFD |
|---|---|---|---|---|---|---|---|
| Business model, including our key resources and the external environment (pages 12 to 20) | ✓ | ✓ | ✓ | | | | |
| KPIs relating to our environmental impact (pages 66 to 69) | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| KPIs relating to customers, colleagues and other social metrics (pages 76 to 79), Gender pay report (page 79) | | ✓ | ✓ | ✓ | | | |
| KPIs relating to communities, suppliers and other governance metrics (pages 82 to 85) | | | ✓ | ✓ | ✓ | | |
| **Strategy** | | | | | | | |
| Strategic priorities (page 23) and business horizons (page 13) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Risks and opportunities over the short, medium and long term: Climate (page 26), Nature (pages 42 to 43) | ✓ | | | | | ✓ | ✓ |
| Impact on business strategy and financial planning: Climate (page 27), Nature (pages 38 to 40) | ✓ | | | | | ✓ | ✓ |
| Resilience to risks in different scenarios: Climate (page 28), Nature (page 40) | ✓ | | | | | ✓ | ✓ |
| Priority locations of assets and activities (page 36) | | ✓ | ✓ | ✓ | | | ✓ |
| **Governance** | | | | | | | |
| Our culture and core values (page 21) | | ✓ | ✓ | ✓ | ✓ | | |
| Corporate governance: Structure and responsibilities (page 118), Competitive base salary and benefits (page 148 to 149), Board diversity (page 116) | ✓ | | | | | ✓ | ✓ |
| Board oversight of risks and opportunities: Climate (page 32), Nature (page 41) | ✓ | | | | | ✓ | ✓ |
| Management's role in managing risks and opportunities: Climate (page 32), Nature (page 41) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Other material themes: Equity, diversity and inclusion (pages 21 and 47 to 48), Stakeholder engagement (page 20), and S172(1) Statement (pages 88 to 89) | | ✓ | | | | | |
| **Risk management** | | | | | | | |
| Our approach to management and our principal risks (pages 52 to 61) | ✓ | ✓ | | | | ✓ | ✓ |
| Processes for identifying and assessing risks: Climate (page 33), Nature (pages 42 to 43) | ✓ | | | | | ✓ | ✓ |
| Processes for managing risks: Climate (page 33), Nature (pages 42 to 43) | ✓ | ✓ | | | | ✓ | ✓ |
| Integration of risk management: Climate (page 33), Nature (pages 42 to 43) | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Metrics and targets** | | | | | | | |
| Stakeholder metrics and targets (pages 66, 67, 76, 77, 82, 83 and 90) | ✓ | ✓ | | ✓ | | | |
| Metrics used to assess risks and opportunities: Climate (pages 35 to 36), Nature (page 44) | ✓ | | ✓ | | | ✓ | ✓ |
| Targets used to manage risks and opportunities: Climate (pages 35 to 36), Nature (pages 37 and 44), Other themes (pages 46, 49 and 52) | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Policies, guidance and standards that govern our approach (*Where marked, see our website, otherwise only published internally)** | | | | | | | |
| Environmental policy*, Water Resources Management Plan*, Waste and resource use policy, Climate change mitigation policy | ✓ | | | | | | |
| Health, safety and wellbeing policy*, Equity, diversity and inclusion agenda* and report*, Flexible working policy, Agency worker policy, Mental wellbeing policy, Board diversity policy (pages 120 to 121) | | ✓ | | | | | |
| Human rights policy* and engagement activities (page 41) | | ✓ | ✓ | | | | ✓ |
| Colleague data protection policy, Anti-Slavery and human trafficking statement* | | | ✓ | | | | |
| YourVoice, Charitable matched funding guidance, Volunteering policy | | | | ✓ | | | |
| United Supply Chain* (page 85), Commercial procurement procedures, Responsible sourcing principles* | | | | ✓ | ✓ | | |
| Anti-bribery and corruption policy, Fraud investigation and reporting processes, Internal control manual (financial), Whistleblowing policy | | | | | ✓ | | |

# Our risk and resilience framework

We have a robust framework for the identification, assessment and mitigation of risk.

## Our approach to risk and resilience

Proactive management of uncertainties, variabilities and potential disruption enables us to deliver on our purpose to provide great water for a stronger, greener and healthier North West, and be more resilient across our corporate, financial and operational structures. A key objective of our approach to risk and resilience is to support the sustainable achievement of the strategic priorities that underpin our purpose (see page 23).

Focused on creating and protecting value, our risk and resilience framework provides the foundation for the business to:

- anticipate threats and variability that could affect the delivery of an effective service in these challenging times;
- understand vulnerability, interrelationships and interdependencies for an integrated approach;
- apply preventative measures to limit impact, and have the capability to respond and recover when risks materialise;
- adapt to change, and absorb stresses and shocks; and
- apply enabling measures to optimise relevant opportunities.

Key components of the framework include:

- an enterprise-wide (ERM) approach covering all types of risk across the entire organisation and its wider business environment;
- a strong and well-established governance structure giving the board oversight of the nature and extent of risks the group faces;
- defined roles and responsibilities, with structured training programmes, and regular communication and consultation; and
- an embedded group-wide risk management process (which is aligned to ISO 31000:2018 risk management guidelines) along with a portfolio of policies, procedures and guidance to enable a consistent approach to risk management.

Continuous improvement is a key feature of the framework, which incorporates an annual maturity assessment against a defined model to identify areas to enhance. Based on risk management capabilities relative to five levels of maturity, we continue to enhance risk and resilience through:

- the implementation of a new enterprise-wide risk, opportunity and watching brief system with enhanced analysis and reporting functionality;
- reinforcing non-financial impact using the six capitals (areas of value – see pages 14 to 15) and consideration of stakeholders (representing the impact on trust);
- focusing on cross-business controls to improve integration;
- further development of tactical risk appetite and tolerance statements through key risk indicators; and
- improving our maturity on upside risk (opportunity management) while maintaining a primary focus on downside risk.

## Roles, responsibilities and training

In line with the corporate governance code, the board has overall responsibility for establishing, maintaining and monitoring the risk management and internal control systems, with our CFO having the executive responsibility for implementing risk and resilience management on behalf of the group board. This includes the risk and resilience policy, and an established corporate risk team to develop and embed the overarching risk and resilience framework, the coordination and facilitation of which is supported by a network of risk leads and coordinators across the business. Executive members and business unit heads are then accountable for the rigorous application of the risk and resilience framework, with senior managers responsible for sponsoring the assessment and treatment of individual risks through associated controls and mitigating actions. Each control and mitigating action has a defined owner who is typically a subject matter expert with the remit to mobilise resource.

Training follows a formalised, three-tier structure. All levels share a common foundation, providing a comprehensive understanding of risk and resilience principles, governance expectations, and the core risk management methodology.

Beyond this shared baseline:

- awareness training is tailored for executives and board members, enabling them to interpret risk reports and dashboards, understand aggregate risk exposure, and use insights to support strategic decision-making;
- working-knowledge training is designed for risk and opportunity sponsors, with a focus on horizon scanning for new and emerging risks, understanding interconnected risk themes, and operating within an integrated control environment; and
- practitioner training encompasses working-knowledge training and also equips risk leads and coordinators with detailed system functionality knowledge, including how to record, maintain, and update risks, controls, and actions within the system.



## Governance and reporting process for risk management

We have a well-established governance and reporting structure for risk and resilience.

The board undertakes a comprehensive review of the business risk profile twice a year in line with the full- and half-year reporting cycle. This review considers: the key features of the risk profile; the nature and extent of the group's principal risks (see pages 58 to 61) relative to the most significant event-based group and operational risks; risks relative to financial risk appetite limits; and new and emerging risks. The board also regularly undertakes reviews and deep-dives of specific risks, also utilising principal board committees such as the ESG committee, compliance committee and the treasury committee to consider specific risk and control factors. In combination, the board's biannual risk profile review and specific risk reviews support decision-making, and enables it to:

- decide on the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives;
- ensure appropriate controls and mitigation are in place, and test the appropriateness of plans to manage risk and realise opportunities;
- report on the long-term viability of the company in an informed manner (see pages 121 to 122); and
- monitor and review the effectiveness of risk management and internal control systems (see pages 120 to 121).

Prior to the board's half- and full-year reviews, the executive-led GARB provides initial oversight of the risk environment through a top-down assessment of the risk profile. This assessment is informed by consultation with professional advisers, national risk registers, and relevant trade associations to identify new and emerging risks and issues. Key points and themes are then fed into a series of director-led integrated risk reviews (IRRs) for the 'bottom-up' assessment of risks, controls and the determination of further mitigation actions. The IRRs include senior managers and subject matter experts to ensure a holistic consideration of correlating risks, the interdependency of controls, and new and emerging circumstances. The resulting risk profile and key messages are then collated by the corporate risk team and reviewed by the executive before escalation to the board.

The effectiveness of risk management and internal control systems is formally reviewed on an annual basis, in accordance with the corporate governance code. The assessment, which takes into account relevant governance, risk management processes, internal control systems and assurance factors, is undertaken by the GARB before escalation to the audit committee, which acts on behalf of the board on this matter. See pages 120 to 121 for further details of the effectiveness review and outcome. The internal audit team provides periodic independent assurance on the effectiveness of risk management. This was last undertaken in 2023 for both risk management and risk appetite and tolerance.

## Risk appetite and tolerance

Focused on supporting decision-making, the risk appetite and tolerance framework consists of a package of measures.

Overarching strategic appetite statements emphasise the board's principal intent to comply with legal and regulatory requirements, with a strong commitment to prevent harm and protect people, critical assets, and the environment. Beyond this principal intent, the statements reflect a balanced approach that seeks not only to protect value but also to enable value creation for multiple stakeholders, particularly through transformation, innovation, and partner collaboration, where informed and proportionate risk taking is necessary to achieve strategic objectives.

Differing approaches, which determine the extent of control applied, are guided by the following four descriptors:

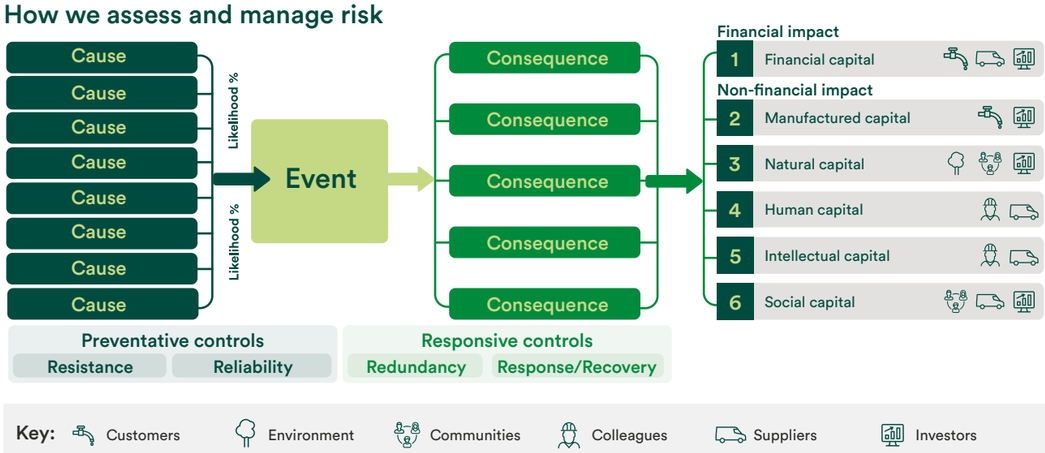
- **Averse:** a strong opposition to accept risk.
- **Prudent:** a careful and cautious acceptance of risk within tight boundaries.
- **Moderate:** willingness to accept risk provided this is within reasonable limits.
- **Accepting:** willingness to accept risk to optimise outcomes and value within defined tolerance levels.

Building on the strategic risk appetite statements, target risk exposures are defined for individual risks to enable comparison with the current risk position. As part of full- and half-year board risk reporting, the extent to which risks are expected to move towards target levels based on planned mitigation is highlighted, and the potential range of impact of risks is compared with agreed financial risk appetite limits.

Key risk indicators are planned to be developed for event-based risks, with associated tolerance levels to support future decision-making and strengthen the overall approach.

# Our approach to risk management

## How we assess and manage risk




In addition to the integrated risk reviews (IRRs), we have a number of mechanisms in place to identify risk, including: consideration of primary and supporting activities, which make up our inherent risk areas; the water cycle; cross-business horizon scanning forums; review of national and sector risk registers; and consultation with professional service firms and trade body risk forums.

Understanding the context of risk relative to our objectives and obligations is a fundamental part of the assessment. Assessment of risk takes into account new and emerging circumstances from the internal and external business environment and utilises both 'bottom-up' information from operational and project areas where appropriate, and 'top-down' assessments as described in the governance and reporting process section on page 55. This integrated 'top-down, bottom-up' approach ensures that reporting reflects the risk facing the company, serves to calibrate the assessments, and enables evaluation relative to our appetite.

Following evaluation of the context, the process then quantifies the risk for likelihood and impact by using a bow-tie tool as illustrated in the diagram above. The likelihood of the event occurring is determined by its causal factors. Financial and non-financial impacts represent the downside consequences should the event occur, aligned to the six capitals (see pages 14 to 15) to ensure consistency and a holistic assessment of where value may be gained, lost, or preserved. Financial impact (financial capital) reflects downside effects on revenue and costs, including fines, penalties, and compensation. Non-financial impacts (the remaining five capitals) capture broader value effects across natural, human, social, intellectual, and manufactured capital, including impacts on stakeholder trust and reputation. The full range of financial and non-financial impact is considered from a minimum (best-case) to a maximum (worst-case) scenario. Out of this range, the most likely impact scenario is assessed.

Comparing the current risk position against the desired target state, in combination with the strengths, weaknesses and gaps of the control environment, supports the decisions for further mitigation. Further mitigating action will target either the likelihood of occurrence, the impact, or a combination of the two, through new or improved preventative or responsive controls. Each further mitigating action has a defined owner, specified 'resolve by' dates and progress status indicators to support monitoring.

## Our risk profile

Our current focus and primary activity relates to downside risk; however, we are also maturing our approach to upside risk (opportunity management).

A key feature of the business risk profile is inherent risk areas. These are categories of risk that are based on the value chain of the company, reflecting the interrelationship of the primary (water service, wastewater service, bioresources and retail), and supportive activities or areas of responsibility (such as finance, supply chain, people, technology and data), where value can be gained, preserved, or lost. As a result, the inherent risk areas support the identification and/or gap analysis of all types of risks and opportunities, facilitate analysis of correlation and interdependency, and provide the platform for determining risk appetite and tolerance. This, in turn, helps us to articulate our direction and priorities to support decision-making around risk and resilience.

Underpinning the inherent risk areas are approximately 100 event-based risks, which are inherent to the company's objectives and statutory obligations, and cover core elements of the production lines, systems, networks and activities across the business. Each event-based risk remains dynamic by reflecting new and emerging circumstances relative to the ever-changing external threats and internal vulnerabilities.

## Common risk themes

Recognising the value of an integrated approach to risk and resilience management, we consider common themes across the event-based risks.

We have identified a number of common causal and consequence themes that relate to multiple risks. This allows us to understand correlating risk enabling us to take a holistic view of the strengths, weaknesses and gaps in our controls, and to consider the short-, medium- and long-term implications of risks materialising. Categorisation indicates eight causal themes and five consequence themes as summarised below.

### Common causal themes

- **Asset health:** Asset deterioration, technological obsolescence and operating assets beyond their optimal capacity to cope with increased demand (population growth and/or climate change) affect operational efficiency and resilience.
- **Climate change/extreme weather:** Climate change projections highlight increased temperatures, rainfall, wind and more frequent extreme weather events with the potential to affect our service delivery and the environment that we strive to protect and enhance.
- **Culture:** Social attitude, behaviour and expectations of both internal and external stakeholders can lead to increased threat and vulnerability as an organisation, relative to service delivery, capital programmes and reputation.
- **Demographic change:** Population growth/shift, evolving age profiles, and industrial developments can impact the capacity and capability of water and wastewater treatment and network assets, can affect demand on water resources, and can increase uncertainty in relation to pension obligations.
- **Economic conditions:** Macroeconomic events can have multiple financial implications, including lower revenue, reduced cash collection, increased operational cost through inflationary pressures and scarcity of supply, and increased cost of borrowing.
- **Legislative and regulatory change:** Changes in, or the interpretation of, legislation and regulation can have implications for our business model, asset base and ways of working.
- **Technology and data:** Ageing technology assets, and poor-quality data can threaten efficiency and security. In addition, the pace of technological change (including artificial intelligence), and seeking opportunities through increased automation and system integration, can provide challenges in the adaptability of the workforce and increase security threats.
- **Third-party assets and service:** Failure or interruption of third-party assets, infrastructure or services, such as power supply and water resources, can directly or indirectly affect water and wastewater operations.

### Common consequence themes

- **Environmental impact:** The potential impact to air, soil, water and biodiversity in the short and long term, based on our assets, activities, carbon emissions and waste.
- **Investors:** The financial, ethical and environmental performance of our activity has implications for the value of investments and the market perception of the company.
- **Non-compliance:** The potential inadvertent breach of legislation or regulation when undertaking our activities.
- **People:** The diversity, skill set, engagement and wellbeing of our colleagues, and the health and safety of our people and the public relative to both our culture and activities.
- **Service delivery:** The quality of our service delivery, capital programmes and communication, and the effect on customer experience and trust with the wider community.

## Our principal risks

Our principal risks represent those risks, which, in a remote but plausible scenario, could initiate corporate failure (material impact risks) and those risks that are likely to have a significant long-term impact on company value if they were to crystallise. As our definition of material impact risks highlights those risks that have the most significant impact in the worst case, it naturally identifies risks which place significant reliance on mitigating controls. Therefore, our future material controls declaration will be in respect of the key controls which mitigate our material impact risks.

A declaration of the effectiveness of material controls as required by Provision 29 of 2024 revisions of the UK Corporate Governance Code (the code), will be made in the financial year 2026/27; however, in preparation for this declaration, material controls have been listed alongside the material impact risks on pages 58 to 61, together with governance and assurance.

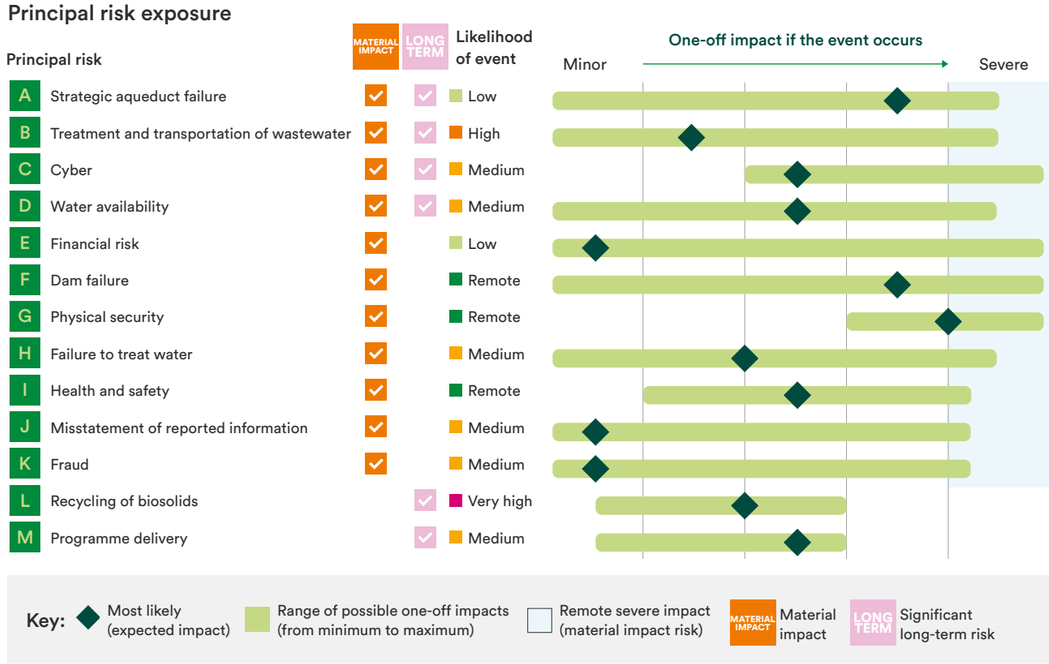
The overlap between the material impact and significant long-term risks is represented in the diagram below. A summary of the principal risks and associated mitigation/control is provided on pages 58 to 61.

The bar chart illustrates the likelihood of each event-based risk occurring (relative to its causal factors) and the indicative full range of potential one-off financial impacts (from minimum to maximum) should the risk materialise. Each of the multiple impacts in the range is subject to an individual post event probability, the most likely of which is illustrated by the diamond. Where the remote maximum impact is both financially and non-financially severe (as highlighted by the shaded blue box), it is regarded as being material, constituting a material impact risk.

Over the last twelve months, ten of the thirteen principal risks have remained relatively stable from an aggregate position, with three principal risks demonstrating a movement in exposure:

- **Cyber:** The risk has increased to reflect the increasing external threat despite steps taken to strengthen our internal preventative and responsive capability.
- **Dam failure:** There has been a reduction in the aggregate likelihood of dam failure following the completion of capital investment. The overall dam risk continues to evolve as dams are subject to periodic assessment along with further capital schemes to improve dam safety.
- **Programme delivery:** The capital programme has reduced to reflect increased confidence in the deliverability of the plan following a year in which the committed rate of spend is in line with schedules.

### Principal risk exposure



# Our principal risks

| Principal risk | Risk exposure | Control/mitigation | Governance and assurance |
|---|---|---|---|
| A ↔ Strategic aqueduct failure<br>MATERIAL IMPACT<br>LONG TERM | We own and operate nine aqueducts, which transfer water from major treatment works and large service reservoirs to the wider network. Asset deterioration and damage (caused by third-party or natural events) are key risk factors to water supply and/or quality relative to large proportions of our customer base. The Haweswater Aqueduct is the most significant asset of this type and currently has the lowest level of resilience. | We are committed to delivering a resilient supply of water. Material controls are:<br>• **Rehabilitation/restoration:** The Large Diameter Trunk Mains (LDTM) inspections regime, along with existing asset maintenance programmes, are structured and reviewed periodically to identify where major rehabilitation or restoration programmes are required. The programmes are centrally governed and delivered to ensure the successful rehabilitation and restoration of strategic aqueducts, reducing the likelihood and impact of structural failure. Current initiatives include the Haweswater Aqueduct Resilience Programme and the Vyrnwy Aqueduct Modernisation Programme.<br>• **Aqueduct loss contingency plans:** Plans to outline response to total loss of supply (in the event of breach) or restrictions on use (in the event of a water-quality event) are developed, maintained and periodically exercised to enable the rapid deployment of resources and engagement with external agencies to maintain community function.<br>Other controls include protective easements, inspections, and the monitoring of flow, pressure and turbidity via sensors and alarms. | **Governance**<br>• Water quality first board[M]<br>• Water price control[M]<br>• Ofwat liaison committee (HARP)[M]<br>• HARP delivery board[M]<br>**Assurance**<br>• Engineering team technical reviews[2]<br>• Assurance team reviews[2]<br>• Cyclical internal audits[3] |
| B ↔ Treatment and transportation of wastewater<br>MATERIAL IMPACT<br>LONG TERM<br>CLIMATE | We own and operate network and treatment assets to collect and treat wastewater before it is safely returned to the environment. Risk factors to the hydraulic and operational capacity include: population growth; extreme weather (amplified by climate change); increased surface runoff due to residential and commercial developments; improper or harmful use of the sewer systems; and inherent asset health issues. Consequential failure, now subject to tightening legislation, can result in unpermitted storm or emergency overflow activations, sewer flooding and environmental damage. | We focus on providing reliable and resilient wastewater services. Material controls are:<br>• **Maintenance:** Proactive and reactive inspection, servicing, repair and replacement activities are planned, prioritised and completed across wastewater assets to maintain operational reliability and reduce the likelihood of asset failure and environmental impact.<br>• **Licence to operate:** Mandatory training, certification and competence requirements for wastewater operations are defined, delivered and routinely refreshed to ensure staff maintain the necessary skills and qualifications to safely and effectively operate the wastewater processes and assets.<br>• **Power resilience:** Power resilience plans and assets are maintained for critical wastewater sites to ensure continuity of treatment and transportation during power interruptions and outages.<br>Other controls include customer awareness, trade effluent management, monitoring of sensors and alarms and emergency response. In addition, our better rivers programme focuses on improving river water quality and reducing spills from storm and emergency overflow operation. | **Governance**<br>• Wastewater price control[M]<br>• Flood committee[M]<br>• Pollution committee[M]<br>**Assurance**<br>• Assurance team reviews[2]<br>• Cyclical internal audits[3] |
| C ↑ Cyber<br>MATERIAL IMPACT<br>LONG TERM | As we continue to develop our digital capability, we become more reliant on connected technology, not only in the way we operate, but also the way in which we communicate with our customers and the wider community. Cyber incidents continue to grow in all industries with a constantly changing threat landscape. The potential for data and technology assets to be compromised is a key risk to business processes and operations. | We employ a multi-layer control environment. Material controls are:<br>• **Infrastructure access controls:** Perimeter and internal firewalls, supported by intrusion detection systems, are centrally configured, monitored and routinely updated to restrict unauthorised access and detect malicious activity across the corporate and operational technology networks.<br>• **System access controls:** System, data and internet access is restricted through centrally managed authentication, authorisation and usage controls, ensuring users are granted only the permissions required for their role and preventing unauthorised or inappropriate access across information and operational technology (IT and OT) environments.<br>• **Point protection:** Anti-malware suite and mail gateway service, which includes malware detection, transmission protocols, and endpoint actions.<br>• **Monitoring and response:** The Security Operations Centre continuously monitors security events, analyses threat activity and coordinates timely incident response actions to detect, contain and mitigate cyber threats across the organisation's IT and OT environments. We also operate a comprehensive cyber security incident response plan with associated training and exercising.<br>Other controls include security awareness training and business continuity plans. | **Governance**<br>• Security steering group[M]<br>• NIS governance board[M]<br>• Group audit and risk board (GARB)[M]<br>**Assurance**<br>• Security team reviews[2]<br>• Annual internal audit[3]<br>• External reviews[3] |

**Key:**

**Risk categorisation**

- MATERIAL IMPACT — Material impact
- LONG TERM — Significant long-term risk
- CLIMATE — Climate-related risk

**Governance**

M Management committee
B Board committee

**Assurance** (refer to pages 134 to 135)

2 Second-line assurance activity
3 Third-line assurance

**Change in risk exposure over the year** (see page 57 for explanation)

↔ Stable ↑ Increased ↓ Decreased

| Principal risk | Risk exposure | Control/mitigation | Governance and assurance |
|---|---|---|---|
| D ↔ Water availability<br>MATERIAL IMPACT<br>LONG TERM<br>CLIMATE | Water availability is a long-term risk for the UK, driven by a combination of changing climatic conditions and increasing demand from population growth and industrial use. Lower-than-average rainfall, shifting seasonal patterns and extended periods of hot weather are reducing water resources through higher evaporation and demand. These pressures may affect both the natural environment and supply capacity, increasing the likelihood of water-use restrictions. Changes to environmental legislation on abstraction and compensation may further constrain available supplies. | We are committed to the sustainability and resilience of water resources. Material controls are:<br>• **Strategy:** A central water resources planning team develops, maintains and periodically reviews the Water Resources Management Plan to ensure long-term supply and demand strategy reflects climate and demographic change and provides a resilient approach to water availability.<br>• **Production planning:** Production planning teams proactively balance water availability and treatment/production capacity against forecast demand by reviewing supply forecasts, operational constraints and risk indicators to ensure sustainable and resilient system operation.<br>• **Contingency plan:** The statutory Drought Plan is maintained, periodically reviewed and enacted when required to set out the operational and customer-facing actions the organisation will take to manage water shortages and protect system resilience during drought conditions.<br>Other controls include abstraction and leakage management, and water efficiency programmes. | **Governance**<br>• Water quality first board[M]<br>• Water price control[M]<br>**Assurance**<br>• Assurance team reviews[2]<br>• Internal audits[3] |
| E ↔ Financial risk<br>MATERIAL IMPACT | We are inherently exposed to liquidity, market, credit and capital risk due to our debt financing, cash and derivative holdings, defined benefit pension scheme and a significant annual commodity spend, notably energy. Risk factors include market fluctuations, cost or revenue shocks, process or system errors or failures (internal or counterparty), and poor company or sector performance. Impacts can be conflated and range significantly relating to revenue, the group's Regulatory Capital Value, the cost of debt, the cost of goods and services, with the most material impact being insolvency associated with remote risks such as counterparty failures or a breach of covenants. | We have a robust and prudent approach to financial risk management. Material controls are:<br>• **Approved limits:** Approved parameters for funding, liquidity, interest rate, inflation and electricity price commodity exposures, along with credit rating and financial ratio tolerance levels, are centrally defined in Treasury policies, monitored and reported to ensure treasury and financing activities remain within the organisation's financial risk appetite.<br>• **Control of work:** Financial transactions are governed by an established control framework incorporating authorisation limits, defined transaction parameters, segregation of duties and supervisory review to ensure activities are executed in line with approved financial and operational standards and limits.<br>• **Licence to operate:** Mandatory training, certification and competency requirements for financial and treasury activities are defined, delivered and routinely refreshed to ensure staff maintain the skills and authorisations necessary to operate within regulatory, market and internal control expectations.<br>Other controls include company business planning and monitoring of both internal and counterparty performance. The banking resolution regime also provides protection in the event of bank failures. | **Governance**<br>• Operational compliance review[M]<br>• Executive performance meeting[M]<br>• Quarterly treasury MI pack[M]<br>• Treasury committee[B]<br>**Assurance**<br>• External audit<br>• Cyclical internal audits[3] |
| F ↓ Dam failure<br>MATERIAL IMPACT | We own and operate a fleet of over 100 dams and service reservoirs, many of which fall under statutory regulations due to their significant capacity. The integrity of all dams is fundamental to water availability, and the safety of society and property downstream. Flood damage, overtopping, earthquake or erosion could, in remote circumstances, result in an uncontrolled release of a significant volume of water with catastrophic implications. | We focus on maintaining extremely low probabilities of individual dam failure. Material controls are:<br>• **Portfolio Risk Assessment (PRA):** A Portfolio Risk Assessment is periodically undertaken to evaluate individual dams against societal risk criteria, enabling consistent prioritisation of safety interventions across the dam portfolio.<br>• **Inspections:** Catchment teams and supervising engineers conduct the regular inspection and monitoring of dam structures and associated assets to identify emerging defects and compliance issues, ensuring timely escalation and intervention to maintain dam safety.<br>• **Remedial work:** Remedial works identified through Portfolio Risk Assessments or statutory 'In the Interest of Safety' requirements are prioritised, designed and delivered to address identified dam safety risks and ensure continued compliance with regulatory obligations.<br>Other controls include ground maintenance to manage vegetation and erosion, and contingency plans. | **Governance**<br>• Dam safety group[M]<br>**Assurance**<br>• Assurance team reviews[2]<br>• Cyclical internal audits[3]<br>• Panel engineer inspections[3] |

# Our principal risks

| Principal risk | Risk exposure | Control/mitigation | Governance and assurance |
|---|---|---|---|
| G ↔ Physical security MATERIAL IMPACT | The water industry is classed as one of 13 'Critical National Infrastructure' (CNI) sectors, which are defined as facilities, systems, sites, information, people, networks and processes, necessary for a country to function and upon which daily life depends. Our assets, including dams and treatment works, are assigned a CNI or 'National Infrastructure' (NI) designation, which, in a remote, but significant security incident (such as a terrorist attack) could be compromised, leading to severe economic and social consequences. | We employ a multi-layered approach in accordance with the Security and Emergency Measures Direction (SEMD) of the Water Industry Act. Material controls are:<br>• **Physical access controls:** Physical access to sites is controlled through gates, fencing, security guards, CCTV and electronic access control systems to prevent unauthorised entry and protect critical assets.<br>• **Monitoring and response:** Security alarms and site alerts are continuously monitored by the Integrated Control Centre, which initiates timely investigation and response to any unauthorised access or security events.<br>Other controls include the physical hardening of assets based on priority and operational site inspections. | **Governance**<br>• Security steering group[M]<br>**Assurance**<br>• Security team reviews[2]<br>• Assurance team reviews[2]<br>• Cyclical internal audits[3]<br>• External reviews[3] |
| H ↔ Failure to treat water MATERIAL IMPACT CLIMATE | Threats to water treatment include asset health, process failure and the contamination (natural, chemical or biological) of raw water. Climate change is a key factor in raw water contamination due to intensifying catchment erosion and runoff, more frequent wildfires and increasing algal bloom, which can produce taste and odour problems. Failure to treat water can lead to non-compliance with regulatory standards, rejection of water by consumers for aesthetics or, in extreme cases, public health issues. | We are committed to providing wholesome drinking water. Material controls are:<br>• **Sampling and testing:** Water quality teams perform scheduled sampling and accredited laboratory testing across the network, with results recorded and reviewed in the Water Quality Management System to ensure compliance and detect any treatment issues.<br>• **Sensors and alarms:** Automated sensors continuously monitor water quality and treatment parameters, triggering system-generated alarms for operational teams to investigate and address any deviations from acceptable limits.<br>• **Maintenance:** Operational and engineering teams carry out scheduled and reactive inspection, servicing, repair and replacement of treatment and network assets, ensuring issues are identified and resolved to maintain asset performance and regulatory compliance.<br>• **Licence to operate:** Mandatory training, certification and competence requirements for water operations are defined, delivered and routinely refreshed to ensure staff maintain the necessary skills and qualifications to safely and effectively operate the water processes and assets.<br>• **Power resilience:** Power resilience plans and assets are maintained for critical water sites to ensure continuity of water treatment during power interruptions and outages.<br>• **Chemical resilience:** Chemical resilience plans (including stock levels, alternative supply routes, and contingency actions) are maintained and periodically reviewed to ensure critical treatment sites can continue operating during chemical supply interruptions.<br>Other controls include an end-to-end risk assessment process, contingency plans, and the monitoring of the regulatory position on emerging contaminants. | **Governance**<br>• Water quality first board[M]<br>• Water price control[M]<br>**Assurance**<br>• Scientific service team reviews[2]<br>• Assurance team reviews[2]<br>• Cyclical internal audits[3]<br>• External evaluations[3] |
| I ↔ Health and safety MATERIAL IMPACT | Our activities inherently include exposure to chemical, biological and physical hazards, with the most material impact being a major incident at one of our process plants (two of which fall under the Control of Major Accident Hazard (COMAH) regulations). An unintentional release of chemicals, energy, or other potentially dangerous materials (including steam) could result in fire, explosion, and toxic releases, which, in the worst case, results in multiple casualties and serious damage to our assets, adjacent infrastructure/ buildings and the environment. | We continue to build a strong health and safety culture and are committed to improving health and safety performance, with process safety being a primary area of focus. Material controls are:<br>• **Control of work and change:** A management system to ensure activities are safely undertaken, with key components including the management of change through risk assessment, implementation of protections such as isolation, and authorisation and permit to work.<br>• **Maintenance:** Scheduled and reactive inspection, servicing, repair and replacement of safety-critical equipment and assets to ensure they remain fully functional and compliant with health and safety requirements.<br>• **Licence to operate:** Staff and contractors complete and maintain all required training, licences and competency assessments, with compliance tracked and evidenced through the corporate learning and authorisation systems to ensure safe and legally compliant operation.<br>Other controls include monitoring through sensors and alarms and emergency/contingency plans. | **Governance**<br>• Process safety board[M]<br>• Executive health and safety committee[M]<br>**Assurance**<br>• Health and safety team reviews[2]<br>• Assurance team reviews[2]<br>• Cyclical internal audits[3] |

**Key:**

**Risk categorisation**

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- CLIMATE — Climate-related risk

**Governance**

M Management committee
B Board committee

**Assurance** (refer to pages 134 to 135)

2 Second-line assurance activity
3 Third-line assurance

**Change in risk exposure over the year** (see page 57 for explanation)

↔ Stable ↑ Increased ↓ Decreased

| Principal risk | Risk exposure | Control/mitigation | Governance and assurance |
|---|---|---|---|
| J ↔ Misstatement of reported information MATERIAL IMPACT | We are bound by legislation and regulation to provide statutory financial accounts and regulatory reports to demonstrate financial health, performance, compliance with legal and regulatory requirements, and provide information to stakeholders for their ongoing interest and/or investment in the company. Failure to provide accurate and/or complete information is reputationally damaging and, depending on the nature of any misstatement or misreport, could accrue significant penalties. | We are committed to reporting in an open, compliant and transparent way. Material controls are:<br>• **Financial controls:** Financial control procedures (including journal processing controls, control accounts and analytical review) to ensure the accuracy, completeness and validity of reported financial information in accordance with accounting and reporting standards.<br>• **Regulatory reporting framework:** Application of a defined regulatory reporting framework that sets out reporting criteria, accountabilities, data capture requirements, governance, and assurance processes to ensure reported information is accurate, complete and compliant with reporting requirements.<br>Other controls include accounting policies, schedules, risk assessment and management of queries. | **Governance**<br>• Executive performance meetings[M]<br>• Audit committee[B]<br>• Compliance committee[B]<br>**Assurance**<br>• Financial control team review[2]<br>• Regulation and compliance team review[2]<br>• Internal audits[3]<br>• External audit[3] |
| K ↔ Fraud MATERIAL IMPACT | The scale of our operations presents multiple opportunities for fraud to be perpetrated from inside and outside of the company, potentially impacting us, our stakeholders and third parties. Fraud can be committed by individuals or groups with examples including false representation, unauthorised disclosure of personal information, the supply of inferior products/ false invoices and misuse or theft of company property. The Economic Crime and Corporate Transparency Act 2023 (ECCTA) introduced a new corporate offence for failure to prevent fraud, which can carry an unlimited fine. The most material fraud risks relate to treasury operations, cyber crime and reporting. | We are committed to preventing fraud. Material controls are:<br>• **Control of work:** Financial transactions are governed by an established control framework incorporating authorisation limits, defined transaction parameters, segregation of duties and supervisory review to ensure activities are executed in line with approved financial and operational standards and limits.<br>• **System access controls:** System, data and internet access is restricted through centrally managed authentication, authorisation and usage controls, ensuring users are granted only the permissions required for their role and preventing unauthorised or inappropriate access across information and operational technology (IT and OT) environments.<br>• **Financial controls:** Financial control procedures (including journal processing controls, control accounts and analytical review) to ensure the accuracy, completeness and validity of reported financial information in accordance with accounting and reporting standards.<br>Other controls include fraud awareness training, whistleblowing process for the confidential reporting and investigation of fraud, and fraud risk assessment. | **Governance**<br>• Security steering group[M]<br>• Whistle blowing committee[M]<br>• Audit committee[B]<br>• Group board[B]<br>**Assurance**<br>• Departmental review[2]<br>• Cyclical internal audits[3]<br>• External review[3] |
| L ↔ Recycling of biosolids LONG TERM CLIMATE | Wastewater treatment generates significant quantities of sludge, which is subsequently treated to produce biosolids, the majority of which are recycled to agriculture as the most practical environmental option. A reduction in the landbank could have significant implications for strategy, operations, and cost, with a total loss of the land bank being the worst-case scenario. Threats include: the quality of biosolids; changes in public or political perception; changes in regulations associated with emerging contaminants and climate change; and/or the willingness of farmers or landowners to receive biosolids. | Treatment, sampling and testing ensures that quality standards are met, and we work closely with farmers, landowners and contractors to ensure compliance with regulations (notably the Biosolids Assurance Scheme (BAS)). We are also investing in our sludge treatment assets to ensure capacity, reliability and environmental compliance is upheld. In addition, we continue to work closely with regulators to influence policy. We are also developing contingency plans should regulation change in the near term, with a notified item included in the final determination enabling an interim determination (IDOK) if significant investment is required to develop alternative disposal outlets before 2030. | **Governance**<br>• Bioresource team review of BAS compliance[M]<br>• Executive performance meetings[M]<br>**Assurance**<br>• Assurance team reviews[2]<br>• Cyclical internal audit[3]<br>• External BAS audits[3] |
| M ↓ Programme delivery LONG TERM | The capital programme involves significant investment in the development and improvement of point and linear assets through a series of projects to improve water supply and wastewater services. Delivery to time, cost and quality is under constant challenge due to ongoing exposure to natural hazards and the capacity and capability of third parties, partners and internal resource. This risk is amplified by the significant scale of the capital programme across this and future asset management periods (AMPs) coupled with challenging cost allowances and performance commitments. | Our capital programme operating model involves multiple construction and design partners, and a large supplier base, providing both efficiency and resilience. With strong emphasis placed on safety and the environment, we adopt a supplier relationship management framework to manage contracts and performance, a runway approach for project allocation, and category management for the supply of products and materials. Performance is measured through our capital programme delivery incentive and monitoring the delivery of performance commitments. For operations, a transformation programme is in development with five clear areas of focus within an agreed prioritisation framework. | **Governance**<br>• Project management office[M]<br>• Capital investment committee[M]<br>• Executive performance meetings[M]<br>**Assurance**<br>• Assurance team reviews[2]<br>• Cyclical internal audits[3] |

# New and emerging risks and opportunities

Recent assessments of new and emerging risks and opportunities can be categorised into four areas: regulatory change, geopolitical issues, technological innovation, and emerging contaminants.

We define new and emerging risks and opportunities as those that have not previously been apparent or are undergoing unprecedented growth/development or prominence, with long-term implications for the group and/or sector.

Horizon scanning activity is a key feature of the risk and resilience framework. It is undertaken routinely as part of external research and benchmarking, the assessment of event-based risks, and through dedicated forums such as the new and emerging risk forum and the compliance working group.

Where there is more understanding, assumptions can be allocated to inform the development of strategies and applied to the assessment of existing, or the new development of, risk and opportunities.

## Regulatory change

While our high-quality and ambitious business plan provides positive mitigation, there is a risk that poor sector performance has a disproportionate impact on regulatory change. In January 2026, the Government published its white paper, 'A new vision for water', confirming that many Independent Water Commission recommendations will be taken forward, with legislative changes to sector regulation expected. These reforms present both risks and opportunities in how we deliver our objectives and obligations.

The Water (Special Measures) Act is now in its second year of operation, introducing new legal and regulatory requirements, including enhanced environmental standards and increased transparency in pollution reporting. While essential to improving water quality and maintaining public confidence, these changes represent a material shift in how environmental risks are regulated and scrutinised, increasing potential reputational impact where performance falls short. We continue to closely monitor regulatory developments and engage actively as they evolve, while maintaining focus on service improvements and delivery against required targets.

## Geopolitical issues

Geopolitical issues continue to evolve, with recent developments in the Middle East increasing uncertainty and complexity across global supply chains and economic conditions beyond the ongoing situation in Ukraine. We have reviewed and updated existing risks to reflect this new and emerging context, particularly in relation to price volatility and the potential scarcity of goods and services, including extended delivery lead times. Fuel and energy remain key areas of exposure; however, we are well hedged for energy and retain priority allocation for fuel in the event of a national crisis.

Additional controls, including multiple suppliers, category management and framework agreements, provide resilience against inherent supply-chain volatility. We will continue to monitor the situation closely and are working with our partners and suppliers to ensure the continued efficient sourcing of critical goods and materials.

## Technological innovation

We recognise technological innovation as a significant opportunity to improve efficiency, service levels and organisational resilience. Artificial intelligence and machine learning are central to our dynamic network management approach across the wastewater system, and we continue to prioritise AI use cases that are ethical, secure and impactful. These initiatives support productivity, knowledge management and improved decision-making, underpinned by strong governance and robust data controls.

Technological change also introduces new and emerging risks, particularly relating to information security, data integrity and operational resilience. Our expanding digital footprint increases exposure to advanced AI-enabled cyber threats capable of identifying and exploiting vulnerabilities in critical infrastructure. These risks are managed through enhanced cyber-security controls and continuous monitoring.

Wider technology trends, including hydrogen production and the growth of data centres driven by AI and cloud computing, are expected to accelerate. Both are highly water-intensive and may place unprecedented demand on water resources, requiring long-term planning and integration into our resilience strategy.

## Emerging contaminants

Emerging contaminants are chemicals or materials that are present in the water cycle which may impact the environment and/or human health. The majority are human-made, e.g. poly or perfluoroalkyl substances (PFAS), plastics, pesticides, pharmaceuticals and personal care products, however, climate change may also facilitate the increased production of natural contaminants in previously non-impacted catchments.

There continues to be focus on understanding the sources of emerging contaminants, their pathways and potential impacts, along with developing effective detection, remediation, and prevention strategies.

▶ Read more about **emerging contaminants and PFAS** at **unitedutilities.com/pfas**

Uncertainty relates to the timescale and extent of any corresponding changes to specific water and wastewater regulations and the associated impact on existing operations, as well as the potential effect on recycling biosolids to land.

We have aligned our operational risk assessments to emerging contaminants and participate in multiple research and industry planning activities. In addition, we have developed biosolids contingency plans and there is a notified item as part of the final determination enabling an interim determination (IDOK) if significant investment is required to develop alternative biosolid disposal outlets.

## Material litigation

The group robustly defends litigation where appropriate and seeks to minimise its exposure by establishing provisions and seeking recovery wherever possible. Litigation of a material nature is regularly reported to the group board. While our directors remain of the opinion that the likelihood of a material adverse impact on the group's financial position is remote, based on the facts currently known to us and the provisions in our financial statements, the following two cases are worthy of note:

- As reported in previous years, in February 2009, United Utilities International Limited (UUIL) was served with notice of a multiparty 'class action' in Argentina related to the issuance and payment default of a US$230 million bond by Inversora Eléctrica de Buenos Aires S.A. (IEBA), an Argentine project company set up to purchase one of the Argentine electricity distribution networks that was privatised in 1997. UUIL had a 45% shareholding in IEBA, which it sold in 2005. The claim is for a non-quantified amount of unspecified damages and purports to be pursued on behalf of unidentified consumer bondholders in IEBA. The claim has not advanced procedurally in the last year and the proceedings remain in the evidentiary stage. UUIL will vigorously resist the proceedings given the robust defences that UUIL has been advised that it has on procedural and substantive grounds.
- Collective proceedings in the Competition Appeal Tribunal (CAT) were issued on 8 December 2023 against UUW and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative (PCR), Professor Carolyn Roberts. The PCR alleges that customers have collectively paid an overcharge for sewerage services during the claim period (which runs from 1 April 2020 and may continue into the early years of the PR24 period) as a result of UUW allegedly abusing a dominant position by providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against UUW (including interest) is at least £141 million. Separate letters before action were issued on 20 December 2024 in relation to similar claims in respect of non-household customers; however, it is not clear how these will proceed following the CAT and Court of Appeal's decision not to certify the claims brought in respect of domestic customers. On 7 March 2025, the CAT unanimously concluded that claims could not proceed on the basis that the claims brought forward are excluded by section 18(8) of the Water Industry Act 1991. Subsequently, the PCR was granted permission by the Court of Appeal to appeal this decision. The hearing took place in early 2026 where the Court of Appeal rejected the PCR's appeal and concluded that the CAT's original decision should not be overturned. Following this, the PCR has applied to the Supreme Court to appeal the decision made by the Court of Appeal. The outcome of this request is not yet known. UUW believes the claim is without merit and will robustly defend it, should the certification decision be overturned on appeal.

# Driving performance through transparency...

The next section details our performance against our operational KPIs, other operational metrics and financial KPIs. We have selected these KPIs and measures by considering what stakeholders tell us matters most to them, as well as our contribution to wider value and global goals such as the UN SDGs and climate change mitigation.

The metrics we report relate to activities undertaken by the group unless stated otherwise in the performance tables. Those that are not group metrics relate solely to the water and wastewater activities of our regulated entity, United Utilities Water Limited (UUW). In particular, we report against a number of regulatory performance measures, and these relate only to UUW as the regulated entity. UUW performance is, in most instances, the same as group performance for these metrics, as UUW makes up the vast majority of group activities, with only a small amount of non-regulated activity undertaken outside of UUW.

## Operational performance metrics

In order to assess our operational performance, we look at a variety of metrics to measure how effectively we are delivering against our purpose and strategic priorities.

We provide performance data for the last three years to enable movements and trends to be observed, and we rank performance against our targets using a traffic light system – green, amber or red.

## Performance commentary

Our metrics are supported by a commentary, which includes highlights of the year and provides additional insight into our performance.

Operational performance in this integrated report is structured according to the key elements of our purpose – greener, healthier and stronger. This also provides alignment with environmental, social and governance (ESG) matters.

### Greener

**0**
category 1
pollution incidents

**47%**
reduction in spills
against 2020 baseline

**13%**
scope 1 and 2 greenhouse gas
emissions reduction since 2019/20

See the full list of **our greener KPIs and metrics** on pages 66 to 67

### Healthier

**4.5 Excellent**
on Trustpilot

**422,041**
customers supported
with affordability

**90%**
colleague
engagement

See the full list of **our healthier KPIs and metrics** on pages 76 to 77

### Stronger

**100%**
capital programme
delivery incentive (CPDi)

**£3.84m**
community investment into
North West communities (B4SI)

**Upper quartile**
performance across a range
of trusted investor indices

See the full list of **our stronger KPIs and metrics** on pages 82 to 83

### Case study

**How rainwater management helps us to deliver a greener North West**

Read more on pages 70 to 71

### Case study

**How our affordability support helps us to deliver a healthier North West**

Read more on pages 80 to 81

### Case study

**How our asset management approach helps us to deliver a stronger North West**

Read more on pages 86 to 87

## Financial KPIs

Financial KPIs are set out on page 90 and assess profitability and financial resilience. They include income statement, balance sheet and shareholder performance metrics and are unchanged from last year.

## Financial framework and guidance

The board sets our financial framework, including performance targets or forecasts for key financial measures. This covers our target gearing range, dividend policy and estimated asset growth based on the regulatory total expenditure allowance. We provide one-year forward guidance on key financials, including income statement measures, outcome delivery incentives (ODIs), and capital expenditure, on page 91. All forward-looking information should be read in line with the cautionary statement on the inside back cover of this report.

## Financial information contained in the APR

Financial performance information relates to the regulated company, UUW, and its appointed activities, and is prepared in accordance with the regulatory accounting framework. This differs from IFRS reporting, and a reconciliation is provided in the annual performance report (APR). For clarity, all financial metrics in this report relate to group-level performance and are calculated as per the definitions set out herein.

## Regulatory return

The regulatory return is the return generated on actual regulatory equity, calculated using average actual gearing applied to the regulatory capital value (RCV), as per Table 1F – Financial Flows of the Ofwat Annual Performance Report. It encompasses the base return, outperformance, and the uplift to our regulatory asset base from inflation.

Regulatory return comprises the base allowed return set by Ofwat in the final determination, adjusted for outperformance or underperformance, and is reported annually and cumulatively over each five-year AMP period. The AMP8 base return is 5.24% (real) on average, including an uplift for our quality and ambition assessment.

Performance against the base return is influenced by three factors: totex outperformance or underperformance versus allowances; ODI rewards or penalties for service delivery; and financing performance relative to the allowed cost of debt.

We have consistently outperformed, delivering 1.4% above the base return in AMP6 and 2.1% in AMP7 (real). Operational performance feeds into regulatory return, particularly through ODIs.

## Remuneration

Remuneration for executives and colleagues reflects sustainability-related metrics alongside financial performance. Bonus measures apply to all colleagues, while executives and senior leaders are also assessed against longer-term targets through the LTP. Both schemes are linked to customer and environmental outcomes as well as financial performance, including customer satisfaction, ODIs, carbon measures, pollution and spills performance, and efficient delivery of the capital programme.

Many remuneration measures align closely with our operational and financial KPIs, and we disclose where metrics are linked directly or indirectly to bonus and/or LTP outcomes. Further detail is provided in the remuneration report on pages 140 to 170.

## Assurance of performance metrics

All disclosed performance metrics have received appropriate assurance, including independent third-party verification, regulatory assurance processes or internal audit review. The form of assurance obtained for each metric is shown in the performance tables on the following pages.

Sections subject to external limited assurance are clearly marked, including figures in the energy and carbon report and the remuneration report.

Relevant audit opinions are available at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

## Benchmarking our ESG performance

We benchmark our performance against national and international standards of responsible business practice and align with recognised management standards and accreditations. We participate in a range of global ESG ratings, indices and frameworks, which form part of our operational KPIs.

Our consistent performance across these benchmarks demonstrates our commitment to responsible operations. Many indices draw data from this report, and we collate and publish a wide range of ESG performance measures. Additional information on specific frameworks is available on our website.

## Further performance disclosures

### Regulatory performance metrics

Performance against our regulatory contract is monitored and assessed each year, and more detailed information and narrative is reported within our separate annual performance report (APR), which is published in July of each year. The APR includes performance for the current year and cumulative performance across the AMP. The APR for 2025/26 will be published in July 2026.

Our APRs are available on our website at **unitedutilities.com/corporate/about-us/performance/annual-performance-report**

### World Economic Forum (WEF) International Business Council (IBC)

The WEF IBC has proposed a set of common metrics for the consistent reporting of sustainable value creation in mainstream annual reports. We already integrate many of these metrics in our integrated annual report and, to make this easier for those searching for the information, we have collated them into one place on our website.

Read more at **unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/wef**

### Sustainability Accounting Standards Board (SASB)

SASB standards aim to standardise the disclosure of material sustainability information mainly for companies based in the United States. As many of our shareholders are located in North America, we publish comparable SASB data on our corporate website. This covers the main SASB data points for the water utilities industry, of which we are a part.

Read more at **unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/sasb**

# How we're delivering our purpose: greener

## Key performance indicators

There are a broad range of performance indicators that help us to assess how we're delivering our purpose, working towards a greener future. The three 'greener' KPIs below have been selected due to their importance with stakeholders, with additional 'greener' performance metrics on page 67.

### Category 1 pollution incidents[1]

Pollution incidents with a serious, extensive or persistent impact on the environment, people or property.

**Target**
0

**Annual performance**
**0**
We have had zero category 1 pollution incidents this year, meeting our target of 0.

2024/25: 1

2023/24: 1

**Status**
G Met expectation/target

**Key stakeholder**
Environment

**Relevant material themes[2]**
- Environmental river water quality and storm overflows
- Natural capital and biodiversity
- Political and regulatory environment
- Trust, transparency and legitimacy

**Link to remuneration[3]**
LTP

**Assurance**
Regulatory reporting assurance

### Spills reduction[1]

Reducing the total number of activations at combined sewer overflows.

**Target**
60% reduction by 2030

**Annual performance**
**47% reduction in spills against 2020 baseline**
The level of spills since our 2020 baseline has reduced by 47%, well on track to meet our target of 60% reduction by 2030.

2024/25: 32% reduction

2023/24: 14% reduction

**Status**
G Met expectation/target

**Key stakeholder**
Environment

**Relevant material themes[2]**
- Environmental river water quality and storm overflows
- Natural capital and biodiversity
- Political and regulatory environment
- Trust, transparency and legitimacy

**Link to remuneration[3]**
Bonus

**Assurance**
Regulatory reporting assurance

### Scope 1 and 2 location-based GHG emissions target

One of two near-term science-based targets (SBTs) to reduce emissions by 2030 from the level in the base year of 2019/20.

**Target**
42% reduction by 2030

**Annual performance**
**13% reduction since 2019/20**
in emissions, reporting on a like-for-like basis. However, this year we have updated how we calculate process emissions to align with recently adopted UK Government and IPCC guidance. The impact of this will trigger a recalculation and revalidation of the SBT baseline and this will be reflected next year's annual report.

2024/25: 9.1% reduction

2023/24: 7.3% reduction

**Status**
A Close to meeting expectation/target

**Key stakeholder**
Environment

**Relevant material themes[2]**
- Climate change mitigation
- Energy management
- Trust, transparency and legitimacy

**Link to remuneration[3]**
LTP

**Assurance**
Independent third-party verification

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read more about our materiality assessment on pages 24 to 25.
(3) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170.

**Status key**

Performance against target: G Met expectation/target; A Close to meeting expectation/target; R Behind expectation/target

**Stakeholder key**: Customers; Environment; Communities; Colleagues; Suppliers; Investors

| Measure | 2030 target | Performance 2025/26 | Performance 2024/25 | Performance 2023/24 | Assurance[5] | Link to remuneration[2] | Key stakeholder | Status: Performance against target |
|---|---|---|---|---|---|---|---|---|
| Pollution incidents per 10,000 km sewer network[1] | 18.63 | 42.15 | 45.00 | 27.93 | RRA | PC | Environment | R |
| Spills per storm overflow monitored[1] | 17.71 | 26.80 | 34.68 | 45.43 | RRA | LTP | Environment | G |
| Treatment works compliance[1] | 99% | 98.20% | 98.20% | 98.97% | RRA | PC | Environment | A |
| Leakage reduction[1] | 23.9%[3] | 9.4% | 7.3% | 7.1% | RRA | LTP | Environment | A |
| Reduction in per capita consumption[1] | 9.6%[3] | 6.2% | 5.1% | 2.5% | RRA | Bonus | Environment | A |
| Reduction in business demand[1] | 5.7%[3] | 1.0% increase | New | New | RRA | PC | Environment | A |
| Internal flooding incidents per 10,000 sewer connections[1] | 1.59 | 2.01 | 3.48 | 4.35 | RRA | Bonus | Customers | G |
| External flooding incidents per 10,000 sewer connections[1] | 15.37 | 15.86 | 21.07 | 20.36 | RRA | Bonus | Communities | G |
| Biodiversity performance commitment[1] | 230.21 Units by 2030 | 0 – on track | New | New | RRA | PC | Environment | G |
| Wonderful Windermere[1] (kg phosphorus removed) | 77.4 | 12.57 | New | New | RRA | PC | Environment | G |
| Nature pledges | 100% achievement | On track | New | New | IAT | n/a | Environment | G |
| Scope 3 near-term SBTi GHG emissions target | 25% reduction by 2030[4] | 36.8% increase | 10.5% | 7.3% | ITV | n/a | Environment | R |

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170. PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed LTP through return on regulated equity (RoRE). The measurement approach for the purpose of remuneration outcomes may differ from the exact approach shown here.
(3) As measured against a 2019/20 baseline.
(4) As measured against a 2019/20 baseline. Methodology changes will trigger a recalculation and revalidation of SBT base year emissions. Figure here is an estimated like-for-like value calculated using current year activity data and previous method as noted on page 73.
(5) ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

### Spotlight on EPA

We have retained our position as the second-highest-ranked company in the Environment Agency's Environmental Performance Assessment (EPA), with 13 stars out of a possible 16 in the first four years of this EPA cycle, with two stars for 2024. 2024 was a particularly wet and stormy year, and this, alongside the Environment Agency's updated approach to measurement of pollution incidents that occur during major storms, adversely impacted industry ratings for the year. There will be future changes in methodology, beginning in 2027, which will impact the consistency of EPA reporting. The EPA continues to be an important area of focus for the future, and we welcome the ongoing improvements to the methodology to give a more rounded and transparent view of company performance.

# How we're delivering our purpose: greener

Creating value for

- Environment
- Communities
- Investors

## Tackling pollution

Most of the activities involved in providing our services are carried out reliably and without incident. Nevertheless, we recognise that on occasion, operational issues arise that can lead to an unpermitted discharge into the local water environment, which may result in an impact. These events, known as pollution incidents, remain a critical focus area for the company.

As well as failures in our assets, pollutions or environmental impacts can be caused by a wide range of external factors beyond our direct control, including the activities of industry, agriculture and the illegal disposal of waste. While we remain committed to reducing pollution arising from our own operations, we also work closely with these third parties to influence behaviours and collectively minimise risks to the environment.

Historically, we have performed strongly against our total pollution targets. Although our performance in this year showed an improvement compared with the prior year, we are disappointed not to have met all of our pollution-related targets for the year. However, in relation to the most serious category 1 incidents, we are proud to have maintained a performance of zero. Sustaining this level remains a core priority for the business.

Reducing the number of total pollution incidents continues to be an area of focus. In March this year, we published an updated Pollution Incident Reduction Plan (PIRP), which provides a clear and ambitious roadmap for driving down environmental harm across our operations. The plan incorporates lessons learned, advances in monitoring and automation technology, and a renewed emphasis on transparency and accountability.

Through continued investment in resilient infrastructure, enhanced monitoring capabilities and strengthened operational controls, we are determined to reduce both the frequency and impact of pollution incidents. This work is progressing against a backdrop of increasingly challenging external conditions, including the effects of climate change, population growth, urbanisation and other environmental pressures, all of which we are actively mitigating.

During the year, the industry's methodology for recording and reporting pollution incidents evolved, resulting in the inclusion of several categories of incidents that, in previous years, would have been removed from performance reporting due to being classified as outside of management control. This shift has reinforced the importance of our long-term strategy, including enhancing the resilience of assets to power outages, engaging customers on responsible disposal behaviours, and strengthening partnerships aimed at tackling the wider causes of pollution.

Read our **Pollution Incident Reduction Plan** on our website at **unitedutilities.com/corporate/responsibility/environment/reducing-pollution**

## Spills and environmental water quality

Since 2020, the national conversation on the role of combined sewer overflows (CSOs) and their impact on the water environment has accelerated significantly, reflecting heightened public and regulatory expectations. Against this backdrop, we have continued to work tirelessly to modernise and re-engineer our legacy wastewater networks so that spills from CSOs occur only during periods of extreme rainfall, thereby protecting customer properties as originally intended.

We are extremely proud of the progress achieved to date on our journey towards a 60% reduction in spills by 2030, against a 2020 baseline, and to achieve an average of no more than ten spills per overflow per year by 2050. This year, we delivered a further overall reduction of 23% spills per overflow since 2024, despite rainfall being heavily concentrated towards the end of the reporting period. Notably, September alone experienced over 184% of the long-term average rainfall. As a result of our progress this year, our performance relative to the 2020 baseline now represents a reduction of 47% in spills, with further improvements expected throughout the remainder of AMP8.

Another important area of progress has been the continual improvement in the quality of treated wastewater returned to the environment. Our discharge permit compliance remains high, demonstrating that our assets continue to operate to the high standards set by the Environment Agency across the vast majority of our wastewater treatment activities.

A key feature of treated wastewater is the concentration of nutrients, particularly phosphorus, which can contribute to algal growth and ecological imbalance in rivers and lakes. Across AMP8, we are making significant investment to enhance the quality of discharges from our treatment works, including reducing phosphorus and other nutrient levels by more than half at many sites. This programme will lead to improvements across 450 kilometres of rivers over AMP8, supporting healthier ecosystems.

## Greenhouse gas emissions

Water and wastewater services are essential, and in the face of the global climate emergency we are committed to significantly reducing the greenhouse gas emissions associated with delivering our services. Reducing our operational and embedded emissions remains a core priority.

This year, we achieved a 13% reduction in scope 1 and 2 emissions compared with our 2020 base year on a like-for-like basis. Our latest forecasts to 2030 indicate that, while we are making strong progress in energy efficiency, renewable energy generation and low-carbon fuels, process emissions from wastewater treatment remain a challenge. During the year, we changed the electricity methodology from market-based to location-based to align with the methodology used by Ofwat, and we have adopted new UK Government guidance on accounting for process emissions.

Our scope 3 science-based target commits us to achieving a 25% emissions reduction across our supply chain. Having already met our previous goal for 66% of our construction suppliers to set science-based targets, we have now shifted attention towards this emissions reduction target. While the scale of our capital programme presents headwinds, our supply chain partners remain engaged and are incentivised to reduce carbon.

Read more on **our carbon and energy related performance** on pages 72 and 73

## Managing water resources

This year has presented significant challenges from a water resources perspective, with the North West experiencing the driest start to a calendar year in decades. Despite these unprecedented conditions, the integrated nature of our network, combined with the responsiveness and dedication of our operational teams, enabled us to maintain supply for customers throughout the period. Notably, we did so without the need for temporary use bans, even though our region was the first in the country to be designated as being in drought by the Environment Agency.

The prolonged dry spell also placed additional pressure on our network infrastructure. As rainfall returned in late summer, the rapid transition from exceptionally dry to saturated ground conditions created stresses similar to those typically associated with freeze-thaw events. In response, our leakage gangs intensified their efforts, increasing the number of repairs undertaken by 24% compared with the same period last year. While these headwinds mean we are currently behind our regulatory target for leakage performance, reducing water loss across our network remains a priority.

Alongside increased find-and-fix activity, we continued to invest in the long-term resilience of our water infrastructure.

During the year, we replaced over 150 kilometres of water mains, contributing to our commitment to replace at least 925 kilometres or approximately 2% of our network by 2030. We remain on track to deliver this programme within the current price control period and meet our delivery price control deliverable.

We also made strong progress in the rollout of our smart metering programme, installing over 200,000 meters during the year. This marks the first stage of a sustained installation plan that will continue throughout the remainder of the AMP. Smart metering is a critical enabler in improving our understanding of network flows, helping us identify losses more proactively, particularly on the customer side, and supporting long-term improvements in water efficiency and demand management.

## Nature and biodiversity

We are proud to announce a comprehensive set of nature pledges that reflect the critical role of nature supporting the delivery of our essential services. These pledges bring together a wide range of initiatives designed to enhance the health of our land and water environments, while enabling more people to benefit from access to nature.

Our pledges include significant investment in peatland and woodland restoration, which strengthens ecosystem resilience, slows the movement of water through the landscape and, in turn, improves raw water quality. These activities also contribute to wider environmental benefits such as reducing flood risk and supporting drought resilience.

Over the past 12 months, we have delivered a further 1,245 hectares of peatland under restoration, bringing our progress to 63% towards achieving our 2030 target. For our 2030 tree planting target, we have created an additional 142 hectares of woodland across the North West, improving the resilience of our natural habitats.

Nature also plays a vital role in supporting people's wellbeing. That is why, alongside our pledges, we will continue to promote greater engagement with the natural environment, enhance inclusivity and improve facilities at priority recreational sites, ensuring that more communities can enjoy and benefit from these shared spaces.

This year also marks the introduction of the biodiversity performance commitment. To demonstrate outperformance under this measure, we must establish the baseline condition of our target sites, which we have been undertaking throughout the year. We expect to be in a strong position to report measurable progress as we move further into the AMP.

Read more about **our nature pledges** on page 37

## Focus on Windermere

Windermere is one of the UK's most iconic and cherished lakes, and we fully recognise our responsibility to protect and enhance its ecological health. Over the course of the year, we have advanced a wide range of activities across the Windermere catchment, all aimed at improving water quality for the thousands of people who enjoy the lake each year.

We are progressing well with our circa £200 million investment programme across the catchment, delivering substantial upgrades at our wastewater treatment works and pumping stations. As part of this programme, we have mobilised additional stormwater storage capacity to ease pressure on the network during periods of heavy rainfall, reducing the need to operate storm overflows.

Active projects are now underway across nine of our wastewater treatment works in the catchment. In parallel, we have carried out an extensive campaign to promote first time sewerage to households and businesses that currently rely on septic tanks and small private treatment systems. These private systems are known contributors to phosphorus levels in the lake, and the potential to extend our network can play a vital role in reducing nutrient inputs.

While we remain focused on reducing phosphorus loadings and minimising spills from our own assets, tackling phosphorus from other sources such as private septic tanks and agricultural run-off is also essential. This broader approach underpins our Wonderful Windermere performance commitment, which is specifically targeted at reducing phosphorus from third-party assets across the catchment.

To support this work, we have been developing innovative and circular solutions, including the use of reactive media, and the introduction of nature-based solutions such as reed beds to further enhance water quality before it reaches the lake.

This year, we modelled a reduction of 12.5 kg/year of phosphorus removal from these interventions alone, with significantly more improvement expected across the rest of the AMP. We have also committed to reinvesting any financial reward earned through outperformance directly back into the Windermere catchment, ensuring benefits are retained locally.

While we are taking decisive action today, we are also planning for the long term. We have entered into a new partnership to explore the feasibility of achieving 'Only Rainwater into Windermere' – a future in which only rainwater reaches the lake. A specialist team has now mobilised to examine what is possible, drawing on international engineering expertise and global best practice to ensure the most effective and sustainable solutions are identified.

# Managing rain where it falls.

Image: Raingardens and planters are helping to slow the flow at St Edmund's RC Primary School in Manchester

**Schools invite nature into their playgrounds to help tackle rain**

Watch this video to find out **how we're introducing green spaces into grey playgrounds across the North West**

Case study:

## Managing rain where it falls

We're transforming how the North West manages its plentiful rainfall by introducing nature-based features that help rain soak away naturally.

Through our sector-leading £280 million rainwater management programme, we're bringing these greener approaches into community, commercial and public spaces, helping places manage rainfall more sustainably while creating healthier, more biodiverse environments for local communities. This builds on our award-winning Resilient Rainwater pilots, which showed how natural solutions can enrich local places and help prepare them for a changing climate.

Rather than relying solely on traditional hard infrastructure, we design outdoor spaces so they can absorb, filter and slow rainfall at the surface. By reducing the amount of rainwater unnecessarily entering the wastewater network, we support cleaner, healthier waterways while also enhancing the quality of local places.

### Investment that delivers wider value

While the programme's ultimate aim is to reduce the volume of rainfall entering the sewer system, every scheme delivers much more than water management. Greener interventions bring nature back into everyday settings, support biodiversity, reduce carbon and help cool urban areas. They create more welcoming, attractive spaces for recreation and learning, and contribute to local regeneration and placemaking.

Our partnership approach enables us to unlock even greater value. Working with local authorities, community groups, developers and regional partners, we align rainwater management with wider ambitions for net zero, active travel routes, healthier streets and stronger local economies. By replacing hard, impermeable surfaces with green design, we're improving resilience while enhancing the everyday places where people live, work and learn.

### Project FLOW: creating living educational spaces

Schools are a powerful example of the programme in action. Through Project FLOW (Future Leaders of Water), we're helping schools adapt to heavy rainfall while inspiring pupils to value water and nature. With a goal of working with 400 schools by 2030, we're already well underway.

In partnership with the Environment Agency and the Greater Manchester Combined Authority, and aligned with the Integrated Water Management Plan, we prioritised 15 schools facing surface water challenges. We worked with teachers and designers to install raingardens and large planters that soak up rainfall naturally. These features slow the flow of water, encourage wildlife and transform playgrounds into living educational environments where pupils can learn about climate, habitats and stewardship first hand.

Each school also received a water-efficiency audit to fix leaks and install water-saving devices – saving more than 15,000 litres of clean water every day and over £50,000 across ten years, helping schools reinvest in pupils' learning and wellbeing.

### Outcomes and future impact

Across the first 15 schools, Project FLOW has created vibrant new green spaces and almost 136,000 litres of rainwater storage, reducing the amount of rainfall entering the wastewater network and enriching local habitats. We're now extending our approach across the region and to other education settings, supported by outdoor learning with partners.

By managing rain where it falls, we're improving local nature, supporting healthier communities and building places that are ready for a changing climate, while inspiring the next generation to care for the natural world.

**Delivering value for**

This is creating value for the environment, local communities, and customers.

# Energy and carbon report

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations require us to publish this energy and carbon report applying the 2019 UK Government Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting Guidance (SECR). We use the financial control approach so our energy and carbon accounting is aligned with the consolidated financial statements for United Utilities Group PLC for 1 April 2025 to 31 March 2026. This includes the subsidiaries listed in section A7 on page 237.

## Greenhouse gas emissions methodology

Emissions are calculated by estimating the individual greenhouse gases that result from all United Utilities' activities, converted into a tonnes carbon dioxide equivalent ($tCO_2e$). Tools and values used in 2026 include UK water industry Carbon Accounting Workbook v20, the 2025 UK Government GHG conversion factors for company reporting, global warming potentials from IPCC 5th Assessment report and OpenCEDA (Comprehensive Environmental Data Archive) 2025. 100% of our emissions are related to activities and energy consumption in the UK. Our greenhouse gas inventory, and the underlying energy data, has undergone independent third-party verification by Achilles group and is aligned to the GHG Protocol Corporate Accounting and Reporting Standard (2015) and the international carbon reporting standard ISO 14064, Part 1:2018. The Toitū Carbon Reduce programme certification and report can be found at **unitedutilities.com/corporate/responsibility/environment/climate-change-mitigation**

| Scope 1 and 2 greenhouse gas emissions[4] $tCO_2e$ | | 2025/26 Updated method | *2025/26 Previous method* | 2024/25 As reported using previous method | 2023/24 As reported using previous method | 2022/23 As reported using previous method | 2019/20 SBT baseline |
|---|---|---|---|---|---|---|---|
| **Scope 1: Emissions from activities we own or control, e.g. burning fossil fuels, wastewater and sludge processing** | | | | | | | |
| Direct emissions from burning of fossil fuels | | 19,825 | | 15,922 | 20,188 | 21,166 | 15,247 |
| Process[1] and fugitive emissions – including refrigerants | | 329,721 | *90,223* | 90,633 | 96,173 | 94,915 | 96,186 |
| Transport: Company-owned or leased vehicles | | 18,724 | | 17,785 | 17,838 | 17,665 | 15,739 |
| **Scope 2: Emissions from purchased electricity including for use in vehicles** [2] | | | | | | | |
| Purchased electricity – generation | Market-based | 170,675 | | 47[5] | 33[5] | 9[5] | 11,789 |
| | *Location-based* | *125,136* | | *140,847* | *136,183* | *126,813* | *164,521* |
| Purchased electricity – vehicles | Market-based | 96 | | 31 | 7 | 2 | 0 |
| | *Location-based* | *96* | | *31* | *7* | *2* | *0* |
| **Gross scope 1 and 2 emissions total** | Market-based | 539,041 | *299,543* | 124,418 | 134,239 | 133,757 | 138,961 |
| | *Location-based* | *493,502* | *254,004* | *265,218* | *270,389* | *260,561* | *291,693* |
| **Net emissions reductions** | | | | | | | |
| Renewable electricity exported[3] | Market-based and *Location-based* | -2,787 | | -2,726 | -3,101 | -2,888 | -3,979 |
| Biomethane exported | *Location-based* | *-8,623* | | *-8,479* | *-8,439* | *-9,360* | *-9,302* |
| Green tariff electricity purchased[3] | *Location-based* | *-1* | | *-132,127* | *-136,162* | *-125,746* | *-164,210* |
| **Net scope 1 and 2 emissions total** | Market-based | 536,254 | *296,756* | 121,693 | 131,138 | 130,869 | 134,982 |
| | *Location-based* | *482,091* | *242,593* | *121,887* | *122,687* | *122,566* | *114,202* |

(1) 2025/26 Wastewater process and sludge disposal emissions use factors in updated in 2026 to align to latest IPCC guidance and UKWIR research. *2025/26 Previous method uses 2025/26 activity data with previous factors.*

(2) Scope 2 methods – Market-based: uses intensity factors specific to the contractual agreements. For electricity supplied on a standard grid tariff, we use $CO_2e$ per kWh from suppliers' public fuel mix disclosures. *Location-based: uses average UK grid emissions intensities and are shown in green italics.*

(3) Exported electricity emissions use the UK Residual mix factor 420.7 g/kWh for both market- and *location-based* totals.

(4) From 2023/24, emission factors use IPCC AR5 global warming potentials. Earlier years use global warming potentials from AR4.

(5) Emissions from electricity for recently adopted sites supplied on standard tariffs until they moved onto our corporate renewable contracts.

| Scope 3 greenhouse gas emissions $tCO_2e$ | | 2025/26 Updated method | *2025/26 Previous method* | 2024/25 As reported using previous method | 2023/24 As reported using previous method | 2022/23 As reported using previous method | 2019/20 SBT baseline |
|---|---|---|---|---|---|---|---|
| Category 1: Purchased goods and services[6] | | 372,701 | *307,082* | 239,757 | 233,480 | 250,189 | 213,442 |
| Category 2: Capital goods[6] | | 132,557 | *125,798* | 106,250 | 99,962 | 138,182 | 128,286 |
| Category 3: Fuel and energy-related emissions[7] | | | | | | | |
| Purchased electricity – well to tank and transmission and distribution | | 48,395 | | 46,383 | 46,536 | 44,704 | 38,865 |
| Fuel (excluding electricity) – well to tank | | 9,449 | | 7,820 | 6,653 | 8,742 | 6,397 |
| Category 4: Upstream T&D – sludge transport[7] | | 2,068 | | 8 | 6 | 35 | 3,374 |
| Category 5: Waste generated in ops: including sludge disposal[1, 7] | | 14,308 | *33,238* | 28,357 | 26,135 | 27,454 | 27,936 |
| Category 6: Business travel: public transport, private vehicles and hotel stays[7] | | 1,700 | | 1,503 | 1,464 | 1,486 | 3,508 |
| Category 7: Employee commuting and homeworking[7, 8] | | | | | | | |
| Commuting | | 9,299 | *4,875* | 4,676 | 4,631 | 4,974 | 4,231 |
| Homeworking | | 456 | | 572 | 505 | 361 | 0 |
| Category 11: Use of sold products | | 17 | | 17 | 17 | 17 | 17 |
| **Scope 3 emissions total** | Scope 3 SBT (excludes category 2) | 458,393 | *407,280* | 329,093 | 319,427 | 337,962 | 297,770 |
| | Scope 3 total | 590,950 | *533,078* | 435,343 | 419,389 | 476,144 | 426,056 |

(6) Emissions for goods and services (excluding chemicals) were quantified based on the amount spent by sector. For 2025/26 we used open CEDA 2025 from Watershed, an environmentally extended input-output database that has global coverage and is a CDP recommended tool. *2025/26 Previous method estimates are the products of 2024/25 emissions per £ spend and 2025/26 spend for each category.*

(7) Categories 3, 4, 5, 6, 7 and 11 use activity records and the relevant year's UK Government GHG conversion factors for company reporting.

(8) 2025/26 Category 7 figures are calculated using a bespoke United Utilities model drawing on company FTE data, average commute distances and hybrid working policies and UK Government travel statistics for the North West. *2025/26 Previous method uses travel statistics for England.*

## Emissions commentary

### Process, chemicals and waste

Biological wastewater treatment processes produce nitrous oxide ($N_2O$) and methane ($CH_4$), both of which have a significantly higher global warming potential than carbon dioxide ($CO_2$). Our wastewater process emissions are directly proportional to the population served and the volume of sludge produced and, therefore, increase as population grows.

In 2026, the UK water industry updated the calculation methodology for these emissions to reflect current IPCC guidance and published research. This accounting change increased reported process emissions by 239,498 $tCO_2e$, representing underlying emissions more accurately rather than a change in performance.

47,144 $tCO_2e$ of our emissions from purchased goods and services were from chemicals used in water and wastewater treatment.

Sludge treatment produces biomethane, and the majority of our sites use advanced anaerobic digestion to maximise capture of this gas for use in heat and power generation. This reduces methane emissions during treatment and post disposal.

UKWIR research (Biosolids to land: carbon emissions and carbon capture) identified that previous industry methods significantly overestimated methane emissions associated with the land application of sludge biosolids. The updated factors have been used for 2025/26 emissions reporting reducing waste emissions by 18,930 $tCO_2e$.

### Fuel and energy

Treatment and distribution of water and wastewater are energy-intensive activities, with fuel and energy accounting for 20% of our footprint. These emissions arise from the combustion of fossil fuels, purchased electricity, and associated well-to-tank and transmission and distribution emissions. Reducing energy consumption and replacing fossil fuels with lower-emission alternatives is central to the 'Reduce' theme of our net zero transition action plan.

We have continued to expand the infrastructure supporting our transition to low-carbon fleet fuels. As of April 2026, we operate over 100 electric vehicle charging points on our sites, 78 company van users have home charging, and there are over 400 electric vehicles in our fleet, including four HGVs. We are also increasing the use of renewable fuels such as biogas and HVO across our equipment and fleet, while exploring lower-emissions alternatives. In parallel, we plan to expand our renewable generation capacity and play an active role in the development of emerging technologies, including hydrogen.

### Goods and services

Most of our scope 3 emissions arise from categories 1 (purchased goods and services) and 2 (capital goods). Capital goods are defined as construction services, with all other goods and service spend reported under category 1.

With the exception of chemicals, emissions from goods and services are calculated using annual spend and sector-based factors from the Open CEDA dataset, an open source environmentally extended input-output database. This provides a comprehensive but indicative estimate; however, it does not reflect our increasing use of sustainability criteria in supplier and product selection.

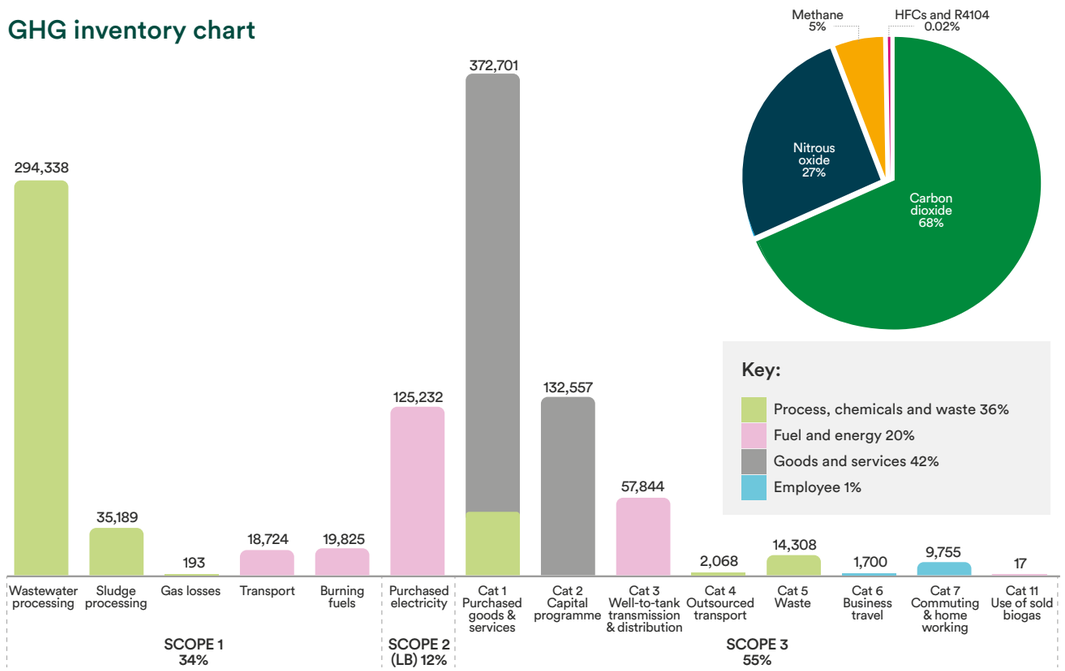
We are addressing this limitation by developing standardised sustainable solutions for which we can obtain or estimate the specific GHG emissions and also developing methods to track actual embedded emissions for capital projects as part of our AMP8 bespoke embedded emissions performance commitment.

While our extensive water and wastewater infrastructure investment programme will incur substantial GHG emissions, applying PAS 2080 carbon-management principles and more robust emissions calculations will allow us to better quantify and reduce the emissions intensity of this investment.

### Employee

Employee-related emissions from business travel, commuting and homeworking total only 1% of the GHG inventory. Category 7 emissions have increased in 2025/26 because the number of employees has increased but, in the main, due to using a new company-specific model rather than a country-wide generic model. Our employees, on average, commute twice the England average and, in the North West, commutes are more likely to be by car rather than active or public transport and this is now reflected in our estimated commuting emissions.

## GHG inventory chart



# How we're delivering our purpose: greener

## Intensity ratios

| Intensity metric | Method notes | Units | 2025/26 | 2024/25 | 2023/24 | 2022/23 |
|---|---|---|---|---|---|---|
| Gross scope 1 and 2 GHG emissions per £m revenue | Location based | $tCO_2e$ | **188.6** | 123.6 | 138.7 | 142.8 |
| Net scope 1 and 2 GHG emissions per £m revenue | Location based | $tCO_2e$ | **184.3** | 56.8 | 62.9 | 67.2 |
| Net water operational emissions per megalitre water treated[1] | Location based | $kgCO_2e$ | **167.0** | 172.1 | 177.6 | 101.4 |
| Net wastewater operational emissions per megalitre sewage treated [1] | Location based | $kgCO_2e$ | **421.5** | 198.5 | 209.0 | 158.8 |
| Energy used per megalitre of water supplied | Distribution input | MWh | **1.548** | 1.449 | 1.462 | 1.467 |

(1) UK water industry intensity metrics. The method for calculating these was redefined by Ofwat in 2024.

## Energy strategy

Our energy management strategy has four objectives:

- Energy efficiency first – prioritising the lowest-cost, highest-impact interventions
- Maximising self-generation, storage and direct supply – reducing grid dependency and improving energy resilience
- Minimising costs
- Building supply resilience to ensure we can deliver our services

Energy remains one of our largest operational inputs, with total consumption of 1058 GWh in 2025/26. A growing population and increasingly stringent environmental performance expectations are driving up our energy use, reinforcing the need to improve efficiency and reduce our operational impact. Power and fuel use were high in 2025/26 as we acted to maintain supply and water quality to customers during the dry weather.

Through our Energy Management Programme, we have embedded energy awareness, data-driven decision-making and operational optimisation across the business. The expansion of our net zero engineering capability has accelerated the pace and impact of our energy efficiency programme, delivering measurable improvements in performance, resilience and cost efficiency, strengthening the foundation for our Energy Saving Opportunity Scheme (ESOS) Phase 3 compliance and future action plan.

## Switch to clean, green energy

Renewable energy generated and low-carbon alternatives met 24.1% of our energy need in 2025/26. Most of our generation was from on-site combined heat and power (CHP) engines that convert biogas from our sludge treatment processes into low-carbon power. We also use biogas in boilers instead of natural gas and export the biogas through biomethane-to-grid facility.

We are developing a regional plan and have identified opportunities to enhance digestion performance improving biogas yield, to increase CHP efficiency and to scale up our engineered carbon capture and storage innovation that produces hydrogen and graphene from biogas. These developments, together with more switches to low-carbon alternatives, support both decarbonisation and long-term operational resilience.

During the year, we replaced 21% of the mineral diesel used in generators and mobile plant with sustainably sourced hydrotreated vegetable oil (HVO), avoiding over 3,100 $tCO_2e$. HVO will remain a transitional fuel as we electrify eligible assets through to 2040.

## Energy efficiency actions

Energy efficiency remains central to our strategy with 24 GWh annual verified savings delivered through ESOS Phase 2 and a further 48 GWh each year of potential reductions identified in Phase 3 across operational optimisation, improved process control, pump and aeration efficiency, dewatering improvements, and enhanced driver behaviour in our vehicle fleet.

Key projects delivered improved energy efficiency across our sites. At Martholme Water Treatment Works, the installation of a non-return valve and proximity sensor enabled the safe re-instatement of the gravity feed to Burnley, saving an estimated 113 MWh and 29 $tCO_2e$ per year. At St Helens Wastewater Treatment Works, an acid-clean of the ASP lanes restored aeration performance, improving oxygen transfer and reducing the energy needed for treatment. The technique is now proven in operation, with recurring annual benefits of around £25,000.

We continue to improve the efficiency of our transport operations through the use of telematics to monitor fuel performance and by using innovative smartphone-based driver-safety tools to improve and reward good driver behaviour. These projects demonstrate how targeted optimisation, smarter operations and focused investment can deliver substantial reductions in energy use, cost and carbon, while strengthening the resilience and performance of our services.

## Energy data

| | 2025/26 GWh | 2024/25 GWh | 2023/24 GWh | 2022/23 GWh |
|---|---|---|---|---|
| **Energy use** | | | | |
| Electricity | 854.8 | 822.4 | 819.6 | 818.8 |
| Natural gas | 19.8 | 14.2 | 34.1 | 33.6 |
| Biogas in boilers | 32.6 | 16.4 | n/a | n/a |
| Stationary fossil fuels (gas oil, kerosene, diesel)[1] | 59.7 | 49.1 | 51.4 | 55.8 |
| Energy for transport [1] | 79.4 | 76.0 | 75.8 | 74.8 |
| Low-carbon alternatives (HVO, LPG, EVs)[1] | 11.9 | 0.27 | 0.25 | 0.05 |
| **Total energy used**[1] | 1058.3 | 978.3 | 981.1 | 983.0 |
| **Electricity purchased** | | | | |
| Grid renewable[2] | 0.003 | 680.1 | 657.6 | 655.6 |
| Grid standard tariff[3] | 707.0 | 0.13 | 0.09 | 0.13 |
| **Total purchased** | 707.0 | 680.2 | 657.7 | 655.7 |
| **Renewable energy generated** | | | | |
| CHP | 104.3 | 105.2 | 120.4 | 123.0 |
| Biogas in boilers | 32.6 | 16.4 | | |
| Solar | 48.0 | 42.0 | 47.3 | 46.4 |
| Wind | 5.0 | 4.7 | 5.2 | 5.1 |
| Hydro | 6.4 | 6.3 | 7.6 | 6.9 |
| Biomethane | 47.2 | 45.6 | 40.2 | 44.7 |
| **Total generated** | 243.5 | 220.2 | 220.7 | 226.1 |
| **Renewable energy exported** | | | | |
| Electricity | 15.8 | 16.1 | 18.6 | 18.3 |
| Biomethane | 47.2 | 45.6 | 40.2 | 44.7 |
| **Total exported** | 63.0 | 61.7 | 58.8 | 63.0 |

(1) Energy calculated from volume of fuel used using net calorific values or from the distance travelled.
(2) Zero emissions electricity bundled with, or backed by separately purchased, REGO certificates.
(3) Supplier standard tariff grid electricity.
(4) All energy was consumed in the UK.

Reducing spills

# Seeing the results of our environmental improvement programme

Across the North West, we are delivering a data-led programme that is transforming how we manage wastewater and storm overflows.

Our region includes major urban centres, rural communities, coastal environments and nationally significant landscapes, each placing different demands on the wastewater network. By analysing performance data at a regional level, we are identifying the key drivers of storm overflow activity, including infiltration, power resilience, tidal influence and network condition, allowing us to prioritise interventions that deliver the greatest environmental benefit in each location.

What began as a focused, short-term taskforce to reduce storm overflow spills, has now evolved into an environmental improvement programme. Weekly performance reporting provides clear visibility of trends, enabling rapid response and decision-making grounded in evidence. By measuring interventions in the right places, we are ensuring that investment delivers meaningful outcomes for both communities and the environment.

## Ways of working

The programme is built around early intervention and practical delivery, underpinned by strong performance management. Weekly performance and delivery reviews draw on the latest rainfall and operational data to identify emerging issues and act quickly. Interventions are assessed against expected benefit, and success is measured through tangible improvements delivered within the calendar year. This evidence-based approach ensures timely action that delivers environmental improvement.

## Interventions

During 2025, we delivered 332 interventions across 321 storm overflows in all five counties. Activities included drainage health checks, inspection and cleaning of over 20 kilometres of sewers, addressing infiltration and ingress, upgrading automated storm tank returns, and optimising pumping assets.

Where additional capacity was required at short notice, temporary steel storage tanks and mobile compact treatment units were installed, providing 310m³ of temporary storage capacity across four sites. Submerged aerated filter units were also installed at 18 sites to enhance wastewater treatment performance.

## Innovation

Innovation is central to our approach. By working with our supply chain, we have installed intelligent non-return valves in storm overflow chambers to prevent river or tidal water entering the network, protecting assets and improving monitoring reliability. Smart free-floating sewer inspection technologies have been used to identify hidden blockages and restrictions in large or inaccessible sewers, enabling faster and more precise repairs. We are also applying machine learning and AI to better understand infiltration by combining rainfall, catchment and performance data, as well as trialling advanced analytics to optimise pump performance.

## Digital and data

We have significantly improved storm overflow monitoring by replacing more than 780 event duration monitors with modern radar-based equipment, which provides more accurate and reliable data with lower power consumption. In addition, 99 monitors have been fully reviewed and over 430 reconfigured to better reflect site-specific conditions. These upgrades strengthen data quality, support transparent public reporting and enable more advanced analytics to inform delivery.

## Outcomes and impact

Environment Agency figures based on our 2025 EDM return show a substantial year-on-year reduction in storm overflow activity. Compared with 2024, spill numbers fell by around 23% per overflow while total spill duration reduced by around 27%. This continues a longer-term downward trend, representing a 47% reduction against our 2020 baseline. These improvements were delivered despite above-average rainfall in the latter half of the year, demonstrating that we are starting to break the link between rainfall and spills.

**Above:** Temporary steel storage tanks installed at Blennerhasset Wastewater Pumping Station in Cumbria to provide additional storage capacity

# How we're delivering our purpose: healthier

## Key performance indicators

There are a broad range of performance indicators that help us to assess how we're delivering our purpose, working towards a healthier future. The three 'healthier' KPIs below have been selected due to their importance with stakeholders, with additional 'healthier' performance metrics on page 77.

### Trustpilot

An open, independent, online review platform for customer service.

**Target**
**Excellent**

**Annual performance**
**4.5 Excellent**

Performance against this KPI fluctuates regularly, based on customer reviews, with the 4.5 score reflecting our performance as at the year end.

2024/25: New

2023/24: New

**Status**
G Met expectation/target

**Key stakeholder**
Customers

**Relevant material themes**[2]
- Customer service and operational performance
- Trust, transparency and legitimacy

**Link to remuneration**[3]
n/a

**Assurance**
Independent third-party verification

### Customers supported with affordability[1]

Customers that have benefitted from our range of affordability support schemes.

**Target**
**One in six customers**

**Annual performance**
**422,041**

We have increased the number of customers on support tariffs by 180,000 through implementation of the new Low Income Discount; growing the number of customers supported this AMP to 422,041.

2024/25: New

2023/24: New

**Status**
G Met expectation/target

**Key stakeholder**
Customers

**Relevant material themes**[2]
- Affordability and vulnerability
- Customer service and operational performance
- North West regional economy

**Link to remuneration**[3]
n/a

**Assurance**
Internal audit team

### Colleague engagement

Level of colleague engagement as measured by our annual colleague opinion survey.

**Target**
**At least as high as the utilities norm benchmark**

**Annual performance**
**90%**

86% of employees took part in our engagement survey, and we are proud to report an outstanding 90% engagement score – well above global utilities and UK high-performance benchmarks.

2024/25: 87%

2023/24: 81%

**Status**
G Met expectation/target

**Key stakeholder**
Colleagues

**Relevant material issues**[2]
- Colleague engagement
- Diverse and skilled workforce
- Health, safety and wellbeing

**Link to remuneration**[3]
n/a

**Assurance**
Independent third-party verification

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read more about our materiality assessment on pages 24 to 25.
(3) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170.

**Status key**

Performance against target: G Met expectation/target; A Close to meeting expectation/target; R Behind expectation/target

**Stakeholder key**: Customers; Environment; Communities; Colleagues; Suppliers; Investors

| Measure | 2030 target | Performance 2025/26 | Performance 2024/25 | Performance 2023/24 | Assurance[5] | Link to remuneration[2] | Key stakeholder | Status: Performance against target |
|---|---|---|---|---|---|---|---|---|
| Customer ODIs[1] | Net reward | **c. -£35 million** | £4.29 million | £34 million | RRA | PC | Customers | G |
| Water quality customer contacts per 1,000 population[1] | 0.80 | **1.33** | 1.28 | 1.32 | RRA | Bonus | Customers | A |
| Supply interruptions per property per year (hours:minutes:seconds)[1] | 00:05:00 | **00:13:02** | 00:14:17 | 00:09:39 | RRA | Bonus | Customers | R |
| Unplanned outages of peak week production capacity[1] | 2.14% | **1.34%** | 1.85% | 2.05% | RRA | PC | Customers | G |
| Household written complaints compared to WaSCs[1] | Upper quartile | **Third quartile**[3] | Third quartile | Third quartile | RRA | n/a | Customers | R |
| Customer satisfaction score (C-MeX)[1] | Above industry median | **Above industry median** | Above industry median | Above industry median | RRA | Bonus | Customers | G |
| Developer satisfaction score (D-MeX)[1] | Above industry median | **Above industry median** | Above industry median | Above industry median | RRA | PC | Customers | G |
| Business and Retailer satisfaction score (BR-MeX)[1] | Above industry median | **Above industry median** | Above industry median | Above industry median | RRA | Bonus | Customers | G |
| Households registered for Priority Services[1] | 25% | **18.26% (597,401)** | 16.51% (540,380) | 12.35% (401,987) | RRA | LTP | Customers | G |
| Compliance Risk Index[1] | 0.00 | **2.20**[4] | 10.28 | 5.92 | RRA | PC | Environment | G |
| Accident frequency rate for colleagues (per 100,000 hours) | 10% year-on-year improvement | **0.054** | 0.078 | 0.092 | IAT | n/a | Colleagues | G |
| Accident frequency rate for contractors (per 100,000 hours) | Year-on-year improvement | **0.122** | 0.078 | 0.043 | IAT | n/a | Colleagues | A |
| Smart meters installed | 920,891 | **209,980** | New | New | IAT | n/a | Suppliers | G |

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170. PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed LTP through return on regulated equity (RoRE). The measurement approach for the purpose of remuneration outcomes may differ from the exact approach shown here.
(3) Latest comparative data available 2024/25.
(4) The DWI will confirm the final Compliance Risk Index score in July.
(5) ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

### Spotlight on customer experience

Our KPI for customer experience has historically been the water industry's measure, C-MeX, which offers great comparability across Ofwat-regulated companies, alongside D-MeX and BR-MeX. While these three measures remain important and are disclosed in our table of measures above, we have chosen to include our Trustpilot rating as a key measure of customer experience. Trustpilot is an international, third-party customer service rating platform, which brings an element of cross-sectoral comparability due to its widespread use. Using Trustpilot as a KPI will also bring additional timeliness to our reporting on customer experience, reflecting current customer views. There have been a number of recent changes to the C-MeX measure this year, meaning the latest scores will not be published until July, after the publication of this integrated annual report and financial statements.

# How we're delivering our purpose: healthier

**Creating value for**

- Customers
- Communities
- Colleagues
- Suppliers
- Investors

## Delivering great service for our customers

We are proud to maintain a culture of continuous improvement across our operations, with 80% of key performance metrics showing year-on-year progress despite the challenging operating environment. This reflects the commitment of our people and the effectiveness of our strategic programmes.

One of the most significant improvements has been in our Compliance Risk Index (CRI), which has improved by 79% compared with last year. This has been driven by the continued delivery of our water quality first programme, which remains central to our ambition to provide consistently high-quality drinking water for all our customers.

A key area of focus for improvement remains customer water quality contacts. The extremely dry summer created operational complexity and, in some areas, we needed to draw on alternative water sources to maintain supply. As a result, some customers experienced temporary changes in taste, smell or appearance. To address this and improve resilience for the future, we have insourced our network-flushing operations. These specialist teams now work overnight to remove sediment from the network, helping to maintain consistently high-quality water. We have also delivered strong performance in reducing unplanned outages at our treatment works. This is the result of an increased emphasis on proactive maintenance and strengthened asset health management, ensuring greater reliability and stability across our treatment processes.

In wastewater services, we have seen similarly positive trends, with continuous improvement across the majority of our key performance measures. We are particularly proud of achieving a 42% reduction in internal sewer flooding and a 25% reduction in external flooding. These improvements reflect a targeted focus on proactive maintenance and the effective use of dynamic network management to identify and mitigate potential issues before they impact customers.

Providing a high-quality service whenever customers contact us is also critical to building trust and confidence. Our Trustpilot rating, which is based on customer feedback across calls, emails and digital channels, stood at 4.5 (Excellent) at year end. While this represents strong performance, we remain focused on further improvement. Our ambition is to deliver a consistently leading customer experience, not only within our sector but compared with the best service providers across all industries.

## Affordability and vulnerability

Our BIG North West upgrade represents a transformational investment in the region's environment, economy and long-term service resilience. While this programme is delivering substantial benefits, we also recognise the impact on customer bills. We have, therefore, set ourselves a stretching efficiency challenge to keep bills as low as possible. Nevertheless, we recognise that affordability remains a significant concern for many households.

To support those most in need, we have embedded £525 million of affordability assistance across AMP8. This year alone, we have provided support to more customers than during the whole of AMP7, with a total of 422,041 customers benefiting from our financial assistance schemes. We have expanded our efforts to proactively identify customers who may be struggling, working closely with a broader range of third-sector partners and introducing our new low-income discount to offer targeted help.

Our ambition is to continue scaling this support. By 2030, we expect to be assisting one in six of our customers with their bills. At the same time, we remain strong advocates for the introduction of a national social tariff, which we believe is essential to ensuring consistent and fair support for customers across the country.

We also recognise that many customers face circumstances that require enhanced or tailored services. Our Priority Services Register ensures those customers receive the support they need, whether due to health conditions, accessibility needs or other vulnerabilities. We now have almost 600,000 customers registered on the scheme, which is accredited to the international consumer vulnerability standard ISO 22458:2022 – making us one of the first water companies to achieve this recognition.

## Providing a safe place to work

With the scale and ambition of our AMP8 investment programme, maintaining our focus on health and safety has never been more important. We must to work at scale and at pace to deliver our plan, but we will not compromise on keeping our colleagues and contractors safe.

Over the past year, we have significantly strengthened our Home Safe and Well programme, which forms the backbone of our approach to occupational health and safety. The programme is structured around monthly campaigns aligned to our life-saving rules, each supported by a dedicated executive sponsor. This leadership engagement is supported by mandatory training and targeted, manager-led discussions across the organisation, ensuring that our safety culture is embedded at every level.

As for many organisations, driving for work represents one of the highest risk activities our colleagues undertake. Reducing occupational road risk has, therefore, been a major priority this year, with visible leadership from our CEO helping to reinforce its importance. Through a combination of clearer expectations, more consistent messaging, and improved reporting and training, we have seen a significant reduction in road-related incidents. To reinforce positive behaviours and recognise excellence, we also launched our Road Safety Awards, celebrating our safest and most responsible drivers.

The increased focus, awareness and capability brought about through these initiatives has delivered meaningful improvements in safety performance. Our lost time injury rate has reduced by 30% over the year, reflecting the collective commitment of our people to continuously improve. These initiatives will remain a core part of our approach throughout AMP8 as we work towards achieving lasting, sustainable improvements in keeping our colleagues safe.

Alongside our occupational safety priorities, we recognise the vital role that wellbeing plays in creating a supportive and high-performing workplace. We provide a tailored package of financial, physical and mental health support to help colleagues thrive, ensuring we are not only keeping people safe at work, but helping them feel well, supported and able to perform at their best.

## Opportunity for all

Throughout the year, we advanced our equity, diversity and inclusion (ED&I) strategy, 'Opportunity for All', with a clear focus on strong leadership, transparent reporting and a culture where every colleague can thrive. This commitment was reflected in exceptionally strong colleague feedback, with a 90% engagement score for inclusion and 92% of colleagues believing the organisation supports diversity and inclusion, both significantly above national and sector benchmarks.

We have maintained fourth place in the Inclusive Top 50 UK Employers Index and received multiple awards, including Outstanding Employer and Diversity & Inclusion Initiative Awards at the Water Industry Awards, and a high commendation at the Employer's Excellence Awards. We've also been recognised as an Accredited Member of the Fair Employment Charter and featured strongly in the Religious Equity, Diversity & Inclusion Index.

Since 2021, representation of ethnic minority colleagues has doubled, and female representation remains on track to achieve 2030 ambitions. Across recruitment, we have run our largest intake of early career talent to date, hiring 83 apprentices and 43 graduates, with strong female representation and increased applications from under-represented groups, supported by expanded outreach, mentoring and school engagement programmes.

Retention and development remain core priorities. We have invested in accessible training, inclusive leadership development and supportive people policies. Enhancements included expanded maternity, adoption and paternity provisions, accessible e-learning aligned with AA accessibility standards, wider support for neurodiverse colleagues, and the continued rollout of British Sign Language training. One in five colleagues moved into a new role during the year, highlighting the breadth of career opportunity within the organisation.

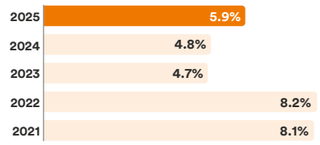
The company's 16 colleague networks continued to play a vital role in fostering connection and visibility. Activities ranged from cultural celebrations to peer support groups for menopause, neurodiversity, hearing loss and bereavement. Meanwhile, significant progress was made in wellbeing support, including improved menopause provision, expanded men's health initiatives and workplace changes to support colleagues undergoing prostate cancer treatment.

Collaboration remained a defining feature of the company's ED&I approach. We brought together partners across utilities, emergency services and regional employers to share best practice and strengthen inclusive employment practices. We have also continued to build social value through community events, charity support and STEM outreach.

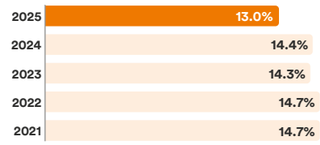
Gender pay reporting demonstrated further long-term progress, with the median pay gap at its lowest level since reporting began. We have seen an increase in senior operational and specialist technical roles to support the delivery of the capital programme. These roles typically attract more men, which has impacted the mean gender pay gap. The company remains committed to improving gender representation across all levels, supported by targeted talent pipelines and operational changes designed to broaden career appeal.

Looking ahead to 2026, we will continue to embed our 'Opportunity for All' strategy across our workplace and communities, with a focus on improved wellbeing provision, reduced recruitment bias, stronger leadership accountability and deeper collaboration with partners and supply chain organisations. These actions will support a more diverse workforce, a more inclusive culture and the delivery of essential services that reflect and meet the needs of the North West.

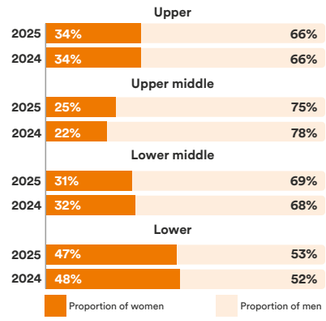
### Our mean gender pay gap over time

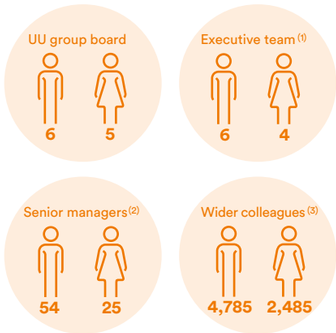



### Our median gender pay gap over time




### Percentage of women and men overall and in each quartile of the pay range (figures for 2025 and 2024)




(1) Executive team excludes CEO and CFO who are included in group board figures.

(2) As at 31 March 2026, there were four male and four female colleagues appointed as statutory directors of subsidiary group companies but who do not fulfil the Companies Act 2006 definition of 'senior managers'.

(3) Wider colleagues as at 31 March 2026.

# Providing affordability support for the North West.

## Case study:
## Providing affordability support for the North West

We've built an industry-leading package of support to ensure that no customer faces financial difficulty alone.

Our approach goes far beyond standard payment assistance: we combine tailored affordability schemes, proactive outreach, and compassionate, human-centred guidance to help households manage their water bills with confidence. By understanding each customer's circumstances and offering flexible, practical solutions, we're committed to making essential services genuinely accessible – especially for those who need our support the most.

We recognise that the record levels of investment we are delivering through to 2030 has an impact on customer bills, which makes it more important than ever to ensure that financial support is easy to access and available when customers need it.

One of the ways we are proactively getting support to those customers who need it the most is via our new low-income water discount scheme. Introduced in 2025, this has provided around 180,000 customers with £9 million in support through a £50 discount being directly applied to bills without the customer having to apply. For 2026/27, we will see the number of customers supported by this new scheme increase to around 270,000 – with £13.5 million in support being provided.

While we continue to work with the Government on positive reform to the WaterSure scheme, our proactive introduction of WaterSure Plus, ahead of reform changes, has already seen over 200 customers benefitting from a capped water bill who would not normally be eligible to access the current WaterSure scheme.

### A positive assessment of our approach to customers in debt

As part of their two-day assessment of our approach to customers in debt, the Consumer Council for Water (CCW) identified some real positives, highlighting our proactive application of affordability support as good practice. When we identify someone who may be struggling, we don't wait for them to come to us – we reach out, offer guidance, and explore every possible route to help, even when engagement is limited.

### Raising affordability awareness in our communities

We have improved awareness of our industry-leading affordability schemes through our internal volunteering and community champions initiatives, providing colleagues with the opportunity to bring their enthusiasm into their local communities. Our outreach and engagement team were supported at 23 events by 15 community champions, enabling more than a thousand customer conversations around affordability. Champions are equipped to answer water efficiency, billing, Priority Services and metering queries, with clear escalation routes for more complex questions. This creates added value for customers and communities, while feeding real-life experiences back into teams to keep us empathetic and connected to the communities we serve.

### Partnering to be better together

We have seen strong engagement from partners in our trusted 'better together' scheme. This offers three levels of engagement, from initial outreach through to full data-sharing agreements to identify customers most in need. We provide customers with support without an additional application, benefitting those who are least likely to engage due to barriers or lack of awareness. Our first pilots with Kidney Care UK and Cheshire West and Chester Council will help us streamline the process to achieve the best outcomes for customers, partners, and our affordability teams.

### A county-based approach to support

Our county-based focus to get help to those communities who really need it is bringing huge benefits to the region. In the last 12 months, our team has engaged with 73 organisations across the North West and had meaningful conversations with MPs and local authority leaders, building awareness and strengthening partnerships.

### A seamless affordability assessment process

The enhancement of our affordability assessment solution with IE Hub has now successfully concluded. The solution allows us to create a more holistic affordability assessment journey, with capability for customers to self-serve where appropriate, as well as the integration of open banking to improve the accuracy and efficiency of our customer affordability assessments and make applying for support as easy as possible for our customers.

### Water without worry

Our commitment is simple: every customer deserves access to essential water services without worrying about their bills. By combining practical tools, personalised support, and a genuinely compassionate approach, we're proving that our affordability strategy is getting the right support to those customers who need it.

**Delivering value for**

This is creating value for customers and communities.

Read more about **affordability** on page 78

# How we're delivering our purpose: stronger

## Key performance indicators

There are a broad range of performance indicators that help us to assess how we're delivering our purpose, working towards a stronger future. The three 'stronger' KPIs below have been selected due to their importance with stakeholders, with additional 'stronger' performance metrics on page 83.

### Capital programme delivery incentive (CPDi)

Measures the extent to which we have delivered our capital projects efficiently, on time, and to the required quality standard.

**Target**
**At least 85%**

**Annual performance**
**100%**

The scaling-up of our activity has not impacted its quality, with the Capital Programme Delivery Incentive (CPDI), our measure of effective, efficient and quality delivery of the capital programme, hitting 100%.

2024/25: 99.6%

2023/24: 98.0%

**Status**
G Met expectation/target

**Key stakeholder**
Investors

**Relevant material themes[1]**
- Customer service and operational performance
- Financial risk management
- Corporate governance and business conduct

**Link to remuneration[2]**
Bonus

**Assurance**
Internal audit team

### Community investment

Total community investment as measured by the Business for Societal Impact (B4SI) method.

**Target**
**Average community investment in 2026 to be at least 10% higher than the average between 2015 and 2025 of £3.57 million per annum: £3.92m**

**Annual performance**
**£3.84m**

Our performance this year is very close to the target of £3.92m, and we expect to see this increase over the remainder of AMP8 with the delivery of our community SuDS programme.

2024/25: £9.80m

2023/24: £3.99m

**Status**
A Close to meeting expectation/target

**Key stakeholder**
Community

**Relevant material themes[1]**
- Supporting communities
- Trust, transparency and legitimacy
- Recreational land and waters

**Link to remuneration[2]**
n/a

**Assurance**
Independent third-party verification

### Performance across a range of trusted investor indices

Company performance relative to water and utilities sector participants in a selection of trusted investor ESG ratings and indices.

**Target**
**Upper quartile**

**Annual performance**
**Upper quartile**

As at the year end, we maintained upper quartile performance across our selection of ESG ratings and indices.

2024/25: Upper quartile

2023/24: Upper quartile

**Status**
G Met expectation/target

**Key stakeholder**
Investors

**Relevant material issues[1]**
- Trust, transparency and legitimacy
- Corporate governance and business conduct
- Political and regulatory environment

**Link to remuneration[2]**
n/a

**Assurance**
Independent third-party verification

(1) Read more about our materiality assessment on pages 24 to 25.
(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170.

**Status key**

Performance against target: G Met expectation/target; A Close to meeting expectation/target; R Behind expectation/target

**Stakeholder key**: Customers; Environment; Communities; Colleagues; Suppliers; Investors

| Measure | 2030 target | Performance 2025/26 | Performance 2024/25 | Performance 2023/24 | Assurance[3] | Link to remuneration[2] | Key stakeholder | Status: Performance against target |
|---|---|---|---|---|---|---|---|---|
| Credit rating – UUW senior unsecured debt (Moody's, S&P, Fitch)[1] | Baa1, BBB+, A- | Baa1, BBB+, A- | A3, BBB+, A- | A3, BBB+, A- | ITV | n/a | | G |
| Anti-bribery: percentage of identified colleagues completing required training | 100% | 100% | 100% | 100% | IAT | n/a | | G |
| % of suppliers delivering 'strong' performance | 95% | 76% | n/a | n/a | IAT | n/a | | G |
| % of suppliers signed up to responsible sourcing principles | 95% | 76% | n/a | n/a | IAT | n/a | | G |
| % of suppliers subject to enhanced audit within contract lifecycle | 10% | 2% | n/a | n/a | IAT | n/a | | G |
| CIPS ethics mark | Retained | Retained | Retained | Retained | ITV | n/a | | G |
| Invoices paid within 60 days | At least 95% | 97.7% | 98.7% | 99.6% | ITV | n/a | | G |
| Price control deliverables (PCDs) – timing incentive | £39.5m | On track | New | New | RRA | LTP | | G |
| Taxonomy aligned revenue | n/a | 93% | 87% | New | IAT | n/a | | G |
| Taxonomy aligned and eligible revenue | n/a | 87% | 93% | New | IAT | n/a | | G |

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.
(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170. PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed LTP through return on regulated equity (RoRE). The measurement approach for the purpose of remuneration outcomes may differ from the exact approach shown here.
(3) ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

### Spotlight on community investment and social value

We are maturing our approach to measuring and reporting how we deliver our strategic priority to 'contribute to our communities'. This means, as we progress through AMP8, we will increasingly look to measure and report the social value we create, as well as the community investment figure that we have reported for many years.

We have developed a medium-term target to reflect this impact of our plan, first focusing on the social value delivered through our recruitment activities. The target is to create £10 million of social value between FY26 and FY28, and is linked to executive remuneration. This is calculated through a robust external methodology, 'National TOMs' (themes, outcomes and measures), then verified by a third party.

Alongside this, we're looking to quantify the social value delivered through our supply chain, working with our partners to gather and mature the necessary data.

For 2025/26, our target for community investment has been rolled forward from AMP7 while we develop our broader approach. As we have done so for many years, we will calculate the total value of our community investment, adopting the B4SI methodology, which includes assurance of our approach.

This year, our community investment figure is £3.84 million, and we expect this level of investment to continue to grow in line with the growth of our capital delivery.

▶ Read more about **the activities we have invested** in on page 85

# How we're delivering our purpose: stronger

**Creating value for**

- Customers
- Communities
- Suppliers
- Investors

## Efficient and effective capital delivery

With AMP8 representing the largest investment in our water infrastructure in generations, it is critical that we continue to deliver projects efficiently, at a high quality and on time. With the ramp up in investment this year, we're pleased that performance against the Capital Programme Delivery Incentive (CPDi) has remained high, this year hitting 100%.

The scale of the programme means that we are thinking differently about delivery, matching the right project with the right partner. We have three main pathways to delivery: i) Our network of regional build-only partners across the five counties, quick to mobilise and complete smaller-sized projects; ii) Medium projects up to £20 million through our 18 design and build partners; and iii) Large-scale infrastructure projects over £20 million through the United Utilities Enterprise.

## The Enterprise: delivering differently for AMP8

United Utilities' Enterprise is our collaborative delivery model designed to transform how major infrastructure and environmental projects are delivered during AMP8 and beyond. Bringing together eight industry-leading partners into one integrated team, the Enterprise model enables smarter, faster and more efficient delivery across some of the North West's most complex programmes.

This joined-up approach replaces traditional, siloed working with a single-team mindset by co-designing solutions, sharing expertise, and standardising processes to reduce delays and duplication. The focus is on delivering long-term value: improving customer outcomes, strengthening environmental protection, embedding sustainability, and reducing carbon across every project.

The Enterprise partnership includes United Utilities, Jacobs, Costain, Mott MacDonald Bentley, Murphy, C2V (a Jacobs/VolkerStevin joint venture), Kier, and MWH Treatment. Supported by a robust supply chain and aligned commercial model, the team is equipped to adopt and scale the latest innovations both within and beyond the water sector.

Over the next decade, Enterprise will deliver more than £2 billion of investment across wastewater, bioresources, and water services. Projects are underway in Partington, Lancaster, Southport, Askam-in-Furness, Dukinfield, Crewe, Brampton and Warrington, alongside major programmes across Cumbria, Greater Manchester, Merseyside, Lancashire and Wigan.

With AMP8 representing a huge investment in wastewater, the Enterprise plays a vital role in ensuring projects are delivered efficiently, safely, and sustainably. By working as one team, we are delivering differently for the North West: faster, smarter, and with lasting benefits for customers, communities, and the environment.

## Project Blueprint: standardising designs for multiple benefit

Project Blueprint is our award-winning asset standardisation programme, driving efficiency throughout our programme. The Blueprint methodology identifies and prioritises opportunities to implement standard designs, which can be used across multiple projects/solutions. This approach helps deliver efficiencies in the design phase of projects and ensures United Utilities can secure critical goods and components through advanced ordering commitments. We are seeing lower costs and reduction in carbon associated with standard designs as well as efficiencies in maintenance and repair activities as our engineers can have a standardised approach.

## Transforming our operations: simpler, smarter, better

During the year, we made significant progress in delivering our 'Simpler, Smarter, Better' operational transformation programme – an initiative designed to strengthen our ability to provide a reliable, high-quality service for customers, communities and the environment.

AMP8 represents the most ambitious investment programme we have ever undertaken, and 'Simpler, Smarter, Better' provides the platform to deliver it successfully. The programme is focused on simplifying how work is carried out so that we get the job done quickly and first time to a consistently high standard, supported by the smart use of technology and readily accessible data to inform decision-making. Our commitment is to drive transformation that empowers our front-line teams to continually improve operational performance.

We are designing a simpler, flexible operation that can respond to changing demands as required. The foundation of this is a high-performance culture where expectations and accountabilities are clear. Across our wastewater teams we have reshaped our operating model to meet increasing regulatory expectations and deliver a more proactive, resilient service. This has included strengthening capacity through new recruitment, improving preventive maintenance practices, and using data more effectively to anticipate issues before they occur. These changes are contributing to a more stable network, reducing incidents and helping ensure our colleagues return home safe and well.

We have significantly enhanced our capacity and demand planning capability, enabling us to respond more quickly to changing needs and improve the deployment of operational teams. This proactive approach is supporting better sourcing of skills and the development of stronger commercial partnerships. Within bioresources, energy and fleet, we have brought more fleet maintenance in house to improve reliability and increase control over asset availability. We continue to focus on power and chemical usage across our operational sites, applying best practice and exploring innovative approaches to procurement to strengthen resilience for the future.

Our data-driven operations strategy is enhancing our ability to monitor asset performance proactively, enabling us to address issues earlier, improve response times and deliver better service outcomes. This is supported by improvements to our work management processes and tools, ensuring efficient planning and scheduling that gets the right person to the right place at the right time, with the right equipment and information. This has already been trialled, ahead of regional roll-out, with our water services teams, where we are empowering colleagues to self-select activities based on local conditions.

Maintenance excellence remains a core pillar of the programme, focused on advancing asset care through improved management of spares and parts, strengthened preventive maintenance and greater use of asset health data to intervene before failures occur.

## Contributing to our communities

Having historically reported against community investment, we are maturing our capability in terms of measuring and reporting social value. This will allow us to capture, report and improve the additional social value created through our activity, not just the monetary value of the investment. In the near term, we have developed a social value long-term incentive for our executive directors to deliver against a narrow, targeted basket of measures under National TOMs (themes outcomes and measures), focused on recruitment activities. While the target itself is stretching, the £10 million target only represents a small proportion of the total social value delivered through our investments and activities. Going forwards, we are working with our supply chain to improve our capability, with the aim of reporting social value with a much broader scope.

Our community investment total for this year is £3.84 million, with a large proportion of this coming through the UU Trust Fund to support customers who are struggling with affordability. As well as this, our 'SuDS for Schools' programme continues, bringing better management of rainwater, and helping to teach local children about the water cycle, and improve their outdoor spaces. We also support local charities and partnerships, such as the Turning Tides partnership, focused on improving bathing waters along the Fylde coast.

## Strengthening our supply chain

Effective supply chain management continues to be fundamental to delivering high-quality services for customers and achieving our ambition for a stronger, greener, healthier North West. This year, we have continued to strengthen our United Supply Chain (USC) programme, which underpins our supplier collaboration strategy and brings our responsible sourcing principles to life across thousands of partners who help us deliver for the region.

USC is designed to create a high-quality, resilient and values-driven supply chain through strong collaborative relationships with our partners. It establishes a framework through which suppliers can enhance their performance, embed best practice and collaborate closely with us and each other. By moving towards a truly business to business collaborative environment, we are able to build on the strengths of our partners, reduce risk and improve value for customers at the lowest sustainable cost.

76% of our suppliers are signed up to our responsible sourcing principles against a target of 95%. Alongside this, 76% of our suppliers are delivering 'strong' performance, defined as suppliers who consistently achieve above the agreed service level across all key performance indicators.

A further focus this year has been strengthening resilience and reducing risk through increased visibility across supply chains. By working closely with suppliers to understand risk exposures, whether topic-specific, such as modern slavery or climate change, or sector-specific, such as within construction or chemicals, we can target assurance activity more effectively. This may involve additional checks, site visits or supply chain mapping, but delivers significant value through earlier risk mitigation and shared learning. This year, we have delivered enhanced audits across 2% of our suppliers to mitigate these risks.

The benefits of this collaborative approach are already clear. USC supports closer working relationships, stronger alignment of strategies and improved operational standards. It enables us to deliver environmental and social value through initiatives that benefit communities, enhance biodiversity, and improve workforce health, safety and wellbeing. It also helps drive efficiency by reducing duplication, removing waste and unlocking new ideas.

Our supply chain includes a diverse mix of partners with USC ensuring we harness the full breadth of their skills, expertise and innovation. By treating the supply chain as an integral part of how we serve customers, USC is strengthening assurance, building resilience and helping secure sustainable, efficient outcomes in AMP8 and beyond.

## Performance across trusted investor indices

We have participated in a range of independently assessed global ESG ratings and indices for many years to benchmark our approach against best practice and emerging sustainability challenges. Our approach to responsible business has ensured consistent upper quartile performance in selected ESG ratings.

| Index/ assessment | 2025/26 result | Commentary |
|---|---|---|
| FTSE4Good Index Series | Included | Constituent since June 2001; latest review completed December 2025 |
| S&P's corporate sustainability assessment | 65% | Reported through the assessment for more than 25 years |
| Sustainalytics ESG risk rating | 14.0 – Low Risk | Rating received in February 2026 |
| MSCI ESG rating | A | Rating held as of August 2025 |
| CDP climate change | A– | Leadership level in 2025 assessment |
| CDP water security | A– | Leadership level in 2025 assessment |
| CDP supplier engagement | A | 'A list' in 2025 assessment |
| ISS ESG Corporate ESG Rating | Prime | Prime status maintained |
| Corporate Knights Europe 50 Most Sustainable Corporations | Ranked | Included as of March 2026 |

The external perspective provided by these ESG ratings goes beyond the UK water sector and compares our performance against international water utilities, wider utilities and non-utility companies. We continue to respond to best practice and emerging ESG trends to maintain our performance in these ratings, and we are increasing our engagement with investors on ESG matters.

# Striving for asset management excellence.

Image: Colleagues lead a site tour of Haslingden Grane Impounding Reservoir as part of the asset management audit

## Case study:

## Striving for asset management excellence

Asset management provides a framework and approach to oversee the lifecycle of infrastructure such as pipes and treatment works – fundamental to delivering resilient services, safeguarding the environment and securing value for customers over time.

In October 2025, we became the first water company in the UK to achieve certification to the revised ISO 55001:2024 Asset Management Standard.

We were pleased to be the first in the industry to achieve this standard and, in November 2025, Ofwat set out an ambition that all water companies should demonstrate asset management maturity by attaining the same certification in future.

### A whole organisation effort

Achieving the new certification required a whole organisation effort to strengthen strategic asset management capability, improve resilience, and enhance the way we use insight and risk-based decision-making to deliver long-term value for customers and the region.

Having initially secured certification to the original standard in 2022, we made the bold strategic decision to transition directly to the new version rather than recertify against an outgoing standard. This choice reflected both our ambition and our confidence in the maturity of our asset management approach.

The new standard introduced a swathe of new requirements, as well as clarification of some pre-existing ones. In preparation, our internal audit and assurance team led a gap analysis, identifying 169 improvement actions to meet the new standard, which we grouped into activity types to implement the changes required.

The gap-closing activities involved over 100 colleagues across multiple departments, resulting in improvements to processes, documents, communications, and training. Our strategic asset management plan was also updated to reflect the improvements made and the requirements of the new standard.

The audit itself was an intensive eight-day interview of 85 colleagues and partners across 13 sites, taking in each county and each discipline to demonstrate the depth of our asset management culture.

Feedback from the audit commended our improved capability, strong leadership, and engaged people.

### Strengthening our capabilities

Certification is not the end of the journey; it is a platform. It strengthens our ability to make better long-term decisions, manage risk transparently, and deliver sustainable value for our customers and the environment.

By being the first to achieve ISO 55001:2024, we have, once again, demonstrated sector leadership, reinforcing our commitment to a stronger, more resilient water system for the North West.

**Delivering value for**

This is creating value for customers, the environment and investors.

# Our key decisions during the year to 31 March 2026

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

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

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

The board of directors of United Utilities Group PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2026, including those described on this page and the next.

### Our strategic priorities

- Improve our rivers
- Create a greener future
- Provide a safe and great place to work
- Deliver great service for all our customers
- Spend customers' money wisely
- Contribute to our communities

## Implementation of the refreshed 'Home Safe and Well' programme

### Link to strategy

### The decision

To explore ways to continually improve our health and safety performance and safety culture across the business.

### Outcome

Since the first life-saving rule (Driving for Work) was launched in August 2025, there has been around 80% reduction in colleagues' involvement in road traffic accidents. During the year, three other life-saving rules have been launched: working at height, safe systems of work, and service with respect. In terms of process safety, we have developed a suite of process safety performance indicators, including statutory maintenance and management of change, ensuring that our major accident hazards are controlled. There has been a 50% increase in the number of leadership engagement visits, and a 20% increase in the number of safety observations raised by colleagues, resulting in a 30% reduction in our colleague lost time injury rate. The board is fully engaged in the health and safety improvement process as this would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

### How we engaged with stakeholders

Our Home Safe and Well programme was re-launched at the all-colleague event held in March 2025 in Blackpool, and at a supply chain event in April 2025, with progress updates provided at the all-colleague engagement event held in Liverpool in February 2026 and at the supply chain update held in March 2026 in Blackpool. The size of the capital programme and complex nature of our activities, including process safety risk, reinforces the need to achieve industry-leading health and safety performance. The refreshed programme has introduced three core safety values and 12 life-saving rules, which we are launching as mini safety campaigns over the next 12 months.

The executive team has been fully engaged with the process, with the CEO chairing the monthly executive health and safety meetings. Extensive consultation and communication took place with colleagues across the business, with trade union safety representatives invited to attend health and safety meetings twice a year, and with our contracting partners to ensure it was a collaborative process – leaders across the business were asked to champion Home Safe and Well compliance and share best practice. Simplifying and standardising processes and reporting were key enablers as well as fostering a culture that empowers colleagues to voice concerns. 12 life-saving rules are being rolled out, each one sponsored by a member of the executive team and supported by a series of working groups – comprising colleagues from across the business and trade union representatives to ensure processes are clear and workable. Resourcing in the health and safety and process safety teams has been strengthened, working to create a wider understanding of process safety risk across the business. Positive feedback has been received from the Health and Safety Executive and Environment Agency during routine visits to several sites during the year.

## Cyber security

### Link to strategy

### The decision

The board endorsed the industry-leading position of driving forward collaboration among its peers to support the protection of the group from cyber attacks.

### Outcome

Cyber is an intensely fast-moving environment with nation states increasingly deploying cyber attacks to boost their economic position and bolster military activity. The board is fully supportive of management's actions to protect the group from cyber attacks and the need to react quickly to new threats as they develop, implementing new security controls quickly. Protection of our customers', colleagues' and organisation's data and systems is a priority for the board and would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

### How we engaged with stakeholders

The security team regularly engages with suppliers, appropriate agencies and other companies to keep up to date with developments in the field and knowledge sharing. Colleagues receive training and regular communication in the cyber security sphere of operations and regular cyber incident exercises are undertaken to ensure maximum preparedness to a major cyber attack. The board acknowledges the benefits of industry-wide engagement to protect against malicious cyber activity endorsing the leading position the group holds in driving forward industry collaboration, threat intelligence sharing and incident response.

## Supply chain mobility

### Link to strategy

### The decision

To devise new ways of working in conjunction with our supply chain partners to address the challenges of AMP8.

### Outcome

Clear principles underpin our AMP8 contracting strategy and operating model, influenced by the complexity, size and the type of delivery model to be used with projects grouped into discrete packages. In addition to very large projects that will be developed in accordance with Ofwat's direct procurement for customers (DPC) framework, there are complex design and build (both infrastructure and non-infrastructure), detailed design and build projects, build-only projects and rainwater management projects. The different project types are suited to different contractor types. For the high volume, lower-value build-only projects, we are working with smaller local contractors using repeatable designs and helping to develop new workforce skills in the North West. Tier 1 contractors are involved with the more complex higher-value projects.

Given the fundamental changes to the ways of working, the board requested that an expert assurance panel review and challenge the new approach, and the panel commended the adoption of a standard approach to the design, delivery and procurement of assets. The board endorsed the fundamental change to the ways of working with our supply chain as being most likely to promote the long-term success of the company for the benefit of its members as a whole.

### How we engaged with stakeholders

We have engaged with colleagues, contracting partners, regulators, non-governmental organisations, and customers, and have established closer community relations to support our AMP8 capital programme. We have implemented feedback from our engagement, including simplifying the procurement process and work allocation, simpler contractual documentation and longer-term agreements, greater flexibility in the use of company standards, and greater collaboration.

# How we're creating long-term sustainable value

## Key performance indicators

Our financial KPIs include income statement, balance sheet, regulatory and investor return metrics to provide a snapshot of our financial performance for the year.

### Underlying operating profit

See note 1.

**Target**
Not externally disclosed

**Annual performance**
£1,060 million

Reported operating profit: £1,099 million

Underlying operating profit has increased £274 million compared with last year, driven by higher allowed revenues, partially offset by higher underlying operating costs.

**2024/25:** £786 million

**2023/24:** £518 million

**Status**
G Met expectation/target

**Link to remuneration**
Bonus

### Gearing

Group net debt (plus loan receivable from our joint venture) divided by UUW's regulatory capital value.

**Target**
55–65%

**Annual performance**
60%

Gearing unchanged from previous year, and remains comfortably within our target range.

**2024/25:** 60%

**2023/24:** 59%

**Status**
G Met expectation/target

**Link to remuneration**
n/a

### Dividend per share (DPS)

Total dividends declared divided by the average number of shares in issue during the year.

**Target**
Annual growth in line with CPIH inflation

**Annual performance**
53.66 pence

The board has proposed a final dividend of 35.78 pence, which takes the total dividend to 53.66 pence per share for 2025/26. This is an increase of 3.5%, in line with our policy of targeting an annual growth rate of CPIH inflation.

**2024/25:** 51.85 pence

**2023/24:** 49.78 pence

**Status**
G Met expectation/target

**Link to remuneration**
n/a

### Underlying earnings per share (EPS)

See note 1.

**Target**
Not externally disclosed

**Annual performance**
107.1 pence

Reported EPS: 86.1 pence

Underlying EPS pence has increased 42% largely reflecting the big step up in revenue allowances in the first year of the AMP. Reported EPS is lower due to the deferred tax adjustment, partially offset by adjustments to underlying profit before tax.

**2024/25:** 75.3 pence

**2023/24:** 33.3 pence

**Status**
G Met expectation/target

**Link to remuneration**
n/a

### Regulatory return

Base allowed return plus or minus any out or underperformance.

**Target**
Not externally disclosed

**Annual performance**
13.0%

Regulatory return ahead of guidance reflecting profiling of financing outperformance being weighted towards the start of the AMP.

**2024/25:** 4.4%

**2023/24:** 15.0%

**Status**
G Met expectation/target

**Link to remuneration**
LTP and indirectly linked to bonus, as regulatory return is influenced by many of the bonus measures

### Total shareholder return (TSR)

Based on the movement in share price plus dividends over each financial year.

**Target**
Not externally disclosed

**Annual performance**
36.4%

TSR was +36.4% in the year to 31 March 2026, outperforming our listed water company peers and the FTSE 100 return of 22.6%.

**2024/25:** +2.8%

**2023/24:** +1.6%

**Status**
G Met expectation/target

**Link to remuneration**
n/a

## Financial framework

We have upgraded our five-year financial framework to reflect the newly announced accelerated investment. Our financial framework captures anticipated performance in the five years to 31 March 2030. This period aligns with the AMP8 regulatory period.

### Capital investment and regulated asset growth

Our capital programme for the five years to March 2030 (AMP8) is significantly larger than previous regulatory periods, due to long-term investment drivers. We expect capital investment to be circa £11.5 billion, up from prior guidance of circa £9 billion, supporting a circa 10% compound growth in the asset base between 2025 and 2030.

### Regulatory return

The regulatory return is the return generated on actual regulatory equity, calculated using average actual gearing applied to the regulatory capital value (RCV), as per Table 1F – Financial Flows of the Ofwat Annual Performance Report. It encompasses the base return, outperformance, and the uplift to our regulatory asset base from inflation. We are targeting regulatory returns of 10–11% in AMP8, an increase of 100bps outperformance compared with prior guidance.

### Balance sheet

The board has maintained a target gearing range of 55–65% net debt to regulated capital value. As at 31 March 2026, our gearing is comfortably within this range at 60%.

### Dividend policy

The group maintains a dividend policy to target a growth rate of CPIH inflation each year, having increased the dividend at least in line with inflation for the past 15 years. The annual increase in the dividend is based on the CPIH element included within allowed regulated revenue for the current financial year. This is calculated using the CPIH annual rate from the November prior (i.e. the 2025/26 dividend is equal to the 2024/25 dividend indexed for the movement in CPIH between November 2023 and November 2024).

(1) Underlying operating profit and underlying earnings per share are alternative performance measures that exclude adjusted items from their reported equivalents. Underlying operating profit excludes any significant non-recurring items. Underlying EPS deducts underlying net finance expense, underlying share of joint venture losses, and underlying taxation from underlying operating profit to calculate underlying profit after tax, and divides this by the average number of shares in issue during the year. Underlying net finance expense makes adjustments including stripping out fair value movements. Underlying taxation strips out deferred tax (including any tax credits or debits arising from changes in the tax rate) and any exceptional tax. A description of adjusted items, the framework by which these are assessed, and reconciliations between reported and underlying measures, can be found on pages 96 to 97.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170.

## Outlook and guidance for 2026/27

### ODI rewards

We are forecasting a customer ODI penalty for 2026/27, with year-on-year improvement.

### Revenue

Revenue is expected to increase to between £2.7 billion and £2.8 billion in 2026/27. This figure includes pass-through items of circa £110 million relating to the Haweswater Aqueduct Resilience Programme (HARP) (£70 million, FY26: nil) and HS2 diversions income (£40 million, FY26: £40 million).

### Underlying operating costs

Underlying operating costs are expected to increase by around £100 million relating to growth in the asset base and price increases, including business rates.

### Depreciation

Increasing by £50–£60 million due to continued growth in our asset base.

### Underlying net finance expense

Underlying net finance expense is expected to be lower year-on-year.

### Underlying tax

Full expensing expected to continue, resulting in a negligible current tax charge.

### Capital expenditure

Capex in 2026/27 is expected to be around £2 billion.

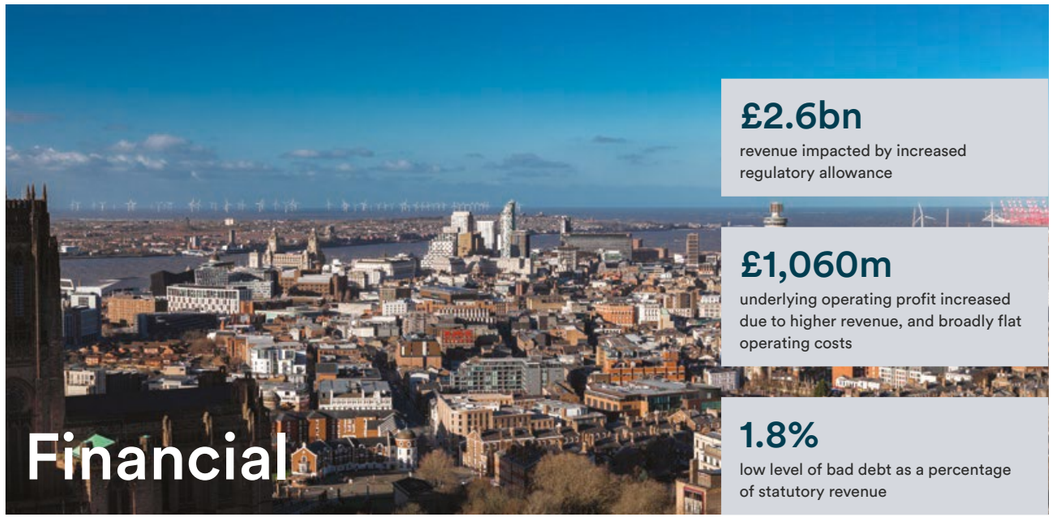
### Asset base growth

Our asset base in 2026/27 is expected to increase by around 10%, assuming CPIH inflation of 3.6%.

### Dividend

Our dividend continues to grow in line with CPIH, resulting in a dividend per share of 55.54 pence.

# How we're creating long-term sustainable value




**£2.6bn**
revenue impacted by increased regulatory allowance

**£1,060m**
underlying operating profit increased due to higher revenue, and broadly flat operating costs

**1.8%**
low level of bad debt as a percentage of statutory revenue

## We delivered strong underlying financial performance this year.

We have delivered strong financial performance this year. Underlying revenue increased 20% in line with allowances set out in our PR24 final determination. This revenue increase, partially offset by higher operating costs reflecting growth in our asset base and price increases in the year, resulted in an underlying operating profit of £1,060 million, a 35% increase compared with the prior year. Underlying EPS at 107.1 pence has increased 42% largely reflecting the big step up in revenue allowances in the first year of the AMP, with increases in revenue allowances over subsequent years expected to be lower, consistent with the typical regulatory approach to setting prices.

Underlying net finance expense increased as a result of increased debt to fund the AMP8 capital programme, resulting in an underlying profit after tax of £730 million and underlying earnings per share of 107.1 pence. Reported profit after tax was at £587 million, with reported earnings per share of 86.1 pence. Adjusted items between underlying and reported are set out on pages 96 to 97.

Our balance sheet remains strong, with RCV gearing at 60%, in the middle of our target range of 55–65%, supporting robust credit ratings.

## Revenue

Revenue was up £471 million at £2,616 million, with £447 million attributable to regulatory adjustments. Adjustments include a circa 23% real increase in allowed wholesale revenues as set out in our PR24 final determination as well as a 3.5% CPIH-linked increase to the revenue cap.

Other revenue impacts largely reflect variances in consumption. Reported revenue included £40 million of revenue allowed by Ofwat for recovery in AMP8 related to diversions activity to accommodate the now-aborted northern leg of HS2, which will be returned to customers over the course of AMP9. The £40 million of revenue recognised in relation to this diversions activity has been adjusted for in arriving at underlying revenue.

## Operating profit

Underlying operating profit at £1,060 million was £274 million higher than last year, reflecting the increase in revenue, partially offset by higher operating costs than the prior year. Operating costs have increased primarily due to expenditure associated with growth in our underlying asset base, as well as price increases across regulatory fees, power and chemicals.

Reported operating profit was higher than underlying operating profit, reflecting the adjustment to revenue detailed above.

Our comprehensive affordability schemes, combined with effective credit collection practices and utilisation of technology, have meant that current-year cash collection has been encouraging. Our bad debt position at 1.8% of statutory revenue is in line with management expectations.

## Profit/(loss) before tax

Underlying profit before tax is £738 million compared with £514 million underlying profit before tax last year. The £224 million increase reflects the £274 million increase in underlying operating profit and a £6 million reduction in the share of losses of joint ventures, partially offset by a £56 million increase in underlying net finance expense.

Reported profit before tax is £41 million higher at £779million, reflecting adjustments outlined on pages 96 to 97.

### Net finance expense

The underlying net finance expense of £317 million was £56 million higher than in the prior year mainly due to the increase in debt to fund the AMP8 capital programme, and a £16 million increase in non-cash interest expense on our debt and derivative portfolio, taking into account higher inflation incurred in the year and a rise in future indications of inflation. This is partially offset by an increase in capitalised interest and pension interest income.

Cash interest expense has increased by £67 million, primarily reflecting the increase in debt to fund the AMP8 capital programme.

Reported net finance expense is £1 million lower than underlying net finance expense, reflecting adjustments outlined on pages 96 to 97.

## Profit/(loss) after tax and earnings per share

The underlying profit after tax of £730 million was £217 million higher than the prior year, reflecting the increase to underlying profit before tax, partially offset by £8 million increase to the current tax charge.

Reported profit after tax was lower at £587 million with reported earnings per share at 86.1 pence. Adjusted items between underlying and reported are set out on pages 96 to 97.

### Tax

We continue to be fully committed to paying our fair share of tax and acting in an open and transparent manner in relation to our tax affairs and are delighted to have been accredited with the Fair Tax Mark again in 2025 for the seventh year running.

In addition, the group has made further contributions to the public finances of around £290 million, in the form of business rates, employer's national insurance contributions, environmental taxes, and other regulatory service fees such as water abstraction charges, as well as employment taxes on behalf of our 6,800 strong workforce.

The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment, these being deductions put in place by successive governments to encourage such investment and thus reflecting responsible corporate behaviour in relation to taxation.

The current tax charge of £8 million reflects a £4 million prior year adjustment to management's estimate of the most likely amount that will be received in relation to Research and Development allowances available on certain capital projects that remain under enquiry and consortium relief totalling £4 million in relation to the years ended 31 March 2024 and 31 March 2025 claimed from the group's joint venture, Water Plus.

In the period, there were £4.3 million of tax adjustments taken to other comprehensive income, primarily relating to remeasurement movements on the group's defined benefit pension schemes and on hedge effectiveness.

An overall prior year net deferred tax credit of £6.5 million has been the most significant factor in reducing the effective tax rate below the standard rate of tax of 25% along with reductions of tax sensitive items.

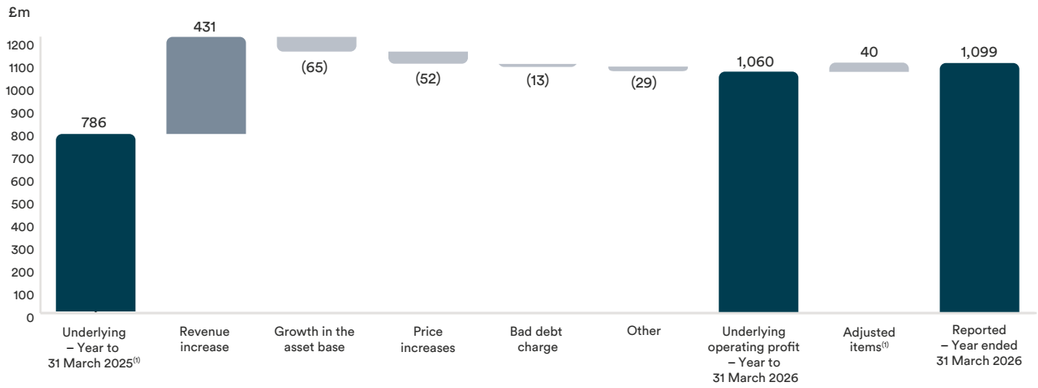
## Dividend per share

The board has proposed a final dividend of 35.78 pence per ordinary share in respect of the year ended 31 March 2026. This is an increase of 3.5% compared with the dividend last year, in line with the group's dividend policy of targeting a growth rate of CPIH inflation each year. The 3.5% increase is based on the CPIH element included within allowed regulated revenue for the 2025/26 financial year (i.e. the movement in CPIH between November 2023 and November 2024).

The final dividend is expected to be paid on 3 August 2026 to shareholders on the register at the close of business on 26 June 2026. The ex-dividend date for the interim dividend is 25 June 2026.

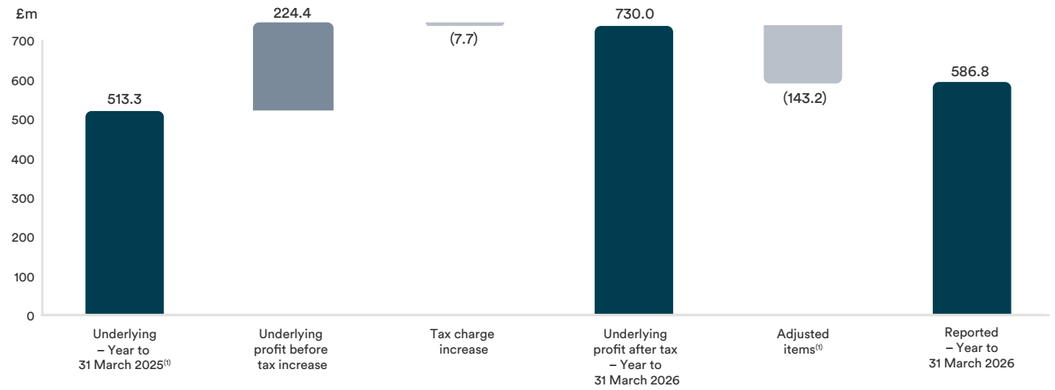
A dividend reinvestment plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the company's shareholders to elect to have their cash dividend payments used to purchase the company's shares. More information can be found at **www.shareview.co.uk/info/drip**. The closing date for DRIP elections is 13 July 2026.

### Summary of operating profit movement




[1] Adjusted items between underlying and reported are set out on pages 96 to 97.

### Summary of profit after tax movement




[1] Adjusted items between underlying and reported are set out on pages 96 to 97.

# How we're creating long-term sustainable value

## Cash flow

Net cash generated from operating activities for the year was £1,382 million, £464 million higher than in the prior year, principally due to increased revenue. This is partially offset by higher net interest paid on debt and derivatives as a result of higher debt associated with the AMP8 capital programme. The net cash generated from continuing operating activities supports the dividends paid of £358 million and partially funds some of the group's net capital expenditure of £1,499 million, with the balance being funded by net borrowings and cash and cash equivalents.

The group's consolidated and company statements of cash flows can be found on page 194 of our consolidated financial statements.

## Pensions

As at 31 March 2026, the group had an IAS 19 net pension surplus of £311 million, compared with a surplus of £302 million at 31 March 2025. This is driven largely by interest earned on the surplus and is partially offset by a remeasurement loss of £8 million due to updates to the mortality projections and actual inflation over the year being higher than assumed at the prior reporting period. The remeasurement loss is more than offset by the net pension income credited to the income statement before tax of £11 million.

Further detail on pensions is provided in note 11 ('Retirement benefit surplus') of the condensed consolidated financial statements.

## Financing

Net debt at 31 March 2026 was £9,943 million, compared with £9,346 million at 31 March 2025. This comprises gross borrowings with a carrying value of £11,491 million, net derivative liabilities hedging specific debt instruments of £95 million and cumulative indexation on inflation swaps of £151 million, and is net of cash and bank deposits of £1,794 million.

Gearing, measured as group net debt including a £50 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP8 ex-post adjustment mechanisms) of £16.5 billion, was 60% at 31 March 2026.

### Cost of debt

As at 31 March 2026, the group had approximately £3.3 billion of RPI-linked instruments and £0.5 billion of CPI or CPIH-linked instruments held as debt. Including swaps, the group has RPI-linked debt exposure of £3.2 billion at an average real rate of 1.5%, and £1.4 billion of CPI or CPIH-linked debt exposure at an average real rate of -0.6%.

Debt issuances during the prior and current financial year contributed to the group's average effective interest rate of 4.2% being higher than the rate of 3.8% last year. More information on this can be found on page 97.

The group has fixed the interest rates on its non index-linked debt in line with its ten-year reducing balance basis at an average effective nominal interest rate of 4.1% for the current financial year.

### Credit ratings

UUW's senior unsecured debt obligations are rated Baa1 with Moody's Investors Service Ltd (Moody's), A- with Fitch Ratings Ltd (Fitch) and BBB+ with S&P Global Ratings UK Limited (S&P). United Utilities PLC's senior unsecured debt obligations are rated Baa2 with Moody's, BBB+ with Fitch and BBB- with S&P. All ratings are on a stable outlook.

### Debt financing

The group has access to the international debt capital markets through its £12 billion medium-term note (MTN) programme.

In the year to 31 March 2026, we raised circa £1.0 billion of term funding. This consisted of a £100 million term loan from a relationship bank with a 5+1+1 year maturity and circa £900 million in the public bond markets, including a EUR500 million ten-year green public bond issued in August, a EUR100 million tap of our existing EUR 3.75% bond due 2034 in September, a £300 million 14-year public bond issued in December and a EUR100 million tap of our existing EUR 3.75% bond due 2035 in March. In addition, £400 million of committed facilities were executed, renewed and/or increased with relationship banks. Subsequent to the year end, a EUR150 million tap of our existing EUR 3.5% bond due 2033 was issued in April. The term debt raised in AMP8 so far has typically outperformed the Ofwat debt index mechanism by circa 80bps, providing a sustained benefit across all five years of the AMP.

In March 2026, with the written consent of the noteholder, we amended three of our RPI-linked notes to adopt updated replacement 'fallback' provisions (which are applicable upon cessation of, or fundamental changes to RPI, and now effectively follow index-linked gilts) and we took the opportunity to shorten the maturity on two of those notes from 2056 to 2047. In addition, in March 2026 the group's sustainable finance framework was updated.

### Interest rate management

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 31 March 2026, approximately 32% of the group's net debt was in RPI-linked form, representing around 19% of UUW's regulatory capital value (RCV), with an average real interest rate of 1.5%. A further 14% of the group's net debt was in CPI or CPIH-linked form, representing around 8% of UUW's RCV, with an average real rate of -0.6%. The long-term nature of this funding also provides a good match to the company's long-life infrastructure assets and is a key contributor to the group's average term debt maturity profile, which is around 14 years.

Across AMP8 we expect to move from having around half of our net debt in index-linked form to around a third. This reflects a balanced assessment across a range of factors, and will happen progressively over the period.

Where nominal debt is raised in a currency other than sterling and/or with a fixed interest rate, the debt is generally swapped to create a floating rate sterling liability for the term of the debt. To manage exposure to medium-term interest rates, the group fixes underlying interest costs on nominal debt out to ten years on a reducing balance basis.

### Liquidity

Short-term liquidity requirements are met from the group's normal operating cash flows, cash and bank deposits primarily sourced from pre-funding in the debt capital markets, supported by committed but undrawn credit facilities. Our MTN programme and investment-grade credit ratings support our ability to replenish liquidity over time.

At 31 March 2026, we had liquidity to cover projected needs through to the second half of FY28, comprising cash and bank deposits, plus committed undrawn revolving credit facilities. This gives us flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and support the delivery of our ongoing capital investment programme.

## Regulatory return

The regulatory return for 2025/26 was 13.0%. In addition to the base return of 5.2% (including our five basis point business plan reward), we delivered net outperformance of 2.4%, comprising:

### Financing outperformance

We earned financing outperformance this year of 3.1%. We have consistently issued debt at efficient rates that compare favourably with the industry average and sector debt indexation mechanism, thanks to our strong balance sheet and credit ratings, along with our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise.

### Customer outcome delivery incentives (ODIs)

In 2025/26 we incurred a net customer ODI penalty of around £35 million, or 0.5 as a percentage on returns. With the introduction of new measures in AMP8 we expect performance to be progressive, resulting in a net reward across the AMP.

Customer ODI rewards and penalties are applied to revenues with a two-year lag. As such, the penalty incurred this year will be reflected as a reduction to revenues in 2027/28.

In 2025/26 we earned a reward on all of our year one price control deliverables (PCDs), with a 0.02% impact on returns. We are on track to deliver against the PCDs set out in the final determination over the remainder of AMP8 and remain focused on efficient delivery.

### Totex performance

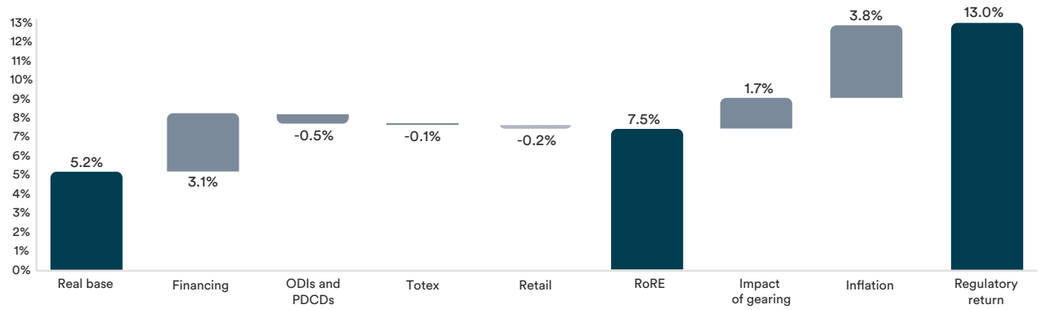
The totex impact on returns in 2025/26 is -0.1%, representing costs not subject to cost sharing.

### Retail performance

The retail impact on returns of -0.2% reflects the additional investment that we've made to improve customer service and support cash collection and affordability as we support customers through bill increases.

After accounting for the impact of our actual gearing of 1.7%, as well inflation of 3.8%, our regulatory return is 13.0% in 2025/26.

### Regulatory return



# How we're creating long-term sustainable value

## Guide to alternative performance measures (APMs)

The underlying profit measures in the following table represent alternative performance measures (APMs) as defined by the European Securities and Markets Authority (ESMA). These measures are linked to the group's financial performance as reported in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006 in the group's consolidated income statement, which can be found on page 190. As such, they represent non-GAAP measures.

These APMs can assist in providing a representative view of business performance, and may not be directly comparable with similarly titled measures presented by other companies. The group determines adjusted items in the calculation of its underlying measures against a framework which considers significance by reference to profit before tax, in addition to other qualitative factors such as whether the item is deemed to be within the normal course of business, its assessed frequency of reoccurrence and its volatility, which is either outside the control of management and/or not representative of current year performance.

In addition, a reconciliation of the group's average effective interest rate has been presented, together with a prior period comparison. In arriving at net finance expense used in calculating the group's effective interest rate, underlying net finance expense is adjusted to add back net pension interest income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

| Adjusted item | Rationale |
|---|---|
| **Adjustments not expected to recur** | |
| Prior year comparatives (unaudited pro forma adjustments) | Prior year comparatives have been re-presented with unaudited pro forma adjustments to reflect the approximate impact of changes in accounting approach in 2025/26 based on estimates of their effect had they been applied in the prior year. In particular, it is estimated that the change in estimation technique for the measurement of inflation-linked debt would have had a positive impact on net finance expense of £23 million if applied in 2024/25, and that the adoption of a more granular approach to the capitalisation of IRE would have had a positive impact on operating profit of an estimated £152 million if applied in 2024/25 using assumptions derived from the more granular data available in 2025/26. While these accounting changes have been adopted prospectively from 1 April 2025, prior year figures have been re-presented as pro forma adjustments for ease of comparison to 2025/26 figures and forward-looking financial guidance on a like-for-like basis. |
| **Consistently applied presentational adjustments** | |
| High Speed Two (HS2) income | Management adjusts to exclude the revenue allowed by Ofwat for recovery in AMP8 related to diversions activity that will no longer take place following the cancellation of the northern leg of HS2. This adjustment will recur in each of the remaining years of AMP8. The revenue allowance to be recovered in AMP8 will be offset by negative adjustments to the revenue allowed by Ofwat for recovery in AMP9, resulting in a neutral position over time. Adjustments in arriving at underlying operating profit will therefore also be required during AMP9. |
| Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option | Fair value movements on debt and derivative instruments can be both very significant and volatile from one period to the next, and are, therefore, excluded in arriving at underlying net finance expense as they are determined by macro-economic factors, which are outside of the control of management and relate to instruments that are purely held for funding and hedging purposes (not for trading purposes). Included within fair value movement on debt and derivatives is interest on derivatives and debt under fair value option. In making this adjustment, it is appropriate to add back interest on derivatives and debt under fair value option to provide a view of the group's cost of debt, which is better aligned to the return on capital it earns through revenue. Taking these factors into account, management believes it is useful to adjust for these fair value movements to provide a more representative view of performance. |
| Deferred tax adjustment | Management adjusts to exclude the impact of deferred tax in order to provide a more representative view of the group's profit after tax and tax charge for the year given that the regulatory model allows for cash tax to be recovered through revenues, with future revenues allowing for cash tax, including the unwinding of any deferred tax balance as it becomes current. By making this adjustment, the group's underlying tax charge does not include tax that will be recovered through revenues in future periods, thus reducing the impact of timing differences. |
| Tax in respect of adjustments to underlying profit/ (loss) before tax | Management adjusts for the tax impacts of the above adjusted items to provide a more representative view of current-year performance. |

| Underlying profit | Year ended 31 March 2026 £m | Year ended 31 March 2025 £m |
|---|---|---|
| **Operating profit per published results** | **1,099.4** | 631.5 |
| Adjustments: | | |
| HS2 revenue | **(39.9)** | – |
| Fleetwood outfall pipe fracture | – | 2.3 |
| More granular approach to IRE capitalisation | – | 151.9 |
| **Underlying operating profit** | **1,059.5** | 785.7 |
| | | |
| **Net finance expense** | | |
| Finance expense | **(415.7)** | (371.9) |
| Investment income | **99.9** | 106.2 |
| **Net finance expense per published results** | **(315.8)** | (265.7) |
| Adjustments: | | |
| Fair value gains on debt and derivative instruments, excluding interest on derivatives and debt under fair value option | **(1.1)** | (18.7) |
| Change in estimation technique for measuring index-linked debt | – | 23.1 |
| **Underlying net finance expense** | **(316.9)** | (261.3) |
| | | |
| **Share of losses of joint ventures** | **(4.6)** | (10.8) |
| | | |
| **Profit before tax per published results** | **779.0** | 355.0 |
| Adjustments: | | |
| In respect of operating profit | **(39.9)** | 154.2 |
| In respect of net finance expense | **(1.1)** | 4.4 |
| **Underlying profit before tax** | **738.0** | 513.6 |
| | | |
| **Profit after tax per published results** | **586.8** | 264.7 |
| Adjustments: | | |
| In respect of profit before tax | **(41.0)** | 158.6 |
| Deferred tax adjustment | **184.2** | 90.0 |
| **Underlying profit after tax** | **730.0** | 513.3 |
| | | |
| **Earnings per share** | | |
| Profit after tax per published results (a) | **586.8** | 264.7 |
| Underlying profit after tax (b) | **730.0** | 513.3 |
| Weighted average number of shares in issue, in millions (c) | **681.9** | 681.9 |
| Earnings per share per published results, in pence (a/c) | **86.1p** | 38.8p |
| **Underlying earnings per share, in pence (b/c)** | **107.1p** | 75.3p |
| **Dividend per share, in pence** | **53.66p** | 51.85p |

In arriving at net finance expense used in calculating the group's effective interest rate, management adjusts underlying net finance expense to add back pension income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

| Average effective interest rate | Year ended 31 March 2026 £m | Year ended 31 March 2025[1] £m |
|---|---|---|
| **Underlying net finance expense** | **(316.9)** | (261.3) |
| Adjustments: | | |
| Net pension interest income | **(17.5)** | (12.9) |
| Adjustment for capitalised borrowing costs | **(75.4)** | (68.5) |
| **Net finance expense for effective interest rate** | **(409.8)** | (342.7) |
| **Average notional net debt[2]** | **(9,683)** | (8,964) |
| **Average effective interest rate** | **4.2%** | 3.8% |
| Effective interest rate on index-linked debt | **4.2%** | 4.1% |
| Effective interest rate on other debt | **4.1%** | 3.8% |

(1) Prior year comparatives have been re-presented with an unaudited pro forma adjustment to reflect the estimated impact of the change in estimation technique for the measurement of inflation-linked debt. The change in approach is estimated to have a positive impact on net finance expense of £23 million if applied in 2024/25.

(2) Notional net debt is calculated as the principal amount of debt to be repaid, net of cash and bank deposits, taking: the face value issued of any nominal sterling debt, the inflation accreted principal on the group's index linked debt, and the sterling principal amount of the cross currency swaps relating to the group's foreign currency debt.

# Our EU Taxonomy disclosure

## Our corporate level EU Taxonomy disclosures show how much of our revenue, capex and opex is eligible or aligned with sustainable outcomes.

The EU Taxonomy provides a common language and framework for assessing whether an economic activity is environmentally sustainable. Its aim is to prevent greenwashing and help investors make informed sustainable investment decisions in order to direct investments to the economic activities most needed to meet the EU's climate and energy targets for 2030 and the objectives of the European Green Deal. The taxonomy sets out a list of activities, with detailed criteria that must be met in order to demonstrate alignment.

## Eligible activities

Given the nature of our core activities, we are eligible for a large number of the activities set out in the taxonomy. Some activities are quite broad, while others are relatively narrow and specific. We have chosen to focus on the activities that best align with our core day-to-day services but, where other activities are met through what we do, we disclose these as well.

### Water supply

Construction, extension and operation of water collection, treatment and supply systems. This core activity covers our provision of water services to customers from the point of abstraction, through treatment, and up to the point of supply.

### Wastewater treatment

Urban wastewater treatment.
This activity covers our provision of wastewater services to customers from the point of collection, through treatment, storm water management, and up to the point of discharge of final effluent.

### Bioresources

**Core activities:** 'Anaerobic digestion of sewage sludge', breaking down organic matter from wastewater treatment and generating renewable energy.

## Non-eligible activities

We have a small amount of non-eligible business activities, such as our retail services for customers. These are not covered within the list of activities for EU taxonomy purposes as they do not meet the specific environmental objectives of the European Green Deal, but we still undertake them through the lens of our commitment to sustainability.

## Our EU Taxonomy disclosure

### Assessment of alignment

Our assessment is the result of a collaborative process between the finance team and numerous other subject matter experts in the relevant functions right across the business.

The EU Taxonomy has detailed requirements and technical screening criteria that must be met to establish alignment. In order to improve the robustness, governance, and efficiency around our assessment, we utilised specialised analysis software and expert support and advice from ISS-Corporate.

This enabled us to assess and demonstrate that we met the minimum safeguards and identify where we were satisfying the criteria for making a substantial contribution, and/or doing no significant harm, for the relevant environmental objectives in relation to each eligible activity.

## Mapping of financial data

We have mapped financial data to the individual activities using existing systems.

The majority of our activities sit within our regulated entity, United Utilities Water Limited (UUW), for whom we are required to report to the regulator, Ofwat, under price controls. These are closely aligned to EU Taxonomy activities – for instance, the water price controls cover the construction, extension and operation of water collection, treatment and supply systems and, therefore, form the initial basis of our financial data mapping.

Regulatory reporting guidelines differ from IFRS, so we made the relevant adjustments between regulatory and statutory accounting standards, and also adjusted to include other activities that sit outside of UUW, to arrive at IFRS reported financial data at the group level, apportioned out between EU taxonomy eligible activities and other activities not eligible under EU Taxonomy.

We then made further adjustments to reflect any differences between the definitions of the KPIs reported under EU Taxonomy and IFRS reporting definitions. The general EU Taxonomy definitions, and core differences with our IFRS-reported equivalents, are set out here.

### Turnover (revenue)

Net turnover is defined by EU Taxonomy as the amounts derived from the sale of products and the provision of services after deducting sales rebates and taxes, such as VAT, that are directly linked to turnover. Turnover for EU Taxonomy purposes aligns to revenue reported under IFRS.

### Capital expenditure (capex)

Capex is defined by EU Taxonomy as the total additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements. It excludes: additions resulting from revaluations, impairments, and fair value changes. The taxonomy capex definition refers to costs that are accounted based on IAS16 'Property, plant and equipment', IAS38 'Intangible assets', IAS40 'Investment property', IAS41 'Agriculture', and IFRS16 'Leases'. We include depreciation and amortisation as opex; therefore, capex for EU Taxonomy purposes aligns to capex additions reported under IFRS.

### Operating expenditure (opex)

Opex aims to capture non-capitalised costs that relate to investments in assets and processes. It is defined by EU Taxonomy as non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repair costs, and other direct expenditure related to the company's strategy for maintaining or improving environmental performance and resilience in respect of each activity. We have made a number of adjustments from IFRS to meet the taxonomy definition of opex.

For example, overheads are excluded, as these are not directly attributable to the activities, and we have stripped out depreciation and amortisation. Reagents such as the chemicals used in water and wastewater treatment, and the electricity used to operate assets, are also stripped out on the basis that these are direct costs of production and, therefore, must be excluded under EU Taxonomy to avoid double counting with turnover.

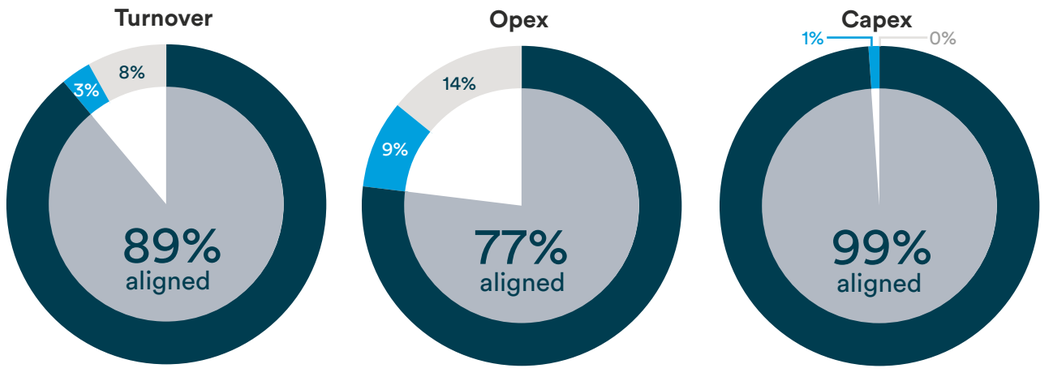
## Outcome of our assessment

The overall profile of allocations continues to be driven primarily by year-on-year movements in revenue, opex and capex across the 'aligned', 'eligible', and 'not eligible' categories. In preparing this year's assessment, we have also applied updated guidance on materiality to exclude items below the 10% threshold, including SuDS, Peatland and Woodland.

Compared with the prior year, one notable development is the ability to evidence that activities relating to the anaerobic digestion of sewage sludge meet the criteria for alignment with the EU Taxonomy. As a result, turnover, opex and capex associated with these activities is now classified as 'aligned', contributing to a higher proportions falling within this category.

The proportion of 'aligned' opex has decreased marginally compared with the previous year. This reflects increased operating expenditure associated with scaling up the AMP8 capital programme, including higher staff costs. In addition, there has been an increase in the proportion of opex classified as 'not eligible'. This is primarily due to more granular treatment of a regulatory accounting to IFRS adjustment relating to the removal of bad debt. In the current year, this adjustment has been allocated across water, wastewater and bioresources, providing a more accurate reflection of its impact.

There has been a slight increase in the proportion of 'aligned' capex. This reflects the significant growth in investment across core water and wastewater activities, driven by the company's transformational AMP8 capital programme.




Key: Aligned | Eligible but not aligned | Not eligible

| | Turnover | | Opex | | Capex | |
|---|---|---|---|---|---|---|
| Activities | £m | % | £m | % | £m | % |
| Construction, extension and operation of water collection, treatment and supply systems | 1,053 | 40% | 264 | 41% | 596 | 35% |
| Urban wastewater treatment | 1,197 | 46% | 188 | 29% | 1,013 | 59% |
| Anaerobic digestion of sewage sludge | 82 | 3% | 45 | 7% | 92 | 5% |
| **Total eligible and aligned under EU Taxonomy** | **2,332** | **89%** | **498** | **77%** | **1,701** | **99%** |
| Other eligible activities | 83 | 3% | 60 | 9% | 24 | 1% |
| **Total eligible under EU Taxonomy** | **2,415** | **92%** | **558** | **86%** | **1,725** | **100%** |
| Not eligible under EU Taxonomy | 201 | 8% | 93 | 14% | 2 | 0% |
| **Total**[1] | **2,616** | **100%** | **651** | **100%** | **1,727** | **100%** |

(1) The total opex differs significantly to the equivalent figure calculated under IFRS as a result of the differences in the EU taxonomy definition.

## Corporate Governance Code

In the following pages of this corporate governance report we set out how the board has fully applied the principles and fully complied, having provided an explanation relating to provision 10 on page 107, and reported on the provisions of the 2024 UK Corporate Governance Code (the code).

### 1 Board leadership and company purpose

Areas of focus for the board in 2025/26.

▶ See page 101

Our governance structure and its link to our strategic priorities

▶ See page 108

Engagement with colleagues and other stakeholders and monitoring and assessing culture

▶ See pages 112 to 114

### 2 Division of responsibilities

Biographies of the board of directors include a summary of each director's responsibilities.

▶ See pages 102 to 105

Overview of the board's responsibilities, board roles and time commitment of directors

▶ See page 111

### 3 Composition, succession and evaluation

The report of the nomination committee sets out the appointments process, board and committee succession planning activities, the board diversity policy, and information relating to the evaluation of the review of the performance of the board and its committees undertaken during the year.

▶ See pages 115 to 119

### 4 Audit, risk and internal control

The report of the audit committee and its work fulfilling its responsibilities during the year.

▶ See pages 124 to 135

### 5 Remuneration

The report of the remuneration committee and its work fulfilling its responsibilities during the year.

▶ See pages 140 to 170

# Governance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## Areas of focus for the board in 2025/26

The board's role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. During the year, the board collectively spent time focusing on the following matters:

### Environmental performance assessment and pollutions

Management gave a presentation to the board on the changing regulatory methodology applying to wastewater companies underpinning the Environment Agency's (EA) annual environmental performance assessment (EPA). The EPA measure was introduced in 2011, as an objective assessment to allow for comparison between companies, measured on a calendar year basis. There are seven metrics within the current version of the EPA: serious pollutions; total pollutions (categories 1–3); pollution self-reporting; treatment works compliance; WINEP delivery; satisfactory sludge disposal and supply-demand balance index. Wastewater companies are allocated a star rating each calendar year depending on how they perform across the seven metrics. UUW has been awarded 45 out of a possible 52 stars since 2011.

UUW is the second-highest-ranked company in the sector. 2024 was a particularly wet and stormy year and this, alongside the EA's updated approach to the measurement of pollution incidents that occur during major storms, adversely impacted industry ratings for the year, resulting in UUW's two-star rating in the 2024 assessment published in October 2025. The board was satisfied with the improvement plan being implemented including enhancing site standards and power resilience; reducing blockages and improving asset resilience. The 2026 pollution incident reduction plan is available on the company's website.

### AMP8 performance commitments and price control deliverables

The board reviewed the AMP8 performance commitments and the introduction of the price control deliverables (PCDs) mechanism applicable to AMP8 by Ofwat to ensure the delivery of funded improvements, protect customers and incentivise timely delivery. Two types of PCD incentive were introduced for AMP8: a claw-back mechanism that will return funding to customers where companies fail to deliver the stated benefit by end of the regulatory period and a two-way incentive to encourage timely delivery by rewarding on-time delivery and penalising late delivery. The board was apprised of stretching targets and updated delivery plans to incorporate industry best practice and challenge thinking across the operations.

### Process safety

In addition to regular updates on health and safety, the board reviewed the plans to improve the operation of systems and processes applied to handling hazardous substances. The safe operation of our sites has always been central to our operations; the incorporation of process safety governance and mechanisms into our management system in recent years has enhanced the way major accident hazard risks are managed. The group has a number of sites where hazardous material is stored – particular focus has been directed toward sites where smaller quantities of such material is stored.

Enhanced process safety 'essential' training modules have been delivered to key operational colleagues and half day face-to-face permit to work and risk assessments have been delivered to over 2,400 colleagues along with competency certification programmes. The regular reporting of 'leading' process safety indicators with leadership teams has supported improvements in key operational and maintenance controls and consequence modelling has being completed for all sites subject to the 2015 Control of Major Accident Hazards Regulations. Steps are being taken to further embed process safety throughout the roll-out of the Life Saving Rules. Further improvements are planned including enhanced environmental risk assessments for major accident hazard sites, and industry recognised process safety management training for our leaders and managers who are responsible for our high-risk sites.

### Technology and artificial intelligence (AI)

A session was held to discuss technology and artificial intelligence strategy plans to support the business during AMP8 and beyond. The board was apprised of the new governance process to enable focused prioritisation on the group's main business applications with the intention being that all systems would be covered by manufacturers' support programmes, and be secure and with similar systems being consolidated. The technology strategy included the mobilisation of AI capabilities where appropriate across the business and upskilling colleagues to build long-term AI capability across teams.

### Asset management

Management held a discussion session with the board to explain the company's approach to asset management – which would be guided by strategic planning, proactive regulation, and long-term resilience. Management explained the evolution of the approach including: delivering asset management maturity across multiple areas: our county model; enhanced asset lifecycle processes; delivering a data led approach and enhancements in asset investment planning; embedding data-driven, value-based decision making across the group to ensure the maximum value was achieved from our investments; and delivering innovative solutions in the water environment to enhance nature and grow resilient, sustainable places.

The renewed focus on sector resilience and asset health was further underpinned by the recommendations included in the report of the Independent Water Commission, chaired by Sir Jon Cunliffe. The report, published in July 2025, concluded that a reset was required as to how the water industry in England and Wales was regulated, including: streamlined regulation, resilience standards, long-term sustainability and a focus on place was required.

### Leakage

The board gained a deeper understanding of management's strategy to reduce leakage. Despite leakage in AMP7 being reduced to the lowest-ever level, performance was below the regulatory target. To address the ongoing challenge, the board was apprised of the industry-wide structured approach being implemented including: reducing/stabilising pressure and replacing old water mains; greater monitoring of network assets and leak detection; improving and replacing old technology; installing more smart meters to help distinguish between customer demand and network leakage and installing trunk main metering at more regular intervals on long sections of large diameter mains to reduce leak detection time. Satellite leak detection and increasing our team by around 50 colleagues will help in tackling our target of identifying 1,000 leaks per week while scaling our repair teams to fix leaks identified.

### Quick links

▶ Terms of reference: **unitedutilities.com/corporate-governance**

# Board of directors

N

## Sir David Higgins
### Chair

**Responsibilities:** Leadership of the board, setting its agenda and ensuring its effectiveness on all aspects of its role.

**Qualifications:** BEng Civil Engineering, Diploma Securities Institute of Australia, Fellow of the Institute of Civil Engineers and the Royal Academy of Engineering.

**Appointment to the board:** May 2019; appointed as Chair in January 2020.

**Skills and experience:** Sir David has spent his career overseeing high-profile infrastructure projects, including: the delivery of the Sydney Olympic Village and Aquatics centre; Bluewater Shopping Centre, Kent; and the delivery of the 2012 London Olympic Infrastructure Project.

**Career experience:** Sir David was previously chief executive of: Network Rail Limited; The Olympic Delivery Authority; and English Partnerships. He has held non-executive roles as chair of both High Speed Two Limited and Sirius Minerals plc, and as a non-executive director at the Commonwealth Bank of Australia.

**Current directorships/business interests:** Sir David is a non-executive director of Sydney Airport Limited and a board member for Gatwick Airport Limited. He is Chair of United Utilities Water Limited.

**Independence:** Sir David met the UK Corporate Governance Code's independence criteria (provision 10) on his appointment as a non-executive director and chair designate.

**Specific contribution to the company's long-term success:** Sir David has extensive knowledge of managing major infrastructure projects and working with regulators. As Chair of the nomination committee, he is responsible for ensuring the succession plans for the board and senior management identify the right skill sets to face the challenges of the business.

E C

## Louise Beardmore
### Chief Executive Officer (CEO)

**Responsibilities:** Manage the group's business and implement the strategies and policies approved by the board.

**Qualifications:** BSc (Hons) Business Management, Fellow of the Chartered Institute of Personnel Development, Vice-President of the Institute of Customer Service.

**Appointment to the board:** May 2022.

**Skills and experience:** Louise has a wealth of experience leading utility and infrastructure businesses both in the UK and internationally. She has a strong track record in driving transformational change and service improvements for the benefit of customers, stakeholders and the environment.

**Career experience:** Louise joined United Utilities on its graduate programme and has comprehensive experience of the company and the North West region we serve. She was appointed as customer service and people director in 2016, prior to which she held a number of senior positions, leading teams in business transformation, water operations, electricity and telecoms in the UK and overseas. She completed the corporate director programme at Harvard Business School in 2022.

**Current directorships/business interests:** Louise is CEO of United Utilities Water Limited and a non-executive director of Water Plus, a joint venture with Severn Trent serving business customers. She is a non-executive director of: Water UK; the UK Engage for Success Foundation and the Whitehall & Industry Group with effect from 1 July 2026. She is named on the Northern Power Women's 'Power List' and a member of the 30% Club.

**Specific contribution to the company's long-term success:** Louise's strategic vision and constant customer focus will continue to build on the group's significant performance and delivery for customers, communities and the environment.

T

## Phil Aspin
### Chief Financial Officer (CFO)

**Responsibilities:** Manage the group's financial affairs and risk management and internal control systems, contribute to the management of the group's business and implement the strategy and policies approved by the board.

**Qualifications:** BSc (Hons) Mathematics, Chartered Accountant (ACA), Fellow of the Association of Corporate Treasurers (FCT).

**Appointment to the board:** July 2020.

**Skills and experience:** Phil has extensive experience of financial and corporate reporting, having qualified as a chartered accountant with KPMG and more latterly through his previous role as group controller. He has a comprehensive knowledge of capital markets and corporate finance underpinned through his earlier role as group treasurer and his FCT qualification, and has a strong understanding of the economic regulatory environment.

**Career experience:** Phil has over 30 years' experience working for United Utilities. Prior to his appointment as CFO in July 2020, he was group controller with responsibility for the group's financial reporting and, prior to that, he was group treasurer with responsibility for funding and financial risk management. He has been a member of EFRAG TEG and chaired the EFRAG Rate Regulated Activities Working Group.

**Current directorships/business interests:** Phil was appointed as a member of the UK Accounting Standards Endorsement Board in March 2021. He is chair of the 100 Group pensions committee and a member of the 100 Group main committee. He is CFO of United Utilities Water Limited and a non-executive director of Water Plus, a joint venture with Severn Trent serving business customers.

**Specific contribution to the company's long-term success:** Phil has driven forward the financial performance of the group and delivered the group's competitive advantage in financial risk management and excellence in corporate reporting.

N A T R C

## Doug Webb
### Senior independent non-executive director

**Responsibilities:** Responsible, in addition to his role as an independent non-executive director, for discussing any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chair or Chief Executive Officer and to chair the compliance committee.

**Qualifications:** MA Geography and Management Science, Chartered Accountant (FCA).

**Appointment to the board:** September 2020.

**Skills and experience:** Doug has extensive career experience in finance, risk management and internal control from qualifying as a chartered accountant with Price Waterhouse, his executive roles as CFO of major listed companies and, more recently, through his non-executive positions and focus on audit committee activities.

**Career experience:** Doug was chief financial officer at Meggitt PLC from 2013 to 2018 and, prior to that, he was chief financial officer at the London Stock Exchange Group plc and QinetiQ Group plc. He is a former non-executive director and audit committee chair at SEGRO plc and the Manufacturing Technology Group Ltd, and a former senior independent non-executive director and audit committee chair at BMT Group Ltd.

**Current directorships/business interests:** Doug currently serves as a non-executive director and audit committee chair at Johnson Matthey plc. He is an independent non-executive director of United Utilities Water Limited.

**Specific contribution to the company's long-term success:** Doug's extensive experience on listed companies' boards and working with chairs, CEOs, shareholders and related governance matters support his role as senior independent director. His experience in finance, regulation, risk and control are applicable to his role as chair of the compliance committee and its focus on overseeing compliance of the group's regulatory obligations.

E N

## Liam Butterworth
### Independent non-executive director

**Responsibilities:** To constructively challenge the executive directors and monitor the delivery of strategy within the risk and control framework set by the board and to lead the board's agenda on ESG matters and he is the current designated non-executive director for workforce engagement.

**Qualifications:** MBA Business Administration and Management, CIM Marketing, HND Mechanical Production Engineering.

**Appointment to the board:** January 2022.

**Skills and experience:** Liam brings strong engineering and industrial technology experience to the board, with a track record of managing performance and enhancing corporate culture.

**Career experience:** He started his career in the automotive industry in 1986 at Lucas Industries as an apprentice toolmaker, joining FCI Automotive in 2000 in France. He was appointed CEO of FCI Automotive in 2008 leading the sale of the business to Delphi Automotive plc in 2012, which he then joined as senior vice president and the president of its Powertrain Division. He was appointed as CEO of Delphi Technologies plc in December 2017 when he led its demerger from Aptiv plc (formerly Delphi Automotive) and admission to the New York Stock Exchange. In 2018, he became CEO of GKN Automotive before its demerger from Melrose Industries plc and became CEO of Dowlais Group plc in April 2023.

**Current directorships/business interests:** Liam is chief operating officer of Rosebank Industries plc, having been appointed in March 2026, following the combination of Dowlais Group plc and American Axle & Manufacturing Holdings, Inc. He is an independent non-executive director of United Utilities Water Limited.

**Specific contribution to the company's long-term success:** Liam's operational experience contributes to the board's continuing focus on improving the performance of the business.

### Board role

- Chair
- Executive director
- Senior independent non-executive director
- Independent non-executive director

### Committee membership

- N Nomination committee
- E ESG committee
- T Treasury committee
- R Remuneration committee
- A Audit committee
- C Compliance committee
- Chair of the committee

- During the year, Ian El-Mokadem was appointed to the board on 1 June 2025 and Marina Wyatt on 1 October 2025.
- The **share ownership details of the executive directors and non-executive directors** are set out on pages 166 and 168 respectively.

# Board of directors

N A R

## Kath Cates

**Independent non-executive director**

**Responsibilities:** To constructively challenge the executive directors and monitor the delivery of strategy within the risk and control framework set by the board and to lead the board's activities concerning directors' remuneration.

**Qualifications:** Solicitor of England and Wales.

**Appointment to the board:** September 2020.

**Skills and experience:** Kath has spent most of her career working in a regulated environment in the financial services industry with responsibilities including risk, legal and compliance, and operations. Since 2014, she has focused on her non-executive roles, chairing all the main board committees and undertaking the role of senior independent director.

**Career experience:** Kath was chief operating officer at Standard Chartered plc, before which she held a number of roles at UBS Limited over a 22-year period, prior to which, she qualified as a solicitor. She is a former non-executive director at Brown and Shipley, Brewin Dolphin Holdings plc and RSA Insurance Group plc, where she chaired the remuneration committee.

**Current directorships/business interests:** Kath is a non-executive director at Columbia Threadneedle Investments where she chairs the TPEN audit committee. She is the senior independent director of TP ICAP Group plc. She is an independent non-executive director of United Utilities Water Limited.

**Specific contribution to the company's long-term success:** Kath's extensive board experience of regulated sectors enables her to contribute to board governance and risk management at United Utilities. As an experienced remuneration committee chair, she is focused on ensuring performance-related pay is linked to stretching delivery for customers and other stakeholders, and implementing robust pay governance mechanisms.

N A C

## Ian El-Mokadem

**Independent non-executive director**

**Responsibilities:** To constructively challenge the executive directors and monitor the delivery of strategy within the risk and control framework set by the board.

**Qualifications:** BSc (Hons) Economics and Statistics, MBA.

**Appointment to the board:** June 2025.

**Skills and experience:** Ian is an experienced CEO, non-executive director and adviser, with a track record of delivering growth and successful transformations in large, international service and utility businesses. He has extensive understanding of operating in regulated sectors.

**Career experience:** In January 2025, Ian stepped down from his last executive role as CEO of AIM-listed RWS Holdings plc, a position he held since 2021. Ian's previous roles include CEO of V. Group and Exova Group plc and group managing director, UK and Ireland of Compass Group plc. During his early career, Ian spent eight years with Centrica plc, including launching and then leading the group's telecoms business. Prior to that he worked in strategy consulting with Andersen Consulting (now Accenture).

**Current directorships/business interests:** Ian joined the board of Diploma PLC as a non-executive director in January 2025 serving as a member of the nomination and audit committees. He was appointed as a non-executive director of Serco Group plc in 2017, where he chairs the risk committee and is a member of both the nomination and audit committees. Ian also serves as a senior adviser to Warburg Pincus LLC and he is a director of Roegate Consulting Limited. He is an independent non-executive director of United Utilities Water Limited.

**Specific contribution to the company's long-term success:** Ian's leadership experience of successfully transforming businesses and embracing technology to improve customer services and his knowledge of regulated environments and delivering essential public services means that he is well placed to provide support to the board in the delivery of the AMP8 capital programme.

N R E C

## Alison Goligher

**Independent non-executive director**

**Responsibilities:** To constructively challenge the executive directors and monitor the delivery of strategy within the risk and control framework set by the board.

**Qualifications:** BSc (Hons) Mathematical Physics, MEng Petroleum Engineering.

**Appointment to the board:** August 2016.

**Skills and experience:** Alison has strong technical and capital project management skills, having been involved in large projects and the production side of Royal Dutch Shell's business. Her experience of engineering and industrial sectors provides the board with additional insight into delivering United Utilities' capital investment programme.

**Career experience:** Royal Dutch Shell (2006 to 2015), where Alison's most recent executive role was executive vice president Upstream International Unconventionals. Prior to that, she spent 17 years with Schlumberger, an international supplier of technology, integrated project management and information solutions to the oil and gas industry. She is a former non-executive director at Meggitt PLC and chair of Silixa Ltd.

**Current directorships/business interests:** Alison is a non-executive director of Technip Energies NV and senior independent director and chair of the remuneration committee at Melrose Industries PLC. She is an independent non-executive director of United Utilities Water Limited

**Specific contribution to the company's long-term success:** Alison's understanding of the operational challenges of large capital projects and the benefits of deploying technology provides valuable insight into addressing the longer-term strategic risks faced by the business.

N E

## Clare Hayward

**Independent non-executive director**

**Responsibilities:** To constructively challenge the executive directors and monitor the delivery of strategy within the risk and control framework set by the board.

**Qualifications:** BSc (Hons) Agricultural Marketing, MBA, DBA (h.c.).

**Appointment to the board:** April 2024.

**Skills and experience:** Clare's background is in strategy consulting having spent most of her career working with national and international blue-chip clients, co-founding two global consultancy businesses and having bought and sold a number of businesses globally.

**Career experience:** Clare was a co-founder of Cirrus, a leadership and talent consultancy, sold to Accenture in 2021. Prior to this, in 1993, she co-founded Academee developing it into a global leadership development consultancy. Alongside her executive responsibilities, she has held several community interest non-executive roles, including that of the Peaks and Plains Housing Trust, Cheshire and Warrington Local Enterprise Partnership (LEP) and was chair of The NP11 working across the North of England with the devolved and non-mayoral regions and as a business representative for Transport for the North.

**Current directorships/business interests:** Through her work with the LEPs, the public and private sectors, Clare has developed strong links with local and central government where her focus is to drive prosperity and improve the lives of those living in the North of England. She is an independent non-executive director of United Utilities Water Limited.

**Specific contribution to the company's long-term success:** Clare's strong affinity with the North West and interest in supporting the economic growth of North West contribute to the board's oversight and in ensuring the company's purpose and strategic priorities are fulfilled.

N C

## Michael Lewis CBE

**Independent non-executive director**

**Responsibilities:** To constructively challenge the executive directors and monitor the delivery of strategy within the risk and control framework set by the board.

**Qualifications:** BEng (Hons) Engineering Technology, MSc Pollution and Environmental Control, MA Environmental Law, Fellow of the Institution of Mechanical Engineers (FIMechE).

**Appointment to the board:** May 2023.

**Skills and experience:** Michael has spent his career in customer-facing regulated utilities and has considerable experience of working with both environmental and economic regulators. He has managed a wide range of capital investment projects aimed at improving the customer experience, and driving environmental sustainability has been a key focus throughout his career.

**Career experience:** Michael started his career at Wessex Water plc, prior to joining PowerGen plc, which was subsequently acquired by E.ON SE. In 2007 he joined the management board of E.ON Climate and Renewables being appointed as CEO in 2015. He was appointed as CEO of E.ON UK in 2017, where he led the company's transformation into a leading supplier of zero-carbon energy solutions, stepping down from the role in June 2023. He is a former non-executive director of Equinor ASA.

**Current directorships/business interests:** Michael is CEO of Uniper SE, one of Europe's leading power generation and gas supply companies, and a member of council for the Natural Environment Research Council. He is an independent non-executive director of United Utilities Water Limited.

**Specific contribution to the company's long-term success:** Michael's extensive experience in regulated customer-facing utilities and his focus on sustainability will help the board deliver its AMP8 ambitions by 2050.

N A T

## Marina Wyatt

**Independent non-executive director**

**Responsibilities:** To challenge constructively the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board and to lead the audit and treasury committees.

**Qualifications:** MA Geography, Chartered Accountant (FCA).

**Appointment to the board:** October 2025.

**Skills and experience:** Marina has extensive experience both as an audit chair and as a former FTSE 250 CFO working across multiple sectors including infrastructure, energy, telecoms and media/technology. Her executive career has given her a strong background in major project delivery working with multiple stakeholders including government and regulatory bodies.

**Career experience:** Marina retired in 2024 as CFO of Associated British Ports Limited, the UK's largest port group which manages 25% of the UK's sea-borne trade through its network of 21 ports, a position held since 2019. Other previous roles include CFO positions at UBM Plc, TomTom NV, Colt Group SA and Psion Plc. She has held non-executive roles at listed entities Lucas Bols NV and Renewi plc – where she chaired the audit committee. She joined Arthur Andersen as a graduate trainee, and held various positions with the firm including senior manager, audit services.

**Current directorships/business interests:** Marina is a non-executive director and chair of the audit and risk committee at Lloyd's Register Group Limited, a trustee of Lloyd's Register Foundation and chair of its audit, risk and investment committee and a trustee of The Woodland Trust. She is an independent non-executive director of United Utilities Water Limited.

**Specific contribution to the company's long-term success:** Marina's board experience and as a finance professional will strengthen the board's financial expertise and contribute to the succession planning of the audit committee. Her experience of major project delivery will strengthen the board's oversight of the AMP8 capital programme.

# Chair's letter

Sir David Higgins

> The board is focused on ensuring that the organisation is well prepared for the transition to a more integrated regulatory model as part of its contribution to the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

## Dear shareholder

The scale of regulatory change for the sector is unprecedented. The review of the Independent Water Commission, led by Sir Jon Cunliffe, was published in July 2025, following which, Defra published a white paper 'A new vision for water' in January 2026. The transition to a more integrated regulatory model provides the group with an opportunity to ensure that the organisation is internally well prepared and ready to work collaboratively; to provide a better outcome for customers, communities and the environment in the North West and provide a more attractive offering for those investing, or looking to invest, in our fantastic region.

We are committed to work through the transition to the new regulatory model proactively engaging to ensure our region and stakeholders are well represented. For the moment, we continue to work with the existing teams and we continue to co-operate fully with Ofwat and the Environment Agency investigations into water and wastewater companies in England and Wales, the board has been kept fully informed of the progress of the investigations.

## AMP8 year one

Notwithstanding the significant change in the regulatory arena, management has been focused on running the business and the first year of our over £13 billion AMP8 capital programme has seen considerable progress, with the board contributing its views on the modernisation of the approach to the supply chain. Following a thorough procurement and due diligence exercise, over 100 supply chain partners were supported through the onboarding and mobilisation process in the early part of the year – we believe our chosen partners have the capabilities and capacity to accommodate changes that might be required over the course of the AMP. Our new ways of supply chain management were reviewed by a panel of independent experts who provided positive feedback on our approach, particularly the increased use of standardisation in the design, delivery and procurement of assets and modernising our supply chain management through better systems and automation and applying skilled resource to more value-adding activities. This approach will play a vital role in keeping us within cost and quality allowances while accelerating delivery for customers and communities.

## Haweswater Aqueduct Resilience Programme (HARP)

The board approved the final terms of the contract, with Cascade Infrastructure, which was formed by the STRABAG Equitix consortium, as the 'competitively appointed provider' to design, build, finance and maintain the replacement of six single-line tunnel sections of the Haweswater Aqueduct. The board has been kept fully informed throughout the competitive procurement process (with financial close being achieved in August 2025) given the critical nature of the aqueduct in supplying water to customers in Cumbria, Lancashire and Greater Manchester with the work being central to our upgrade of infrastructure assets in our region.

## Health, safety and wellbeing

I am pleased to report that the progress on refreshing our 'Home Safe and Well programme' continues at pace and the board has received regular updates and opportunities to discuss progress and challenge management. More information can be found on page 78. The three safety values empower colleagues to follow behaviours to support themselves and others getting home safe and well. The refresh was launched at the March 2025 all-colleague event in Blackpool and further rolled out to our contracting partners at an event in April 2025. Driving for work was the first of the 12 life-saving rules to be introduced. A key risk area for the business given the many miles being driven by colleagues on a daily basis both on company business and commuting to work. A contractor engagement strategy has seen many AMP8 contracting partners providing input into the programme – a further session for our contracting partners on our joint progress with the capital programme and focus on our life-saving rules was held in March 2026 in Blackpool, and attended by around 650 colleagues from our supply chain partners. The refreshed programme featured at the February 2026 all-colleague event held in Liverpool, which was attended by a number of board colleagues.

## Cyber security

Cyber security is routinely discussed by the board with commentary included in the CEO's monthly reporting pack. Focused board reports are presented twice a year by the chief security officer on the mitigating activities employed in response to the ever evolving threat of cyber attacks. The board is kept apprised of industry-wide and national security briefings on the matter.

## Board colleagues

Marina Wyatt joined the board on 1 October 2025, succeeding Doug Webb as chair of both the audit committee and the treasury committee with effect from 14 November 2025. The board considers that Marina, as a chartered accountant and having recently retired from the role of CFO at Associated British Ports Limited, has recent and relevant financial experience, as does Doug Webb.

Alison Goligher will step down from the board at the conclusion of the AGM on 17 July 2026 after over nine years on the board. During her time as a non-executive director she has made a huge contribution to the board with her experience of large capital programmes, and her wise counsel and pragmatic approach. As the first designated non-executive director for workforce engagement, Alison built a relationship of trust and openness with the members of the Colleague Voice Panel.

## Reporting against the code

In the following pages of this corporate governance report, we set out how the board has fully applied the principles and fully complied and reported on the provisions of the 2024 UK Corporate Governance Code (the code) as applicable to the financial year ended 31 March 2026. In relation to provision 10, Alison Goligher has served beyond a nine-year term, but she has remained a valuable and independent member of the board, free from any conflicting interests with those of the group. As set out in the 2025 annual report, the board concluded it would be beneficial to retain Alison's experience of large capital programmes, providing continuity among board members to support the board's oversight of the transition to AMP8. Alison has continued to bring her independent perspective and mindset to board discussions, and she will be much missed. We wish her well in her future roles.

## Issue of new ordinary shares

On 30 April 2026, the board announced the issue of 60,975,610 new ordinary shares of five pence each following a capital raising exercise to raise proceeds of circa £800 million, in order to fully fund the equity element of the circa £2.5 billion incremental investment programme. Our proposals for a circa £1.4 billion investment programme were submitted to Ofwat as part of its '2026 Re-opener' process, which was announced at the same time (see page 05) – this is the first phase of our incremental investment programme providing further investment in our region. The share issue took the form of a non pre-emptive placing to institutional shareholders with a retail offer made available via RetailBook, providing an opportunity for retail investors in the UK to acquire new ordinary shares as part of the capital raising exercise. A number of board members subscribed for shares as set out on pages 166 and 168. Further information can be found on page 214.

## Annual general meeting

I look forward to welcoming shareholders to the company's main offices in Warrington at the annual general meeting in July, the details of which are set out in the notice of meeting, which this year includes a non-binding advisory vote on the company's net zero transition plan. A resolution on climate-related disclosures was a matter last considered at the 2022 annual general meeting.

**Sir David Higgins**
Chair

▶ Read more about **our BIG North West Upgrade** on page 51

### Quick facts

- Sir David Higgins met the independence criteria as set out in provision 10 of the 2024 UK Corporate Governance Code (the code) when he was appointed.
- The code requires that at least half of the board, excluding the Chair, should be non-executive directors whom the board considers to be independent. As at 31 March 2026, there were eight independent non-executive directors on the board.
- The company secretary attends all board and committee meetings and advises the Chair on governance matters. The company secretariat team provides administrative support.
- The directors' biographies (see pages 102 to 105) include specific reasons why each director's contribution is, and continues to be, important to the company's long-term sustainable success.
- All directors are subject to annual election at the annual general meeting (AGM) held in July. The board concluded, following the completion of the evaluation of the review of the performance of the board, that each director continues to contribute effectively.
- The board recommends that shareholders vote in favour of those directors standing for election or a further term at the forthcoming AGM, as they will be doing in respect of their individual shareholdings.

### Quick links

▶ Schedule of matters reserved for the board: **unitedutilities.com/corporate-governance**

▶ A copy of the **Financial Reporting Council's 2024 UK Corporate Governance Code** can be found at **frc.org.uk**

## Governance structure for the board and the principal committees

Set out below is the governance structure of the group covering the board, its principal committees and the principal management committees. A governance structure, overseen by management, with appropriate levels of delegated authority cascades throughout the business as part of the internal control process.

Key: Oversight and challenge | Inform and implement | Contribution to our strategy:

**United Utilities Group PLC board**
**Chair – Sir David Higgins**

### Code principal board committees

**Audit committee**
**Chair:** Marina Wyatt
See pages 124 to 135

**Nomination committee**
**Chair:** Sir David Higgins
See pages 115 to 119

**Remuneration committee**
**Chair:** Kath Cates
See pages 140 to 170

### Other board committees

**ESG committee**
**Chair:** Liam Butterworth
See page 138

**Compliance committee**
**Chair:** Doug Webb
See page 137

**Treasury committee**
**Chair:** Marina Wyatt
See page 136

**Announcements committee**
**Chair:** Any member of the committee
Responsible for overseeing compliance with the group's disclosure controls and considering the materiality of information.

**Chief Executive Officer – Louise Beardmore**

### Principal management committees

**Group audit and risk board**
**Chair:** Louise Beardmore, CEO
The group audit and risk board is responsible for reviewing governance, risk and compliance matters.

**Executive team**
**Chair:** Louise Beardmore, CEO
The executive team is responsible for the day-to-day running of the business and other operational matters, including the supply chain and implementing the strategy set by the board.

**Capital investment committee**
**Chair:** Louise Beardmore, CEO
The committee is responsible for authorising expenditure relating to the capital investment programme.

**Sustainable finance committee**
**Chair:** Phil Aspin, CFO
The committee is responsible for ensuring funds raised under the sustainable finance framework are allocated to eligible green or social projects.

**Political and regulatory group**
**Chair:** James Bullock, group regulation director
The group is responsible for discussing political and regulatory issues affecting the company, where any 'horizon scanning' issues are raised and business responses to consultations are agreed.

**ESG leadership group**
**Chair:** Jo Harrison, asset management director
The group leads and governs the continual improvement of performance on evolving ESG matters to reduce risk, maximise positive impacts, and create value for all stakeholders.

**Security steering group**
**Chair:** Jon Wyatt, chief security officer
The group is responsible for the oversight of cyber and physical security matters, risks and mitigating actions.

**Climate change mitigation steering group**
**Chair:** Phil Aspin, CFO and Jo Harrison, asset management director
The group leads the ongoing development and delivery of our strategy and activity to achieve our science-based targets and carbon pledges.

**Health and safety executive**
**Chair:** Louise Beardmore, CEO
The group leads on the delivery of health and safety strategy, policy and implementation, driving continuous improvement and learning from incidents.



### Our strategic priorities

- Improve our rivers
- Create a greener future
- Deliver great service for all our customers
- Provide a safe and great place to work
- Spend customers' money wisely
- Contribute to our communities

## Board activities during 2025/26

In addition to the areas of board focus set out on page 101 and the S172(1) Statement on pages 88 to 89, the board has been fully apprised of the matters set out in the table below, with decisions made as appropriate. Scheduled meetings are usually held in person, and board members are expected to attend. Similarly, board members are expected to make every effort to attend ad hoc meetings, albeit virtually if needs be. On the evening before most scheduled board meetings, the non-executive directors meet to provide a discussion opportunity outside of the formal meeting, from time to time the CEO, CFO and company secretary attend. A table of attendance of scheduled meetings is set out on page 110.

| Actions | Outcomes | See pages | Link to strategic priorities |
|---|---|---|---|
| **Leadership and colleagues** | | | |
| Regular review of the progress to enhance health and safety performance through the refresh of the 'Home Safe and Well' health and safety strategy and targeted interventions to improve occupational road risk and process safety performance. | Progress has been made in supporting a transformation in H&S leadership and culture across the organisation including: leadership H&S moments, director-level H&S plans and leadership visits, driver safety dashboards and interventions, a revised significant incident process and a supporting project management office had been established. | 78 and 101 | |
| Review of board and executive team succession plans. | Apprised of the succession planning activities for the senior management talent pipeline with a number of opportunities being arranged for board members to meet colleagues on the talent programme. | 118 | |
| Review of the results of the annual colleague engagement survey and feedback from the Colleague Voice panel. | Insight on the views of colleagues through the engagement survey and from the Colleague Voice panel, enabling the board to focus on addressing areas where improvement was required. | 112 | |
| Regular review of cultural metrics and associated data made available in the monthly CEO performance report. | Assessed and monitored culture and how the desired culture had been embedded and concluded it was aligned with the company's purpose, values and strategy. | 113 | |
| **Strategy – stronger, greener, healthier North West** | | | |
| Reviewing environmental regulatory reporting changes introduced by the Environment Agency with effect from 1 January 2026. | The board noted that the underlying methodology used and reported in the annual environmental performance assessment for a range of environmental measures had been tightened. The Water Industry Regulated Incidents publication had changed the definition of a 'pollution incident', and guidance including the definition of a 'dry-day' had been published. As a result of the changes, reported pollutions were expected to increase across the sector. | – | |
| Considered, following review by the compliance committee, UUW regulatory reports and, as appropriate supporting assurance, for submission to the group's regulators including Ofwat and the Environment Agency. | Approval of the submission/publication during the year of regulatory reports to the group's regulators including the Pollution Incident Reduction Plan, the Event Duration Monitoring report, the Environmental Performance Assessment and the Annual Performance Report. | – | |
| Maintaining the focus on the provision of ensuring the continuation of supplies to customers during dry weather and reducing spills from storm overflows. | Kept fully apprised of water contingency planning to ensure the security of supplies and leakage reduction measures, and progress against the target of a 60% reduction in storm overflow spills in the decade to 2030. | 75 | |
| Considered the approval of the contract to appoint the contractor, (following the competitive procurement process), to design, build, finance and maintain the new tunnel sections of the Haweswater Aqueduct. | Approved the construction contract with the competitively appointed provider Cascade Infrastructure, which was formed from a consortium that included STRABAG and Equitix, for £3 billion to replace tunnel sections of the Haweswater Aqueduct. | 04 and 45 | |
| **Governance** | | | |
| Reviewed and debated the overall risk profile of the group, the principal and emerging risks and risk appetite and management of key risks. | Considered and noted the definition of material risks as those which, in the worst case, had a significant (greater than £350 million) one-off financial impact and severe reputational impact with the principal risks being redefined as those identified as being material risks along with the significant long-term risks. Endorsed the nature and the management of principal risks and were satisfied that the approach to risk appetite and the risk management framework were fit for purpose. | 55 to 61 | |
| Reviewed the risk management systems, including financial, operational and compliance controls and the effectiveness of the internal control systems. | The risk management and internal control systems were considered to be effective. | 121 | |
| Reviewed and discussed the findings of the internal evaluation and review of the performance of the board, its committees and any potential conflicts of interest. | Identified action points and any ongoing training needs. | 119 | |
| Reviewed the performance of the statutory auditor and recommendation for reappointment at the 2026 AGM. | Accepted the recommendation from the audit committee that KPMG be proposed for reappointment at the 2026 AGM. | 134 | |
| **Financial** | | | |
| Considered company business plan and reviewed the 2026/27 budget. | Noted the company business plan and approved the 2026/27 budget. | – | |
| Reviewed the half and full-year results, and associated announcements and related dividend payments. | Considered and approved the half and full-year results and the interim dividend and final dividend payments. | – | |
| Reviewed management's proposed going concern and long-term viability statements. | Approved the going concern and long-term viability statements for the financial year to 31 March 2026. | 121 | |
| Reviewed the annual treasury update. | Approved the group's funding requirements and potential sources of funding and endorsed the approach to managing interest rates and other exposure to market risk. | 126 | |

# Board member attendance at meetings

## Attendance at scheduled board and committee meetings during 2025/26

| | Boards meetings[1] | Audit committee[6] | Remuneration committee | Treasury committee | ESG committee | Nomination committee | Compliance committee |
|---|---|---|---|---|---|---|---|
| Sir David Higgins | 9 9 | – | – | – | – | 3 3 | – |
| Louise Beardmore | 9 9 | – | – | – | 3 3 | 3 3 | 5 5 |
| Phil Aspin | 9 9 | – | – | 4 4 | – | 3 3 | – |
| Doug Webb | 9 9 | 4 4 | 4 4 | 4 4 | – | 3 3 | 5 5 |
| Liam Butterworth | 8 9 [2] | 2 3 [5] | – | – | 3 3 | 3 3 | – |
| Kath Cates | 9 9 | 4 4 | 4 4 | – | – | 3 3 | – |
| Ian El-Mokadem | 7 7 [3] | 4 4 | – | – | – | 2 2 | 4 4 |
| Alison Goligher | 9 9 | – | 4 4 | – | 3 3 | 3 3 | 5 5 |
| Clare Hayward | 9 9 | – | – | – | 3 3 | 3 3 | – |
| Michael Lewis | 9 9 | – | – | – | 3 3 | 3 3 | – |
| Marina Wyatt | 3 3 [4] | 2 2 | – | 2 2 | – | 1 1 | – |

Meetings attended  Possible meetings

(1) Actual number of meetings attended/maximum number of scheduled meetings that the directors could have attended during the financial year ended 31 March 2026.
(2) Liam Butterworth was unable to attend one board meeting due to prior commitment.
(3) Ian El-Mokadem became a member of the board on 1 June 2025.
(4) Marina Wyatt became a member of the board on 1 October 2025.
(5) Liam Butterworth was unable to attend one meeting of the audit committee, he stepped down from the committee on 14 November 2025.
(6) In addition to the scheduled meetings included in the table above, the audit committee held an additional meeting in February 2026 (see page 126). All members of the committee were in attendance.

### Non-executive directors' induction programme

Ian El-Mokadem and Marina Wyatt, who joined the board in June 2025 and October 2025 respectively, spent time with members of the executive team and met with representatives from the company's advisers in an induction programme agreed for each of them by the company secretary and CEO. Their induction programmes were designed to provide an opportunity to gain an understanding of the treatment processes, key business challenges and first impressions of the business and its culture. Their individual induction programmes followed a similar format, as set out below, held over a two-day visit to the group's main offices in Warrington. As part of their induction they both visited the operational control centre and the pollution taskforce team's control room, and with Ian also visiting the customer call centre. Site visits were arranged for each of them to both a water treatment and a wastewater treatment site where they met with operational colleagues and learnt about the treatment processes. During their induction visit, an informal dinner was arranged for each of them with members of the executive team. On joining the board, new directors are provided with a number of documents and access to other reference material stored on a board portal, and available to them at all times.

An in-depth finance and audit induction was arranged for both Marina and Ian. Held over a further two-day visit, they each met with the CFO and senior managers in the finance team, and those in treasury, tax, pensions, investor relations, and audit and risk. Additionally, Marina had a one-to-one session with the KPMG audit engagement partner, Gill Hopwood-Bell.

| Areas covered | Discussions held with |
|---|---|
| Strategic priorities, company purpose and values, and our £13bn AMP8 programme | CEO |
| Financial performance, internal audit, risk and internal control and investors | Group financial controller, head of audit and risk and investor relations and clean energy strategy director and external auditor |
| Corporate and governance structure, governance and best practice, and legal matters | Company secretary and external legal adviser |
| Colleague engagement and reward, organisational culture, health, safety and wellbeing | People director and health and safety director |
| Engineering and capital programme, and commercial activities | Capital delivery, engineering and commercial director |
| Customer services activities and technology | Customer and technology director |
| Overview of operational activities | Chief operating officer |
| Water quality, treatment and supply network | Water services director, chief scientific officer and central operations director |
| Wastewater treatment and wastewater network and storm overflows | Wastewater services director |
| Economic regulation and compliance | Regulation and compliance director |
| Bioresources and green energy activities and site visit to bioresources treatment site | Bioresources and green energy director |
| Communication and stakeholder engagement activities | Corporate affairs director and head of regional engagement |
| Haweswater Aqueduct Resilience Programme and transformation | Transformation and strategic programmes director |

## Division of responsibilities – board roles

The roles and responsibilities of the Chair, the CEO and the senior independent director are clearly defined and set out in the terms of reference, available on the company's website. There is a clear division of responsibility between the leadership of the board and the executive leadership of the group's business. The Chair's role is fundamental to the effective operation and decision-making of the board. Sir David was independent on appointment when assessed against the circumstances set out in provision 10 of the code. As CEO, Louise Beardmore is responsible for managing the group's business and implementing the strategies and policies approved by the board. The responsibilities of each of the directors is summarised in their biographies as set out on pages 102 to 105.

Sir David is supported in his role as Chair of the board by the company secretary. Regular meetings are held to discuss agendas and ensure that information provided to the board is both timely and board materials are of an appropriate length and quality. The company secretary ensures that the board is kept abreast of regulatory and legislative drivers, and provides support to the non-executive directors and ensures the practical arrangements for board meetings are met.

## Conflicts of interest/ related-party transactions and the time commitment of non-executive directors

The company's articles of association contain provisions that 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 or related-party transactions were declared during the year.

Other board and committee appointments are taken into consideration during the recruitment process. A candidate would not be considered if they were felt to be overboarded. The board does not specify the precise time commitment it requires from its non-executive directors – in taking on the role they are expected to fulfil their responsibilities and manage their diaries accordingly. This approach is set out in the letter of appointment that each director signs when joining the board. 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, considered not to be preparing satisfactorily or not contributing appropriately to board discussions, the Chair would be responsible for discussing the matter with them and agreeing a course of action. The board is content that each of the directors seeking reappointment/election at the 2026 AGM are able to fulfil their responsibilities to the United Utilities' board alongside other roles currently held.

Executive directors are not normally allowed to take on more than one non-executive position.

## Board committee membership

The board delegates certain responsibilities to its committees and appoints directors to board committees that best reflect their skills, expertise and particular areas of interest. The board has applied the board diversity policy (see page 117) to the audit, nomination, remuneration, ESG and compliance committees thereby ensuring diversity of attributes and female representation. The board is satisfied that the membership of the audit committee and the remuneration committee are in accordance with provisions 24 and 32 of the code, respectively.

## Confidential helpline and whistleblowing policy

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 a culture within the group where genuine concerns may be reported and investigated without reprisals. A confidential telephone helpline and a web portal are available to enable colleagues (including agency workers and contractors) to raise matters of concern in relation to possible incidents of fraud, dishonesty, corruption, theft, security and bribery. Furthermore, colleagues 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 makes it clear that no colleague will be victimised for raising a matter in accordance with the policy. Matters raised with the helpline/portal are, in the first instance, reported to the whistleblowing committee 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 then considered by the whistleblowing committee (whose membership comprises the company secretary, the people director, the regulation and compliance director, the head of internal audit and the commercial, engineering and capital delivery director), 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 an environment is fostered in which colleagues feel it is 'safe to speak up' and to do so without fear of reprisal.

### 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 risk management and internal control systems (including financial, operational and compliance) and processes operate effectively (see pages 54 to 63).
- 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 that exceed £210 million, and any project that materially increases the group's risk profile, or is not in the ordinary course of the group's business.

### Quick links

▶ There is a schedule of matters that the board has reserved for its own decision, a copy is available at **unitedutilities.com/corporate-governance**

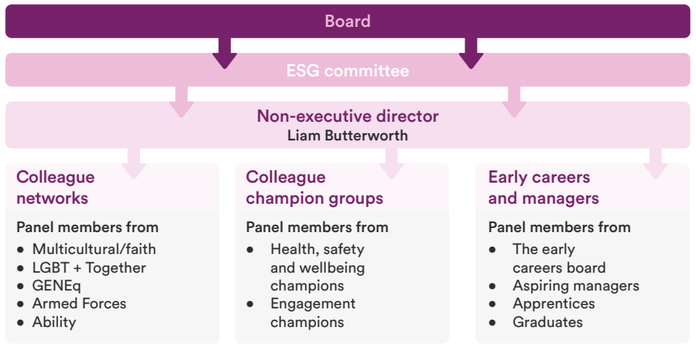
# Board engagement with colleagues

## Colleague Voice panel

During the year, Liam Butterworth was appointed as the designated non-executive director for engagement with the workforce, taking over from Alison Goligher. The role primarily involves chairing the Colleague Voice panel which provides colleagues with an opportunity to share views directly with a board member and showcase colleague activities. A summary update is provided to the board on a regular basis.

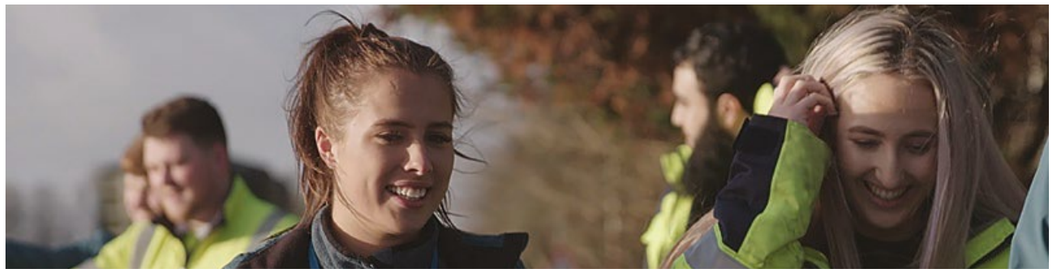
Two formal meetings of the panel were held during the year, as well as an informal opportunity for colleagues to meet the new chair and discuss improvements to ensure the Colleague Voice panel meetings continue to be effective. Minutes are recorded and made available on the company's intranet for all colleagues to access. A summary of the key items discussed during panel meetings in 2025/26 is set out below:

- Board updates – information shared on key areas of focus of board discussions.
- Regular updates on health and safety, focusing on 'Home Safe and Well' from the health and safety director.
- Presentation of the annual 'Opportunity for All' report and plans by the equity, diversity and inclusion manager.
- Technical training update by the head of training delivery.
- Focus on our apprentice and future skills plan by the head of early careers.




The group continues to engage with agency staff and contractors through a third-party partner dedicated account manager. This ensures that any change activity is consistently communicated to colleagues, agency staff and contractors.

On pages 47 to 48 is information on the company's approach to engagement with, and creating value for, colleagues. Health, safety and wellbeing is a priority. An explanation of the company's approach to rewarding the workforce can be found on page 145.



27 panel members from 10 different work locations

17 women and 10 men

Representatives from all five colleague networks

## Other colleague engagement mechanisms include:

### CEO and leadership site visits

During the year, our CEO and members of the senior executive team have visited a number of operational sites across the business as part of an ongoing programme, enabling them to meet colleagues, showcase innovation and improvements and enable colleagues to discuss any areas of concern.

### All-colleague event

In February 2026, around 5,000 colleagues attended a one-day event in Liverpool to hear about the progress we are making towards our BIG North West upgrade, our health and safety life-saving rules and development plans for the coming year and ensuring every colleague feels included and able to contribute to our growth agenda.

### Executive sponsorship

Each colleague network group is actively sponsored by members of the executive team.

### Executive and senior manager mentors

Members of the executive team and other senior managers offer mentoring to colleagues on the talent programme.

### 'Call it Out' mailbox

Our 'Call it Out' mailbox continues to be a route for colleagues to call out situations where they think customers' money is not being spent wisely or where the service and behaviour of suppliers is not to the standard expected, or to provide an easy means of suggesting a process improvement idea or any other suggestion.

A key metric to measure the efficacy of the above channels is the 'My voice is heard' category in our annual colleague engagement survey. The survey is conducted in March each year, our overall company score for this category in March 2026 was 90%, which is 13 percentage points ahead of the highest performing companies' comparison group.

## Culture

Our values of 'do the right thing', 'make it happen' and 'be better' continue to underpin our culture of behaving as a responsible business and articulate how colleagues are expected to think, behave and act, both individually and in teams. These values underpin every element of colleague engagement, from health and safety life-saving rules to large-scale transformation programmes and colleague development.

## Assessing and monitoring our culture

Ensuring we continue to embed our desired culture and values is monitored by management, both at an individual and collective level. Individual colleague recognition is aligned with our values and celebrated monthly through the colleague ACE awards initiative. The colleague voice channels (described on page 112) provide the opportunity for management to informally track cultural alignment with the company's purpose, values and strategy.

In addition, key performance indicators are reviewed on a monthly basis by the executive team and presented at scheduled board meetings. The board was satisfied that the policies, practices and behaviours within the business were aligned with the company's purpose, values and strategy and the desired culture is embedded and championed across the business.

The following metrics, used to monitor and assess culture, are taken from the annual colleague opinion survey results published in March 2026:

**90%**
Overall percentage engagement score
**UK norm:** 81% **2024/25 UU score:** 87%

**86%**
Overall colleague response rate
**2024/25 UU score:** 87%

**95%**
Agree United Utilities supports diversity and inclusion in the workplace
**UK norm:** 84% **2024/25 UU score:** 92%

**94%**
I would recommend United Utilities as a good place to work
**UK norm:** 81% **2024/25 UU score:** 90%

**81%**
Agree our reward package is as good or better than the reward package I could get for a similar role, or in other organisations
**UK norm:** 47% **2024/25 UU score:** 78%

**91%**
I am willing to work beyond what is required in my job to help United Utilities succeed
**UK norm:** 86% **2024/25 UU score:** 89%

While management recognises the strongly positive response to our annual colleague opinion survey, focus and momentum is maintained to ensure colleague feedback is acted on throughout the year. Around 400 colleagues are nominated as engagement champions for their teams/departments to ensure improvements in response to colleague feedback are implemented. Regular sessions between our CEO and the engagement champions provide the opportunity to raise any concerns and showcase engagement activities across the company.

Annual survey results and engagement plans are presented to the board to ensure oversight and continuity of culture.

# Board engagement with stakeholders

## Engagement with investors and shareholders

The board as a whole accepts its responsibility for engaging with shareholders and receives regular feedback from meetings with investors undertaken by the Chair, CEO and CFO, supported by the investor relations team. It receives reports and updates from sector analysts and the company's brokers ensuring the board has a clear understanding of investors' priorities.

Common themes from Sir David Higgins' meetings with representatives from institutional investors held during the year, the details of which were shared with other board members, were as follows:

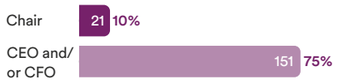
Environmental: a focus on core environmental delivery (including storm overflows, pollution incidents and EPA performance) with climate resilience increasingly assessed through its financial and regulatory impacts;

Social: heightened interest on ensuring sufficient customer support was in place to protect vulnerable customers; and

Governance: growing optimism about UUW's readiness for regulatory reform (including the findings of the Independent Water Commission, chaired by Sir Jon Cunliffe) and confidence in management's capability to deliver the AMP8 capital programme, with the retention of the current executive directors being a key contributing factor.

The group has an active investor programme, with the CEO and CFO presenting the half and full-year results to the market via a live webcast and participating in a question and answer session. For those not able to attend, the sessions are recorded and made available on the company's website. The CEO and CFO hold a regular schedule of meetings with major investors; the programme incorporates all the major financial centres in the UK, Europe, North America and Asia Pacific.

Set out below is the breakdown of actual meetings held with shareholders and the percentage of the total shareholder register represented by these shareholders.




▶ **unitedutilities.com/corporate/investors/results-and-presentations/full-and-half-year-results**

In 2025, shareholders were invited to the AGM at the company's main offices in Warrington, with 27 shareholders/proxies present. At the meeting, votes were cast in relation to, approximately, 75% of the issued share capital (2024: 75%; 2023: 74%) and all 23 resolutions 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 each of the directors were in excess of 96%.

During the year, members of the remuneration committee undertook a comprehensive shareholder consultation exercise regarding the proposed directors' remuneration policy, reaching out to major shareholders representing around 50% of the shareholder register. Meetings held were positive and constructive, with feedback being carefully considered and reflected in the proposed policy, which will take effect from the 2026 AGM if approved by shareholders. Further details about this consultation process can be found on page 144.

Shareholders are encouraged to access information, particularly relating to the half and full-year results presentations and annual report and accounts, via the company's website. Our registrar Equiniti, the company secretariat team and our investor relations team are all available to help shareholders with queries. Further information is available on page 239, along with a number of useful addresses.

## Engagement 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 underpinned by longer-term planning, 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 30 years at issue). Debt finance is primarily raised via the group's London-listed multi-issuer £12 billion Euro Medium Term Note Programme, 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 £761.9 million 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 and updated in March 2026. In August 2025, the group issued its third bond in the euro public market following its return to that market in 2024, further diversifying its sources of funding by issuing a €500 million, ten-year green bond in accordance with the group's sustainable finance framework. An allocation and impact report is published annually in respect of any green/sustainable finance raised, which provides credit investors with details on the use of proceeds of any sustainable finance raised, along with the selected case studies on eligible projects funded.

The group currently has gross borrowings of £11,490.6 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. Credit investor meetings are held through a programme aimed at the major European fund managers known to invest in corporate bonds that may be existing, or potential holders of the group's debt. 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**

## Engagement with regulators and other stakeholders

During the year, the chair of YourVoice (the independent customer challenge group) provided feedback to the board confirming whether, in YourVoice's view, customers' views had been taken into account in the construct of the 2025 UUW annual performance report and the AMP8 business plan. Sir David Higgins and Louise Beardmore had regular meetings throughout the year with representatives from the sector's key regulators. Doug Webb attended a roundtable event organised by Ofwat. The board also met with Water Minister, Emma Hardy, in June 2025 to discuss the emerging regulatory and policy landscape and recent company and industry progress.



# Nomination committee report

**Members**

**Sir David Higgins**
Chair

- Liam Butterworth
- Kath Cates
- Ian El-Mokadem
- Alison Goligher
- Clare Hayward
- Michael Lewis
- Doug Webb
- Marina Wyatt

## Dear shareholder

Changes during the year to the board included the appointment of Ian El-Mokadem on 1 June 2025 as reported in last year's annual report and, as announced on 1 September 2025, Marina Wyatt joined the board on 1 October 2025.

Marina has extensive experience both as an audit chair and as a former FTSE 250 chief financial officer working across multiple sectors including infrastructure, energy, telecoms and media/technology. Her executive career has given her a strong background in major project delivery working with multiple stakeholders including government and regulatory bodies. Marina's non-executive experience has afforded her insight into strategy and governance that, combined with her financial experience, will serve to further strengthen the board's expertise. Marina is a fellow of the Institute of Chartered Accountants, having retired in 2024 from her most recent executive role as CFO of Associated British Ports, a position held since 2019. Furthermore, Marina is a non-executive director of Lloyd's Register Group Limited where she chairs the audit and risk committee, a trustee of Lloyd's Register Foundation and chair of the audit, risk and investment committee. She stepped down as a non-executive director of Renewi plc and chair of the audit committee in 2022. She is considered by the board to have recent and relevant financial experience.

## Roles and committee membership

As part of the orderly succession process, Alison Goligher relinquished the senior independent director role with effect from the conclusion of the 2025 AGM and was succeeded by Doug Webb. At the same time, Doug took over as chair of the compliance committee; Liam Butterworth succeeded Alison as the designated non-executive director for engagement with the workforce and chair of the Colleague Voice panel, and Michael Lewis became a member of the compliance committee. Alison continued to serve as a member of the nomination, remuneration, compliance and ESG committees, as set out on page 106, she will not seek reappointment at the 2026 AGM, stepping down from the board at the conclusion of the meeting.

Doug Webb relinquished the role of chair of the audit committee and of the treasury committee, and was succeeded by Marina with effect from 14 November 2025 (when Liam Butterworth stepped down from the audit committee), although Doug continues to serve as a member of both committees. With the addition of Marina, the board and the audit committee now benefit from significant independent financial expertise; Doug has over ten years chairing audit committees as a non-executive director, currently chairing the audit committee at Johnson Matthey plc, and Kath Cates chairs the audit committee at TPEN, part of Threadneedle Investments.

## Board diversity

At 31 March 2026, the company met the board diversity target that 40% of the board are women and that at least one of the senior positions on the board is held by a woman. Additionally, the target that at least one individual on the board is from a minority ethnic background was also met. The table, in accordance with UKLR 6.6.6(9), can be found on page 116.

As recommended by the Parker Review, the company reports against the target that by 31 December 2027, 5% of senior managers and their direct reports will self-identify as minority ethnic. At 31 March 2026, 3.7% of this senior manager cohort self-identified as minority ethnic (2025: 3.4%). As set out on page 116, there have been small increases recorded in ethnic diversity among the workforce and in the proportion of colleagues who have completed our 'All about me' self-identification survey.

**Sir David Higgins**
Chair of the nomination committee

### Quick facts

- All members of the committee are independent, thus fulfilling the code requirement that the '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 company secretary attends all meetings of the committee.
- The people director 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.

### Main responsibilities

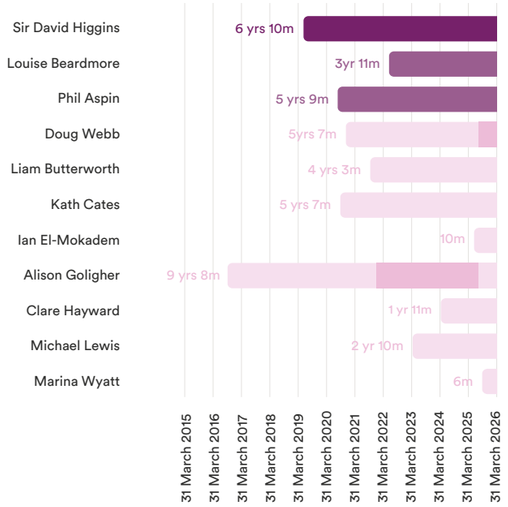
- Lead the process for board appointments and make recommendations to the board about filling board vacancies, including the role of company secretary.
- Consider the succession planning of directors and members of the executive team.
- Make recommendations to the board on refreshing the membership of 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).

### Quick links

▶ Terms of reference: **unitedutilities.com/corporate-governance**

# Nomination committee report

## Directors' tenure as at 31 March 2026




## Age and gender profile as at 31 March 2026

| | At 31 March 2026 |
|---|---|
| Non-executive directors' average tenure | 4 years 2 months |
| Executive directors' average career time within the business | 30 years 6 months |
| Average tenure of all directors | 4 years 4 months |
| Average age of the non-executive directors | 62 years |
| Average age of the executive directors | 55 years |

## Numerical gender data as at 31 March 2026

| | No. of board members | Percentage of the board | No. of senior positions on the board (CEO, CFO, SID, Chair) | No. in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| Men | 6 | 55% | 3 | 5 | 56% |
| Women | 5 | 45% | 1 | 4 | 44% |
| Not specified/prefer not to say | – | – | – | – | – |

## Numerical ethnicity data as at 31 March 2026

| | No. of board members | Percentage of the board | No. of senior positions on the board (CEO, CFO, SID, Chair) | No. in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| White British or other White (including minority-white groups) | 10 | 91% | 4 | 9 | 100% |
| Mixed/multiple ethnic groups | 1 | 9% | – | – | – |
| Asian/Asian British | – | – | – | – | – |
| Black/African/Caribbean/Black British | – | – | – | – | – |
| Other ethnic group | – | – | – | – | – |
| Not specified/prefer not to say | – | – | – | – | – |

Data for the above tables is drawn from HR management information at 31 March 2026, with the directors and members of the executive team each having completed the company's 'All about me' equity, diversity and inclusion survey. Among those colleagues completing the survey, colleagues from a minority ethnic background represented 4.9% (31 March 2025: 3.9%), 88.7% from a non-ethnic background (31 March 2025: 89.2%) and 6.4% chose not to disclose (31 March 2025: 6.9%).

As required by UKLR 6.6.6(9), the company has met the following board diversity targets at 31 March 2026 as set out below:

a. At least 40% of the individuals on the board are women;
b. At least one of the following senior positions is held by a woman: the chair; the CEO; the SID or the CFO; and
c. At least one individual on the board is from a minority ethnic background.



## 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% female representation, to have at least one director from a minority ethnic background,[1] and to have at least one of the positions of Chair, CEO, senior independent director or CFO held by a female.

## Skills matrix of board directors

| | Sir David Higgins | Louise Beardmore | Phil Aspin | Doug Webb | Liam Butterworth | Kath Cates | Ian El-Mokadem | Alison Goligher | Clare Hayward | Michael Lewis | Marina Wyatt |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Finance/accounting | | | ✓ | ✓ | | ✓ | | | | | ✓ |
| Utilities | | ✓ | ✓ | | | | ✓ | | | ✓ | |
| Regulation | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | ✓ | |
| Government | ✓ | | ✓ | | | | ✓ | | ✓ | ✓ | |
| Construction/ engineering | ✓ | | | | ✓ | | | ✓ | | ✓ | ✓ |
| Industrial | | | | ✓ | ✓ | | ✓ | ✓ | | | ✓ |
| Customer facing | | ✓ | ✓ | | | ✓ | ✓ | | | ✓ | |
| FTSE companies | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ |
| Digital/technology | | ✓ | | | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| ESG | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Current CEO/CFO of listed entity[2] | | | | | | | | | | ✓ | |
| Former CEO/CFO of listed entity | ✓ | | | ✓ | ✓ | | ✓ | | | | ✓ |

## Nomination committee and succession planning activities during 2025/26

| Actions | Outcomes | Cross reference |
|---|---|---|
| Reviewed the senior management succession pipeline and the approach to managing and developing talent. | The succession planning activities are designed to support and align the human resource requirements of senior managers and their direct reports both on a contingency basis and for the 2025–30 asset management period. | See page 118 |
| Review of the long-term succession plan for the board. | Agreed the brief and engaged Lygon Group[3] to assist in the appointment of a new non-executive director with experience and skills in finance and accounting to chair the audit and treasury committee in due course. | – |
| Received an update on the recruitment process and considered the short list of potential candidates to undertake interviews with the existing non-executive directors. | Considered and discussed feedback from the candidates' interviews with each of the current non-executive directors and agreed which candidate to take forward to meet with Ofwat representatives. | See page 118 |
| Considered feedback from Ofwat on the suitability of the proposed candidate. | Made a recommendation to the board for the appointment of Marina Wyatt as an independent non-executive director. | See page 115 |
| Reviewed the committee's terms of reference. | No changes made. | – |
| Discussed the findings of the review of the performance of the committee. | Identified points of action to be implemented in 2026/27. | See page 119 |

(1) 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.
(2) Excludes United Utilities.
(3) Lygon Group has no other connection with the company other than providing executive search services.

# Nomination committee report

## Board succession planning and diversity

The succession planning matrix and board skill set matrix (see page 117) capture the skills and experience of the current board members, any gaps or potential gaps that will arise as the existing non-executive directors step down and the skill sets required to meet the forecast strategic needs of the business. Details of the tenure of board members are shown on page 116. Neither the Chair, nor the CEO, would be involved in the appointment of their successor, although the committee would most likely seek to consult with the incumbent CEO given their unique knowledge of the business. Any selection process is underpinned by the application of the board diversity policy (see page 117). The policy is applied to the board committees as set out on page 111. On joining the board, induction programmes were arranged for Ian El-Mokadem and Marina Wyatt during the year – as set out on page 110.

At the conclusion of the 2026 AGM, Alison Goligher will step down from the board, and Ian El-Mokadem will join the remuneration committee in Alison's stead.

Diversity, in its broadest sense, is a key consideration in our board recruitment process, and the committee is committed to ensuring that all aspects of diversity are reflected among its board members. The committee keeps attainment of this objective under review as it strives to ensure that an ethnically and culturally diverse pool of candidates is available during any executive search process. As explained on page 116, at 31 March 2026 the company met the board diversity targets set out in UKLR 6.6.6(9). The board is cognisant of the benefits that diversity, in its broadest sense, brings to board discussions and in to its role in overseeing and challenging management and recognises the benefits of equity, diversity and inclusion across the business. There are initiatives in place to support colleagues in different circumstances in the workplace. Considerable progress has been made during the year to address the ethnic imbalance of the workforce and align with our strategic priority to provide a safe and great place to work (see page 47).

## Executive directors and senior manager succession

The group has had a written succession plan for the executive directors and other members of the executive team, which includes outline timescales, identifies an interim internal successor to fill a role in the short term should the need arise, and addresses 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. Biographies of our executive team can be found on our website at **unitedutilities.com/corporate/about-us/governance/our-executive-team**

## Knowledge and training

Board directors regularly receive updates to improve their understanding and knowledge of 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.

Deep-dives on a number of topics have been held during the year – see page 101. All directors completed internally provided fraud and bribery awareness training as part of the group's readiness for the enactment of ECCTA on 1 September 2025.

During the year, the board received briefings from both Slaughter and May (legal and governance matters) and KPMG (governance changes relating to reporting requirements), and held sessions with a number of other advisers.

Operational site visits were arranged during the year for board members to the group's employee training centre at Bolton, to visit a sustainable rainwater management scheme utilising reed beds at Chorley, to the information centre at Windermere and the nearby wastewater treatment works.

Kath Cates, Ian El-Mokadem, Alison Goligher, Clare Hayward, Doug Webb and Marina Wyatt attended the March 2026 all-colleague event in Liverpool, and Liam Butterworth has chaired the Colleague Voice panel (see page 112).

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, as did Ian El-Mokadem in January 2025 and Marina Wyatt in August 2025. Any non-executive director who is appointed as the senior independent director is also required prior to the appointment to meet with representatives of Ofwat as did Doug Webb in June 2025. In December 2025, Ofwat published a fitness and propriety rule which must be applied to existing board directors in advance of 1 April 2027.

## Annual evaluation of the performance of the board and its committees: process

### 1 Planning: November 2025

The Chair and the company secretary discussed the internally facilitated review agreeing that a questionnaire-based approach be adopted. The company secretary discussed the content of the questionnaires with the Chair, and once drafted they were shared with the Chair, and chair of each committee for comment/approval prior to being issued.

### 2 Scope and methodology: December 2025

Questionnaires (including both quantitative and qualitative questions) were completed by board members assessing both the performance of the board, and that of the Chair. Members of each committee completed relevant questionnaires as did the standing attendees for each committee. Representatives from KPMG and Ellason, as statutory auditor and remuneration committee adviser, as regular attendees, were asked to complete the questionnaires for the audit committee and remuneration committee respectively. Directors were not asked to complete a questionnaire for a committee they did not routinely attend. Each director also completed a self-assessment questionnaire assessing their own performance. Questionnaires were completed via an online portal.

### 3 Analysis: January 2026

The results were collated and analysed by the company secretary's team, with draft reports prepared.

### 4 Findings: Early 2026

Draft reports were discussed with the Chair and circulated to the relevant committee chairs, after which, the final results were presented and actions discussed by the board in February 2026. Each committee also discussed the results of the relevant evaluations and the points of action at their respective meetings held in early 2026. The Chair reviewed the performance of the individual directors and discussed the review of the individual directors with each of them identifying any points of action. Doug Webb, as the senior independent non-executive director, led the review of the Chair and held a discussion with the other non-executive directors without the Chair present. Detailed feedback was provided to the Chair.



## Review of the performance of the board and its committees: outcomes

An external review was last conducted in 2023/24 by Independent Audit Limited, in accordance with the three-year cycle set out in the code, an external review will be undertaken in 2026/27. With agreement by the Chair, the board evaluation was internally facilitated during the year by the company secretary and his team.

| 2023/24 | 2024/25 | 2025/26 |
|---|---|---|
| External review by Independent Audit Limited | Internal review by the company secretary and his team | Internal review by the company secretary and his team |

### Outcomes

The conclusions of the review and actions identified are set out below:

#### The board – strengths:

- Responses suggested that the board performed well in many areas with good board dynamics and a cohesive approach. Non-executive directors provided appropriate challenge and oversight to management, balanced with a supportive approach. Board composition was strong and the board had a clear view of risk and a good understanding of its stakeholders and the group's regulators. The board received a good level of support from the company secretary and his team.
- The regular deep-dives and site visits were well received.

#### The board – priorities for action:

- There should be more time spent on longer-term thinking into the next AMP and on asset management and maintenance strategy.
- Visibility of the progress of the AMP8 capital programme and clarity on performance relating to associated cost was cited as a key area for regular board review.
- Given the fast pace of the evolution of the cyber security threat and technology and artificial intelligence, further review and discussion in the coming year was important.
- Further development of the board's understanding of emerging risks and the investment needed was required.
- Ensuring that board, executive and senior leadership succession received adequate board discussion given the challenges in the sector and competition for resources was a key action point.
- Respondents challenged the delivery date of board packs, with the target of packs being sent out seven days before the date of the meeting.

#### The committees – priorities for action:

- **Audit committee** – ensuring papers were succinct and only information that was needed, should be circulated to the committee. Regular updates on the progress of the material controls declaration work was sought along with a review of the risk management systems - particularly those relating to cyber security. The rating levels applied by internal audit should be kept under review and the overlap of responsibilities of the committee with that of the compliance committee should be revised.
- **ESG committee** – the committee asked for peer comparators on the approach to ESG and insight into emerging ESG trends and opportunities for accelerating nature-based solutions and working with our partners. Exploring ESG training opportunities for new committee members and more deep-dives were suggested.
- **Nomination committee** – ensuring that the committee maintained its focus on executive director and management succession, retention and short-term continuity plans given the pressures in the sector. Focus on non-executive director succession planning and remuneration committee membership. Respondents felt the committee would benefit from having more time together.
- **Remuneration committee** – ensure the board was kept fully informed of the remuneration proposals for executive directors. Ensure committee members had appropriate support and insights including peer comparators. Continue to hold non-executive sessions without management present.
- **Treasury committee** – management was challenged to ensure papers were succinct and not overly technical. Occasional adviser/third-party input when appropriate was welcomed.
- **Compliance committee** – management was challenged to ensure papers were succinct and to continue to provide deep-dives for key issues ensuring oversight was sought from the committee for strategic regulatory matters and ensuring that the board be apprised of high-risk areas.

### During the year, actions were taken to address the findings of the 2024/25 review as set out below.

| Key 2024/25 evaluation recommendations | Outcomes and activities undertaken during 2025/26 |
|---|---|
| Provide visibility on the transformation of the business, particularly in the capital delivery and engineering teams to meet the challenges of AMP8. | The board has been kept fully apprised of the transformation programme and progress with AMP8 mobilisation through deep-dive sessions and the monthly CEO reporting pack. |
| Spend more time on long-term planning beyond the next AMP and considering climate change and sustainable water planning. | At the board strategy day held in October 2025, views from board members were sought on sector reform, the operating environment and operational execution, looking ahead to AMPs 9 and 10, and activity elsewhere in the sector. |
| Provide the board with a better understanding of technology strategy and the opportunities and risks presented by AI and other emerging technologies. | A deep-dive session to discuss the technology strategy and AI strategy was held during the year. |
| Provide more opportunities for site visits and for board members to meet members of the executive team and senior management. | Board site visits have been arranged to the Bolton Training Centre, a sustainable rainwater management scheme at Chorley, the information centre and wastewater treatment site at Windermere and the all-employee conference held in Liverpool in February 2026. |

# Financial oversight responsibilities of the board

The board as a whole is responsible for overseeing the financial performance of the business. The board is supported in this role by the audit committee, whose activities are described on pages 124 to 135.

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 177 to 189), and the information and explanations provided by management in relation to their key judgements and adjustments to APMs (see page 96). The board considered the review and assurance process undertaken by management, and was considered by the audit committee to support the application of principle N. The board concluded that, in the 2025/26 integrated 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 audited accounts and provision of the directors' responsibility statement at its meeting on 15 May 2026; see page 175.

## Oversight of the 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. As described on page 56, climate change poses a risk to the group's provision of water and wastewater services. A table of our reporting against the TCFD recommendations is set out on page 53.

As part of the processes supporting the provision of the 'fair, balanced and understandable' statement, the board 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 impact of environmental risk and other potential risks associated with climate change on the financial statements is kept under review. The board's approach for accounting for climate change for the year ended 31 March 2026 is set out on page 198.

## Board's approach to risk management and internal control

As a key part of the risk management framework, risk appetite and tolerance (see page 54) captures the board's desire to take and manage risk relative to the company's obligations, stakeholder interests and the capacity and capability of its key resources. The board discharges its responsibility for ensuring that the company's risk management and internal control systems operate effectively across the business, and that they receive an appropriate level of scrutiny and challenge through the risk and resilience governance and reporting process (see page 55). The risk profile is reviewed in conjunction with the full and half-year reporting cycle along with deep-dives and routine performance reviews. The group's risks focus on the achievement of the objectives and obligations of a regulated water and wastewater company, including those relating to service delivery, reputation, regulatory and legal compliance, and the natural environment and are relative to multiple threats and vulnerabilities, such as climate change, asset health, demographic change and security.

### Monitoring and review of the effectiveness of the risk management and internal control systems

Taking into account the principal risks set out on pages 58 to 61, the ongoing work of the audit committee in monitoring the risk management and internal control systems (see pages 134 to 135) 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
- has monitored and reviewed the effectiveness of the risk management and internal control systems, including all material financial, operational and compliance controls.

After review, taking into account that no significant failings or weaknesses were identified, the board concluded the company's risk management and internal control systems are operating effectively.

## How the board monitored and reviewed the effectiveness of the risk management and internal control systems:

### Governance

- UUW board oversight of operational and compliance risk and controls.
- Oversight and activities undertaken by each of the audit committee, the treasury committee, the ESG committee and the compliance committee, including the recommendations from each of the committees and a review of the minutes of the committees' meetings.
- Treasury committee oversight of key treasury matters, including debt, financing and interest rate management.
- The review of the minutes of meetings of the group audit and risk board (GARB) and feedback from the CEO as chair of the GARB (see page 55).
- Feedback from the CEO, the CFO, the executive team and the head of audit and risk.
- Review of the effectiveness of the internal audit function (see page 135).

### Internal control

- Operational controls relating in particular to asset health, operational hazard and long-term resilience, and compliance controls to managing environmental performance and regulatory compliance managed through the business quality and environmental management system certified to ISO 9001 and ISO 14001.
- The internally published internal control manual (ICM) sets out financial controls, authorisation and approvals, and governance requirements.
- Self-assessment by management confirming compliance with key elements of the ICM and a range of key internal policies, processes and controls.
- Performance and financial reports are circulated as part of the information packs for board meetings.
- UUW's regulatory reporting and approval process.

### Risk management

- The business risk and resilience framework, including the 'bottom-up' biannual integrated risk review process and the 'top-down' assessment of risks through the group audit and risk board (see page 55).
- Biannual review of the group risk profile, with a focus on the most significant group and operational risks, in particular those that are our principal risks (material impact and significant long-term risks) as summarised on pages 58 to 61, and new and emerging risks (see page 62 to 63).
- The risk appetite and tolerance framework (see page 55), which includes: an overarching strategic appetite statement; general financial appetite against which the board reviews the most significant risks biannually; and target state for each corporate risk.
- Details of the principal risks and other significant group and operational risks, highlighting the extent of control/mitigation and the potential to achieve a targeted position, are made available to the board biannually.
- Review of matters correlating with, and deep-dives into, specific event-based operational risks.

### Assurance

- An 'assurance map' summarising the key external advice and assurance, second-line assurance activities and internal audit activities for each of the principal risks and other significant group and operational risks.
- The outcome of the activities undertaken by the internal audit function, who apply a risk-based approach and cover the group's auditable areas on a cyclical basis.
- The opinion provided by internal audit in relation to their work, that 'the governance, risk management and internal control framework was suitably designed and effectively applied within the areas under review'.
- Periodic review of the risk and resilience framework and risk appetite and tolerance framework by the internal audit co-source partner (most recently reported July 2023).
- Application of an assurance framework for the annual report to determine the external assurance requirements based on risk.
- Third-party assurance of specific sections of the annual report and financial statements.
- Comments made by KPMG on the effectiveness of the operation of the risk management and internal control systems from its observations, while undertaking the statutory audit.
- Assurance statements, detailing internal and external assurance activities, in support of key regulatory submissions.

▶ Read more about **significant issues considered by the audit committee** on pages 128 to 129

▶ Read more about **relations with banks and credit investors** on page 114

## Going concern and long-term viability

The board, following the review by the audit committee, concluded that it was appropriate to adopt the going concern basis of accounting (see page 195). Similarly, in accordance with the principles of the code, the board concluded, following the recommendation from the audit committee, that it was appropriate to provide the long-term viability statement based on an assessment period of seven years. Assurance supporting these statements was provided by the review of: the group's key financial measures and contingent liabilities; the key credit financial ratios; and the group's liquidity and ongoing ability to meet its financial covenants. As part of the assurance process, the board also took into account the principal risks and uncertainties facing the company, and the actions taken to mitigate those risks, and include emerging and more topical risks. These principal risks are detailed on pages 58 to 61, and the risk management processes and structures used to monitor and manage them on pages 54 to 57.

# Financial oversight responsibilities of the board

Biannually, the board receives a report detailing management's assessment of the most significant risks facing the company. The report gives an indication of the level of exposure, subject to the mitigating controls in place, for the risk profile of the group, while also highlighting the reputational and customer service impact. This provides the board with information in two categories: group-wide business risks; and operational risks. The board also receives information during the year from the treasury committee (to which the board has delegated matters of a treasury nature – see page 136), including such matters as liquidity policy, the group's capital funding requirements and interest rate management.

## Long-term viability statement

The directors have assessed the viability of the group, taking account of the group's current position, the potential impact of the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. This assessment has been performed in the context of the group's prospects as considered over the longer term. Based on this viability assessment, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the seven-year period to March 2033.

## Basis of assessment

This viability statement is based on the fundamental assumption that the core principles underpinning the regulatory and statutory framework within which UUW operates, and the interpretation thereof, do not substantively change. The long-term planning detailed on page 13 assesses the group's prospects and establishes its strategy over a 25-year time horizon consistent with its rolling 25-year licence and its published long-term strategy. This provides a framework for the group's strategic planning process, and underpins our business model set out on pages 12 to 99.

In order to achieve this aim and promote the sustainability and resilience of the business, due consideration is given to the management of risks over the long term that could impact the business model, future performance, credit ratings, solvency and liquidity of the group. Specifically, risks associated with current levels of economic uncertainty and climate change have been incorporated into the baseline position and factored into the various scenarios modelled as part of the group's assessment. An overview of our risk management approach that supports the group's long-term planning and prospects, together with the principal risks and uncertainties facing the business, can be found on pages 58 to 61. This approach considers the full range of categories of risk that could impact the company, such as financial, operational and regulatory risks. In addition, consideration is given to the adequacy of workforce policies and practices, all liabilities including pension liabilities, any exposure to revenue variations, and expectations of future performance taking account of past performance in delivering for customers.

Within the context of this long-term planning and management of risks, the group's principal business operates within five-year regulatory price control cycles. Medium-term planning considers the current price control period, over which there is typically a high degree of certainty and looks beyond this in order to facilitate smooth transitions between price control periods. This results in the board concluding that a recurring period of seven years is an appropriate period over which to perform a robust assessment of the group's long-term viability.

## Viability assessment: Resilience of the group

The viability assessment is based upon the group's medium-term business planning process, which sits within the overarching strategic planning process and considers:

- the group's policy of maintaining debt to regulatory capital value (RCV) of between 55% and 65%, which is consistent with a robust capital structure and strong solvency position, and which in turn supports the group's current credit ratings for its principal subsidiary United Utilities Water Limited of Baa1 with Moody's, A- (senior unsecured debt) and BBB+ (long-term issuer default) with Fitch, and BBB+ with S&P;
- the group's pension schemes being fully funded on a low dependency basis, with around 70% of the liabilities hedged through buy-in contracts and the remaining liabilities fully hedged for interest rate and inflation risk;
- the group's policy of maintaining a robust liquidity position, with liquidity to cover expected cash outflows for the next 15–24 months, and flexibility to exceed the upper end of the liquidity range in periods of greater uncertainty. At March 2026, the group had £1,562 million of available liquidity covering expected cash outflows through to February 2027 and providing a significant buffer to absorb short-term cash flow impacts; and
- the current regulatory framework within which the group operates - which provides a high degree of cash flow certainty over the regulatory period and the broader regulatory protections outlined below.

From a regulatory perspective, the group benefits from a rolling 25-year licence and a regulatory regime in which regulators – including the economic regulator, Ofwat – are required to have regard to the principles of best regulatory practice. These include that regulation should be carried out in a way that is transparent, accountable, proportionate, consistent and targeted. Ofwat's primary duties provide that it should protect consumers' interests, by promoting effective competition wherever appropriate; secure that the company properly carries out its statutory functions; secure that the company can finance the proper carrying out of these functions – in particular through securing reasonable returns on capital; and secure that water and wastewater supply systems have long-term resilience and that the company takes steps to meet long-term demands for water supplies and wastewater services.

In addition, from an economic perspective, given the market structure of water and wastewater services, threats to the group's viability from risks such as reduced market share, substitution of services and reduced demand are low compared to those faced by many other industries.

The factors set out in this section underpin the expectation of the company's ability to maintain access to equity and debt capital to the extent necessary to maintain the company's capital structure and liquidity policies, which in turn provide the capital buffer and cash liquidity considered appropriate to mitigate the potential realisation of the principal risks facing the business.

## Resilience to principal risks facing the business

The directors have assessed the group's viability based on the resilience of the group and its ability to absorb a number of 'severe but plausible' scenarios, derived from the principal risks facing the group, as set out on pages 58 to 61. The baseline plan against which the viability assessment has been performed is aligned to the company business plan. This baseline plan is then subject to further stress scenarios and reverse stress testing that takes into account the potential impact of the group's principal risks. Such risks include: environmental risks such as the occurrence of extreme weather events and other impacts of climate change, further details of which are included in the group's TCFD disclosures on page 26; political and regulatory risks; the risk of critical asset failure; significant cyber security breaches; current economic uncertainties including levels of inflation and the cost of living pressures affecting the group's customer base; geopolitical developments such as the ongoing conflict in the Middle East, and the potential for a restriction to the availability of financing resulting from a capital markets crisis.

The scenarios considered are underpinned by the group's established risk management processes, taking into account the highest ranking significant long-term risks and the material impact risks, focusing on those with a greater than 10% (one in ten) cumulative likelihood of occurrence. Risks associated with current economic conditions are reflected within the baseline position, with potential downside risks (most notably in relation to bad debt and inflation volatility) covered by the individual scenarios modelled, and collectively within a combined scenario.

Based on these risks, the following seven largest impacting scenarios were identified and applied as downside stress scenarios to the group's baseline plan.

| Scenario modelled | Level of stretch applied | Link to risk factors | Viability assessment: Pass/Fail (without mitigation)[1] breached? | Viability assessment: Projected lowest credit rating (investment grade retained)[2] | Viability assessment: Financial debt covenants breached? |
|---|---|---|---|---|---|
| **Scenario 1** Totex one-off impact | £400m one-off impact in 2026/27. Assumed to be operating costs. | Broadly representing the largest 'severe but plausible' risk which is a critical asset failure. | Pass | Baa1/BBB+ | No |
| **Scenario 2** Totex under-performance | An increase in totex by 10% (c£258m-£376m) per annum across the 7 year assessment period 2026/27-2032/33 (c£2.3bn cumulative) | Broadly representing the cumulative total expected NPV totex impact of the remaining top 10 'severe but plausible' risks (including environmental, cyber security, network failure and geopolitical risks) | Pass | Baa2/BBB | No |
| **Scenario 3** Lower inflation | CPIH inflation of 1.0% below baseline plan over 5 years 2026/27-2030/31. | Broadly consistent with quantum of inflation impacts modelled within top 10 severe but plausible risks | Pass | Baa1/BBB | No |
| **Scenario 4** Increased bad debt | An increase in bad debt of £20m per annum across the 7 year assessment period 2026/27-2032/33. | Aligned to internal risk factor on debt collection. | Pass | Baa1/BBB+ | No |
| **Scenario 5** ODI penalty | Additional ODI penalty of c£109m per annum across the 7 year assessment period 2026/27-2032/33. | Assumes mid-point of UUW's baseline and PR24 final determination P90 ODI position | Pass | Baa1/BBB | No |
| **Scenario 6** Higher interest rates | Debt refinanced as it matures, with new debt financed at 1% above the forward projections of interest rates 2026/27-2032/33. | Representing more than top 10 'severe but plausible' risk on financial outperformance. | Pass | Baa1/BBB+ | No |
| **Scenario 7** Combined scenario | 50% of scenarios 2-6:<br>• Increase in totex by 5% in each year of 2026/27–2032/33 (c£1.15bn cumulative);<br>• CPIH inflation of 0.5% below baseline plan for five years 2026/27–2030/31;<br>• Increase in bad debt of £10m per annum from 2026/27 to 2032/33;<br>• ODI penalty of c£55m in each year of 2026/27–2032/33; and<br>• New debt financed at 0.5% above the forward projections of interest rates 2026/27–2032/33. | | Pass | Baa2/BBB- | No |

(1) See below for examples of mitigating actions available, none of which are required to remain viable under each of the scenarios modelled.
(2) Assessment against current credit ratings of Baa1 with Moody's, BBB+ (long-term issuer default) with Fitch, and BBB+ with S&P.

The assessment has considered the impact of these scenarios on the group's business model, future performance, credit ratings, solvency and liquidity over the course of the viability assessment period. This assessment has demonstrated the group's ability to absorb the impact of all severe but plausible scenarios modelled.

The most extreme of the severe but plausible scenarios modelled, without any mitigating action, resulted in the group retaining investment grade credit ratings and liquidity of more than one year. In addition, there were no projected breaches of financial debt covenants.

## Viability assessment: reverse stress testing

As part of the assessment, reverse stress testing of two extreme theoretical scenarios focusing on totex overspend and persisting low inflation have been performed to understand the extent to which the group could further absorb financial stress before it reaches a sub-investment grade credit rating. This reverse stress testing demonstrated that these extreme conditions would have to be significantly outside what would be considered 'severe but plausible' scenarios before the group's long-term viability would be at risk.

## Viability assessment: key mitigating actions

In the event of more extreme but low likelihood scenarios occurring, there are a number of key mitigations available to the group, the effectiveness of which are underpinned by the strength of the group's capital solvency position. Use of these mitigating actions could be either in isolation or in combination, and would be dependent on the specific circumstances of the scenarios that may arise. All could potentially be applicable to each of the scenarios set out in the above table, although none are required to remain viable under the scenarios modelled.

### Example mitigations:

- **Reduction in discretionary totex spend** – discretionary spend could be suspended to improve liquidity in the short term.
- **Capital programme deferral** – in the event that any adverse factors were to materialise that significantly impacts the financial position of the company, temporary deferral of the base capital investment programme while considering other mitigating actions could ensure ongoing viability.
- **Closing out of derivative asset position** – management could closeout 'in the money' swap contracts relatively quickly, realising the value on these as a one-off opportunity.
- **Restriction of dividend** – if extreme circumstances merited it then the company could restrict dividend payments to conserve liquidity and improve capital solvency.

In the event of more extreme but low likelihood scenarios occurring, All of these mitigations are considered to be within the control of management. In addition, it is considered that the following mitigating actions could also be implemented:

- **Issuing of new finance** – a robust capital structure should support new debt financing being raised to meet liquidity requirements in the event of adverse one-off shocks.
- **Raising of additional equity** – as a listed group, UUG has access to a deep and liquid equity market, and raising new equity could be a course of action to improve both its liquidity and capital solvency position.
- **Sale and leaseback of fleet and property assets** – the sale and leaseback of head office and estate property or fleet vehicles could generate sale proceeds, realising the value on these as a one-off opportunity.

As well as the protections that exist from the regulatory environment within which the group operates, a number of actions are available to mitigate more severe scenarios, including those outlined in the above table.

## Governance

The analysis underpinning this assessment has been through a robust internal review process, which has included scrutiny and challenge from the audit committee and board, and has been reviewed by the group's external auditor, KPMG, as part of their normal audit procedures.

# Audit committee report

## Members

**Marina Wyatt**
Chair

- Kath Cates
- Ian El-Mokadem
- Doug Webb

## Dear shareholder

I am pleased to present my first report as chair of the audit committee, having joined the board on 1 October 2025 and assumed the role on 14 November 2025. I succeeded Doug Webb, who continues to serve as a committee member. Ian El-Mokadem joined the committee on his appointment on 1 June 2025 and Liam Butterworth stepped down from the committee on 14 November 2025.

## Provision 29 of the UK Corporate Governance Code: material controls declaration preparedness

The committee has closely monitored the progress of work underway to support the first 'declaration of the effectiveness of the material controls' (the material controls declaration) that will be provided at the balance sheet date of 31 March 2027 in accordance with code provision 29. Since the 2024 code was published, work has focused on providing the board with an increased level of confidence in making the material controls declaration utilising existing governance and assurance frameworks (see pages 55 and 57). Following the redefinition of our principal risks last year along with the identification of our material impact risks and material controls (see pages 57 to 61), the committee was updated on the outcome of a benchmarking exercise to gain confidence over the company's approach. The benchmarking involved management meeting with KPMG and the Financial Reporting Council and the presentation of the approach at a session of the FTSE 100 Group for CFOs. The company's quantitative approach to identify material risks was noted as being a more scientific and mature approach compared to the alternative qualitative approach.

## Accounting changes: Infrastructure renewals expenditure

As reported in last year's audit committee report, the treatment of infrastructure renewals expenditure (IRE) in the group's accounts would change with effect from 1 April 2025 with IRE expenditure being capitalised at the individual component level where appropriate, rather than all IRE being expensed in the income statement. This was largely due to the infrastructure network having historically been considered as a small number of large components, and, therefore, expenditure to maintain the network was viewed as repairs or day-to-day servicing.

The committee agreed with management that the new approach would result in more useful information being presented in the financial statements (see page 195) and would better reflect the way in which the network was operated and it was consistent with the approach adopted by the majority of the sector. Linked to the revised treatment, management would reassess the useful economic lives of infrastructure asset types, consistent with recognising infrastructure assets as individual components within the wider network.

The committee requested that KPMG focus its audit work on the new IRE methodology, including asset categorisation, ageing assumptions, useful economic life judgements and implementation of the revised approach. An update from KPMG was sought at the half year which confirmed that the company's internal processes were operating as intended. IRE is reported as a key audit matter in KPMG's report on page 182.

## Accounting changes: Effective interest rate for floating-rate financial liabilities

During the year, management asked the committee to review a proposed change to the way in which the Effective Interest Rate (EIR) method is applied in the amortised cost measurement of financial liabilities where contractual cash flows are subject to variability, which includes changes arising from a 'floating rate of interest'. The proposal considered recent periods of unusually high and low inflation, which created income statement volatility that management considered unrepresentative of the underlying economics. It also considered the International Accounting Standards Board's ongoing work following its Post Implementation Review of IFRS 9, which acknowledges diversity in practice in applying the EIR method to variable rate instruments when measuring financial instruments with variable cash flows at amortised cost.

### Quick facts

- Both Marina Wyatt and Doug Webb are chartered accountants and both are considered by the board to have recent and relevant financial experience, having served as chief financial officers of listed FTSE companies during their careers. Among other roles, Marina chaired the audit committee at Renewi plc and retired from her most recent executive role as CFO at Associated British Ports Limited in 2024. Doug, who has more than ten years' experience as a non-executive director and chairing audit committees, retired as CFO of Meggitt PLC in 2018.
- All members of the committee are independent non-executive directors and the board is satisfied that the committee as a whole has competence relevant to the sector. Attendance at audit committee meetings is set out on page 110. Biographies of the directors can be found on pages 102 to 105.
- Other regular attendees at meetings at the invitation of the committee include the CEO, the CFO, the company secretary, the head of audit and risk, the group financial controller, and representatives from the external auditor, KPMG LLP (KPMG). None of these attendees are members of the committee but they are asked to participate in the review of the performance of the committee (see page 119).
- The representatives from KPMG and the head of audit and risk each have time with the committee and the company secretary to raise freely any concerns they may have without management being present.
- The chair of the committee has regular one-to-one meetings with the CFO, the head of audit and risk and the KPMG audit engagement partner.
- The committee is authorised to seek outside legal or other independent professional advice as it sees fit, but has not done so during the year.

### Quick links

▶ Terms of reference: **unitedutilities.com/corporate-governance**

The technical rationale for the change and the modelling underpinning it was independently critiqued. The change in treatment was discussed with KPMG. The committee reviewed the proposal at a specially convened meeting, challenging management as to whether applying the change to the 31 March 2026 accounts was the most appropriate time in the asset management period (AMP). After discussion, taking into account investor sentiment that the prior approach led to counter-intuitive outcomes particularly during times of high inflation, the committee approved the revised approach, subject to management providing clear explanations in the accounts (see page 195).

## Haweswater Aqueduct Resilience Programme

During the year, the competitive procurement process to identify the competitively appointed provider (CAP) to design, build, finance and maintain new sections of the Haweswater Aqueduct tunnel via a direct procurement for customers contract was completed.

The committee discussed the expected future accounting implications of the programme given the material cash inflows and outflows from April 2026 and construction of highly material assets. Discussions focused on the nature and timing of transactions with the CAP and liabilities arising thereto, as well as the treatment of income received through customer bills and passed to the CAP as the assets are constructed. The committee agreed that the impact of the programme on the group's reported income statement should be treated as adjusting items in arriving at the group's alternative performance measures, given the recognition of revenue and associated costs gives rise to material timing differences over the life of the programme that will not be representative of underlying performance in the years in which income and expenses are reported.

## Audit quality

The committee reviewed the FRC's 2024/25 Audit Quality Inspection and Supervision Results, noting that KPMG achieved an increase to 90% of the proportion of audits assessed as requiring 'no more than limited improvements' (2023/24: 89%). The findings were discussed with KPMG, who attributed the strong results to a continued drive in investment, and a continued focus on sustainable audit quality which is embedded through its Single Quality Plan, and the focus on phasing the work across the audit lifecycle and accelerating work where possible to create additional time and space for enhancing quality. The committee received an overview of KPMG's audit quality framework processes, including an outline of the challenge process undertaken by the independent reviewing partner assigned to the audit known as the 'engagement quality control reviewer' (the EQCR). Taking into account the findings of assessment of the 31 March 2025 audit presented to the committee in September 2025, the committee concluded that the external audit process for 2025 had been effective.

## Anti-fraud policies

The committee has been kept fully informed of work undertaken to ensure the group's fraud policies and procedures were aligned with the Economic Crime and Corporate Transparency Act 2023. A new fraud prevention plan was implemented during the year and external assurance of the company's readiness to comply with the requirements obtained.

## Audit partner rotation

Gill Hopwood-Bell was appointed as audit engagement partner for the 2025/26 audit, following her shadowing Ian Griffiths, her predecessor, during the 2024/25 audit. Due to unforeseen personal circumstances, Gill was not able to complete the audit. Andrew Bradshaw, who had previously worked on the company's audit from 2011 to 2016, was appointed as audit engagement partner during the final stages of the audit.

At the time of the audit engagement partner rotation, the committee considered whether a competitive audit tender should be undertaken, but concluded, given its satisfaction with the service provided by KPMG, that it remained a satisfactory incumbent and there was no urgent need for, or possible tangible benefit that could be expected to be gained from, tendering the audit earlier than expected.

During the year, the committee asked management to provide a timeline for the tender process to select a new auditor ahead of the end of KPMG's maximum tenure. It was expected that the next tender would be completed by March 2028.

### Main responsibilities

- Make a recommendation to the board for the appointment or reappointment of the auditor, and to be responsible for the tender of the audit from time to time and to agree the fees paid to the auditor.
- Establish policies for the provision of any non-audit services by the auditor.
- Challenge the auditor on the scope and the results of the annual audit and report to the board on the effectiveness of the audit process and how the independence and objectivity of the auditor has been safeguarded.
- Review the half-year and annual financial statements and any announcements relating to financial performance, including reporting to the board on the significant issues proposed by management and, in particular, those challenged by the committee in relation to the financial statements and how these were addressed.
- Approve the scope and remit, and assess the effectiveness of the internal audit function and the group's internal control and risk management systems.
- Review the group's procedures for reporting fraud and other inappropriate behaviour, and receive reports relating thereto.
- Report to the board on how it has discharged its responsibilities.

## Governance

The committee has followed the requirements of the FRC's Audit Committees and the External Audit: Minimum Standard (see page 130) and applied the principles of the code and reported on the provisions as applicable for the year ended 31 March 2026.

As chair of the committee, I would welcome any feedback you may have on the report that follows or the work of the committee. I intend to be present at the AGM in July 2026, and representatives from KPMG will be in attendance.

This report was approved by the committee at its meeting held on 06 May 2026.

**Marina Wyatt**
Chair of the audit committee

# Audit committee report

## Business on the committee's agenda during the year

The committee oversees a broad programme of work including the audit, assurance and risk processes within the business. It is supported in its role by senior management, the auditor, the internal audit team and the financial reporting team to ensure that management's disclosures reflect the supporting detail provided to the committee or challenge them to explain and justify their interpretation and, if necessary, re-present the information. The committee reports its findings and makes recommendations to the board. In doing so the committee ensures that high standards of financial governance are maintained. Furthermore, the company's own internal audit team contributes to the assurance process by reviewing compliance with internal processes. The committee's financial reporting cycle starts each year in September, four meetings are scheduled per financial year, with meetings held in September and March in a virtual format. Items of business considered by the committee are set out in the table below.

| Actions | Outcomes | Cross reference |
|---|---|---|
| **Annual and half-year reporting** | | |
| Reviewed, discussed and challenged the financial reporting team's reports on the financial statements, management's significant accounting judgements, the policies being applied both at the half and full year, and how the statutory audit contributed to the integrity of the year-end financial reporting. A special meeting of the committee was held in April 2026 to consider the 31 March 2026 preliminary unaudited financial statements. | The committee challenged management on a number of its judgements, including the bad debt provision, fixed asset capitalisation policy, recoverability of the parent company investment in United Utilities PLC (making up 97% of the company's total assets), EIR accounting and sought detailed explanations of its interpretation. The committee was satisfied with the explanations provided by management. Recommendations were made to the board, supporting the approval of the financial statements and the 31 March 2026 preliminary unaudited financial statements. | ▶ See page 128 |
| Reviewed the differences between the regulatory and statutory accounts for UUW and the key changes to the key regulatory reporting requirements as determined by Ofwat. | The differences between the regulatory and statutory accounts at 31 March 2025 were noted, as were the changes to the key regulatory reporting requirements. | |
| Assessed management's presentation of alternative performance measures (APMs) to enable comparability with other companies. | The committee concurred with management's approach that the APMs, as defined, were satisfactory enabling comparability with other companies. | ▶ See page 96 |
| Reviewed and challenged the proposed audit strategy for the 2025/26 statutory audit, including the level of materiality applied by KPMG, audit reports from KPMG on the financial statements and the areas of particular focus for the 2025/26 audit. | The committee monitored progress made by the statutory audit team against the agreed plan and challenged the auditor in the resolution of any issues as they arose. The committee discussed the control observations reported to the committee by KPMG. | ▶ See page 177 |
| Reviewed and challenged the basis of preparation of the financial statements as a going concern and KPMG's associated control observations as reported to the committee. | A recommendation was made to the board to support the going concern statement at the full and half-year. | ▶ See pages 121 and 195 |
| Reviewed and challenged the long-term viability statement proposed by management and reasons why a seven-year assessment period was appropriate and which reflected requirements of Ofwat's 'Monitoring Financial Resilience' programme. | The committee concurred with management that the length of the period continued to be appropriate – the committee was satisfied with management's preference to continue to provide a statement with greater certainty over a shorter period of time compared with some other companies in the sector and to include further clarification in the disclosures. | ▶ See page 122 |
| Assessed control observations made by KPMG and reviewed and challenged management's progress to address points raised. | The committee was satisfied that management was taking appropriate action to enhance controls based on KPMG's observations, which were not considered to represent significant weaknesses in the group's overall control environment. | ▶ See pages 181 to 184 |
| Reviewed the results of the committee's assessment of the effectiveness of the 2024/25 audit. | The committee concluded that the audit was effective and a recommendation was made to the board on the reappointment of KPMG as the auditor for the year ending 31 March 2027 at the forthcoming annual general meeting. | ▶ See page 132 |
| Reviewed whether the company's position and prospects as presented in the 31 March 2026 integrated annual report and financial statements were considered to be a fair, balanced and understandable assessment of the company's position and prospects. | The committee was satisfied that processes had been followed to provide support to the board to enable it to state that the 31 March 2026 integrated annual report and financial statements was a fair, balanced and understandable assessment of the company's position and prospects, and concluded the same in relation to the 30 September 2025 half-year financial statements. | ▶ See page 131 |
| Reviewed the non-audit services and related fees provided by the auditor for 2025/26 and the policy on non-audit services provided by the auditor for 2026/27. | The committee approved the non-audit services and related fees provided by KPMG for 2025/26 and concluded that no changes were required to the policy for non-audit services provided by the auditor. | ▶ See page 133 |
| Negotiated and agreed the statutory audit fee for the year ended 31 March 2026. | The committee approved the fee for the 2025/26 audit. | ▶ See page 133 |
| Considered management's proposal to apply the assurance framework to various narrative reporting sections within the 2025/26 integrated annual report, encompassing the climate-related disclosures, the energy and carbon report, the financial oversight responsibilities of the board and the remuneration committee report. | The committee endorsed the application of the assurance framework to various narrative sections within the integrated annual report that were identified by the framework as being of higher risk of misstatement/error and would benefit from independent third-party assurance, with such assurance being applied on a limited basis. | ▶ See page 134 |
| A special meeting of the committee was convened in February 2026 to consider management's proposal to change the approach to estimating the effective interest rate to be applied in determining the amortised cost measurement of the group's floating-rate debt and reported in the 31 March 2026 accounts. | Management's proposal was discussed with KPMG and independently modelled. The committee were satisfied that the first year of the AMP was the most appropriate time to introduce the change which was supported by investor sentiment and would smooth inflationary impacts over a period and improve stability. The committee challenged management to provide clear disclosure in the annual report. | ▶ See page 124 |

| Actions | Outcomes | Cross reference |
|---|---|---|
| **Risk management and internal control** | | |
| Reviewed the effectiveness of the risk management and internal control systems. | Recommendation made to the board that the risk management and internal control systems operated effectively. | ▶ See page 121 |
| The committee reviewed progress with the material controls declaration project to support the board in providing, with confidence, a material controls declaration at 31 March 2027 in accordance with provision 29 of the code. | The committee challenged management to test the process undertaking a 'dry-run' at 31 March 2026, in order that any lessons learned could be implemented at 31 March 2027. | ▶ See page 130 |
| Considered internal control weaknesses brought to the attention of the committee by KPMG. | Challenged management to resolve any issues relating to internal controls and risk management systems. | ▶ See page 134 |
| Monitored fraud reporting and received updates from management to ensure the adequacy of the group's fraud policies and procedures were aligned with the new requirements of the 2023 Economic Crime and Corporate Transparency Act (ECCTA), which came into force on 1 September 2025. | Reviewed the company's anti-fraud policies and processes and alleged incidents of fraud and the outcome of their investigation and the alignment of the group's processes with ECCTA. The committee recommended that an update be provided to the board and that board members should complete the company's fraud and bribery training module. | ▶ See page 134 |
| Biannual oversight and monitoring of compliance with the group's anti-bribery policy. | Reviewed compliance with the company's ongoing anti-bribery programme. | ▶ See page 134 |
| Approved the strategic internal audit planning approach on the work of the internal audit function from the head of audit and risk. | Monitored the implementation of the 2025/26 internal audit plan. Reviewed findings of specific internal audit and implementation of any resulting actions by management. | ▶ See page 135 |
| Considered the issues and findings brought to the committee's attention by the internal audit team, with special attention given to any audit graded amber or red, when management would be required to attend a meeting of the committee and provide an explanation of the actions being taken to improve the controls. | The committee was satisfied that management had resolved, or was in the process of resolving, any outstanding issues or concerns in relation to matters scrutinised by the internal audit team. | ▶ See page 135 |
| Reviewed the quality and effectiveness of internal audit and the effectiveness of the current co-source arrangements. | The committee reviewed the process of assessment of internal audit and made certain recommendations for enhancement, further to which it was concluded that the internal audit team, supported by the PwC co-source resource, was effective. | ▶ See page 135 |
| Reviewed and challenged the strategic internal audit planning approach and internal audit plan for 2026/27. | Approved the internal audit plan for 2026/27. | ▶ See page 135 |
| **Governance** | | |
| Review of the committee's terms of reference. | Minor changes were made to the committee's terms of reference during the year. | |
| Reviewed the performance of committee during the year. The performance review was internally facilitated by the company secretary's team. The review explored the effectiveness of: the committee's composition, meetings and time management; committee processes and support; and the areas of work of the committee and priorities for change. | All elements of the performance review indicated the committee was working well. Points of action included ensuring papers were succinct, that the ratings applied to internal audit reports be reviewed to ensure they were sufficiently challenging of management, monitor ongoing progress with the material controls declaration project and to review the risk management systems, particularly those relating to cyber security. The board considered the results of the review of the committee and concluded that the committee continued to be effective. | ▶ See page 119 |

**Key:**
September
March
November
May

# Audit committee report

## Significant issues considered by the committee in relation to the financial statements

Management presents its updated view of the significant issues, whereby it has exercised its professional judgement to each meeting of the committee, thereby providing an opportunity for oversight and for the committee to challenge management's views. Additionally, KPMG receive this information in advance of, and are present at, the committee meetings, providing KPMG with the opportunity to contribute to the discussion both with management present, and privately with only the committee members present.

### Material and/or judgemental areas of the financial statements

| Significant issues considered | How these were addressed by the committee |
|---|---|
| **Change in approach to accounting for infrastructure renewals expenditure (IRE)**<br>(See pages 195, 206 and 233) – IRE has historically been recorded as an expense in the income statement in the year in which it was incurred on the basis that it comprised repairs or servicing of the infrastructure network when considered as a whole. The development of more granular infrastructure asset data improvements in data analytic capabilities now makes it possible to identify spend on the network infrastructure at the smaller component level, making it possible to capitalise the cost of replacing an individual component and simultaneously derecognise the component being replaced. | • As documented in the group's integrated annual report for the year ended 31 March 2025, an additional committee meeting was held in December 2024 at which the committee considered the extent to which IRE could be considered to be enhancement spend in relation to smaller components of the larger infrastructure networks. At that meeting the committee concluded that while the approach of treating IRE entirely as an expense was appropriate for the year ended 31 March 2025, the alternative approach of capitalising IRE spend, where appropriate, would provide useful information going forward that reflects the better data now available to management.<br>• During the year ended 31 March 2026 the committee reviewed and challenged management's proposed approach to capitalisation (and associated derecognition) in more detail and satisfied itself that the cost types and components proposed to be capitalised were appropriate.<br>• The committee monitored the level of capitalisation to date at its scheduled meetings throughout the year and noted that it was in line with expectations given the mix and nature of work being performed as part of the group's broader programme of infrastructure renewals.<br>• The committee challenged management to ensure that the proposed disclosures in respect of the change in accounting approach were clear, transparent and provided useful information to users of the financial statements and were satisfied with the appropriateness of the final disclosures. |
| **Change in measurement technique for estimating the effective interest rate (EIR) for floating-rate financial liabilities**<br>(See pages 195 to 196, 201 and 234 to 235) – the determination of the EIR for floating-rate financial liabilities incorporates the estimation of future cashflows arising on these liabilities. A change in the measurement technique was adopted in the current year so that market-derived expectations of future changes in reference rates are now included in the estimation of future cash flows instead of future expectations being based solely on the current spot rate. This application of IFRS 9 'Financial Instruments' is considered to provide more useful information than the alternative approach permitted by that standard that was previously used. | • An additional meeting of the committee was held in February 2026 to challenge, review and approve the changes in estimation technique proposed by management, who had reflected on income statement volatility in recent years driven by periods of unusually high and low inflation, and the developments to date from the IASB's ongoing Amortised Cost Measurement project.<br>• The committee sought to understand the rationale for the change in the estimation technique and inputs used, including the sources of estimation uncertainty. This was considered alongside the impact on the financial statements from a range of reasonably possible scenarios.<br>• The committee also sought to understand the technical basis for the change, and having reflected on the alternative applications permitted by IFRS 9 was satisfied that the revised approach is technically robust and rooted in a sound interpretation of the standard.<br>• As well as taking comfort from the challenge provided by group's auditor, the committee took additional comfort from the fact that management had commissioned an independent critique of the proposals from a technical perspective, and of the appropriateness of the models developed to reflect the impact of this change in the financial statements.<br>• The committee considered the reasonableness of disclosures made, including the assessment by management that this is a change in estimate and therefore applied prospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Consideration was also given to the enhanced accounting policies disclosure and the inclusion of the estimate as a critical source of estimation uncertainty. |
| **Revenue recognition and allowance for doubtful receivables**<br>(See pages 197, 199, 208, 232 and 234) – due to the nature of the group's business, the extent to which revenue is recognised and expected credit losses are recognised in relation to doubtful customer debts is an area of considerable judgement and estimation. This has particularly been the case in recent years due to high levels of economic uncertainty and increases in the cost of living, and in the current year in particular given increases in customer bills. These factors have the potential to impact on the ability of some customers to pay their bills as they become due. | • The committee reviewed management's approach to estimating expected credit losses relating to household customer debt, recognising that there continues to be significant uncertainty associated with how cost of living challenges are impacting, and may continue to impact, customers into the future. The committee acknowledged that this is particularly the case given that bill increases during the year and over the remainder of the regulatory price control period may impact on some customers' ability to pay, albeit this risk is expected to be partially mitigated by increased levels of affordability support.<br>• The committee sought to satisfy itself that the provisioning rates used in estimating expected credit losses during the year remain appropriate, and that the resulting allowance for expected credit losses triangulated with an assessment of cash collection experience in recent years, but challenged management to continue to closely monitor any trends in cash collection performance going forward and be mindful of any indicators that the rates used need revisiting, particularly given increases in customer bills.<br>• The committee considered the adequacy of the group's provisions for credit notes that may need issuing in respect of amounts incorrectly billed, focusing particularly on non-household customers where legacy data issues since the non-household market opened to competition have resulted in allowances being processed going back several years. While satisfied with the approach taken by management, the committee requested that in the coming year a further teach-in be provided by management outside the normal cycle of committee meetings for the benefit of new committee members, to enhance their understanding of how billing and the processing of allowances in the non-household market works. It is expected that this will assist them in assessing the level of judgement and estimation uncertainty associated with the non-household credit note provision and focusing their challenge in these areas. |
| **Capitalisation of fixed assets**<br>(See pages 195, 197, 206 to 207 and 233 to 234) – fixed assets represents a subjective area, particularly in relation to costs permitted for capitalisation, depreciation policy and the identification of abortive costs and asset write-downs. The increased size of the capital programme for AMP8, together with the change in approach to accounting for IRE discussed above, has resulted in this being an area of particular focus and challenge for the committee. | • The committee considered management's updates on key issues and judgements associated with the capitalisation and measurement of fixed assets most pertinent for the year ended 31 March 2026, and was satisfied that appropriate processes and controls are in place to ensure that assets are capitalised and begin depreciating in a timely manner, and are reviewed for indicators that their carrying amount may not be fully recoverable.<br>• The committee assessed the reasonableness of the group's capitalisation and depreciation policies (including useful economic life review of asset) and, having considered the work performed by KPMG in this area, deemed this to be appropriate.<br>• The committee challenged the approach taken to capitalising the cost of support functions in the carrying value of property, plant and equipment, particularly given the increased size of the group's capital programme during AMP8. |

| Significant issues considered | How these were addressed by the committee |
|---|---|
| **Retirement benefits**<br>(See pages 196 to 197, 209, 225 to 230 and 235 to 236) – the group's defined benefit retirement schemes represent an area of considerable judgement, the performance and position of which is highly sensitive to the assumptions made. The group employs the services of an external actuary to determine the calculation of the net retirement benefit surplus and determine the appropriate assumptions to make. | • The committee sought to understand changes in assumptions underpinning the valuation of defined benefit obligations, noting in particular an increase in the inflation risk premium (IRP) used in arriving at relevant inflation assumptions from 20bps to 30bps. They were satisfied that the methodology used for determining financial assumptions was appropriate and consistent with prior years, and that the increase in the IRP was aligned to changes observed in the broader market.<br>• Given bulk annuity policies purchased in previous years, whereby the fair value of these assets is pegged to the present value of the associated defined benefit obligations that are now insured, the committee challenged management on how the fair value of the remaining scheme assets was arrived at. For the remaining Level 3 assets, which comprise investments in private debt funds, the committee challenged management as to how it could satisfy itself that the latest valuations performed by the investment managers, which tend to be provided on a lag of several months, remained valid at 31 March. The committee was pleased to observe that retrospective checks indicated that the approach of checking against relevant proxy indices confirmed that the approach taken is reasonable. |
| **Provisions and contingent liabilities**<br>(See pages 211, 214 and 236) – the group provides for contractual, legal and environmental claims brought against it based on management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims. Judgement is also required in determining when contingent liabilities exist that require disclosure in the financial statements. | • The committee assessed and challenged the appropriateness of the basis on which provisions are recognised, particularly noting the significant public, political and regulatory focus on environmental investigations and prosecutions that has continued through the year, and concurred with management's assessment that, based on current experience and benchmarking of prosecutions brought against other companies in the sector, the provisions recorded at the reporting date reflect the best estimate of potential financial outflow in this regard.<br>• The committee considered the reasonableness of disclosures made in respect of contingent liabilities. Particular focus was given to the separate ongoing Ofwat and Environment Agency sector wide investigations into companies' management of wastewater assets, and the collective action claim against a number of water and wastewater companies, including United Utilities Water Limited, for which decisions not to certify the action are set to be challenged at the Supreme Court. The committee reviewed the relevant disclosures and was satisfied that they were appropriate, and that the recognition criteria for provisions in respect of these matters was not met. |

| Other matters considered | How these were addressed by the committee |
|---|---|
| **Accounting for uncertain tax positions**<br>(See pages 202 to 204 and 232 to 233) – assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law and the result of negotiations with, and enquiries from, tax authorities. | • The committee considered management's accounting treatment of uncertain elements of ongoing enquiries from the tax authorities. Recognising that where enquiries remain ongoing and that elements of claims can be subject to judgement in interpreting and applying the relevant tax legislation, the committee challenged management as to how IFRIC 23 'Uncertainty over Income Tax Treatments' had been applied, and was reassured that management had made appropriate judgements in estimating the most likely amount at which the claims would settle. |
| **Accounting for the group's investment in the Water Plus joint venture**<br>(See pages 207, 231 and 232) – the non-household retail market remains a challenging environment, and losses incurred by Water Plus during the year resulted in the value of the group's investment in the joint venture being reduced to nil as a result of the application of the equity method, with a small amount of the group's accumulated share of losses being unrecognised as at 31 March 2026. | • The committee noted the Water Plus position for the year, and sought to understand the accounting impact of a decision taken to convert zero-coupon loan notes extended to Water Plus into equity. The committee was satisfied that given the treatment of the loan notes as part of the group's net investment in Water Plus, losses previously allocated against the loan notes continue to be recognised against the equity investment in the joint venture in accordance with IAS 28, and that the share of losses for the year reduced the carrying value of the interest in the joint venture to nil, with a small amount of losses unrecognised at the reporting date. Given this situation, the committee challenged management to explain the remaining risk associated with the joint venture, and was satisfied with management's response that this would manifest in expected credit losses associated with the revolving credit facility extended to Water Plus, for which an appropriate allowance had been made as at 31 March 2026. The committee requested that they be updated on this position going forward with reference to Water Plus's performance against its business plan. |
| **Adjustments in arriving at underlying positions reported as Alternative Performance Measures (APMs)**<br>See pages 96 to 97) – presented outside of the financial statements, APMs derived from GAAP measures reflect adjustments to enable comparison of underlying performance over time, and between companies. Judgement is required in determining which adjustments to include. | • Given the material nature of the changes to accounting for IRE and estimating the EIR for floating-rate financial liabilities (both discussed above), the committee debated the appropriateness of re-presenting prior year APMs to reflect the estimated impact of these changes had they been applied in the prior year. While recognising that this introduces an inconsistency with the APM position previously presented, the Committee was satisfied that it facilitates better comparison on a like-for-like basis. They were therefore content for the pro forma adjustments to be included in the prior year reconciliations provided that appropriate narrative around their approximate nature was given.<br>• The committee also debated the inclusion of adjustments in relation to material timing differences that span multiple periods, specifically in relation to HS2 diversions allowed revenues in AMP8, which is relevant for the year ended 31 March 2026, and in relation to HARP for the year ending 31 March 2027 onwards as discussed below. Having satisfied itself with the rationale for the adjustments, including the fact that IFRS accounting standards do not currently facilitate accounting for such timing differences within the financial statements themselves, the committee was content for them to be included where appropriate, again subject to adequate disclosure of the rationale being provided. |
| **Future accounting for the Haweswater Aqueduct Resilience Programme (HARP)**<br>As mentioned in the audit committee's chair's letter on page 125, during the year the competitive procurement process to identify the competitively appointed provider (CAP) to design, build, finance and maintain new sections of the Haweswater Aqueduct via a direct procurement for customers (DPC) contract was completed. While there were some limited accounting impacts during the year in respect of advanced procurement for HARP ahead of construction commencing in the year ending 31 March 2027, these were not significant compared with the future accounting impacts, which are expected to be highly material and complex given the unique nature of the DPC arrangement. | • The committee discussed the expected future accounting implications of HARP given the material cash inflows and outflows from April 2026 and construction of highly material assets, and scrutinised the accounting treatments proposed by management in respect of the recognition and measurement of these assets and associated liabilities, taking into account the role of the CAP in the DPC arrangement. While the proposed accounting treatment remains subject to detailed consideration by the group's auditor, the committee was satisfied that the approach taken by management in developing the accounting proposals was reasonable and requested that they be updated through the course of the next financial year. The committee also requested that management give careful consideration to how any accounting treatments are disclosed in the group's financial reporting going forward.<br>• The committee also focused on the treatment of income received through customer bills that will be passed through to the CAP as the assets are constructed. After challenge, the committee agreed with management's proposal that the impact of the programme on the group's reported income statement should be treated as adjusting items in future years in arriving at the group's alternative performance measures, given that the recognition of revenue and associated costs gives rise to material timing differences over the life of the programme that will not be representative of underlying performance in the years in which income and expenses are reported. |

# Audit committee report

## Material controls declaration project

Following the publication of the 2024 code, work commenced to evolve the approach to principal risks and material controls and the board's preparedness to being able to provide, with confidence, a material controls declaration as required by provision 29 of the code. The activities to date are summarised below.

| 2024 | 2025 | | 2026 |
|---|---|---|---|
| Refining and expanding our existing disclosures regarding effectiveness of risk management and internal controls | Redefined our principal risks as:<br>• Material impact risks<br>• Significant long-term risks | Identifying our material controls (and their governance) which mitigate our material impact risks | Improving the board's line of sight of the effective operation of material controls:<br>• Evidencing control effectiveness<br>• Assurance of control activities |
| Approved by the board and disclosed in 2024 annual report | Approved by the board and disclosed in the 2025 annual report | | A 'dry run' was scheduled to be presented to the board in May 2026 |

During the year, the audit committee has been kept fully informed of progress of the material controls declaration project, providing feedback and suggestions to management – including that the board should have early sight of and fully understand what information would be presented to it in order to make the declaration, not only in relation to the material risks, but to show it had been engaged in reviewing the material controls over a suitable time period. The existing governance, risk management, internal control and assurance frameworks will be utilised to support the material controls declaration.

In November 2025, the board was apprised of the progress of the project – including the provision of a draft material controls reporting tracker which would summarise the material impact risks and associated material controls, a view and explanation of the effectiveness of the controls and any supporting assurance. A further deep-dive session was held with the board in February 2026, updating on progress and providing a further opportunity for discussion, obtain the views of board members and points for management to action. It was agreed that a 'dry-run' would be undertaken for the 31 March 2026 year, and was scheduled to be presented to the board in May 2026.

### Audit committees and the external audit: minimum standard

The committee has followed the requirements of the FRC's Audit Committees and the External Audit: Minimum Standard for the year ended 31 March 2026. With respect to the 2025/26 audit, there were no requests from shareholders for certain matters to be included in the audit nor was there a regulatory inspection of the quality of the audit. It was expected that the next audit tender would be completed by March 2028. A competitive audit tender process was last conducted in 2019, KPMG was retained as auditor following that competitive tender process (see page 133).

### Reporting area

**Significant issues that the committee has considered relating to the financial statements**

▶ See pages 128 to 129

**An explanation of the application of the company's accounting policies**

▶ See pages 195 to 198

**How the independence and effectiveness of the external audit process was assessed**

▶ See page 132

**How the external auditor's independence and objectivity are safeguarded**

▶ See pages 132 to 133

**Assessment of whether 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy'.**

### Objective

In accordance with the code, one of the main roles of the committee should be to 'monitor the integrity of the financial statements', furthermore, it is responsible for making a recommendation to the board on whether 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy'.

### Actions

The committee:

- reviewed early versions of the annual report at various stages during the drafting process to ensure that the key messages were aligned with the company's position, performance and strategy and the financial performance of the business as understood by the committee:
- reviewed the significant issues identified by management and whether the same were aligned with the key audit matters identified by the auditor;
- reviewed comments provided by the member of the executive team with extensive knowledge of the business who reviewed the draft annual report ensuring the messaging was fair and balanced, and did not just focus on, or over emphasise, the positives;
- reviewed the third-party 'limited assurance' provided in relation to the reporting against the TCFD recommendations (see the index on page 53) and the remuneration committee report (see page 140);
- received updates on the calculation of underlying operating profit measures as one of the principal alternative performance measures (APMs) used by management, a full guide to APMs can be found on page 96;
- took into account reporting by KPMG (under ISA (UK) 720) of any material inconsistencies between the 'other information' and 'statutory other information' presented in the annual report (i.e. in the strategic report, the directors' report and the corporate governance statement), and the financial statements, taking into account the auditor's knowledge obtained in the audit, or the auditor's understanding of the legal and regulatory requirements applicable to the 'other information' and 'statutory other information'. The TCFD and Streamlined Energy and Carbon Reporting (SECR) disclosures are deemed to be 'other information' as they are included in the company's strategic report, due to their importance to the company. Other assurance of the TCFD and SECR disclosures (see pages 26 and 72, respectively) is undertaken both by third parties and the internal audit team; and
- considered whether the key events and issues that had occurred and been reported to the board during the year, both good and bad, had been adequately referenced or reflected within the integrated annual report.

### Outcome

The committee concluded that processes had been followed to provide support to the board to enable it to state that 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy' (see page 175).

## Relationship with external auditor

The committee, on behalf of the board, is responsible for managing the relationship with KPMG, the group's external auditor, and part of that role is to examine the effectiveness of the external audit process and make an assessment of the independence of the external auditor. These assessments will contribute to the decisions on whether to reappoint the auditor or tender the audit.

### Quick links

▶ Read more about **our core values** on page 22

▶ Read more about **our financial performance** on page 90

# Audit committee report

## Assessment of the effectiveness of the external audit process

### Audit quality

Since 2021, following the FRC's audit quality review, KPMG has implemented an action plan to enhance and focus on audit quality. The committee regularly discusses audit quality with KPMG, who, on an anonymous basis, share best practice with the committee on the internal quality reviews it undertakes for other clients. As part of its review of the 2024/25 audit in July 2025, the committee reviewed the effectiveness of these processes and interactions as set out below, concluding they were effective.

### Audit quality processes and interventions include:

- providing sight of their interim control findings to the committee early in the audit process and sharing their knowledge and best practice recommendations;
- improving communication and sharing of information and insight between the external and internal audit teams by implementing regular discussion sessions prior to the scheduled committee meetings;
- raising audit points in a timely manner with the financial reporting team during the audit process by holding regular discussions with the external audit team and financial reporting team;
- enhanced visibility of the key challenges and findings of the second-line of defence review performed by another team independent of the audit team, and of the independent KPMG partner's review of the audit;
- greater use of AI and technical specialists; and
- providing the details of the independent partner's review (the ECQR) of the audit to the committee as part of the year-end sign off processes.

### Professional scepticism

KPMG presents its audit strategy and scope for the forthcoming financial year at the committee's meeting held in September. Based on their risk assessment and planning procedures, and using their professional judgement, KPMG highlights any areas requiring heightened audit focus due to risk or the potential magnitude of misstatement from error or fraud. This includes:

- key audit matters disclosed in the auditor's report (see pages 181 to 184). KPMG performs substantive testing on these matters rather than relying on the group's internal controls. Certain areas, such as the valuation of retirement benefit obligations, are assessed by KPMG's technical specialists. Progress against the agreed audit scope is reported at subsequent committee meetings, enabling ongoing oversight and challenge by the committee;
- throughout the year, management presents updates on the key accounting issues and its resulting judgements to the committee. In response, KPMG informs the committee, and having robustly considered alternative judgements, whether, in its professional view, the judgements management proposes, or has taken, are appropriate. Many of these issues correspond to the significant matters reviewed by the committee in relation to the financial statements (see pages 128 to 129); and
- at year end, KPMG reports all significant control deficiencies identified during the audit, noting whether management has addressed them, along with any significant difficulties or issues discussed with management during the audit.

### Interactions between KPMG and the committee

Private sessions between the committee and KPMG's representatives are held regularly without management being present in order to encourage open and transparent feedback by both parties on any matter and provide the committee with an opportunity to obtain greater insight on the extent to which KPMG has challenged management's analysis and presentation of information.

KPMG presented its audit quality framework to the committee, which had been developed to ensure that its employees concentrate on the fundamental skills and behaviours required to deliver an appropriate and independent audit opinion. As in previous years, the committee considered the FRC's latest Audit Quality Inspection and Supervision Results (see page 125).

The committee provides its view to the board on the outcome of the external audit, and how the external audit contributed to the integrity of the financial reporting process. The independent nature and financial expertise of committee members further contributes to the integrity of the process.

### Seeking the views of those involved in the audit

At the conclusion of the annual audit, feedback was obtained from all committee members, senior management, and other colleagues who regularly engage with the auditor, including the financial reporting team. Respondents completed a questionnaire issued in July 2025, providing views on:

The robustness of the external audit and the level of challenge applied to significant risks and areas of judgement.

- The appropriateness of the audit scope and planning in delivering an effective and efficient audit.
- The quality of audit delivery, including progress against planned quality improvements and visibility of the auditor's internal quality processes.
- The expertise of the audit team and their understanding of the company's business risks.
- The extent to which the auditor made effective use of internal audit's work as part of its risk assessment process.
- The level of professional scepticism applied.
- The quality of technical communication between the auditor and the committee.
- The overall quality of service provided by the auditor.
- The effectiveness of interactions with the audit engagement partner and senior audit manager.
- Whether the audit remained on schedule.
- The extent to which the external audit contributed to the integrity of the group's financial reporting.

The committee reviewed the feedback presented to the meeting in September 2025, concluding that the external audit process and services provided by KPMG were satisfactory and effective, with additional measures for further enhancement encouraged by the committee.

## Assessment of the independence of the external auditor

### Auditor independence

There are two aspects to auditor independence that the committee monitors to ensure that the auditor remains independent of the company:

- the committee considers the information and assurances provided by the auditor confirming that all its partners and staff involved with the audit are independent of any links to United Utilities. KPMG confirmed that all its partners and staff complied with their ethics and independence policies and procedures, which are fully consistent with the FRC's Ethical Standard, including that none of its employees working on our audit hold any shares in United Utilities Group PLC. As part of the audit planning process, KPMG provides an independence confirmation letter outlining any relationships or matters that could reasonably be perceived as affecting the independence or objectivity of the audit engagement partner or the audit staff who rotate at regular intervals; and
- the committee develops and recommends to the board the company's policy on non-audit services and associated fees that are paid to KPMG. The policy meets the requirements of the FRC's Revised Ethical Standard (2024). In accordance with the standard, auditors of public interest entities may only provide certain non-audit services that are closely related to the audit or required by law or regulation. Additional safeguards include requiring the auditor to discuss proposed services, identify any potential threats to independence and corresponding safeguards, and obtain committee approval for non-audit engagements (with fees in excess of £10,000) to confirm compliance with the revised standard.

### Non-audit services

An auditor is only permitted to provide certain non-audit services to public interest entities (i.e. United Utilities Group PLC) that are closely linked to the audit itself, or that are required by law or regulation, as such services could impede their independence. Amendments to the policy include additional measures to safeguard auditor independence, including the requirement for the auditor to discuss the nature of the services to be provided, identify any threats to independence and safeguards thereto, and seek approval from the committee prior to providing non-audit services and confirm whether the proposals are compliant with the Revised Ethical Standard (2024).

Fees for permitted non-audit services paid to the external auditor are subject to a fee cap of no more than 70% of the average of the annual external audit fees paid in the three preceding financial years. The 70% non-audit services fee cap has been applied to the group for the year ended 31 March 2026, with fees for non-audit services representing 22.5% of the average audit fees on which the cap is based (as shown in the table below). Permitted services (which remain subject to the 70% cap, and exclude the regulatory audit) of up to £10,000 per engagement can be approved by the CFO with any higher-value engagements requiring the approval of the committee.

| Financial year | Audit fee |
|---|---|
| 2022/23 | £857,000 |
| 2023/24 | £977,000 |
| 2024/25 | £1,110,000 |
| Average | £981,333 |
| 2025/26 non-audit fees | £221,000 |
| 2025/26 non-audit fees as % of average audit fees (three-year rolling average) | 22.5% |

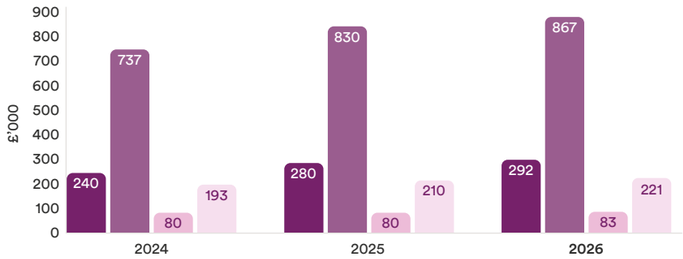
Auditor-provided permitted services include the non-audit fees paid to the external auditor for: the interim review; the regulatory audit; agreed-upon procedures for regulatory reporting; limited assurance work relating to the group's sustainable financing framework; the Euro Medium Term Note Programme; and Law Debenture Trust compliance work. Fees for non-audit services paid to KPMG include the cost of the UUW regulatory assurance work, which is separate to the regulatory audit. While this work could be performed by a different firm, the information is, in fact, more granular breakdowns of data that form part of the external audit; and by KPMG undertaking the work, it reduces duplication and saves considerable cost.

Taking into account our findings in relation to the effectiveness of the audit process, and in relation to the independence of KPMG, the committee was satisfied that KPMG continues to be independent, and free from any conflicting interest with the group.

### Quick links

▶ Read more about **our regulatory environment** on page 04
▶ Read our **directors' responsibility statement** on page 175
▶ Read more about **delivering on our purpose** on page 02

### External auditor's fees




### Rotation of external auditor to the group

**1989**
First auditor appointed on formation of group: Price Waterhouse

**1993-1994**
Audit tender conducted

**31 March 1994**
Price Waterhouse retired after completion of audit

**31 March 1995**
First year of audit by KPMG Peat Marwick

**May 2002**
Audit tender conducted

**31 March 2003**
First year of audit by Deloitte & Touche LLP

**31 March 2006**
Audit partner rotation

**April 2011**
Audit tender conducted

**31 March 2012**
First year of audit for KPMG Audit Plc

**September 2015**
Audit tender review

**31 March 2017**
Audit partner rotation

**December 2019**
Audit tender conducted

**31 March 2021**
KPMG LLP audit and audit partner rotation

**31 March 2025**
Audit partner rotation

# Audit committee report

## External auditor reappointment for the year ending 31 March 2027

KPMG has completed its 15th consecutive year as the group's external auditor for the 2025/26 financial year, following reappointment after a formal tender in December 2019. The previous tender took place in 2011, which resulted in KPMG's initial appointment for the audit of the year ended 31 March 2012. The diagram on page 133 shows the historical tendering and rotation of the role of external auditor.

The company, as a public interest entity, is required to conduct a competitive tender process every ten years, and rotate auditors after 20 years at most; as a result, KPMG can remain as auditor until the completion of the 31 March 2031 audit. The audit engagement partner rotates at least every five years. Gill Hopwood-Bell was appointed as audit engagement partner for the 2025/26 but, due to unforeseen personal circumstances, Gill was not able to complete the audit. Andrew Bradshaw, who had previously worked on the company's audit from 2011 to 2016, was appointed as audit engagement partner during the final stages of the audit.

United Utilities complied fully with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 March 2026.

At its meeting on 6 May 2026, the committee recommended to the board that KPMG be proposed for reappointment for the year ending 31 March 2027 at the forthcoming AGM in July 2026. As a matter of good practice, the committee continually keeps the performance of the auditor under review and there are no contractual obligations that restrict the committee's choice of auditor; the recommendation is free from third-party influence, and no auditor liability agreement is in place.

## Going concern and long-term viability

The committee challenged and scrutinised management's detailed assessment of the group's long-term viability and its ability to continue as a going concern, taking into account the risks facing the business, and its ability to withstand a number of severe but reasonable scenarios. The committee approved the long-term viability statement set out on page 122.

## Risk management systems

The group designs its risk management activities to manage rather than eliminate the risk of failure to achieve its strategic objectives. A diagram and explanation of the risk management governance and reporting process can be found on page 55.

The committee receives updates and reports from the head of audit and risk on key activities relating to the company's risk management systems and processes at every meeting. These are then reported to the board, as appropriate. The CFO has executive responsibility for risk management and is supported in this role by the head of audit and risk, and the corporate risk manager and his team. The group audit and risk board (GARB) meets quarterly and reviews the governance processes and the effectiveness and performance of these processes along with the identification of emerging trends and themes within, and across, the business. The work of the GARB then feeds into the information and assurance processes of the audit committee and into the board's assessment of risk exposures and the strategies to manage these risks.

### Internal control systems

The committee reviews the group's internal control systems and receives updates on the findings of internal audit investigations at every meeting, prior to reporting any significant matters to the board. Internal control systems are part of our business-as-usual activities and are documented in the company's internal control manual, which covers financial, operational and compliance controls and processes. Internal control systems over financial reporting are the responsibility of the CFO, with the support of the GARB, the financial control team and the internal audit team, although the head of audit and risk and his team are directly accountable to the audit committee.

Managers are responsible for ensuring adherence to controls, with compliance routinely tested through the internal audit programme and other assurance activities. Senior managers complete an annual internal control self assessment, which is reviewed and tested on a sample basis by internal audit, with results reported to the committee.

The internal audit team has continued to prepare for the material controls declaration which will first be provided in the 2027 annual report in accordance with principle O and provision 29 of the code – more information can be found on pages 124 and 130.

### Anti-fraud and anti-bribery

The audit committee oversees the group's fraud detection procedures and the systems and controls designed to prevent inappropriate behaviour – these include policies and procedures relating to whistleblowing, anti-bribery and fraud.

When an incident is reported, a summary of the allegations is reviewed by the fraud and whistleblowing committee – comprising members of the executive team and senior management, to determine the appropriate course of action and responsibility for any investigation. The committee receives regular updates on the progress and outcomes of investigations and any resulting remedial actions. An external review of whistleblowing governance and processes, undertaken in 2024/25 by the internal audit co-source partner, concluded that the control environment remained satisfactory. The company responded to an information request on whistleblowing procedures from Ofwat in May 2025, no follow-up enquiries have been received at the time of this report.

The group maintains a zero tolerance approach to corruption, bribery and anti-competitive behaviour. The anti-bribery policy sets clear expectations for preventing bribery, supported by monitoring processes and mandatory training for colleagues in certain roles. The hospitality policy permits only proportionate and reasonable business-related hospitality, all of which must be logged and approved. Colleagues and suppliers are required to comply with responsible sourcing principles and the United Supply Chain approach. Consistent with the group's anti-fraud culture, cross-business fraud risk assessments continue to be carried out to identify emerging threats and strengthen mitigation. The design effectiveness of controls for the most significant fraud risks is reviewed on a cyclical basis by internal audit, with the last review conducted during 2022/23, identifying no further weaknesses. As part of the internal control self assessment process, senior managers confirm adherence to anti-bribery and hospitality policies. The committee reviews and monitors the anti-bribery programme twice each year.

An external review of the group's fraud risk management framework in 2021/22 assessed its maturity and identified enhancements that were subsequently implemented, overseen by the security steering group, with the final report presented in March 2022.

Following the enactment of the Economic Crime and Corporate Transparency Act 2023 (ECCTA) and related guidance issued in November 2024, the fraud risk assessment was updated to reflect all relevant fraud offences. Associated anti-fraud policies and processes have been updated accordingly. A review of readiness for ECCTA, by PwC as co-source to the in-house internal audit team was conducted during 2025/26.

### Audit and assurance framework

As a provider of essential public services, we have a responsibility to provide accurate, reliable and easily accessible information about our performance. We are committed to delivering transparent and high-quality reporting for customers, employees, investors, regulators and other stakeholders

United Utilities operates a well established 'three lines of assurance' model:

**First line:** Management is responsible for day-to-day operations, risk management and maintaining effective controls.

**Second line:** Internal assurance teams set policy, provide oversight and monitor compliance with control activities.

**Third line:** Internal audit and external specialist auditors independently assess the effectiveness of governance, risk management and internal controls, and provide assurance over company disclosures.

We also apply a standardised assurance framework to assess the risk associated with narrative disclosures in the integrated annual report. As the level of risk increases, the governance and assurance applied to the reporting of data increases, with significant risks and issues escalated to the board, thereby ensuring that the management, control and reporting of any risks, and resulting actions identified through the process, are proportionate to the level of risk. This approach aligns with the assurance principles used in UUW's regulatory reporting and informs the levels of assurance proposed for the 31 March 2026 integrated annual report.

### Internal audit function

The internal audit function is a key element of the group's corporate governance framework. Its role is to provide independent and objective assurance, advice and insight on governance, risk management and internal control to the audit committee, the board and to senior management. It supports the organisation's purpose and objectives by evaluating and assessing the effectiveness of risk management systems, business policies and processes, systems and key internal controls. In addition to reviewing the effectiveness of these areas, and reporting on aspects of the group's compliance with them, the internal audit function makes recommendations to address any key issues and improve processes and, as such, provides an indication of the behaviours being exhibited by colleagues in the areas under review. Once any recommendations are agreed with management, the internal audit function monitors completion of associated actions and reports to the committee on progress made at every meeting.

A five-year strategic audit planning approach is applied. This facilitates an efficient deployment of internal audit resource in providing assurance coverage over time across the whole business, as well as greater variation in the nature, depth and breadth of audit activities. This strategic approach supports the annual audit plan, which is then endorsed by management, and which the committee reviews, challenges and approves annually. The audit universe includes identifiable business processes, functions, activities and/or systems which internal audit can provide assurance over, is reviewed and updated each year and validated by management. The audit universe is risk assessed as either low, medium or high, with the risk rating determining the audit intensity of the auditable areas.

The internal audit plan covers a broad spectrum of activities and includes a mix of annual reviews, cyclical reviews and specific management requests. The areas covered by the plan for 2026/27 include:

- Cyber security, systems, and data, e.g. Network Information Systems Directive readiness; Security and Emergency Measures Direction compliance, data protection and asset registration and deregistration;
- Transformation and programme activity, e.g. Windermere programme, industrial emissions directive programme; capital delivery transformation programme governance and AI programme governance;
- Core operational activities and resilience, e.g. covered/service reservoirs, low pressure, water production planning; laboratory testing services, and power and chemical resilience;
- Environment, e.g. environmental information request process; pollution compliance reporting; the environmental reporting assessment, and the pollution incident reduction plan;
- Regulation, e.g. charges and tariffs; annual performance report and cost allocation;
- Customer, e.g. income receipts, financial settlements, billing and credit management; and
- Statutory/corporate reporting and governance, e.g. the code, assurance of narrative reporting in the annual report and sustainable finance.

The internal audit function operates under a charter, approved annually by the audit committee, which defines its purpose, scope and authority. In line with this charter, internal audit conducts its work in accordance with the Global Internal Audit Standards, applying integrity, diligence and objectivity at all times.

The internal audit function, led by the head of audit and risk, reports to the committee chair, and functionally to the CFO, both of whom review the head of audit's annual personal objectives. The head of audit and risk attends all scheduled meetings of the audit committee. At each meeting of the committee, the head of audit and risk meets with committee members without management being present and he is in regular contact with the chair of the committee outside of formal meetings.

The in-house team is expanded as and when required with additional resource and skills co-sourced from external providers ensuring that the internal audit function has sufficient resources and expertise to deliver the annual audit plan. The committee oversees the relationship with the co-source provider to maintain the independence of the internal audit function and there is a documented process to manage possible conflicts of interest with the co-sourced resource. Ensuring that any co-source resource remains independent in the course of its work is crucial to the integrity of its work. Following a competitive tender process, PwC was last reappointed as co-source resource provider during 2020/21. Aligned to the planned tender for the external auditor, PwC would cease to provide the internal audit co-source resource with effect from 31 March 2029 to allow it, should it wish, to tender for the auditor role.

The internal audit team liaises with the external auditor to share relevant insights, supporting the overall assurance provided to the audit committee and the board.

### Assessing the effectiveness of the internal audit function

The effectiveness of the internal audit function's work is continually monitored using a variety of inputs, including ongoing audit reports received, regular interactions between the audit committee and the head of audit and risk, a biannual review of the department's internal quality assurance report, a dashboard providing a snapshot of the progress against the internal audit plan tabled at each committee meeting, as well as six-monthly reporting against a quality assurance plan.

The annual stakeholder survey was issued to committee members, senior management and other managers who have regular contact with the internal audit function, including representatives from the auditor KPMG and the co-source audit provider PwC. The responses were anonymous to encourage open and honest feedback, and were consistently favourable, as were previous surveys.

An external assessment of the quality and effectiveness of the internal audit function is undertaken at least every five years, with the most recent review by BDO in 2024. The 2024 review examined the function's compliance with the Institute of Internal Auditor's internal audit standards, audit quality, and application of the function's methodology, undertook a gap analysis against new internal audit standards, and benchmarked against other FTSE100s' internal audit functions. BDO concluded that the internal audit function was fit for purpose and was operating efficiently and effectively, in line with good practice and was attributed with the highest grading of 'generally conforms' with the internal audit standards, an improvement from the 2019 External Quality Assessment, which was graded in the category below of 'partially conforms'. Opportunities for improvement were identified including recommendations relating to the use of data analytics and the use of PwC as the current co-source partner.

Taking all these elements into account, the committee concluded that the internal audit function was an effective provider of assurance over the organisation's risks and controls and appropriate resources were available as required.

### Assurance function

The assurance team, which reports to the head of audit and risk, provides a respected, independent second line of assurance service that supports the business in meeting its legal and regulatory obligations, and offering suggestions for continuous improvement. The team focuses on operational activities, principally water, wastewater and construction; and assessing compliance with site standards, health and safety and regulations such as permit compliance. Findings are reported to operational senior leadership and the GARB.

# Treasury committee report

## Members

**Marina Wyatt**
Chair

- Doug Webb
- Phil Aspin
- Brendan Murphy

## Dear shareholder

During the year, with the board's delegated authority, the committee oversaw the successful execution of the group's funding plan to support delivery of the AMP8 investment programme. Approximately, £1.4 billion of new term funding was raised in the period to 31 March 2026. The committee assessed funding requirements and opportunities, overseeing several transactions including an increase in bank facility support to optimise the funding and liquidity mix, with circa £500 million coming from relationship banks via renewed or increased committed facilities and term loans, and circa £900 million from the public bond markets. Subsequent to the year end, a further €150 million was raised from the public bond markets on 10 April 2026.

The committee remains focused on increasing credit investor diversification, with the group further building-out its euro public bond market presence, issuing a €500 million ten-year green bond in August 2025, along with €100 million taps of the group's existing May 2034 and August 2035 maturities later in the year. The group now has just over €2.3 billion of bonds outstanding in the euro public bond market. In December 2025, the group also returned to the sterling public bond market for the first time since May 2024, issuing a £300 million 14-year maturity.

The committee has continued to monitor financial market conditions closely amid heightened geopolitical tensions and more volatile markets. Additionally, the committee has kept up to date with credit ratings agency developments including any reassessments of the regulatory framework following completion of Ofwat's PR24 price review, along with the regulatory reform agenda following the Independent Water Commission, chaired by Sir Jon Cunliffe, and government white paper.

The group continues to be well-positioned for AMP8, being pre-funded into 2028. The committee completed a 'deep-dive' review of the group's liquidity policy, resulting in the board approving a change to the targeted range for 'forward cover' of projected needs, whereby liquidity will be managed to a central target of 18 months +/-6 months forward on a rolling basis.

Given the UK Statistics Authority's proposal, effective from 2030, to align the UK Retail Prices Index (RPI) with the Consumer Prices Index including owner-occupier housing costs (CPIH), the group has been proactively considering the impact of such a change in respect of its existing RPI-linked notes that contain 'fallback' provisions that deal with fundamental changes to RPI.

With the written consent of the noteholder, in March 2026 we amended the fallback provisions in three of our RPI-linked notes. In the event of a fundamental change to RPI, these notes now effectively follow what happens on index-linked gilts and avoids the need for an uncertain independent process and potentially early redemption. At the same time, we took the opportunity to shorten the maturity on two of those notes from 2056 to 2047. The committee believes this 'first-of-its-kind' transaction in the corporate RPI-linked market sets a helpful precedent going forward.

The group has access to debt capital markets via its European Medium Term Note (EMTN) Programme or by putting bespoke documentation in place. The EMTN Programme, along with the group's sustainable finance framework (SFF), continues to be the primary vehicle for the group to access funding in the debt capital markets. In March 2026, the group updated its SFF to align with the latest International Capital Markets Association principles and to allow for the issue of financing designated as blue, alongside the existing green/sustainable/social categories. Each year, we publish an SFF allocations and impact report.

The committee also considered the group's approach to determining the effective interest rate to be applied in accounting for floating-rate financial liabilities, which led to a change in the estimation technique used to measure inflation-linked debt that will smooth the impact of unusually high or low inflation over the remaining life of the debt and is expected to reduce volatility in the income statement (see page 195).

Details of the group's engagement with banks and credit investors can be found on page 114.

**Marina Wyatt**
Chair of the treasury committee

### Quick facts

- The committee meets a minimum of three times per year.
- The committee operates under terms of reference and delegated authorities approved by the board.
- Any director is entitled to attend any meeting and the company secretary attends all meetings of the committee.
- The treasurer is a member of the committee.
- A review of the responses to the 2025/26 committee evaluation can be found on page 119. In summary, the review indicated that the committee was effective and its members had the appropriate skills and experience to fulfil the committee's responsibilities.

### Main responsibilities

- Review of the group's treasury policies in relation to: financing; liquidity; hedging of market risks (interest rates, inflation, currency and electricity); financial counterparty credit risk; credit ratings; and capital structure.
- Execution of the financing plan and evaluation of funding opportunities.
- Liquidity management and review of forecasts.
- Execution of hedging transactions and programmes in relation to the management of market risks in accordance with treasury policy parameters.
- Developments in relation to the credit ratings agencies.
- Credit investor relations.
- Banking relationships.
- Treasury delegated authorities, internal controls and governance.
- Reporting to the board on matters relating to the group's treasury activities, including board approval of the annual treasury update and associated financing plan and board delegated authorities.

### Quick links

▶ Terms of reference: **unitedutilities.com/corporate-governance**



# Compliance committee report

## Members

**Doug Webb**
Chair

- Ian El-Mokadem
- Alison Goligher
- Michael Lewis
- Louise Beardmore
- James Bullock
- Matthew Hemmings

## Dear shareholder

The committee's duties are focused on providing oversight and challenge of UUW's principle regulatory submissions.

## Annual business

The committee has a planned annual review cycle where principal submissions made to Ofwat and other regulators are reviewed, scrutinised and challenged prior to submission to the UUW board.

UUW publishes an annual performance report (APR) to show how the company is delivering on the price and service package set out in the final determination of price controls. It also delivers on a range of other reporting requirements, including those embedded in the company's licence. These reports are published on the company website.

As part of the APR publication, the board must provide supporting board assurance statements – first, a statement demonstrating the board has met Ofwat's Board Leadership, Transparency and Governance principles, and secondly, a risk and compliance statement. This statement confirms that the company has understood and met its regulatory obligations, maintains effective controls and risk-management systems, considers its data accurate and has identified any departures from compliance in the 'Table of Departures'.

The committee reviewed the proposed approach for the production and assurance of the APR at its meeting in April 2025, challenging management and making recommendations to enhance the assurance framework. It reviewed the APR and board assurance statements at its meeting in June 2025, including the Table of Departures, and recommended the same to the UUW board for approval.

The committee also reviewed the regulatory accounts, prepared in accordance with Ofwat's regulatory accounting guidelines, and recommended them to the UUW board for approval ahead of their submission as part of the APR.

In line with Ofwat requirements, the board approves UUW's charges and tariffs annually. During the year, the committee reviewed the governance arrangements for the charges-setting process, considered the indicative charges and tariffs for 2025/26, and subsequently reviewed the final charges prior to board approval.

The committee has continued to review principal submissions to the Environment Agency relating to performance. This has included reviewing the approach to compiling information provided by the company as part of the Environmental Performance Assessment and Event Duration Monitoring submissions which covered performance in 2025. In addition, the committee was engaged in the review and development of the Pollution Incident Reduction Plan which was published in March 2026. Scrutiny and constructive challenge from the committee helped ensure the quality and completeness of this plan.

Ahead of key submissions to regulators, the committee also reviewed technical assurance reports from specialist third-party providers. This independent technical assurance offered external validation of key methodologies, data quality and compliance with regulatory obligations. These reports reflect robust challenge to management's processes and controls, which have supported the governance process and the committee's ability to evaluate the reliability, accuracy and completeness of the information presented by management.

## Other business

The committee also conducted a number of deep-dive reviews into specific aspects of water and wastewater compliance activities and has received updates on completion of committed actions. The committee also received regular updates in relation to ongoing casework matters and a proactive programme of planned second-line assurance work.

During the year, the committee received updates on the process for appointing an independent technical assurance provider and provided oversight of the governance arrangements supporting that process. The committee provided feedback on the overall procurement approach and sought confirmation that appropriate controls were in place both for the procurement exercise and future delivery under the appointment.

Finally, I would like to thank Alison Goligher, who steps down from the board after this year's AGM, for her huge contribution and valuable insights in relation to the activities of the committee since its establishment in 2023.

**Doug Webb**
Chair of the compliance committee

### Quick facts

- The committee comprises at least three directors, two of whom must be independent non-executive directors and one of whom is appointed as chair.
- The company secretary attends all meetings of the committee.
- The regulation and compliance director and chief operating officer are both members of the committee.
- A minimum of two meetings are held each year. In 2025/26, five meetings were scheduled during the year.

### Main responsibilities

- Review of key UUW regulatory submissions and underlying governance policies.
- Review compliance with areas of legislation or regulation as the committee sees fit.
- Be kept abreast of changing regulatory or legislative requirements.
- Oversee the structure and processes of interactions with UUW's regulators.

### Looking to the future the committee will:

- Continue to undertake deep-dive reviews on specific subjects. Exploration of these areas will include challenging management to ensure that the approach taken is appropriately identifying risks and that associated mitigating actions are delivered.
- Engage with and challenge management to ensure the processes underpinning principal regulatory submissions deliver effective and timely production of regulatory information and that these are continually scrutinised for additional improvement opportunities as part of further enhancing a proactive compliance culture.
- Proactively test and confirm the independence of the external technical assurance services.

### Quick links

▶ Terms of reference: **unitedutilities.com/corporate-governance**

# ESG committee report

## Members

**Liam Butterworth**
Chair

- Alison Goligher
- Clare Hayward
- Louise Beardmore

## Dear shareholder

ESG considerations remain fundamental to the resilience of our business and central to our long-term strategy and day-to-day decision-making to deliver a stronger, greener and healthier North West.

I am pleased to present my second report on the activities of the ESG committee for 2025/26. As Alison Goligher's tenure on the committee concludes, I would like to thank Alison for her dedication and contribution over this time. A longstanding member of the committee, she has provided valuable insight through a period in which ESG has moved to the very core of our corporate purpose.

Over the past year, the committee has built on the foundations established during my first year as chair, with an increased focus on embedding ESG considerations into our business planning and value chain, while maintaining a clear view of the external environment in which we operate.

As ESG expectations continue to evolve, shaped by shifting regulatory, political and stakeholder expectations, the committee remains clear that the underlying opportunities and risks associated with environmental sustainability, our role in society and the effectiveness of our governance will continue to be critical to the long-term success of the business.

The committee has also continued to monitor and respond to the changing ESG reporting and disclosure environment. The growing emphasis on consistency, comparability and the credibility of data and narrative, aligning strongly with the company's principal material theme of trust, transparency and legitimacy.

The committee continues to operate with standing agenda items covering stakeholder expectations and reputational horizon scanning, investor and market trends, and a comprehensive ESG performance dashboard. These regular discussions are complemented by in-depth reviews of priority topics, allowing the committee to provide focused challenge and oversight as the company responds to a changing ESG landscape. This year, we have had deep dives on the following topics.

## Responsible and resilient value chain

With the increased scale of our capital programme this AMP, there are increased risks and opportunities for our ESG performance throughout the supply chain. The committee received an update on commercial activities including: the group's supply chain capabilities; capacity and resilience to deliver AMP8 and beyond, and insight into the ongoing commitment to foster a responsible, value-driven and collaborative supply chain.

## Community investment and social value

The committee received an update on the company's contribution to communities and discussed the scope and direction for our community strategy for AMP8, covering: engagement, education, jobs, skills, affordability, social value and mitigating the impact of our capital investment programme.

## Vulnerable customers

The committee supported the company's commitment to inclusive support for vulnerable customers, reviewing the performance dashboard tracking the company's efforts and the current approach to Priority Services.

## Opportunity for All

The committee endorsed the company's 'Opportunity for All' report, which shares performance on the diversity of its workforce to both retain existing colleagues and attract a diverse pipeline of new talent to help drive innovation and growth.

## Net zero

An update was provided to the committee on the company's progress against its Science Based Targets initiative (SBTi) targets to reduce greenhouse gas emissions and the sector-wide project to refresh the Water UK operational net-zero target during 2026. The committee reviewed the refresh of the net-zero strategy to cut emissions at source, drive long-term system change across our operations and capital delivery programme, and address residual emissions through high-integrity greenhouse gas removals and value chain partnerships. The 2026 AGM will consider and, if thought fit, approve the company's net zero transition plan.

## Nature and biodiversity

The committee discussed the group's approach to identify its impact and dependencies on nature and our strategic approach to managing biodiversity on our landholding. The committee noted the importance of understanding our interactions with nature in our long-term planning, operations and our supply chain to improve resilience and the use of natural capital accounting to track and measure our natural assets and the benefits provided to the North West.

## Company water use

The committee was updated on the progress made in accounting for all the water used across our system to find demand reduction opportunities focused on driving down carbon, energy and water consumption on our sites.

**Liam Butterworth**
Chair of the ESG committee

### Quick facts

- The committee comprises three directors appointed by the board, two of whom must be independent non-executive directors and one of whom is appointed as chair.
- The company secretary, the corporate affairs director, the asset management director, and the investor relations and clean energy strategy director attend all meetings of the committee.
- Senior operational directors attend the committee to report on the environmental, social and governance aspects of particular topics and initiatives.
- The committee has power delegated to it from the board in relation to environmental, social and governance matters.

### Quick links

▶ Terms of reference: **unitedutilities.com/corporate-governance**

### Looking to the future the committee will:

- Continue to look for opportunities to build on and develop our ESG subject matter expertise;
- Review ESG rating performance to benchmark against best practice and peers;
- Continue to examine the interaction between purpose, ESG and reputation, and review the approach to stakeholder engagement and the management of reputational risks;
- Oversee matters of general governance; and
- Undertake matters of committee governance such as reviewing its rolling calendar of agenda items, the annual committee evaluation and the committee's terms of reference.

### Main responsibilities

- Consider and recommend to the group board the broad approach to environmental, social and governance matters taking into account the company's desired ESG positioning;
- Keep under review the group's approach to environmental, social and governance matters and ensure it is aligned with the group strategy, including the company purpose, strategic priorities and values;
- Review environmental, social and governance issues and objectives material to the group's stakeholders and identify and monitor the extent to which they are reflected in group strategies, plans and policies;
- Monitor and review the status of the company's reputation and examine the contribution of the group's corporate responsibility activities towards protecting and enhancing its reputation;
- Monitor and review compliance with the group board's approach to environmental, social and governance matters and scrutinise the effectiveness of the delivery of the ESG commitments;
- Develop and recommend to the group board ESG targets and key performance indicators and receive and review reports on progress towards the achievement of such targets and indicators; and
- Review all approved specific giving where the aggregate financial contribution exceeds £100,000 over the period of the proposed funding and to review all community-giving expenditure annually.

Stock code: UU.

# Remuneration committee report

**Members**

**Kath Cates**
Chair of the remuneration committee

- Doug Webb
- Alison Goligher

## Annual statement from the remuneration committee chair

Our executive pay arrangements are aligned to our purpose, strategy and values, incentivising delivery for customers and the environment, and the creation of long-term value.

## Dear shareholder

### Adapting to an evolving context

The year ending 31 March 2026 was the first year of the new AMP, with the evolving context affecting the committee's decision-making. Under the AMP8 final determination, this five-year period will see us deliver our largest investment in water and wastewater infrastructure in over 100 years, more than doubling the size of our capital programmes compared to the previous AMP, and enabling us to drive significant environmental and service improvements across the North West, improving river quality and the resilience of our water supplies. We have made a strong start to our investment programme, as is set out throughout this report, with everyone at United Utilities committed to supporting a stronger, greener, healthier North West.

The proposals announced on 30 April 2026 for a further £1.4 billion, as part of Ofwat's 2026 Re-opener process, will bring even more benefits to our customers, the environment, and other stakeholders. It will enable the creation of even more jobs, enhance our infrastructure and aligns closely with the Government's mission for economic growth and decarbonisation. It is hugely exciting, and a testament to the ambition of the leadership team who only want the best for our region.

The talent and capability of our people is fundamental to the delivery of our business plan. Since her appointment in 2023, Louise Beardmore (our Chief Executive) has strengthened our executive management team (including through external hires), grown the workforce to ensure the necessary skills are in place, developed an inclusive workplace culture within which colleagues can thrive (the latest colleague survey showing a 90% engagement rate), and mobilised our supply chain in readiness for delivery. With over 1,000 projects live, the team is already building the infrastructure that will see performance improvements for years to come. Under the financial guidance of Phil Aspin (our Chief Financial Officer), we have already started raising the necessary funds to bring this ambitious plan to life (with circa £1.4 billion of term funding raised in the first year of the AMP) and continue this performance delivery. Louise and Phil were also instrumental in securing strong support from new and existing shareholders for the £800 million equity placing on 30 April 2026, providing additional funding for the transformational investments that will deliver sustained improvements for customers and the environment, support economic growth and create jobs.

Regulation of the sector also continues to evolve. In June 2025, Ofwat published the final details of its performance-related executive pay prohibition rule ('PRP rule'), which retrospectively applied to performance-related pay to executive directors for the year ending 31 March 2025 onwards. In July 2025, the Independent Water Commission, led by Sir John Cunliffe, published a set of 88 recommendations designed to drive fundamental change across the industry and in January 2026, we saw the publication of Defra's white paper, 'A new vision for water'. In March/April 2026 Ofwat published further updates on its PRP rule and its requirements and expectations in respect of remuneration reporting for 2025/26.

As a listed company we have always provided full and comprehensive details about the remuneration arrangements and outcomes for our directors, and we remain committed to open and transparent reporting, delivering for stakeholders and following the highest standards. Our remuneration arrangements must recognise that we are competing to retain and attract talent in an extremely challenging and competitive marketplace, with other industries seeking the same key skills we need, but without the increasingly complex regulatory and political landscape we are operating within. To that end, it is vitally important that we have an effective remuneration policy in place that reflects the size and associated risks of AMP8 and enables us to motivate and retain our talented and experienced leadership team to deliver the challenging plan.

### Quick facts

- The code states that the board should establish a remuneration committee of independent non-executive directors with a minimum membership of three.
- By invitation of the committee, meetings are attended by the Chair, the CEO, the company secretary, the people director, the head of reward and the external adviser to the committee.
- Our proposed remuneration policy will be put to shareholders for approval at the 2026 AGM.
- The remuneration report sets out how the previous remuneration policy was applied in 2025/26 and how we intend to apply the new remuneration policy in 2026/27.
- Certain sections of the remuneration report are audited. The unaudited sections of the remuneration report, including the annual statement from the remuneration committee chair have been subject to external assurance by the remuneration committee's independent adviser, Ellason. This appointment was a limited assurance engagement in accordance with the requirements of the International Standard on Assurance Engagements (UK) 3000. Ellason's assurance statement is available at **unitedutilities.com/corporate/responsibility/our-approach/esg-performance**

### Quick links

- Terms of reference: **unitedutilities.com/corporate-governance**
- Read our overview of **executive remuneration** on pages 146 to 153
- Read about our **review of the directors' remuneration policy** on page 144 to 145 and our **proposed new policy** on pages 154 to 159
- Read our **annual report on remuneration** on pages 160 to 169

Finally, building on our commitment in recent years that performance-related pay received by executive directors would not be paid for by customers, the board has taken the decision to apply this same philosophy to all elements of pay receivable by executive directors going forward, i.e. all fixed and all performance-related pay.

## Performance in the year

The business delivered strong financial and operational results during the year, providing a solid base for the accelerated investment programme. Underlying revenue increased 20% to £2,576 million, reflecting higher regulatory revenues under the PR24 final determination, with underlying operating profit up 35% to £1,060 million and underlying EPS up 42% to 107.1 pence. Capital investment increased 41% to £1.5 billion in line with expectations, with our regulatory commitments achieved on time in the year, and a CPDi score of 100%.

Operationally, 80% of key performance metrics were improved year-on-year, with the business ranked above median and 'in reward' for the regulatory customer service measures (two of which are captured in the bonus). Stretching targets were met for both internal and external sewer flooding – two of the outcomes customers value most, with internal sewer flooding down 42% and external flooding down 25%, despite last year's stormy weather. While the UK overall experienced a relatively dry year, the North West still saw above average rainfall. Despite this, spills performance improved, with total activations falling 22% and duration falling 27% versus the prior year. Performance fell short of the stretching targets the business set for itself on supply interruptions and water quality. However, the board remains confident that the investment and momentum achieved this year will continue to strengthen performance as we move through the AMP, and the committee will continue to use performance-rated pay mechanisms to drive this.

## Remuneration during 2025/26

### Consideration of Ofwat's PRP rule

Ofwat's PRP rule requires the payment or vesting of any variable pay to be contingent on the achievement of certain standards. Failure to meet any of the standards requires the committee to prohibit the payment of bonuses and apply a pro-rata reduction to inflight LTP awards for executive directors. The PRP rule captures bonuses from 2024/25 onwards and LTP grants from April 2024 onwards (so the 2023 LTP award precedes the introduction of the PRP rule). The standards relate to (i) Consumer Matters, (ii) Financial Resilience, (iii) Criminal Liability and (iv) Environment. The committee is satisfied that based on all available information, United Utilities has passed each of the PRP rule standards in respect of 2025/26, so performance-related pay outcomes for the executive directors are not prohibited or subject to adjustment in relation to the PRP rule. Provisions are in place for corrective action to be taken if this assessment that the PRP rule has been passed is later found to be incorrect.

### 2025/26 annual bonus

As in previous years, a consistent bonus scorecard applied throughout the business in 2025/26, to ensure a shared focus on stretching delivery for customers and the environment. Strong performance during the year gave rise to a provisional bonus outcome of 76.6% of maximum, with the stretching targets achieved in seven out of the 13 measures in the scorecard. Further detail on the bonus scorecard, why the measures were chosen and how the committee ensures the performance range is stretching is set out on pages 150 to 151.

### Application of the PRP rule in 2024/25 and impact on prior year bonuses

- In the 2025 integrated annual report, we disclosed provisional bonus outcomes of 44.8% of maximum for the executive directors based on performance for the 2024/25 financial year. The outcome remained subject to confirmation of the outcome under the serious pollution measure and application of Ofwat's new PRP rule, the final details of which had not been published when the integrated annual report was signed off.
- The PRP rule was published on 6 June 2025, so the committee reviewed its application in respect of the two executive directors. In the final version of the rule the Environment standard was expanded compared to the previous version of the rule that had been consulted upon with stakeholders, with the rule being triggered if a company has one (or more) category 1 pollution incidents during the year.
- While United Utilities did not experience a category 1 pollution incident in the year, regrettably, fish were harmed during the routine operation of a mandatory health and safety inspection at one of our water reservoirs in December 2024. The Environment Agency (EA) confirmed that, irrespective of the cause, this incident would be classified as a category 1 fisheries mortality incident, and that while it was not a pollution incident, it would nevertheless be reported within the 'serious pollution incidents' category of its Environmental Performance Assessment (EPA) report.
- Consequently, the committee concluded that this was a breach of Ofwat's new PRP rule, and accordingly, no bonuses were paid to the executive directors for the 2024/25 financial year, and the previously disclosed figures have been updated to £nil in this integrated annual report. No alternative or compensatory payments have been made.
- The breach of the PRP rule in respect of 2024/25 will also result in a pro-rata reduction to the vesting of the 2024 LTP award, the performance period for which spans the three financial years to 2026/27.

# Remuneration committee report

Following the preliminary assessment of performance against targets, the committee undertook a review to determine whether the provisional outcome was aligned with overall performance and the experience of stakeholders, including customers and the environment. This involved consideration of performance across a range of stakeholder lenses which are not necessarily captured in the incentive scorecard (see further details on page 153). As a result of this review, the committee concluded that the bonus scorecard outcome fairly reflected overall performance and that it would not be necessary to exercise any discretion in respect of the bonus for 2025/26. The ranking position for BR-MeX is provisional pending formal confirmation from Ofwat, which is expected by the end of May 2026, before any bonus payments are made to the executive directors. If the final ranking is different to the best estimate shown in this report and this has an impact on the overall bonus outcomes, they will be updated in next year's report.

## 2023 Long Term Plan (LTP)

The 2023 LTP was based 50% on return on regulated equity (RoRE) and 50% on a basket of customer and environmental measures. The basket comprised five metrics selected to reflect customer priorities, demonstrate our focus on customer delivery and environmental performance, and recognise stakeholder expectations on ESG matters.

During the performance period the committee used its discretion to make adjustments affecting the carbon reduction and RoRE measures. For further details see page 152. RoRE has been calculated on a provisional basis pending finalisation and assurance of some of the inputs which feed into the final calculation. The final outcome for the EPA rating measure will only be known when our 2025 EPA rating is confirmed by the Environment Agency later in the year. The provisional vesting outcome for the 2023 LTP (with our best estimate for RoRE and without an outcome for the EPA rating measure) is 61.2% as shown on pages 160 and 161. We will provide an update in next year's report if the final outcome is different to this provisional position.

As with the annual bonus, the committee reviewed the provisional vesting outcome in the context of the overall performance of the business and stakeholder experience. Given the demonstrable progress made in recent years, the committee believes that the provisional LTP outcome fairly reflects the underlying performance of the company and is not currently minded to exercise any discretion in respect of the vesting of the 2023 LTP awards. The committee has the opportunity to revisit this assessment again prior to vesting. Both directors' awards will vest after the completion of a holding period taking the overall vesting period to five years from the grant date.

## Base salaries for 2025/26 and 2025 Long Term Plan (LTP)

At the time of publishing last year's annual report, the committee had not finalised the salary proposals for the executive directors for 2025/26, nor the terms of the LTP award to be granted during the year.

Louise Beardmore and Phil Aspin have been in role since 2023 and 2020 respectively. Both were appointed on salaries materially lower than their predecessors (13% and 18% below respectively), with increases since then having been at or below the rate awarded to United Utilities' wider colleague base. This is in keeping with the committee's long-standing policy of restraint on executive salary levels, with increases for executive directors set at or below the workforce rate for many years.

Louise and Phil both have deep knowledge of the water industry and are highly regarded by many stakeholders. This was evidenced by the strong customer and stakeholder support received in relation to the growth proposals recently announced. Given the demands of the AMP and the expectations being placed upon the executive team, the committee concluded that this conservative salary positioning was failing to recognise the proven skills and experience of the executives, and was therefore no longer tenable. As such, Louise and Phil were each awarded a salary increase of 20%, effective 1 July 2025, bringing their salaries to £870k and £560k respectively.

In determining the appropriate salary positioning, the committee took into account market data from both water and infrastructure sector peers and comparably sized UK-focused FTSE listed companies. It was clear that the directors' salaries had fallen below market, with the revised salaries now positioned appropriately against these relevant benchmarks, as shown on page 145. The committee is aware of the preference for salary increases to be phased over multiple years and would note that this would be our typical approach. However, having already delayed making a corrective adjustment pending the start of AMP8, we concluded that to further delay addressing the salary imbalance, by a way of phased increases, would not be in the best interests of the company or its shareholders, nor fair to the executives.

Since 2013, the committee has been able to grant LTP awards up to 200% of salary to the executive directors but has historically used a lower operational limit of 130% of salary. This is materially below the normal level for a company of our size. Recognising the scale and complexity of the AMP and the need to motivate and retain the executive directors to deliver on the strategy amid the changing regulatory landscape, the committee used the flexibility afforded to it under the existing policy to grant awards at 200% of salary for 2025. The awards were made in December and are subject to challenging RoRE (50% weighting) and customer and environmental measures (50% weighting), details of which were published on the company's website at the point of grant. See page 161 for further details.

In making its decisions the committee was acutely aware of the specific circumstances facing the sector at the moment and the need to create a fair, balanced and motivational remuneration package. Over the past two years, over half of the chief executives and chief financial officers at United Utilities' peers in the water and wastewater sector have stood down or announced their intention to stand down from their roles. Given the complexity and step-change in performance required in AMP8, retention of our experienced and capable leadership team is of increasing concern for the board and shareholders. Maintaining a remuneration structure that was knowingly below that offered by other similar companies became untenable and the committee took the necessary steps, within the parameters of the existing remuneration policy, to begin to address this.

## Remuneration policy review

The current directors' remuneration policy was approved by shareholders with 99% support at the 2025 AGM. Under the remuneration reporting regulations, we were required to submit the policy to shareholders for approval last year. However, the timing was not ideal given the PR24 process, with the board only in a position to accept the final determination in January 2025. While the committee did undertake a review of the policy, the limited time available and uncertainty affecting the sector led us to conclude that the most appropriate course of action was to effectively roll over the existing policy, with only a minor change to bonus deferral being proposed (to reflect emerging market practice). The remuneration policy has remained substantively unchanged since 2013, when the current bonus and LTP limits were set, and has received strong support from shareholders over this period.

Having now had the opportunity to review the policy in more detail in the context of the challenges of AMP8 and the changing regulatory and external landscape, the committee is submitting a revised policy to shareholders for approval at the July 2026 AGM. The revised policy incorporates the following key changes:

- **Introduction of an AMP8 allowance** for the executive directors, payable in shares, to retain and ensure the stability of the executive team, and provide a competitive overall remuneration opportunity given the scale and complexity of AMP8. The shares will be beneficially owned by the executive directors from the point of receipt, with no performance or further service conditions applying; however, directors will be required to hold the shares (net of tax) for at least two years (and longer if required to achieve their minimum shareholding requirement). The shares will be held in a nominee account to enforce this holding requirement. The AMP8 allowance has been set at £435k per annum for the chief executive and £280k per annum for the chief financial officer (payable in six-monthly instalments to ease administration) and fixed for the duration of AMP8 (i.e. it will not be subject to inflationary increases). Payment of the allowance will cease should the director give or receive notice to terminate employment. The allowance is specific to AMP8 in recognition of the scale and complexity of this AMP, and its use will be reconsidered ahead of the next regulatory period.
- **Revised limits under the annual bonus and LTP for directors in receipt of the AMP8 allowance, with an increased emphasis on long-term performance.** The maximum opportunity for directors in receipt of the AMP8 allowance will be set at 100% of salary for the annual bonus (reduced from 130% of salary under the current policy) and 175% of salary for the LTP (reduced from a maximum of 200% of salary under the current policy). The weighting on long-term performance has been increased to align with stakeholder interests. The bonus and LTP will continue to be subject to the achievement of the standards set out in Ofwat's PRP rule and stretching targets linked to financial, customer, community and environmental performance.
- **Higher share ownership requirements.** The in-post and post-employment shareholding requirement will increase to 250% of salary (from 200% of salary). If the LTP award level were to be positioned above 250% of salary (not currently anticipated), the shareholding requirement will increase in line with this on a 1:1 basis.
- **Expanded malus and clawback provisions.** The malus and clawback provisions have been expanded to enable the withholding or recovery of performance-related pay where necessary following a breach of the standards set out in Ofwat's PRP rule.
- **Flexibility for directors not in receipt of the AMP8 allowance.** Recognising that as a listed company, the remuneration policy is expected to last for three years, the committee has sought to maintain appropriate flexibility, for example in a recruitment situation. The maximum available opportunity for directors not in receipt of the AMP8 allowance, has been set at 150% of salary for the annual bonus and 300% of salary under the LTP. As above, the higher weighting on long-term performance is designed to align with stakeholder interests and FTSE best practice.

▶ Further details on the **committee's decision-making process, including the comprehensive shareholder consultation process undertaken as part of this policy review** are included in the Q&A section on pages 144 to 145

The committee has thought very carefully about how to construct a fair and balanced remuneration policy that will allow us to continue to retain and incentivise our experienced leadership team, and attract new talent. It is vitally important that we have a remuneration policy in place that reflects the significant increase in scale and associated risks of AMP8. We recognise that the proposals are somewhat unusual in the context of UK-market norms but believe that the unique circumstances which our sector faces (including competing stakeholder priorities and an ever-evolving regulatory environment) warrant adoption of a tailored approach. Recognising that executive remuneration in the water sector remains a contentious matter of public interest and as noted above, the board has decided that for 2025/26 none of the pay received by the executive directors will be paid for by customers. This goes beyond our previous commitment that customers would not pay for performance-related pay outcomes.

I hope that you find this report a clear and helpful account of the committee's key areas of focus and decisions during the year, and our plans looking forward. I would be happy to answer any questions you may have at the upcoming AGM.

This report has been approved by the board and is signed on its behalf by:

**Kath Cates**
Chair of the remuneration committee

# Review of the directors' remuneration policy

## Why have you returned with a revised policy only a year after the last policy renewal?

It was difficult for the committee to make a firm decision on the policy a year ago, as much remained uncertain. Ofwat did not publish the final determination for AMP8 until 19 December 2024 (accepted by United Utilities on 29 January 2025) and consultation was ongoing on the proposed Performance Related Pay (PRP) prohibition rule. The committee therefore decided to roll forward the existing policy broadly unchanged at the 2025 AGM. However, we need to ensure that we have a policy in place that reflects the scale and ambition of the AMP and the level of risk involved which is substantially different from all previous AMPs.

## What makes AMP8 more challenging than previous AMPs?

AMP8 is significantly larger than AMP7 (and previous AMPs) due to the record investment programme (our largest in over 100 years), expanded environmental programmes focusing on improving river health and reducing storm overflow activations, investment in smart networks and data-driven asset management, greater affordability packages (which will see us provide support to one in six households) and the significantly tougher performance commitments and higher expectations for asset resilience. The recently announced growth plans, creating more jobs, enhancing infrastructure, and aligning with the Government's mission for economic growth and decarbonisation, are exciting but only further increase the scale, risk and complexity of what must be delivered. Regulation of the sector is also evolving, with the move towards the creation of a single regulatory entity. This enhanced political landscape sits alongside heightened scrutiny for the executive team, including threats to personal safety, and the potential for personal criminal liability under the Water (Special Measures) Act.

## Why did the committee settle on introducing an AMP8 allowance?

AMP8 will see us deliver what will be the largest investment in water and wastewater infrastructure in over 100 years. This will enable us to drive significant environmental and service improvements across the North West, improving river quality and the resilience of our water supplies. The talent and capability of our people is fundamental to the delivery of the AMP8 business plan. The PRP rule places considerable uncertainty over how we can operate our variable pay schemes and shareholders had questioned the board over the ability of our current remuneration policy to retain the current executive team and attract the calibre of talent required to deliver on this ambitious plan. We needed to make sure that the policy and packages that could be delivered under it are fair in the context of the challenges facing the sector and the demands being placed on the executive team. The AMP8 allowance has a retention effect because it provides a degree of certainty for the executives, while ensuring long-term alignment with shareholders. The allowance is specific to AMP8 and its use will be reconsidered ahead of the next regulatory period. The AMP8 allowance, alongside all other aspects of pay for the executive directors, whether fixed or performance-related, will not be paid for by customers.

## Why are you changing the balance of annual bonus and LTP opportunity?

Under the new policy, for executive directors in receipt of the AMP8 allowance, the limit will be 100% of salary for the annual bonus and 175% of salary for the LTP, as we wanted to increase the emphasis on long-term performance. This better reflects the long-term nature of the investment decisions being made by the executive team and aligns with our focus on delivering sustainable long-term performance.

## Why are the maximum policy limits for the annual bonus and LTP changing under the new policy?

For executive directors not in receipt of the AMP8 allowance, the maximum policy limits are set at 150% of salary for the annual bonus and 300% of salary for the LTP. In aggregate these limits bring the policy in line with typical market practice at similar sized UK-focused FTSE companies, albeit with a greater emphasis on long-term performance, and are designed to provide flexibility to the committee, for example in a recruitment situation.

The AMP8 allowance would not necessarily be payable to a new executive director, but the policy provides flexibility for the committee to consider and determine this at the appropriate time.

## What else did the committee consider as part of its review and why did you settle on this proposal?

We considered a wide range of different approaches including higher incentive opportunities, changes to the benefit provisions, different long-term incentive structures such as hybrid awards and restricted share awards, retention awards, and higher salaries. Overall, we strongly believe that the proposed approach strikes the right balance between providing a fair and motivational package for the executives while maintaining a strong link between pay and performance.

## How will the changes impact the pay mix under the new policy?

The committee believes the balanced remuneration package will provide a more effective pay structure through which to reinforce short-term and long-term financial, customer and environmental goals. We are keen to ensure our executives are retained for the duration of the AMP and beyond, and that they are both able and encouraged to build up a meaningful share ownership. The equity-based pay components being proposed, and the growing shareholdings of the current executives, will ensure continued alignment with shareholders and a continued focus on long-term decision-making over the next AMP cycle, which is the fundamental mindset at United Utilities.

Under the revised policy, over 62% of the remuneration package will be performance-related and over 56% will be delivered in shares which must be held for the long term, demonstrating long-term alignment with shareholders, customers and the environment.

## What consultation has taken place with stakeholders?

In formalising the policy changes, the committee undertook a comprehensive engagement process, contacting more than 20 of our largest shareholders representing almost 60% of the register, and ultimately held meetings with 14 different shareholders representing around 50% of the register. In total, the committee conducted 15 meetings, in addition to meetings with representatives from the major proxy advisory bodies (Investment Association, ISS and Glass Lewis). The committee is grateful for all the feedback received during this process.

### Shareholder engagement timeline

| | |
|---|---|
| September–November 2025 | Remuneration committee meetings to review and discuss proposed policy changes |
| December 2025–January 2026 | Meetings with 6 of our largest shareholders |
| January 2026 | Committee considered initial feedback received |
| February–May 2026 | Meetings with a further 8 of our largest shareholders |
| | Meetings with proxy advisers |
| May 2026 | Committee considered all feedback and reviewed policy proposals |

During the year, on behalf of the committee, the head of reward engaged with the colleague voice panel in relation to the company's executive remuneration principles and the alignment of executive remuneration with wider company pay policy, but due to the timing of the policy review it was not possible to engage directly with colleagues on the specifics of the proposed policy. Details about the policy changes will be discussed with the colleague voice panel later in the year.

## What external reference points did the committee consider when assessing the appropriateness of the pay levels?

We need to be able to compete for talent both inside and outside of the water sector and our senior leadership team come from a variety of different backgrounds. The committee took into account a variety of different reference points including other water companies, the wider infrastructure sector and other UK-focused FTSE listed companies.

With greater transparency over pay arrangements at listed companies, the FTSE 31-100 UK focused group provides a robust data set for external disclosure. The peer set excludes those companies with a more global outlook (more than 50% of revenues derived from outside of the UK). The charts below summarise how the proposed remuneration arrangements compare to this peer group. In size terms, United Utilities is ranked above median on market capitalisation, just below median on headcount and around median on revenue. In terms of relative performance, United Utilities has performed strongly against this group (between median and upper quartile relative TSR over rolling three-year performance periods to 31 March 2026).

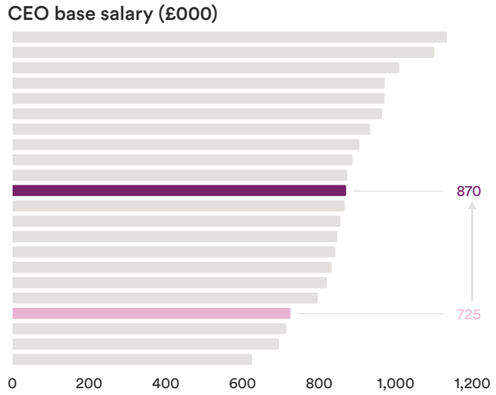
## What feedback was received and what changes were made following this consultation process?

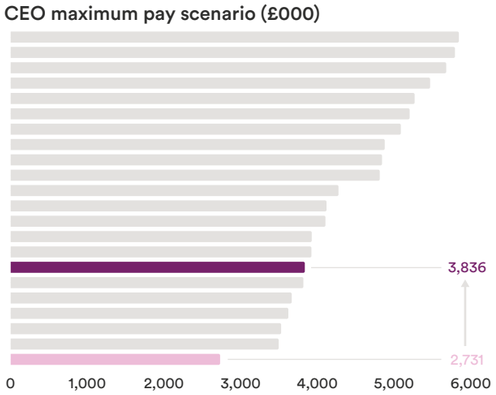
Open and meaningful dialogue was undertaken, and shareholders were understanding of the challenges facing the committee and the demands being placed on the executive directors. The retention of Louise Beardmore and Phil Aspin, and maintaining a stable executive team, was a matter of clear interest for shareholders. While strong support was expressed for the proposed changes, some shareholders raised fair and reasonable points which have been addressed in the final policy, such as the committee extending the holding period for the AMP8 allowance from one year to two years and increasing the shareholding guideline from 200% to 250% of salary.

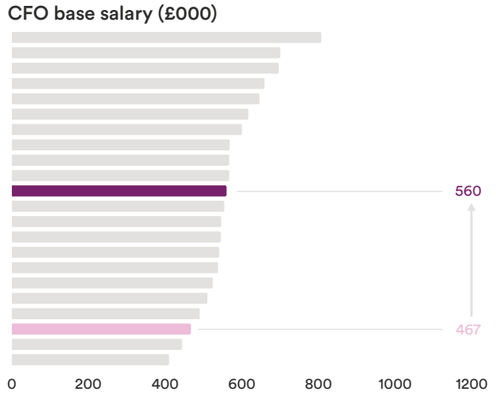
## How did the committee take into account wider workforce pay when making its decisions?

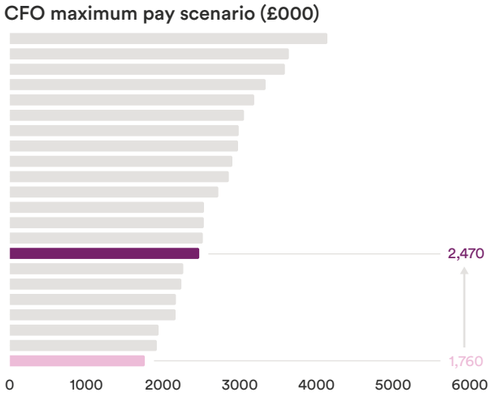
We aim to reward our colleagues fairly and competitively across all levels of the organisation, to enable us to hire and retain the best people. The committee receives regular updates on broader pay matters from the people director and head of reward, and members of the committee recently attended the company's all-colleague event in Liverpool. United Utilities is an accredited Living Wage Foundation employer and colleagues at all levels have the same bonus measures as executive directors, so everyone benefits from the success of the company. Page 164 shows how pay and benefits cascade throughout the company.

### External reference point: FTSE31-100 UK focused group




Peer companies: Autotrader, Babcock, Barratt Redrow, Berkeley Group Holdings, British Land, BT, Centrica, Easyjet, Howden Joinery, J Sainsbury, Land Securities, LondonMetric Property, Marks and Spencer, Next, Persimmon, Rightmove, SEGRO, Severn Trent, SSE and Whitbread.

Note: Analysis based on latest available annual report and AGM disclosures as at 31 March 2026.

# Overview of executive remuneration

## How we ensure that our remuneration approach is aligned with the business strategy

Our remuneration approach is aligned to our purpose, values and strategic priorities, thereby incentivising delivery for customers and the environment, and the creation of long-term value for all of our stakeholders.

**Our purpose is to provide great water for a stronger, greener, healthier North West**

### Our strategic priorities

Our purpose is implemented throughout our strategy

- Improve our rivers
- Create a greener future
- Deliver great service for all our customers
- Provide a safe and great place to work
- Spend customers' money wisely
- Contribute to our communities

| Element | Why it's important to our remuneration approach | Link to strategic priorities /different stakeholders |
|---|---|---|
| **2025/26 annual bonus** | | |
| **Underlying operating profit** | Underlying operating profit is a key measure of shareholder value. | |
| **Reducing pollution and enhancing outcomes for customers and the environment**<br>• Serious pollution incidents<br>• Sewer flooding incidents<br>• Storm overflows: reduction in number of spills<br>• Storm overflows: delivery of programme milestones | Protecting and improving the environment is a priority for the company, and minimising the extent to which our operations might cause a pollution is a crucial part of this.<br>Sewer flooding, both internal and external, is unpleasant and distressing for customers. Minimising the extent to which our operations contribute to sewer flooding is therefore crucial.<br>Improving river health continues to be a key area of focus and we have an ambitious plan to reduce storm overflows across our region. The use of bonus measures relating to the reduction of storm overflows means our executive directors are incentivised to deliver these plans. | |
| **Improving water quality and minimising leakage and interruptions to supply**<br>• Leakage<br>• Per capita consumption<br>• Supply interruptions<br>• Water quality contacts (due to appearance) | Reductions in leakage and per capita consumption will improve our water resources supply/demand balance and reduce our environmental impact. Improvements in these measures will help reduce the need for water abstraction, treatment and distribution requirements and help to maintain our trajectory towards achieving our longer-term targets for demand reduction.<br>Customers expect a continuous reliable supply of water and the supply interruptions measure incentivises directors to invest in asset health and resilience to improve the reliability of supply, minimise the number and duration of supply interruptions and reduce the impact on customers having no water supply.<br>Customers expect the water that comes out of their tap to be clear, and when it is discoloured it can affect public confidence in the water supply. The water quality contacts measure helps drive improvements in this aspect of our performance. | |
| **Improving customer service**<br>• C-MeX ranking<br>• BR-MeX ranking | By using Ofwat's measures of customer experience, executive directors are incentivised to deliver the best service to customers. Ofwat can apply financial incentives or penalties depending on our customer service performance. | |
| **Delivering our capital programme efficiently**<br>• Capital programme delivery incentive (CPDi) including WINEP | The CPDi measure incentivises the executive directors to keep tight control of our capital programmes ensuring we are delivering programmes to time, cost and quality, delivering the new infrastructure that everyone wants to see, and in an environmentally conscious way. | |
| **Looking after our people**<br>• Colleague lost time injury frequency rate | We are committed to ensuring everyone goes home safe and well every day, and continue to drive performance improvements as we address our top risks by introducing life-saving rules. We have targeted a reduction in our lost time injury frequency rate and we will monitor this throughout the year and introduce targeted improvement plans in order to meet this target. | |
| **Compulsory deferral of bonus** | Requiring executive directors to defer part of their bonus into shares provides reassurance that the company is being run in the longer-term interests of shareholders, customers and the environment, including beyond the annual bonus period. It reassures shareholders and customers that some/all of the deferred bonus could ultimately be withheld if, during the deferral period, this is deemed necessary. | |



Our annual bonus and Long Term Plan (LTP) are closely aligned to our strategic priorities and with delivery for our stakeholders. They each demonstrate a clear focus on customers and the environment.

### Stakeholders

Delivering for all our stakeholders

- Customers
- Environment
- Communities
- Colleagues
- Suppliers
- Investors

Our remuneration approach supports our business and people strategy and reflects the views of different stakeholders.

There are three key principles of our approach to executive remuneration:

1. **Align** to our purpose, values and strategy
2. **Incentivise delivery** for customers and the environment
3. **Create long-term value** for all of our stakeholders

Our incentive framework in 2025/26 was designed to align with our business strategy and delivers for each of our stakeholder groups, with over 60% of incentives based on customer and environmental measures.

| Element | Why it's important to our remuneration approach | Link to strategic priorities /different stakeholders |
|---|---|---|
| **2023 Long Term Plan (LTP)** | | |
| **Return on regulated equity (RoRE)** | RoRE is a key regulatory measure of performance against the final determination. Outperformance will result in an increase to RoRE, which should translate into higher returns for shareholders through share price performance. Outperformance also benefits customers and the environment through strong delivery against stretching performance commitments, efficiencies in the capital investment programme and lower long-term financing costs. | |
| **Basket of customer and environmental measures** | The basket is made up of specific performance commitments relevant to AMP8, focusing on areas that customers have identified via our research as being most important to them. It also includes a carbon measure linked to our efforts to continually strengthen the sustainability and resilience of our business. Strong delivery of the commitments benefits our customers, communities and the environment, and can result in outperformance payments from Ofwat, which is positive for shareholders. | |
| **Additional holding period (so the overall vesting and holding period is at least five years)** | Requiring the executive directors to wait a further period after the performance outcome of their award is known ensures continued longer-term alignment with shareholder interests and delivery for stakeholders, including customers and the environment. It reassures shareholders and customers that some/all of the LTP outcome could ultimately be withheld if, during the holding period, this is deemed necessary. | |
| **Key governance mechanisms** | | |
| **Discretion over outcomes** | The committee retains discretion to override formulaic outcomes (including reducing down to zero) in both schemes to ensure that they are appropriate and reflective of overall performance, over the life of the policy (taking into account any evolution of the strategic goals for the company and to reflect customer and regulatory priorities). | |
| **Withholding and recovery provisions** | Bonuses and shares under the DBP and LTP are subject to withholding (malus) and recovery (clawback) provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine. | |
| **Shareholding guidelines** | It is important that each executive director builds and maintains a meaningful shareholding in shares of the company to provide alignment with shareholder interests (during and after employment) and as a demonstration that the company is being run for the long-term benefit of all its stakeholders, including customers and the environment. | |

# Overview of executive remuneration

## How we have implemented the remuneration policy in 2025/26

The table below summarises the implementation of the directors' remuneration policy for executive directors in 2025/26. For further details see the annual report on remuneration on pages 160 to 169.

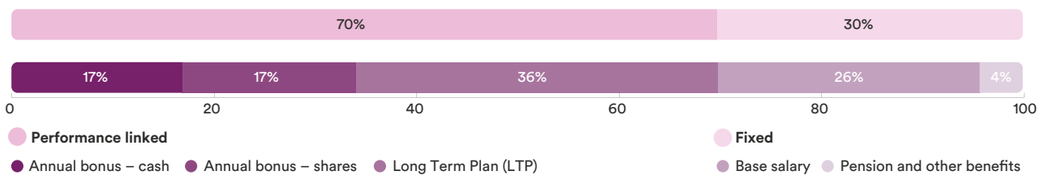
| Key element | Implementation of policy in 2025/26 |
|---|---|
| Base salary | • Louise Beardmore and Phil Aspin each received a salary increase of 20% from 1 July 2025. This was a correctional increase to bring their salaries in line with the market rate for similar-sized, UK-focused companies. See pages 142 and 145. |
| Benefits and pension | • Market competitive benefits package including a green travel allowance of £14,000; health, life cover and income protection; and reimbursement of taxable expenses.<br>• The pension arrangements for the executive directors are the same as those available to the wider workforce. Louise Beardmore has a combination of a cash pension allowance and a contribution into the pension scheme such that the cost to the company is broadly the same as 12% of base salary. Phil Aspin has a cash pension allowance of 12% of base salary. |
| Annual bonus | • Maximum opportunity of 130% of base salary.<br>• 2025/26 annual bonus outcome of 76.6% (provisional).<br>• In line with policy, Louise Beardmore will defer 50% of her 2025/26 annual bonus for three years. Phil Aspin will defer 25% of his 2025/26 annual bonus for three years.<br>• Withholding and recovery provisions apply. |
| Long Term Plan | • The 2023 LTP award was worth 130% of base salary on grant.<br>• Provisional long-term incentive vesting of 61.2% for the performance period 1 April 2023 to 31 March 2026. The awards will vest after an additional holding period, which ends no earlier than five years from the date of grant.<br>• Withholding and recovery provisions apply.<br>• The 2025 LTP award was worth 200% of base salary on grant. |
| Shareholding guidelines | • Personal shareholding for Phil Aspin is above the minimum shareholding requirement. Louise Beardmore is building her respective shareholding and is expected to reach the minimum shareholding requirement within five years of her appointment as CEO, in line with policy. Post-employment shareholding requirements apply. See page 166 for further details. |

## How we align pay with performance

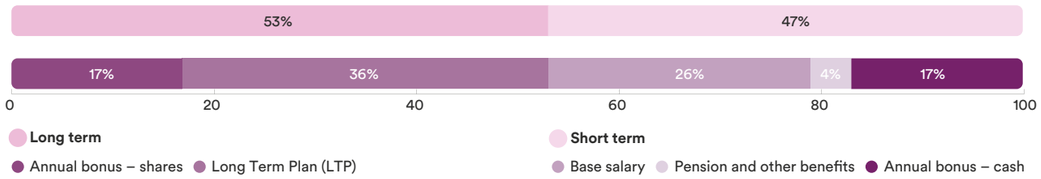
### Elements of executive directors' pay for 2025/26

A significant proportion of executive directors' pay is performance-related, long-term and remains 'at risk' (i.e. subject to withholding and recovery provisions for a period over which the committee can withhold vesting or recover sums paid):

**Performance-related versus fixed (%)**[1]



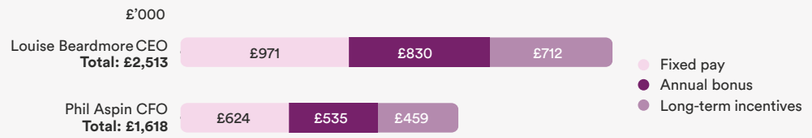

**Long term versus short term (%)**[1]




(1) Based on maximum payout scenario for executive directors in respect of the performance related pay elements available in 2025/26, assuming 50% bonus deferral for 2025/26 and that the Long Term Plan (LTP) granted in 2023 had vested in full including share price appreciation.

### Single total figure of remuneration for executive directors for 2025/26

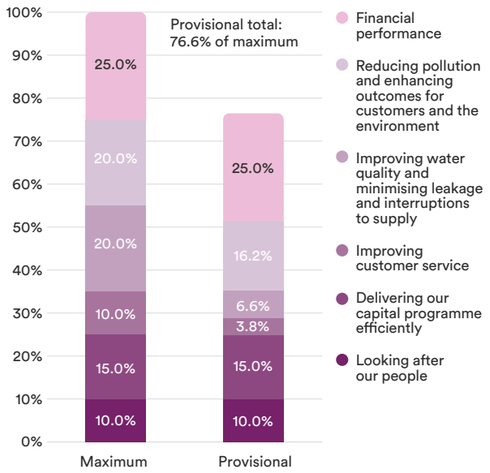
Fixed pay comprises base salary, benefits and pension. Further information on the single figure of remuneration can be seen on page 160.



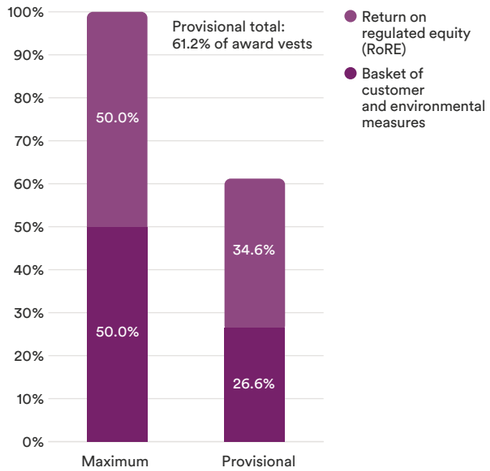

### Performance-related pay outcomes

The charts below show the results of the performance against targets for the annual bonus and LTP. Further information about the annual bonus and LTP is shown on pages 150 to 152 and pages 160 to 161.

**Provisional 2025/26 annual bonus outcome**




**Provisional 2023 Long Term Plan (LTP) outcome**




### Ensuring pay for performance

The committee undertakes a multi-stage process to ensure rigorous alignment between pay and performance

| | |
|---|---|
| **Measure selection and target setting** | • At the outset of the process, the committee meets to agree the performance measures to be used for the upcoming annual bonus and LTP award cycle. The measures are selected based on their importance to the business strategy and the priority areas identified by stakeholders. A balanced scorecard, incorporating financial, operational, customer and environmental metrics is used for both the bonus and LTP to ensure a rounded assessment of performance.<br>• Once the measures and weightings have been identified, a sliding scale of stretching performance targets is set for each measure. The ranges are set taking into consideration our internal business plan, the performance commitments agreed with Ofwat, our ambition to deliver industry-leading performance and the expectations of stakeholders. Full pay-out of the annual bonus and LTP requires the delivery of exceptional performance. |
| **Interim performance updates** | • During the year, the committee receives updates on performance against targets for the annual bonus and inflight LTP awards. The committee also considers whether any other matters have arisen during the course of the year that should be taken into account when assessing the overall performance outcome at the end of the performance period that are not directly captured in the scorecard metrics. |
| **Assessing the final performance outturn** | • At the end of the performance period, the committee reviews the formulaic outturn of each measure. A balanced review of the wider stakeholder experience is then conducted, this takes into account the customer experience, environmental performance, health and safety matters, colleague experience and the returns delivered to shareholders over the relevant performance period. The committee uses this to determine whether discretion or any adjustment should be made to the award outcome. The committee reviews whether PRP is justified and whether any incidents occurred that would result in PRP not being payable. After all three steps are reviewed, the final performance outcome is then confirmed.<br>▶ See page 160 for the **2025/26 annual bonus review** and **outturn proposal** and pages 160 to 161 for the 2023 LTP review and vesting proposal |
| **Recovery and withholding provisions** | • Even after the outcome has been confirmed, cash bonuses and shares granted under the DBP and LTP remain at risk. Depending on the circumstances, awards may be withheld or recovered (repaid) within three years of the payment of a cash bonus, during the three-year vesting period of the DBP award, or within three years following the date in which the committee has determined that the LTP performance targets have been satisfied.<br>▶ See page 157 for further details on the timeframes and triggers for the **recovery and withholding provisions** |

# Overview of executive remuneration

## How we set stretching targets

### 2025/26 annual bonus scorecard

Straight-line vesting applies between threshold and target, and target and stretch, with nil vesting below threshold performance.

#### Financial performance:

| Underlying operating profit (25.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | £978.2m | £1,013.2m | £1,048.2m | £1,048.7m | G |

This is based on the underlying operating profit on page 96 to 97 after deducting income in relation to diversions infrastructure renewals expenditure. Our target range for the measure is linked to the stretching board-approved budget for FY26, and reflects potential risks and opportunities which may occur during the year. The original targets were subject to a mechanistic adjustment following the audit committee's decision to exclude HS2 revenue from underlying profit measures, as set out on pages 96 to 97.

#### Reducing pollution and enhancing outcomes for customers and the environment:

| Serious pollution incidents (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 2 incidents | 1 incident | 0 incidents | 2 category 2 incidents | A |

Serious pollution incidents are defined as the number of category 1 and 2 pollution incidents occurring during the calendar year. In three out of the past five years the company has had one or more serious pollution incidents. Across the sector in 2024 there were 75 category 1 and 2 serious pollution incidents (EPA results 2024). The stretch target represents industry-leading performance.

| Sewer flooding incidents (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 22.72 | 20.89 | 19.65 | 17.87 | G |

This measure is based on both internal and external flooding incidents per 10,000 connected properties. The stretch target requires a 20% improvement over prior year (FY25) and aligns with the ambition in our AMP8 business plan for FY26.

| Storm overflows (activations) (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 3,000 fewer | 6,000 fewer | 10,000 fewer | 16,974 fewer | G |

Storm overflow activations are significantly impacted by rainfall as well as being dependent on the operation and capacity of the wastewater system. This measure is based on reduction in reportable storm overflow activations in calendar year 2025 compared to our 2024 outturn (77,817), with the stretch target corresponding to a 13% reduction.

| Storm overflows (milestones) (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 90.0% | 95.0% | 100% | 100% | G |

Based on the delivery of our storm overflows programme milestones. Improving river health continues to be a key area of focus for United Utilities and we have an ambitious multi-year plan to reduce storm overflows across our region. Our stretch target for this measure requires full achievement of programme milestones during FY26.

#### Improving water quality and minimising leakage and interruptions to supply:

| Leakage (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 407.0 | 399.6 | 385.0 | 404.9 | A |

Based on leakage (megalitres per day as a three-year average) using FY26 performance reporting. Reducing leakage is central to improving efficiency and ensuring continuity of supply. The stretch target requires 6% improvement over FY25 and aligns with the ambition in our AMP8 business plan.

| Supply interruptions (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 00:10:44 | 00:07:11 | 00:05:00 | 00:13:02 | R |

Based on supply interruptions expressed as minutes lost during FY26. The stretch target represents a 65% improvement over FY25, would equate to upper quartile performance, and aligns with the ambition in our AMP8 business plan.

| Water quality contacts (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 5,000 | 4,800 | 4,600 | 5,529 | R |

Based on water quality contacts due to appearance during FY26. The stretch target represents a 11% improvement over FY25 and aligns with the ambition in our AMP8 business plan.

| Water consumption (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 136.6 | 136.1 | 135.6 | 126.3 | G |

Based on per capita consumption expressed as litres per day during FY26. This measure reflects our commitment to sustainably manage natural resources and work on our lowest bill guarantee, including helping customers to understand their usage and our targeted water efficiency home audits. The stretch target represents a 1% improvement over FY25 and aligns with the ambition in our AMP8 business plan.

**Key:**

G At or above stretch target  A Between threshold and stretch targets  R Below threshold target

#### Improving customer service:

| C-MeX (experience) (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 7th | 6th | 5th | 7th | A |

We are ranked out of the 17 water and wastewater companies serving household customers in England and Wales for this measure. The stretch target of 5th would equal our best ever ranking position, placing us just below upper quartile.

| BR-MeX (experience) (5.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Provisional | |
|---|---|---|---|---|---|
| Target range: | 6th | 5th | 4th | 5th | A |

We are ranked out of the 15 wholesalers operating in the business retail market in England for this measure. The stretch target of 4th exceeds our performance commitment for an outcome delivery Incentive reward.

#### Delivering our capital programme efficiently:

| Capital Programme Delivery incentive (15.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 90.0% | 95.0% | 100% | 100% | G |

CPDi is an internal measure that measures the extent to which we deliver our capital projects on time, to budget and to the required quality standard. It is expressed as a percentage, with a higher percentage representing better performance. The stretch target of 100% represents the best possible performance.

#### Looking after our people:

| Health and Safety (10.0%) | Threshold (25% vesting) | Target (50% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|---|
| Target range: | 0.246 | 0.233 | 0.220 | 0.177 | G |

Based on colleague lost time injury frequency rate for the year, with the stretch target representing a 15% improvement on prior year performance and requiring material workforce engagement with our refreshed Home Safe and Well programme.

# Overview of executive remuneration

## How we set stretching targets (continued)

### 2023 LTP (performance period ending 31 March 2026)

Straight-line vesting applies between threshold and stretch, with nil vesting below threshold performance.

#### Financial performance:

| Return on regulated equity (50.0%)[1] | Threshold (25% vesting) | Stretch (100% vesting) | Provisional | |
|---|---|---|---|---|
| Target range: | 1.00% above average allowed RoRE | 2.75% above average allowed RoRE | 2.04% above average allowed RoRE | A |

Based on outperformance of the average allowed return set by the regulator across the performance period. Stretching targets were set with reference to the board-approved business plan, requiring ambitious performance delivery alongside significant cost efficiencies.

#### Customer and environment basket:

| Average number of spills per overflow (10.0%)[2] | Threshold (25% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|
| Target range: | 27.51 | 26.20 | 26.8 | A |

Based on the average number of spills per overflow using FY26 reporting, with the stretch target representing a 25% improvement on FY23 performance but noting that when the target was set not all overflows had event duration monitors (EDMs) installed. Since 2024 all overflows have EDMs and with increased monitoring potentially helping to identify more spills, this potentially added further stretch on the measure.

| Environment Agency EPA rating (10.0%)[3] | Threshold (25% vesting) | Stretch (100% vesting) | tbc | |
|---|---|---|---|---|
| Target range: | 3* | 4* | tbc | tbc |

Based on our EPA rating in respect of the 2025 calendar year. The stretch target of 4* requires achievement of the highest possible rating and represents industry-leading performance.

| Leakage (10.0%)[4] | Threshold (25% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|
| Target range: | 92.4 | 88.0 | 93.6 | R |

Based on megalitres of leakage per 10,000 kilometres of water network per day (three-year average). The stretch target requires 10.6% improvement over the 2022/23 base year performance and aligns with the ambition in our AMP8 business plan.

| Priority Services (10.0%)[4] | Threshold (25% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|
| Target range: | 15.20% | 16.00% | 18.26% | G |

Based on the percentage of our customers who are listed on our Priority Services Register by 2026. The achievement of the stretch target would demonstrate material progress towards the ambition set out in our vulnerability strategy, within which we are aiming for 25% of customers to be accessing the Priority Services scheme by 2030.

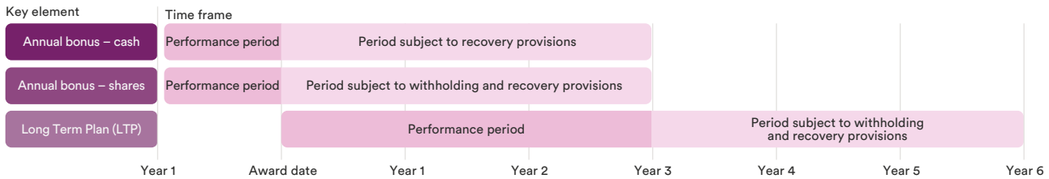
| Carbon reduction (10.0%)[4][5] | Threshold (25% vesting) | Stretch (100% vesting) | Actual | |
|---|---|---|---|---|
| Target range: | 23.0% | 25.0% | 25.3% | G |

Based on the percentage of our energy use which is derived from low-carbon sources. The stretch target requires an absolute improvement in our use of low-carbon sources during the performance period, alongside minimising energy demand growth driven by growth in population and quality requirements to improve water and wastewater quality. Key actions taken over the three-year period include growing our use of electrical vehicles, accelerating switching to low-carbon fuels to reduce fossil fuel use and driving innovation to support future decarbonisation of our business.

(1) RoRE calculated consistent with the tax and outcome delivery incentive assumptions used when the targets were set which were subject to further regulatory clarification, and excluding the impact of board-approved actions taken in the best interests of customers and the environment.
(2) Outcome based on performance in the calendar year ending 31 December 2025 as published in our own annual performance report for 2025/26.
(3) Outcome based on performance in the calendar year ending 31 December 2025 as published in the Environment Agency's published report in 2026.
(4) Outcome based on performance in the financial year ending 31 March 2026 as published in our own integrated annual report and/or annual performance report for 2025/26.
(5) Carbon measure performance excludes the impact of board-approved additional actions taken to progress compliance requirements for the Industrial Emissions Directive during the performance period that were not know when targets were set.

**Key:**
G At or above stretch target
A Between threshold and stretch targets
R Below threshold target

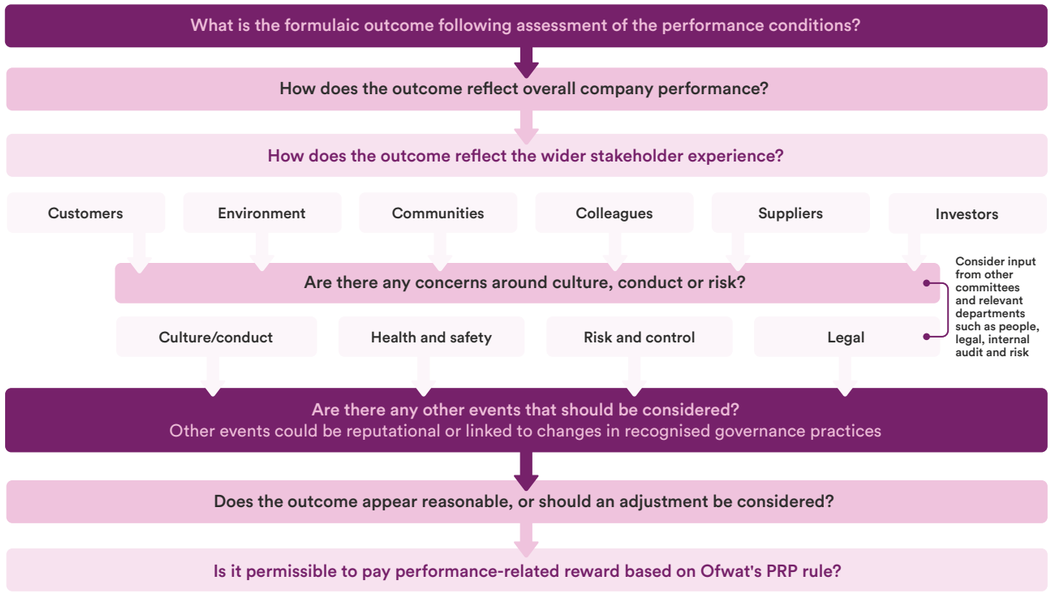
### Pay at risk




▶ Further details on the timeframes and **triggers for the withholding and recovery provisions** can be found on page 157.

## How the committee conducts its final performance assessment

### Assessing the final performance outturn




### Consideration of alignment with stakeholders

#### Customers

- Rated 4.5 out 5 (Excellent) on Trustpilot
- >422,000 customers supported with affordability
- >597,000 customers registered for Priority Services (up 10%)
- Above median on Ofwat's C-MeX, D-MeX and BR-MeX rankings

#### Environment

- No category 1 pollution incidents
- Reduction in category 2 and 3 pollution incidents
- 23% reduction in number of spills per overflow and 27% reduction in spill duration year-on-year
- 42% reduction in internal sewer flooding and 25% reduction in external sewer flooding cases year-on-year

#### Communities

- Circa 34,000 jobs to be supported by AMP8 investment programme
- £3.84 million community investment, assured by B4SI
- Empowered community groups to tackle water management challenges, such as by providing equipment to help them be more water efficient

#### Colleagues

- Colleague engagement at 90%
- Rated 4.6 out of 5 on Glassdoor as an employer in the region
- 30% reduction in lost time injury frequency rate
- 1,300 new colleagues joined in year

#### Suppliers

- >1,000 live projects
- >100 new suppliers on-boarded
- 100% CPDi score

#### Investors

- EPS up 42% to 107.1p
- Regulatory return of 13.0%
- 53.66p dividend in line with policy
- Robust balance sheet, with gearing at 60%
- +36.4% TSR over the year, outperforming our listed water company peers and the FTSE 100 return of 22.6%

# Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the company, and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The policy in this report will be put to a binding shareholder vote at the AGM on 17 July 2026, and will take formal effect from that date, subject to shareholder approval. A summary of the policy development process and key changes are provided on pages 142 to 145.

## Overview of remuneration policy

The company's remuneration arrangements are ultimately designed to promote the long-term success of the company, without paying more than is necessary for this objective. The committee recognises that the company operates in the North West of England in a regulated environment and, therefore, needs to ensure that the structure of executive remuneration reflects both the practices of the markets in which its executives operate, and stakeholder expectations of how the company should be run.

The committee also recognises that the success of the company is dependent on the company's ability to attract, motivate and retain senior executives of the calibre required to deliver against the business plan and long-term strategy. This requires the design and application of the remuneration policy to be fair, consistent and transparent. The committee monitors the remuneration arrangements to ensure that there is an appropriate balance between risk and reward.

There is a clear and direct link between incentives and the delivery of the company's business plans. If the business plan is delivered within an acceptable level of risk, the committee believes that there should be the opportunity for senior executives to be rewarded through the annual bonus and long-term incentives. If it is not delivered, then a significant part of their potential remuneration will not be paid, providing alignment with stakeholders.

The committee understands that listening to the views of the company's key stakeholders plays a vital role in formulating and implementing a successful remuneration policy over the long term.

The committee thus actively seeks the views of shareholders and other key stakeholders to inform the development of the remuneration policy, particularly where any changes to policy are envisaged. Customer and stakeholder engagement directly informed the development of our business plan on which our variable pay arrangements are based. Engagement is conducted in a variety of ways including customer focus groups, workshops, online community panels and surveys to understand the key priorities for our customers and this feedback is used by the committee to inform the choice and weighting of measures used in the annual bonus and LTP.

Account is also taken of colleague views on the policy, typically via the Colleague Voice panel. Additionally, the company carries out colleague engagement surveys and regular discussion takes place with union representatives on matters of pay and remuneration for colleagues covered by collective bargaining or consultation arrangements, all of which can provide insight which is of value to the committee. The general base salary increase and broader remuneration arrangements, including pension provision, for the wider colleague population are considered by the committee when determining remuneration policy for the executive directors. As outlined on page 165 processes are in place for the committee to regularly review and consider any remuneration-related matters that may arise from the activities undertaken by the board to take account of the 'colleague voice'.

## Future policy for directors

### Base salary

Purpose and link to strategy:
**To attract and retain executives of the experience and quality required to deliver the company's strategy.**

| Operation | Maximum opportunity |
|---|---|
| Normally reviewed annually.<br>Significant increases in salary should only take place infrequently, for example where there has been a material increase in:<br>• the size of the individual's role;<br>• the size of the company (e.g. through mergers and acquisitions); or<br>• the pay market for directly comparable companies (for example, companies of a similar size and complexity).<br>On recruitment or promotion to executive director, the committee will take into account previous remuneration, and pay levels for comparable companies, when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent. | Current salary levels are shown in the annual report on remuneration.<br>Executive directors will normally receive a salary increase that is generally no greater than the increase awarded to the general workforce, unless one or more of the conditions outlined under 'Operation' is met.<br>Where the committee has set the salary of an executive director at a discount to the market level, increases can be implemented in the following years to bring the salary to the appropriate market position, subject to individual performance.<br>**Performance measures**<br>None. |

### Pension

Purpose and link to strategy:
**To provide a level of benefits that allows for personal retirement planning.**

| Operation | Maximum opportunity |
|---|---|
| Executive directors are offered the choice of:<br>• a company contribution into a defined contribution pension scheme;<br>• a cash allowance in lieu of pension; or<br>• a combination of a company contribution into a defined contribution pension scheme and a cash allowance. | The maximum opportunity is aligned to the approach available to the wider workforce, currently:<br>• up to 14% of salary into a defined contribution scheme;<br>• cash allowance of broadly equivalent cost to the company (up to 14% of salary less employer national insurance contributions at the prevailing rate, i.e. up to 12% of base salary for 2025/26); or<br>• a combination of both such that the cost to the company is broadly the same.<br>**Performance measures**<br>None. |

### Benefits

Purpose and link to strategy:
**To provide market competitive benefits to help recruit and retain high-calibre executives.**

| Operation | Maximum opportunity |
|---|---|
| Provision of benefits such as:<br>• health benefits;<br>• green travel allowance;<br>• relocation assistance;<br>• life assurance;<br>• group income protection;<br>• all-employee share schemes (e.g. opportunity to join the ShareBuy scheme);<br>• travel; and<br>• communication costs.<br>Any reasonable business-related expenses can be reimbursed (and any tax thereon met if determined to be a taxable benefit).<br>Executives will be eligible for any other benefits that are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the committee decides payment of such benefits is appropriate. | As it is not possible to calculate in advance the cost of all benefits, a maximum is not predetermined.<br>**Performance measures**<br>None. |

### AMP8 allowance

Purpose and link to strategy:
**To provide a competitive overall remuneration opportunity that reflects the scale and complexity of AMP8 and to help retain executives of the experience and quality required to deliver the company's strategy.**

| Operation | Maximum opportunity |
|---|---|
| Paid in company shares, typically in six-monthly instalments. Shares (net of tax) must be held for two years (or longer, if required under the Directors' Shareholding Requirements). Nominee accounts are used to ensure the holding requirement can be robustly enforced. Payment of the AMP8 allowance will commence in FY27 (following approval of the directors' remuneration policy at the 2026 AGM) and last for the duration of AMP8 (until 31 March 2030).<br>Not pensionable. | Fixed in monetary terms at £435,000 per annum for the chief executive officer and £280,000 per annum for the chief financial officer.<br>**Performance measures**<br>None. |

### Annual bonus

Purpose and link to strategy:
**To incentivise performance against selected financial and operational KPIs that are directly linked to business strategy. Deferral of part of bonus into shares aligns the interests of executive directors and shareholders.**

| Operation | Maximum opportunity |
|---|---|
| Until an executive director has met their shareholding requirement, at least 50% of any bonus earned will be deferred into company shares under the Deferred Bonus Plan (DBP) for a period of at least three years. Once an executive director has met their shareholding requirement, at least 25% of any bonus earned will be deferred under the DBP.<br>Dividends or dividend equivalents accrue during the DBP deferral period and are paid upon vesting.<br>Not pensionable.<br>Bonuses and DBP shares are subject to withholding and recovery provisions, details of which are included as a note to this policy table. | For directors in receipt of AMP8 allowance: 100% of salary.<br>For directors not in receipt of AMP8 allowance: 150% of salary.<br>**Performance measures**<br>Payment of any bonus is subject to meeting the standards set out in Ofwat's performance-related pay prohibition rule and the achievement of stretching performance objectives.<br>Payments are predominantly based on financial and operational performance, including customer and environmental performance, with the possibility of a minority to be based on achievement of personal objectives if determined by the committee.<br>Targets and weightings set by reference to the company's financial and operating plans.<br>Bonus outcomes are subject to the committee being satisfied that the company's performance on the measures is consistent with underlying business performance and individual contributions.<br>The committee will exercise discretion on bonus outcomes if it deems necessary.<br>100% of maximum bonus potential for stretch performance; up to 50% of maximum for target performance; and up to 25% of maximum for threshold performance. No payout for below-threshold performance. |

# Directors' remuneration policy

## Long Term Plan (LTP)

Purpose and link to strategy:
**To incentivise long-term value creation and alignment with the long-term interests of shareholders, customers, and other stakeholders.**

| Operation | Maximum opportunity |
|---|---|
| Awards under the LTP are rights to receive company shares, subject to certain performance conditions.<br>Each award is measured over at least a three-year performance period.<br>An additional holding period applies after the end of the three-year performance period so that the total vesting and holding period is at least five years.<br>Dividends or dividend equivalents accrue until awards are released to participants, to the extent that such awards vest for performance.<br>Shares under the LTP are subject to withholding and recovery provisions, details of which are included as a note to this policy table. | For directors in receipt of AMP8 allowance: 175% of salary.<br>For directors not in receipt of AMP8 allowance: 300% of salary.<br>**Performance measures**<br>The two performance conditions are return on regulated equity and a basket of customer and environmental measures. The weighting of each of these two components is 50%.<br>Any vesting is subject to the delivery of the dividend policy applicable to each year of the respective performance period, and the committee being satisfied that the company's performance on these measures is consistent with underlying business performance. The committee will exercise discretion on LTP outcomes if it deems it necessary. LTP vesting outcomes are subject to Ofwat's performance-related executive pay prohibition rule.<br>The committee has discretion to set alternative performance measures and/or weightings for future awards but will consult with major shareholders before making any material changes to the currently applied measures and/or weightings.<br>100% of awards vest for stretch performance and up to 25% of awards vest for threshold performance. No awards vest for below-threshold performance. |

## Shareholding requirements

Purpose and link to strategy:
**The committee believes that it is important for each executive director to build and maintain a meaningful investment in shares of the company to provide alignment with shareholder interests during and after employment.**

| Operation | Maximum opportunity |
|---|---|
| Executive directors are expected to reach an in-post shareholding requirement of 250% of salary, (or aligned to the ongoing LTP opportunity, if higher), normally within five years of appointment.<br>The following post-employment shareholding requirements apply in the event of an executive director leaving the company:<br>• Executive directors must continue to hold the lower of the in-post shareholding requirement or their actual shareholding on departure, for two years after ceasing employment with the group.<br>• Executive directors must retain shares vesting (net of tax) from all share awards (including in-flight awards) if not doing so would take their shareholding below the requirement.<br>Nominee accounts are used to enable the post-employment shareholding requirements to be robustly enforced. | None.<br>**Performance measures**<br>None. |

## Non-executive directors' fees and benefits

Purpose and link to strategy:
**To attract non-executive directors with a broad range of experience and skills to oversee the development and implementation of our strategy.**

| Operation | Maximum opportunity |
|---|---|
| The remuneration policy for the non-executive directors (with the exception of the Chair) is set by a separate committee of the board. The policy for the Chair is determined by the remuneration committee (of which the Chair is not a member).<br>Fees are reviewed annually taking into account the salary increase for the general workforce and the levels of fees paid by companies of a similar size and complexity. Additional fees may be paid in relation to extra responsibilities undertaken, such as for chairing certain board sub-committees, undertaking the role of senior independent non-executive director or other roles where an additional time-commitment is required.<br>In exceptional circumstances, if there is a temporary yet material increase in the time commitments for non-executive directors, the board may pay extra fees on a pro rata basis to recognise the additional workload.<br>No eligibility for bonuses, long-term incentive plans, pension schemes, healthcare arrangements or colleague share schemes.<br>The company repays any reasonable expenses that a non-executive director incurs in carrying out their duties as a director, including travel, hospitality-related and may provide other modest benefits (including covering any tax liabilities thereon), if appropriate. | Current fee levels are shown in the annual report on remuneration.<br>The value of benefits may vary from year to year, according to the cost to the company.<br>**Performance measures**<br>Non-executive directors are not eligible to participate in any performance-related arrangements. |

## Notes to the policy table

### Selection of performance measures and targets

Performance measures for the annual bonus are selected annually to align with the company's key strategic goals for the year and reflect financial, operational and, where relevant, personal objectives. 'Target' ranges are set taking into account the business plan for the year, (following rigorous debate and approval of the plan by the board) and other relevant factors (including relative sector performance, customer priorities and regulatory expectations).

Only modest rewards are available for delivering threshold performance levels, with rewards at stretch normally requiring substantial outperformance. Details of the current measures used for the annual bonus are given in the annual report on remuneration.

The LTP structure (as shown in the table on the right) was set by the committee to align with the company's key strategic goals, customer priorities and the creation of long-term shareholder value. No changes are proposed to the current structure and it will remain linked to stretching delivery for customers, communities, shareholders and the environment.

### Long Term Plan structure

| | What is it? | Key reasons for selection |
|---|---|---|
| **Basket of customer and environmental measures** | • A basket of customer measures such as operational, service, resilience, community, and environmental measures to capture the delivery of performance for customers and the environment. Customer priorities are reflected in the measures selected. | • Customers will benefit from improvements in key performance areas of importance to them, and from long-term reliability in the quality of their water supplies, and ways of working that protect and improve the environment.<br>• Investors will be impacted by financial rewards resulting from delivery on service commitments, and through investments made to ensure the long-term health and sustainability of our assets. |
| **Return on regulated equity (RoRE)** | • RoRE is the return that the company is expected to earn relative to the equity portion of its Regulatory Capital Value.<br>• The return is comprehensive in that it is composed of the company's performance on expenditure, investment and financing decisions, and operational and customer initiatives undertaken over the regulatory period. | • Directly linked to the allowable return set by the regulator, and is comparable across the sector.<br>• Captures financial, operational and customer performance.<br>• Outperformance will result in an increase to RoRE which should translate into higher returns for investors through share price performance.<br>• Outperformance also benefits customers through strong delivery against stretching performance commitments, efficiencies in the capital investment programme and lower long-term financing costs. |

The policy provides for committee discretion to alter the LTP measures and weightings to ensure they continue to facilitate an appropriate measurement of performance over the life of the policy (taking into account any evolution of the strategic goals of the company and to reflect customer and regulatory priorities). LTP targets are set taking into account a number of factors, including reference to market practice, the company business plan and analysts' forecasts where relevant. The LTP will only vest in full if stretching business performance is achieved.

## Flexibility, discretion and judgement

The committee will operate the company's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards.

These include making awards and setting performance criteria each year, dealing with leavers, and adjustments to awards and performance criteria following acquisitions, disposals, changes in share capital and to take account of the impact of other merger and acquisition activity.

The committee retains discretion within the policy to adjust the targets, set different measures and/or alter weightings for the annual bonus and LTP and can, in exceptional circumstances, under the rules of these plans adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if an external benchmark or measure is no longer available). All assessments of performance are ultimately subject to the committee's judgement.

When determining performance pay outcomes for executives, in addition to reviewing performance against the specified measures, the committee will consider other factors, including legal and regulatory requirements, the overall pay outcome delivered and the extent to which the formulaic outturns are aligned with the experience of stakeholders. Full details of this assessment and the rationale for any discretion exercised will be disclosed in the annual remuneration report.

## Recovery and withholding

Cash bonuses and shares granted under the DBP and LTP are subject to withholding (malus) and recovery (clawback) provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.

These provisions may be invoked at the committee's discretion at any time within two years of the payment of a cash bonus (in respect of the annual bonus), at any time within three years of a deferred bonus award being granted (in respect of the deferred bonus), or within two years following the date on which the committee has determined that the performance targets have been satisfied for an LTP award (in respect of the LTP).

In addition, the committee has the authority to prohibit the payment of performance-related pay (cash bonuses and shares granted under the DBP and LTP) if the company has failed any of the required standards set out in Ofwat's performance-related executive pay prohibition rule. This includes the ability in relation to a breach of the required standards, to withhold deferred pay and to claw back performance-related pay for a period of three years following the payment of a cash bonus, the granting of a DBP award, or the vesting date of an LTP award.

The committee considers that the time periods for the recovery and withholding provisions are appropriate in the context of United Utilities' business operations.

## Alignment of executive director remuneration with the wider workforce

The remuneration approach is consistently applied at levels below the executive directors. Key features include:

- market competitive levels of remuneration, incentives and benefits to attract and retain colleagues;
- colleagues at all levels participate in a bonus scheme with the same corporate performance measures as for executive directors; and
- all colleagues have the opportunity to participate in the HMRC-approved share incentive plan, ShareBuy.

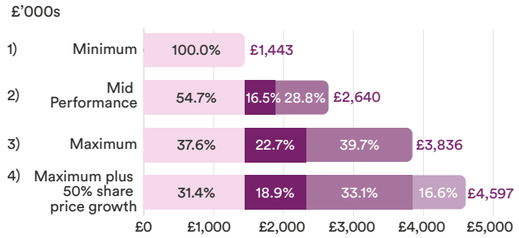
At senior levels, remuneration is increasingly long term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration.

# Directors' remuneration policy

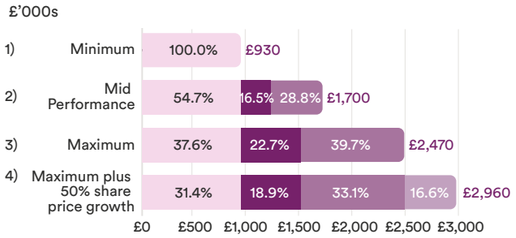
## Scenarios for total remuneration

The charts below show the illustrative pay-outs under the remuneration policy for each current executive director under four different scenarios.

### Louise Beardmore CEO




### Phil Aspin CFO




Fixed | Annual bonus | Long Term Plan | Additional Long Term Plan value if share price grows by 50%

In order for 'Maximum' and 'Maximum plus 50% share price growth' scenarios to be achieved, the company will need to have met or exceeded all of the performance targets in the annual bonus and LTP and for there to have been no breach of the required standards under Ofwat's performance-related executive pay prohibition rule in the performance year (for the bonus) or the three preceding performance years for the LTP. Due to the stretching nature of the targets, this would represent truly exceptional performance.

### Notes on the scenario methodology:

- 'Minimum' is base salary as at 1 April 2026 plus the applicable pension contribution/cash allowance, the value of benefits as shown in the single total figure of remuneration table for 2025/26 and the AMP8 allowance which would take effect in 2026/27 if approved by shareholders at the 2026 AGM;
- 'Mid-performance' is the level of performance required for the annual bonus and LTP to pay out at 50% of maximum;
- 'Maximum' performance would result in 100% vesting of the annual bonus and LTP (assumed to be 275% of salary in total);
- 'Maximum performance plus 50% share price growth' shows maximum performance plus the impact on the LTP of a hypothetical 50% increase in the share price;
- Annual bonus includes amounts compulsorily deferred into shares;
- LTP is measured at face value, i.e. no assumption for dividends or changes in share price (except in the fourth scenario); and
- Amounts relating to all-colleague share schemes have, for simplicity, been excluded from the charts.

## External directorships

The company recognises that its executive directors may be invited to become non-executive directors of other companies outside the company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the company. Any external appointments are subject to board approval (which would not be given if the proposed appointment was with a competing company, would lead to a material conflict of interest or could have a detrimental effect on a director's performance). Directors will be allowed to retain any fees received in respect of such appointments.

## Service contracts and letters of appointment

Copies of executive directors' service contracts and non-executive directors' letters of appointment are available for inspection at the company's registered office during normal hours of business and will be available at the company's AGM. Copies of non-executive directors' letters of appointment can also be viewed on the company's website.

The notice period in the service contracts for executive directors appointed on or after 1 May 2022 is one year. For executive directors appointed prior to 1 May 2022 the notice period is up to one year when terminated by the company and at least six months' notice when terminated by the director. The policy on payments for loss of office is set out in the next section.

The Chair and other non-executive directors have letters of appointment rather than service contracts. Their appointments may be terminated without compensation at any time. All non-executive directors are subject to re-election at each AGM.

### Date of service contracts

| Executive directors | Date of service contract |
|---|---|
| Louise Beardmore | 1.4.23 |
| Phil Aspin | 24.7.20 |

## Approach to recruitment remuneration

The remuneration package for a new executive director would be set in accordance with the terms of the company's approved remuneration policy in force at the time of appointment.

## Buy-out awards

The committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the company (and therefore shareholders). Any such payments would be limited to a reasonable estimate of value of remuneration lost when leaving the former employer and would normally reflect the delivery mechanism (i.e. cash and/or share-based), time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

## Maximum level of performance-related pay

The maximum performance-related pay opportunity for a new director will be aligned with the limits set out in the policy table. Namely, 275% of salary for a director in receipt of the AMP8 allowance or 450% of salary for a director not receiving the AMP8 allowance. These limits are in addition to the value of any buy-out arrangements which are governed by the policy above.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on remuneration.

## Base salary and relocation expenses

Base salary levels for new executive directors will be set in accordance with the policy, taking into account the experience of the individual recruited and the market rate for the role. The committee has the flexibility to set the salary of a new appointee at a discount to the market level initially, with increases implemented over the following years to bring the salary to the appropriate market position, subject to individual performance in the role. The committee may agree that the company will meet certain relocation and/or incidental expenses as appropriate.

## Annual bonus performance conditions

Where a new executive director is appointed part way through a financial year, the committee may set different annual bonus measures and targets for the new executive director from those used for other executive directors (for the initial part-year only).

## Appointment of non-executive directors

For the appointment of a new Chair or non-executive director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time. Non-executive directors' fees are set by a separate committee of the board; the Chair's fees are set by the remuneration committee.

## Payment for loss of office

The circumstances of the termination, including the individual's performance and an individual's duty and opportunity to mitigate losses, are taken into account in every case. Our policy is to stop or reduce compensatory payments to former executive directors to the extent that they receive remuneration from other employment during the compensation period. A robust line on reducing compensation is applied and payments to departing executive directors may be phased to mitigate loss. Our policy is shown in the table below:

| Provision | Summary terms |
|---|---|
| Compensation for loss of office | • An executive director's service contract may be terminated without notice and without any further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain contractually specified events such as gross misconduct.<br>• No termination payment if full notice is worked.<br>• Otherwise, a payment in respect of the period of notice not worked of basic salary, plus pension and green travel allowance for that period.<br>• Half of the termination payment will be paid within 14 days of date of termination.<br>• The other half will be paid in monthly instalments over what would have been the second half of the notice period. This will be reduced by the value of any salary, pension contribution and green travel allowance earned in new paid employment in that period. |
| Treatment of annual bonus on termination | • Normally, eligibility for any bonus payment will be forfeited where the annual performance period has not yet been completed. However, in certain circumstances, such as death, disability, mutually agreed retirement or other circumstances at the discretion of the committee, a time pro-rated bonus may be payable for the period of active service. There is no automatic entitlement to payments under the bonus scheme. Any payment is at the discretion of the committee and is subject to withholding and recovery provisions as detailed in the policy table.<br>• Performance targets would apply in all circumstances.<br>• If it is not possible for legal reasons to grant a deferred share award (for example, if the director is no longer employed by the company at the point of payment), the committee will seek to effect the normal deferred element in the form of a deferred cash award, but may ultimately use its discretion to pay the bonus wholly in cash. |
| Treatment of deferred bonus on termination | • Determined on the basis of the relevant plan rules. Full details can be found on the company's website.<br>• The default treatment is that any outstanding awards will vest in full on the originally intended vesting date with no time pro-rating applying.<br>• Deferred bonuses are subject to withholding and recovery provisions as detailed in the policy table. |
| Treatment of unvested long-term incentives on termination | • Determined on the basis of the relevant plan rules. Full details can be found on the company's website.<br>• Normally, any outstanding awards where the performance period has not yet been completed will lapse on date of cessation of employment (awards which are in a holding period following the completion of the performance period will not lapse).<br>• However, under the rules of the plan, in certain prescribed circumstances, such as death, ill health, injury, disability, or other circumstances at the discretion of the committee, 'good leaver' status can be applied. In these circumstances, a participant's awards vest on a time prorated basis subject to the satisfaction of relevant performance criteria, with the balance of awards lapsing. The committee retains discretion to lapse a good leaver's outstanding awards in some circumstances, for example, should they take up comparable employment with another company after leaving, without the consent of the committee.<br>• The committee retains the discretion not to time pro-rate if it is inappropriate to do so in particular circumstances. The committee will take into account the individual's performance and the reasons for their departure when determining whether 'good leaver' status can be applied. |
| Treatment of AMP8 allowance on termination | • Shares received under the AMP8 allowance will be retained on cessation of employment, with any applicable holding period continuing to apply.<br>• Normally, no further payments will be made under the AMP8 allowance upon giving or receipt of notice, save in exceptional circumstances at the discretion of the committee. |
| Treatment of pensions on termination | • On redundancy, an augmentation may apply in relation to benefits accrued under a United Utilities defined benefit pension scheme, in line with the trust deed and rules of the appropriate section. |

Outplacement services, reimbursement of legal costs and any other incidental expenses may be provided where appropriate. Any statutory entitlements or compromise claims in connection with a termination of employment would be paid as necessary. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans as approved by HMRC.

### Change of control

On a change of control, executive directors' incentive awards will be treated in accordance with the rules of the applicable plans. In summary:

- Bonus payments will take into account the extent to which the performance measures have been satisfied between the start of the performance period and the date of the change of control, and the value will typically be pro-rated to reflect the same period. Any such payments would normally be paid entirely in cash.
- Deferred bonuses will generally vest on the date of a change of control. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.
- Long Term Plan awards will generally vest on the date of a change of control taking into account the extent to which the committee assesses that any performance condition has been satisfied at that point. Time prorating will normally apply unless the committee determines otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.
- The AMP8 allowance will continue in the event that a change of control is proposed, with the committee having discretion to determine whether it will be paid in cash or shares, the timing of any payment, and whether it may be pro-rated. The holding period in relation to any shares acquired pursuant to the AMP8 allowance prior to the change of control will end at or shortly prior to the change of control so that these shares can be sold under the change of control. The AMP8 allowance may alternatively be exchanged for a new equivalent allowance paid in shares in the acquirer, where appropriate.

# Annual report on remuneration

## Single total figure of remuneration for executive directors (audited information)[1]

| Year ended 31 March | Fixed pay: Base salary £'000 | | Fixed pay: Pension £'000 | | Fixed pay: Benefits £'000 | | Fixed pay: Subtotal £'000 | | Performance-related pay: Annual bonus £'000 | | Performance-related pay: Long-term incentives £'000 | | Performance-related pay: Subtotal £'000 | | Total £'000 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026[2] | 2025[3] | 2026[4] | 2025[5] | 2026 | 2025 | 2026[6] | 2025 |
| Louise Beardmore | 834 | 716 | 103 | 89 | 34 | 34 | 971 | 839 | 830 | – | 712 | 567 | 1,542 | 567 | 2,513 | 1,406 |
| Phil Aspin | 537 | 462 | 64 | 55 | 23 | 23 | 624 | 540 | 535 | – | 459 | 544 | 994 | 544 | 1,618 | 1,084 |

(1) Covers the entirety of remuneration received for all activity on behalf of the Group.

(2) Annual bonus outcomes for the year are provisional. See details below.

(3) The annual bonus values presented for 2025 reflect the committee's subsequent consideration of Ofwat's performance-related executive pay prohibition rule that was published in June 2025 after the approval of the 2025 integrated annual report. This reflects that the annual bonuses the executive directors would have otherwise been due to receive in relation to 2024/25, and which were provisionally set out in that report, were not paid.

(4) This relates to the 2023 Long Term Plan (LTP) award which vests in 2026. The amount is provisional as the vesting percentage for the customer and environmental measures will not be known until later in 2026 and the awards will not vest until the end of an additional holding period. The value of LTP awards has been calculated using an average share price over the three-month period from 1 January 2026 to 31 March 2026 of 1,289.8 pence per share.

(5) This relates to the 2022 Long Term Plan (LTP) award which vested in 2025. The figure stated in last year's report was estimated, but was subsequently confirmed at 73.1%. The awards for Louise Beardmore and Phil Aspin will not vest until the end of an additional holding period. Dividend equivalents accrued to 31 March 2026 have been added, and the value of the awards have been calculated using an average share price over the three-month period from 1 January 2026 to 31 March 2026 of 1,289.8 pence per share.

(6) None of the remuneration received by the executive directors will be funded by customers.

## Performance-related pay in 2025/26

### Annual bonus in respect of the financial year ended 31 March 2026 (audited information)

The maximum annual bonus opportunity for each executive director in 2025/26 was 130% of base salary, with Threshold and Target performance paying 25% and 50% of maximum respectively under each performance measure. The 2025/26 annual bonus was based on a range of financial, operational, customer and environmental measures reflecting our business strategy. Full details of why each measure was chosen, the targets set and why these were considered stretching, as well as actual/provisional performance outcomes are set out on pages 150 to 151. In summary:

| Measure category | Overall weighting | Provisional/Actual outcome as a % of maximum | Provisional/Actual outcome |
|---|---|---|---|
| Financial performance | 25.0% | 100% | 25.0% |
| Reducing pollution and enhancing outcomes for customers and the environment | 20.0% | 81.3% | 16.2% |
| Improving water quality and minimising leakage and interruptions to supply | 20.0% | 33.0% | 6.6% |
| Improving customer service | 10.0% | 37.5% | 3.8% |
| Delivering our capital programme efficiently | 15.0% | 100% | 15.0% |
| Looking after our people | 10.0% | 100% | 10.0% |
| **Provisional overall outcome (% of maximum)** | | **76.6%** | **76.6%** |

| | Louise Beardmore | Phil Aspin |
|---|---|---|
| Maximum bonus (% of salary) | 130.0% | 130.0% |
| Provisional bonus (% of salary) | 99.6% | 99.6% |
| **Provisional bonus (£'000 – shown in single figure table)[1]** | **830** | **535** |

(1) A proportion of the annual bonus will be deferred for three years in line with policy.

As outlined in the chair's statement (see page 141), the committee believes that the executive directors will be permitted to receive bonus payments because Ofwat's PRP rule has not been breached. The final ranking position for BR-MeX is provisional pending formal confirmation from Ofwat, which is expected by the end of May 2026. As such the bonus scorecard outcome has been provisionally calculated using our best estimate of performance for this measure, and if the final ranking is different and this impacts on the overall bonus outcomes, they will be updated in next year's report. Based on its assessment, the committee believes that the provisional formulaic outcome is aligned with overall performance and the experience of stakeholders, including customers and the environment,and therefore no discretion will be applied. No bonuses will be paid to the executive directors until the final ranking position for BR-MeX is confirmed.

### 2023 Long Term Plan (LTP) awards with a performance period ended 31 March 2026 (audited information)

The 2023 LTP awards were granted before 1 April 2024 and are not subject to Ofwat's performance-related executive pay prohibition rule. Vesting of these awards is based 50% on RoRE and 50% on a basket of customer and environmental measures. Full details of why each measure was chosen, the targets set and why these were considered stretching, as well as actual performance outcomes are set out on page 152. In summary:

| Measure category | Overall weighting | Provisional/Actual vesting as a % of maximum | Provisional/Actual outcome |
|---|---|---|---|
| Return on regulated equity (RoRE) | 50.0% | 69.3% | 34.6% |
| Basket of customer and environmental measures | 50.0% | 53.1% | 26.6% |
| **Overall underpin** | | | ✓ **Assumed met** |
| Overall vesting is subject to the committee being satisfied that the company's outcome performance on these measures is consistent with underlying business performance and that the company's dividend policy has been delivered in respect of each financial year of the performance period. | | | |
| | | | **61.2%** |

| | Louise Beardmore | Phil Aspin |
|---|---|---|
| Number of shares granted | 80,847 | 52,140 |
| Number of dividend equivalent shares | 9,330 | 6,016 |
| Number of shares before performance conditions applied | 90,177 | 58,156 |
| Estimated number of shares after performance conditions applied | 55,188 | 35,591 |
| Three-month average share price at end of performance period (pence)[1] | 1,289.8 | 1,289.8 |
| **Provisional value (£'000 – shown in single figure table)[2]** | **712** | **459** |

(1) Average share price over three-month period from 1 January 2026 to 31 March 2026.

(2) 16.25% of the value vesting is attributable to share price appreciation, which equates to £99,504 for Louise Beardmore and £64,171 for Phil Aspin.

The company's dividend policy has been delivered in respect of each financial year of the performance period. Details of the committee's preliminary assessment on the alignment of the vesting outcome to the underlying performance of the business is set out in the chair's statement. The committee will make a final assessment of the company's performance once the final outcome of all measures is known later in the year and will reconsider whether any discretion should be applied at that point. The value of the awards will be updated, if necessary, in next year's report. The awards will vest after an additional holding period, which ends no earlier than five years from the date of grant.

### 2025 LTP awards with a performance period ending 31 March 2028 (audited information)

The table below provides details of share awards made to executive directors on 5 December 2025 in respect of the 2025 LTP:

| Executive director | Type of award | Basis of award | Face value of award[1] (£'000) | Number of shares under award | % vesting at threshold | End of performance period[2] |
|---|---|---|---|---|---|---|
| Louise Beardmore | Conditional shares | 200% of salary | £1,740 | 141,486 | 25% | 31.03.28 |
| Phil Aspin | Conditional shares | 200% of salary | £1,120 | 91,071 | 25% | 31.03.28 |

(1) Face value calculated using the average share price from the five days preceding the grant date, which was 1,229.8 pence per share.

(2) An additional holding period applies after the end of the performance period such that the combined vesting and holding period is at least five years.

As per the policy, the structure of the 2025 LTP awards for the three-year performance period was 50% related to return on regulated equity (RoRE) and 50% related to a basket of customer and environmental measures.

Details about the measures, targets and underpins were published on the company website at the point of grant and are summarised in the table below.

| Measure | Targets[1]: Threshold (25% vesting) | Targets[1]: Stretch (100% vesting) | Weighting |
|---|---|---|---|
| **Return on regulated equity (RoRE)[2]** | | | |
| RoRE | Equal to the average of Ofwat's allowed RoRE over the three years of the performance period | 2.0% (or more) above the average of Ofwat's allowed RoRE over the three years of the performance period | 50.0% |
| **Basket of customer, community and environmental measures[3]** | | | |
| Price control deliverables (PCDs)[4] | 90.0% of in-flight PCDs on track versus the phased milestones agreed with relevant regulators for AMP8 | 100% of in-flight PCDs on track versus the phased milestones agreed with relevant regulators for AMP8 | 20.0% |
| Priority Services[5] | 19.0% of our customers are listed on the Priority Services Register | 20.0% (or more) of our customers are listed on the Priority Services Register | 10.0% |
| Carbon reduction[5] | 23.0% of the energy used by United Utilities Group PLC is generated from low-carbon sources | 25.0% (or more) of the energy used by United Utilities Group PLC is generated from low-carbon sources | 10.0% |
| Social Value[6] | United Utilities Group PLC generates £10 million of Social Value during the performance period | United Utilities Group PLC generates £12 million (or more) of Social Value during the performance period | 10.0% |
| **Total** | | | **100%** |
| **Overall underpin**<br>Overall vesting is subject to the committee being satisfied that the company's performance on these measures is consistent with underlying business performance and that the company's dividend policy has been delivered in respect of each financial year of the performance period. | | | |

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.

(2) Targets for RoRE reflect the known impact in the first year of the performance period (2025/26) of the planned investment above the final determination totex allowance for AMP8.

(3) The basket of customer and environmental measures will be based on the performance commitment definitions as per the AMP8 final determination.

(4) Price control deliverables (PCDs) are specific delivery expectations on water companies set out by Ofwat in relation to AMP8.

(5) Based on performance in respect of the financial year ending 31 March 2028 as published in the United Utilities Group PLC integrated annual report and/or United Utilities Water Limited annual performance report for 2027/28.

(6) Subject to external verification/external assurance.

# Annual report on remuneration

## Remuneration in 2026/27

The performance measures used in our performance-related pay schemes during 2026/27 will remain closely aligned with our strategic priorities, and focused on delivery for our stakeholders. As in recent years, across both of our incentive schemes there will be a material weighting linked to delivery for customers and on measures that relate to our environmental performance.

As always, the committee has the discretion to override formulaic incentive outcomes by exercising discretion on outcomes if deemed necessary, including by taking account of overall performance through our various stakeholder lenses. As stated on page 143, all pay received by the executive directors, including any performance-related pay outcomes, will not be paid for by customers.

### Fixed pay in 2026/27

As set out on page 142, following the correctional increases in 2025 Louise Beardmore and Phil Aspin have base salaries of £870,000 and £560,000 respectively. A decision on salary increases for 2026 will be taken later in the year and disclosed in next year's report. If salary increases are applied they will be no higher than the workforce increase. No change is expected to pension provisions or other benefits.

Subject to shareholder approval at the 2026 AGM, the first instalment of the AMP8 allowance are expected to be made in August 2026 with the second instalments expected in February 2027.

### Annual bonus for 2026/27

As is outlined on pages 146 to 147, the measures used in our annual 2025/26 bonus arrangements for executive directors demonstrated significant alignment to stakeholder interests, and we will use the same measures in 2026/27, with a small change to the operation of the serious pollution incidents measure. We remain satisfied that the balanced scorecard supports our purpose of building a stronger, greener and healthier North West. Overall, 75% of the annual bonus remains based on delivery for customers and the environment, and almost half of the overall bonus (around 45%) is based on measures linked to reducing pollution, storm overflow spills, or other aspects of environmental performance. The maximum bonus opportunity for the year commencing 1 April 2026 will be 100% of base salary based on the directors' remuneration policy being proposed at the 2026 AGM. The table below summarises the measures and weightings we will use, and how they align to stakeholders. The targets are closely linked to our strategy and so are considered commercially sensitive and will therefore be disclosed retrospectively in the 2026/27 annual report on remuneration.

| | Weighting (% of award) | Link to strategic priorities/ different stakeholders |
|---|---|---|
| **Underlying operating profit** | 25.0% | |
| **Reducing pollution and enhancing customer and environmental outcomes** | | |
| Serious pollution incidents | 5.0% | |
| Sewer flooding | 5.0% | |
| Storm overflow activations (reduction in number of spills) | 5.0% | |
| Storm overflow programme (milestone delivery) | 5.0% | |
| **Improving water quality and minimising leakage and interruptions to supply** | | |
| Leakage | 5.0% | |
| Supply interruptions | 5.0% | |
| Water quality contacts (due to appearance) | 5.0% | |
| Per capita consumption | 5.0% | |
| **Improving customer service** | | |
| C-MeX contactor ranking (service for domestic customers) | 5.0% | |
| BR-MeX ranking (service for businesses) | 5.0% | |
| **Delivering our capital programme efficiently** | | |
| Capital programme delivery incentive (CPDi) | 15.0% | |
| **Looking after our people** | | |
| Health and safety: colleague lost time injury frequency rate | 10.0% | |
| **Total** | 100% | |

The executive directors will be required to defer a proportion of any bonus received into shares and these will only become available after a period of three years in line with policy. This provides the committee with time to consider and respond appropriately to any matters that were not known at the end of the relevant performance period but become apparent during the deferral period. This could include the use of the withholding and recovery provisions.

### 2026 LTP awards (performance period ending 31 March 2029)

Consistent with the approach in recent years, we expect the awards to be based on return on regulated equity and a basket of customer and environmental measures, with each component being equally weighted at 50%, and the performance period for the awards will be 1 April 2026 to 31 March 2029. The committee has decided to wait until after the new directors' remuneration policy has been approved by shareholders at the 2026 AGM to grant the awards, to take account of any feedback that may arise. If the policy is approved as proposed, the 2026 LTP awards for the executive directors will be worth 175% of base salary, and the performance measures and targets will be disclosed at the time of grant.

## CEO pay ratios

The table below sets out the ratio of the CEO's pay to that of the 25th percentile (P25), median (P50) and 75th percentile (P75) full-time equivalent colleagues over the last seven years.

The ratios have been calculated in accordance with option A as set out in the regulations. This is considered to be the most accurate methodology and uses the same calculation basis as required for the CEO's total remuneration as shown in the single figure table on page 160. Full details of the methodology used are set out in the box on the right of this page.

When comparing this year to last year the ratios have increased, and this is explained by two key reasons. Firstly, Louise Beardmore did not receive an annual bonus in 2024/25 in accordance with Ofwat's performance related executive pay prohibition rule (see page 141). The second reason is that whilst the base salary increase during the year for colleagues below the board was 4.5%, Louise received a larger, correctional salary increase as described on page 142. The committee is content that overall the ratios are appropriate and will continue to consider the pay ratios in the context of other important metrics such as colleague engagement levels and the gender pay gap.

### How we calculated our pay ratios:

- We identified all colleagues who received base salary during the year and who were still employed on 31 March 2026.
- The calculations were carried out using their total pay and benefits received in respect of the year ended 31 March 2026, including bonuses earned by reference to performance in the financial year and paid in June following the end of the financial year.
- 'Base salary' includes standby pay, shift pay, overtime and on-call allowances.
- For colleagues who were employed on a part-time basis, or who were not employed for the full year, their remuneration has been annualised to reflect the full-time equivalent.
- No other estimates or adjustments have been used in the calculations and no other remuneration items have been omitted.

| | 2025/26 | 2024/25[1] | 2023/24 | 2022/23 | 2021/22 | 2020/21 | 2019/20 |
|---|---|---|---|---|---|---|---|
| Methodology used | A | A | A | A | A | A | A |
| CEO | L Beardmore | L Beardmore | L Beardmore | S Mogford | S Mogford | S Mogford | S Mogford |
| Ratio of CEO single figure total remuneration: | | | | | | | |
| – To colleague at the 25th percentile (P25) | 58:1 | 34:1 | 36:1 | 63:1 | 95:1 | 98:1 | 87:1 |
| – To colleague at the 50th percentile (P50) | 44:1 | 26:1 | 27:1 | 47:1 | 71:1 | 73:1 | 66:1 |
| – To colleague at the 75th percentile (P75) | 35:1 | 20:1 | 22:1 | 38:1 | 56:1 | 58:1 | 53:1 |

(1) The figures for 2024/25 have been updated to reflect that no bonus was paid for 2024/25 and the final vesting outcome, additional dividend equivalents and updated share price for Louise Beardmore's 2022 LTP.

Total pay and fixed pay for the UK employees at the 25th percentile, median and 75th percentile are set out in the table below.

| | Colleague Pay (£'000) | | | | | |
|---|---|---|---|---|---|---|
| | 25th percentile | | Median | | 75th percentile | |
| | Total Pay | Salary | Total Pay | Salary | Total Pay | Salary |
| 2025/26 | 43 | 37 | 57 | 47 | 73 | 61 |
| 2024/25 | 41 | 31 | 55 | 48 | 69 | 57 |
| 2023/24 | 39 | 33 | 53 | 41 | 66 | 53 |
| 2022/23 | 37 | 31 | 49 | 43 | 61 | 52 |
| 2021/22 | 35 | 32 | 46 | 39 | 59 | 47 |
| 2020/21 | 34 | 29 | 46 | 39 | 58 | 50 |
| 2019/20 | 33 | 30 | 44 | 38 | 56 | 44 |

## Relative importance of spend on pay

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

| | 2025/26 £m | 2024/25 £m | % change |
|---|---|---|---|
| Dividends paid to shareholders | 358 | 344 | 3.9% |
| Colleague costs[1] | 493 | 410 | 20.4% |

(1) Colleague costs includes wages and salaries, social security costs, and post-employment benefits, noting that employer national insurance increased from 13.8% to 15.0% with effect from April 2025 and headcount has also increased since last year. Had headcount remained the same, the percentage change to colleague costs would be 9.7%.

# Annual report on remuneration

## Cascade of remuneration through the organisation

Consistent with best practice, the remuneration committee spends considerable time on matters relating to remuneration arrangements in the wider organisation. Details of pay trends for the wider colleague base provide important context when making decisions regarding remuneration for the executive directors as well as ensuring that consistent approaches are being adopted across the organisation.

The table below summarises how remuneration compares across the different groups of colleagues throughout the company.

| Colleague group (number of colleagues currently covered) | Element of pay | Policy | Implementation |
|---|---|---|---|
| Colleagues at all levels (around 7,350) | Salary | We want to attract and retain colleagues of the experience and quality required to deliver the company's strategy. Salaries are reviewed annually, with executive directors normally receiving a salary increase no greater than the increase awarded to the general workforce, unless there are circumstances requiring an alternative approach in which case the rationale will be clearly explained in the directors' remuneration report. | In 2025, the standard base salary increase for colleagues (below the board) was 4.5%. As a real Living Wage accredited employer, all our colleagues (except those on a training scheme such as apprentices) receive at least the voluntary real Living Wage rate. |
| | Health and wellbeing benefits | We want to create an environment that promotes healthy behaviours and ensures that colleagues have access to early and effective treatment, advice and information to improve their health and wellbeing. | Colleagues at all levels are eligible for company funded healthcare and an enhanced company sick-pay scheme, and a Virtual GP service is available for all colleagues and their families. All colleagues have free 24/7 access to our employee assistance programme, which provides counselling and support to them and their households. All colleagues can access discounted gym membership and a menopause support app. We have around 500 trained mental health first aiders who can listen to, and signpost colleagues to relevant wellbeing support. Financial wellbeing is a key focus, with financial education tools and awareness courses available for all colleagues covering a broad range of money management topics such as financial planning, managing debt and pensions. |
| | Flexible benefits | All colleagues have access to a variety of additional voluntary benefits to suit their lifestyle, including environmental benefits such as our electric car scheme and the opportunity to buy or sell annual leave. Colleagues can choose from a range of deals and discounts all year round, and can donate to their chosen charities directly from their pay if they want to. | Around half of the workforce take up at least one of our flexible benefit options. |
| | Pension | Almost all colleagues participate in our company pension arrangements, which have received the 'Pension Quality Mark Plus' accreditation in recognition of their high quality. | The company doubles any personal pension contributions made, up to a maximum of 14% of salary. As part of the pension scheme, colleagues receive company-funded life assurance and income protection. |
| | ShareBuy | Any colleague can become a shareholder in our company and share in our success by participating in our ShareBuy scheme. For every five shares purchased under the scheme, the company gives another one free. | Around half of the workforce participate in our ShareBuy scheme. |
| | Annual bonus – cash | Our bonus scheme provides a strong alignment to strategy throughout the organisation, with the same bonus scorecard applying at all levels. | Colleagues at all levels participate in the annual bonus scheme, receiving financial rewards based on the performance of the company and/or their personal contribution. Specific weightings and awards vary by level. |
| CEO, CFO and executives (11) | Annual bonus – deferred shares | Deferral of part of bonus into shares aligns the interests of executives and shareholders. | Executive directors are required to defer a proportion of their bonus into shares for three years. Below-board are required to defer a proportion of their bonus into shares until a minimum shareholding is achieved. |
| CEO, CFO, executives and other senior leaders (around 90) | Long Term Plan (LTP) | To incentivise long-term value creation and alignment with the long-term interests of shareholders, customers, and other stakeholders. | Executives and other senior leaders may be invited to participate in the LTP. Performance conditions are the same for all participants but award sizes vary. |
| CEO, CFO and executives (11) | Shareholding | The committee believes that it is important for each executive to build and maintain a meaningful investment in shares of the company to provide alignment with shareholder interests. | All executives are subject to shareholding guidelines, aligning their interests with those of shareholders. |

## Supporting our colleagues' wellbeing

In recognition of the ongoing challenging financial environment, the company has continued to take action to support colleagues. Recognising our lowest paid colleagues, in November 2025 we increased the pay rates of around 200 colleagues in relation to the new real Living Wage rates that had been announced in October. While all Living Wage accredited employers had until May 2026, we decided to implement the new rates early.

In 2025 we agreed a two-year pay settlement with the trade unions meaning that around 5,200 collectively bargained colleagues received salary increases worth 4.5% from 1 April 2025. Increases of a similar value were also paid to colleagues who are not collectively bargained. In addition, the company provided all colleagues with an additional day's leave in the form of a wellbeing day, providing them with an opportunity to spend time with family and friends, or to focus on themselves. The certainty provided by the two-year pay settlement means collectively bargained colleagues have already received a further increase of 4.6% with effect from 1 April 2026 with the annual salary review processes for other colleagues due to take place later in the year.

The company provides holistic wellbeing support to colleagues, encouraging them to make use of the great range of benefits, tools and resources that are available. Some examples are shown below.

| | |
|---|---|
| Physical wellbeing | • Our Virtual GP service enables colleagues and immediate family to get advice from a GP quickly and conveniently.<br>• We have improved the support we offer in relation to the perimenopause, menopause and other hormone health matters. All colleagues continue to have access to an app that provides personalised expert content, and to a programme of training and education to support colleagues whether they are personally affected by the menopause or hormone health matters, or they know someone who is.<br>• All colleagues can access discounted gym memberships and active discounts on sportswear and equipment at locations convenient to them across the North West.<br>• All colleagues have been able to claim back the cost of a flu vaccination.<br>• Members of our colleague healthcare scheme can claim back the cost of everyday healthcare items including support for hearing loss and eye tests<br>• Our ability network has links with local disability charities and uses a company to ensure we provide reasonable adjustments for anyone with ability needs.<br>• We delivered a number of wellbeing roadshows, ensuring colleagues across our five counties know what wellbeing support is available to them and how to access it. |
| Mental wellbeing | • All colleagues have access to our employee assistance programme.<br>• We have a network of mental health first aiders providing support across the company.<br>• Our senior leadership and executive teams are engaged with our wellbeing calendar and we have appointed a wellbeing sponsor and a mental health sponsor across the business.<br>• We have partnered with the Hub of Hope for our colleagues and customers to be able to easily access mental health support services which are local and timely when it comes to gaining wellbeing support.<br>• We have developed and run regular support groups around mental health, men's health and grief and bereavement. |
| Financial wellbeing | • Money management tips and tools from a range of trusted financial wellbeing providers help colleagues manage their money better, including the option to borrow responsibly in appropriate circumstances, alongside financial planning courses to suit colleagues at different stages of their careers.<br>• We are a real Living Wage employer and commit to ensuring all our colleagues are able to maintain a wage that supports real cost of living.<br>• We offer a ShareBuy scheme that provides an opportunity for colleagues to invest with incentives for medium to long-term shareholding.<br>• Our discounts platform helps colleagues save money on everyday living costs.<br>• Colleagues who are part of our early careers schemes are eligible for financial support with driving lessons and tests. |

The committee is always mindful of the alignment of executive pay arrangements with those of the wider workforce and, as is demonstrated in the table on page 164, there is a high level of alignment and consistency of approach.

When reviewing salaries and assessing incentive outcomes for the executives, the committee takes account of how those elements of remuneration have been (or will be) applied across the wider workforce in respect of the same periods. At each of its scheduled meetings, the committee receives an update on notable matters affecting pay and benefits among the wider workforce since its previous meeting, and at least annually the committee formally reviews and discusses a report detailing all elements of the pay and benefits framework that applies to the workforce.

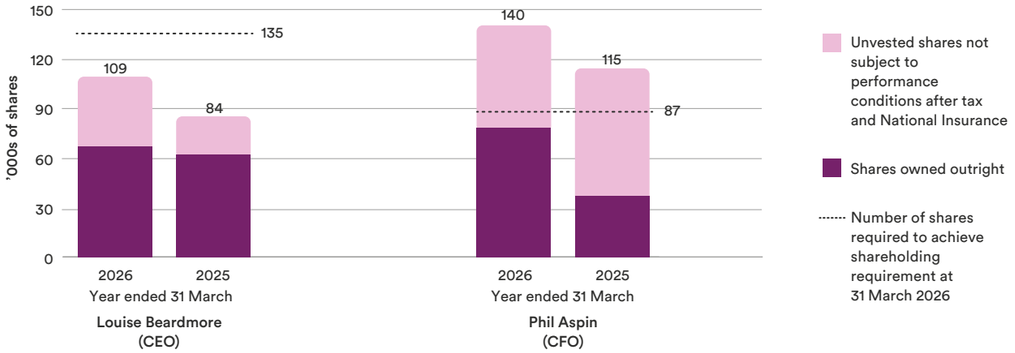
The committee has mechanisms through which it hears from and engages with the workforce on executive pay. Insights related to remuneration that arise via Liam Butterworth in his role as designated non-executive director for workforce engagement are fed back to the board, and a formal report is presented to the committee at least annually. The colleague voice panel provides valuable opportunities during the year for open discussions and feedback on a variety of topics including remuneration. See page 112 for further details. On invitation from Liam, the head of reward engages with the panel to provide an overview of relevant corporate governance and reporting requirements, summarise our executive remuneration approach and the role of the committee in setting executive remuneration, and discuss the alignment of our executive pay approach with the arrangements that apply across the wider workforce.

# Annual report on remuneration

## Executive directors' shareholding (audited information)

Details of beneficial interests in the company's ordinary shares as at 31 March 2026 held by each of the executive directors and their connected persons are set out in the charts below, along with progress against the target shareholding required under the current policy. Louise Beardmore is expected to reach the current shareholding requirement of 200% of salary by 1 April 2028 (within five years of her appointment as CEO). Phil Aspin continues to exceed the current shareholding requirement level of 200% of salary.

▶ Further details of the executive directors' shareholdings and share plan interests are given in the table below and in appendix 1 on page 170.




▶ Further details of the executive directors' shareholdings and share plan interests are given in the table below and in appendix 1 on page 170.

| Director | Shareholding requirement (% of salary) | Number of shares required to meet shareholding requirement[1] | Number of shares owned outright (including connected persons) | | Unvested shares not subject to performance conditions[2] | | Total shares counting towards shareholding requirements[3] | | Shareholding as % of base salary at 31 March | Shareholding requirement met at 31 March | Unvested shares subject to performance conditions[4] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026[1] | 2026 | 2026 | 2025 |
| Louise Beardmore[5] | 200% | 134,905 | 67,307 | 61,679 | 78,213 | 42,759 | 108,774 | 84,358 | 161% | No | 334,334 | 240,104 |
| Phil Aspin[5] | 200% | 86,835 | 76,920 | 36,979 | 119,572 | 146,988 | 140,308 | 114,899 | 323% | Yes | 215,445 | 172,976 |

(1) Share price used is the average share price over the three months from 1 January 2026 to 31 March 2026 (1,289.8 pence per share).

(2) Unvested shares subject to no further performance conditions such as matching shares under the ShareBuy scheme. Includes shares subject only to withholding provisions such as Deferred Bonus Plan shares in the three-year deferral period and Long Term Plan shares in the applicable holding period.

(3) Includes unvested shares not subject to performance conditions (net of tax and National Insurance), plus the number of shares owned outright.

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

(5) In the period 1 April 2026 to 15 May 2026, additional shares were acquired by Louise Beardmore (25 shares) and Phil Aspin (25 shares) in respect of their monthly contributions to the all-employee ShareBuy scheme. Matching shares vest one year after grant provided the colleague remains employed. Additionally, Louise Beardmore and Phil Aspin each subscribed for a further 3,810 shares as part of the capital raising exercise (see page 107) with shares allotted on 5 May 2026.

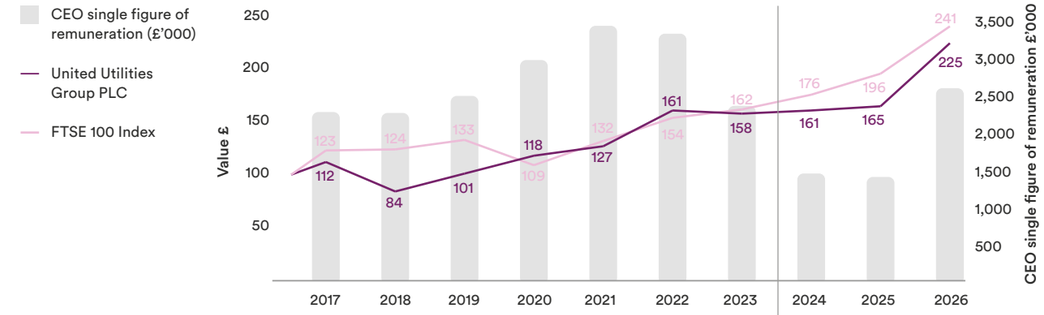
## Other information

### Company performance and CEO remuneration comparison

The total shareholder return (TSR) chart below illustrates the company's performance against the FTSE 100 over the past ten years.

The FTSE 100 is an appropriate comparator as the company is a member of the FTSE 100 and it is a widely published benchmark for this purpose. The chart shows the growth in the value of a hypothetical £100 holding invested in the company over the ten-year period.

The chart also shows the CEO's single total figure remuneration over the ten years ended 31 March 2026 for comparison. The table below the TSR chart shows the remuneration data for the CEO over the same period.




| Year ended 31 March | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| CEO | Steve Mogford | | | | | | | Louise Beardmore | | |
| CEO single figure of remuneration (£'000) | 2,233 | 2,221 | 2,448 | 2,925 | 3,381 | 3,276 | 2,316 | 1,415 | 1,406[1] | 2,513 |
| Annual bonus payment (% of maximum)[3] | 83.7 | 74.9 | 79.0 | 70.7 | 81.8 | 71.3 | 41.4 | 46.8 | –[2] | 76.6[4] |
| LTP vesting (% of maximum)[3] | 54.5 | 55.4 | 64.4 | 87.3 | 97.9 | 100 | 68.8 | 79.1 | 73.1 | 61.2[4] |

(1) This figure has been updated to reflect that no bonus was paid in 2024/25 and the payout for the 2022 LTP has been updated to reflect the additional dividend equivalents accruing on the award and updated share price. See page 160 for further details.

(2) No bonus was payable in compliance with Ofwat's performance-related executive pay prohibition rule. The bonus that would have otherwise been due would have been 44.8% of maximum.

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

(4) The 2025/26 annual bonus and 2023 Long Term Plan vesting outcomes are provisional. See pages 160 and 161 for details.

### Exit payments and payments to former directors made in the year (audited information)

There have been no exit payments or payments to former directors in respect of their roles as directors during the year ended 31 March 2026 other than the vesting of legacy share awards (see page 170).

### External appointments

Phil Aspin was a board member of the UK Endorsement Board (UKEB) and chair of the organisation's Rate-regulated Activities Advisory Group during the year ended 31 March 2026, for which he received and retained an annual fee of around £18,000. He completed his second fixed term on 14 March 2026 and as required under the UKEB constitution, stepped down from the board.

## Non-executive directors

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

| | Salary/fees £'000 | | Taxable benefits £'000 | | Total £'000 | |
|---|---|---|---|---|---|---|
| Year ended 31 March | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 |
| Sir David Higgins | 353 | 337 | – | – | 353 | 337 |
| Liam Butterworth | 95 | 87 | 2 | – | 97 | 87 |
| Kath Cates | 95 | 91 | 1 | – | 96 | 91 |
| Ian El-Mokadem[1] | 67 | n/a | 2 | n/a | 69 | n/a |
| Alison Goligher[2] | 86 | 97 | 10 | 12 | 96 | 109 |
| Clare Hayward[3] | 80 | 74 | 9 | 9 | 89 | 83 |
| Michael Lewis | 80 | 77 | 4 | 6 | 85 | 83 |
| Doug Webb[4] | 106 | 94 | – | – | 106 | 94 |
| Marina Wyatt[5] | 47 | n/a | 2 | n/a | 49 | n/a |

(1) Ian El-Mokadem joined the board on 1 June 2025.

(2) Alison Goligher stepped down as the senior independent non-executive director and chair of the compliance committee with effect from 18 July 2025 and ceased to receive the applicable additional fees from that date.

(3) Clare Hayward joined the board on 16 April 2024.

(4) Doug Webb was appointed as the senior independent non-executive director and chair of the compliance committee with effect from 18 July 2025 and received the applicable additional fees from that date.

(5) Marina Wyatt joined the board on 1 October 2025.



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# Annual report on remuneration

## Fees

Non-executive director base fees were reviewed and increased with effect from 1 July 2025 as shown below. Base fees and additional fees for the senior independent non-executive director and the chairs of committees were increased by around 4.5%, which was broadly in line with the increase applying to the general workforce in 2025.

| | Fees £'000 | |
|---|---|---|
| Role | 1 July 2025 | 1 July 2024 |
| Base fee: Chair[1] | 356.4 | 341.0 |
| Base fee: other non-executive directors[2] | 81.1 | 77.6 |
| Senior independent non-executive director[2] | 15.0 | 14.3 |
| Chair of audit and treasury committees[2] | 17.8 | 17.0 |
| Chair of remuneration committee[2] | 15.0 | 14.3 |
| Chair of ESG committee[2] | 15.0 | 14.3 |
| Chair of compliance committee[2] | 6.3 | 6.0 |

(1) Approved by the remuneration committee.
(2) Approved by a separate committee of the board.

## Non-executive directors' shareholdings (audited information)

Details of beneficial interests in the company's ordinary shares as at 31 March 2026 held by each of the non-executive directors and their connected persons are set out in the table below.

| Non-executive directors | Date first appointed to the board | Number of shares owned outright (including connected persons) at 31 March 2026 |
|---|---|---|
| Sir David Higgins[1] | 13.05.19 | 3,000 |
| Liam Butterworth | 01.01.22 | 3,000 |
| Kath Cates[1] | 01.09.20 | 2,135 |
| Ian El-Mokadem[1] | 01.06.25 | 3,000 |
| Alison Goligher[2] | 01.08.16 | 6,000 |
| Clare Hayward[1] | 16.04.24 | 3,000 |
| Michael Lewis | 01.05.23 | 3,000 |
| Doug Webb[1] | 01.09.20 | 10,200 |
| Marina Wyatt | 01.10.25 | 2,400 |

(1) Subscribed for a further 1,143 shares as part of the capital raising exercise (see page 107) with shares allotted on 5 May 2026.
(2) Subscribed for a further 2,000 shares as part of the capital raising exercise (see page 107) with shares allotted on 5 May 2026.

## Change in board member and colleague remuneration[1]

The table below shows the percentage change in each director's remuneration compared to that of an average employee between the financial years ending 31 March 2021 and 31 March 2026. The 2026 remuneration figures for the directors are taken from the data used to compile the single total figure of remuneration tables shown earlier in this report, prior to any rounding.

| Year ended 31 March vs prior year | Salary/total fees % | | | | | Benefits % | | | | | Bonus % | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 | 2026 | 2025 | 2024 | 2023 | 2022 | 2026 | 2025 | 2024 | 2023 | 2022 |
| **Executive directors** | | | | | | | | | | | | | | | |
| Louise Beardmore | 16.4 | 3.8 | 62.4 | n/a | n/a | (0.3) | 18.7 | 34.9 | n/a | n/a | n/a[2] | (100.0) | 83.5 | n/a | n/a |
| Phil Aspin | 16.3 | 5.5 | 4.4 | 3.6 | 1.2 | 2.2 | 8.9 | 3.7 | (6.3) | 67.3 | n/a[2] | (100.0) | 18.0 | (50.1) | 6.4 |
| **All colleagues** | 8.0 | 7.5 | 9.4 | 6.6 | 3.7 | 8.6 | 35.8 | 12.0 | 4.1 | 5.0 | 56.4 | (2.7) | 11.4 | (27.3) | 11.6 |
| **Non-executive directors[3]** | | | | | | | | | | | | | | | |
| Sir David Higgins | 4.6 | 5.0 | 3.0 | 2.6 | 6.5 | (19.1) | 9.0 | (37.9) | (55.6) | 1,555.9 | | | | | |
| Liam Butterworth | 9.6[4] | 18.8 | 3.0 | 2.6 | n/a | 278.8 | (55.5) | 66.2 | n/a | n/a | | | | | |
| Kath Cates | 4.5 | 4.4 | 8.3 | 16.5 | 6.5 | 69.9 | (57.0) | 66.2 | (59.4) | 1,555.9 | | | | | |
| Ian El-Mokadem | n/a[5] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | | | | | |
| Alison Goligher | (11.0)[6] | 7.0 | 7.2 | 2.5 | 11.5 | (17.8) | n/a | 0 | (100.0) | 708.6 | | | | | |
| Clare Hayward | 4.6[7] | n/a | n/a | n/a | n/a | 3.5 | n/a | n/a | n/a | n/a | | | | | |
| Michael Lewis | 4.6 | 5.1 | n/a | n/a | n/a | (29.4) | n/a | n/a | n/a | n/a | | | | | |
| Doug Webb | 13.2[8] | 4.3 | 3.1 | 8.8 | 23.6 | n/a | (100.0) | 66.2 | (55.7) | 1,418.0 | | | | | |
| Marina Wyatt | n/a[5] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | | | | | |

(1) For details about changes in prior years see the respective directors' remuneration reports.
(2) As detailed on page 141, no bonus was payable in respect of 2024/25 so presenting a year-on-year change is not meaningful.
(3) Calculated using actual fees and taxable benefits. In line with policy the non-executive directors do not participate in the annual bonus.
(4) The year-on-year fee change for Liam Butterworth reflects his role as ESG committee chair for the full year, whereas in the prior year he was only chair for part of the year and so only received the relevant fee for that part of the year.
(5) Ian El-Mokadem and Marina Wyatt were appointed to the board on 1 June 2025 and 1 October 2025 respectively, so no year-on-year comparison is possible.
(6) The year-on-year fee change for Alison Goligher reflects her stepping down as senior independent non-executive director and compliance committee chair during the year.
(7) Clare Hayward joined the board on 16 April 2024. To enable a meaningful year-on-year comparison her fees reflect hypothetical full-year earnings in 2024/25.
(8) The year-on-year fee change for Doug Webb reflects his appointment as senior independent non-executive director and compliance committee chair during the year with the relevant fees then becoming due.



## The remuneration committee

### Composition of the remuneration committee during the year ended 31 March 2026

| Member | Member since |
|---|---|
| Kath Cates (chair since 22.07.22) | 01.09.20 |
| Alison Goligher | 01.08.16 |
| Doug Webb | 23.07.21 |

The committee's members have no personal financial interest in the company other than as shareholders and the fees paid to them as non-executive directors.

### Activities of the remuneration committee over the past year

The committee met nine times in the year ended 31 March 2026 (four scheduled meetings and five additional meetings) and carried out a number of key activities:

- Assessed the achievement of targets for the 2024/25 annual bonus scheme and set the targets for the 2025/26 annual bonus scheme;
- Approved the 2024/25 directors' remuneration report, including the 2025 directors' remuneration policy for shareholder approval at the 2025 AGM;
- Wrote to major shareholders following the publication of the company's 2025 annual report;
- Considered governance developments and market trends in executive remuneration, including the specific changes in the water sector the Water (Special Measures) Act 2025 and related Ofwat guidance and consultation on executive remuneration;
- Reviewed the pay comparator group;
- Reviewed the base salaries of executive directors and other members of the executive team;
- Reviewed the base fee for the Chair;
- Conducted a competitive tender process for the committee's adviser (following which Ellason were reappointed);
- Assessed the achievement of targets for the Long Term Plan (LTP) awards made in 2022;
- Reviewed progress against the targets for the 2025/26 annual bonus scheme, and the 2023 and 2024 LTP awards;
- Set the measures and targets for the 2025 LTP awards;
- Considered the remuneration arrangements of the wider workforce and their alignment with those of the executives, alongside feedback received from the workforce via Liam Butterworth to the board in his role as the non-executive director for workforce engagement;
- Monitored progress against shareholding guidelines for executive directors and other members of the executive team;
- Consulted with shareholders and other stakeholders on potential changes to the directors' remuneration policy, and considered the feedback received;
- Determined the remuneration arrangements for new executives falling under the remit of the committee; and
- Reviewed the committee's performance during the period.

### Support to the remuneration committee

By invitation of the committee, meetings are attended by the Chair, the CEO, the company secretary (who acts as secretary to the committee), the people director, and the head of reward who are consulted on matters discussed by the committee, unless those matters relate to their own remuneration. Advice or information is also sought from other colleagues where the committee feels that such additional contributions will assist the decision-making process.

The committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers.

During the year ended 31 March 2026, the committee was assisted in its work by independent external remuneration advisers, Ellason, who were reappointed in 2025 following a competitive tender process. Ellason have been adviser to the committee since January 2021. They provided advice to the committee on remuneration matters including analysis of the remuneration policy and regular market and best practice updates. In addition, other services provided to the company included advice and benchmarking on non-executive director and senior leader remuneration, advice on the company's share schemes and assurance work on the directors' remuneration report for the audit committee. Fees on a time/cost basis for the advice provided to the committee during the year were around £152,000 as set out in the terms and conditions in the relevant engagement letter.

Ellason is a signatory to the Remuneration Consultant Group's Code of Conduct, which sets out guidelines to ensure that any advice is independent and free of undue influence (which can be found at **remunerationconsultantsgroup.com**). None of the individual directors have a personal connection with Ellason. The committee is satisfied that the advice it receives is objective and independent and confirms that Ellason does not have any connection with the company that may impair its independence.

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

### Main responsibilities

- Determining and recommending to the board the policy for executive director remuneration, having reviewed and taken into account workforce remuneration and related policies and the alignment of incentives and reward with our purpose, values and culture;
- Setting the individual employment and remuneration terms for executive directors and other senior executives, including: recruitment and severance terms, bonus plans and targets, and the achievement of performance against targets, including consideration and use of discretion as appropriate;
- Approving the general employment and remuneration terms for selected senior colleagues;
- Setting the remuneration of the Chair of the company;
- Proposing all new long-term incentive schemes for approval by the board, and for recommendation by the board to shareholders; and
- Assisting the board in reporting to shareholders and undertaking appropriate discussions as necessary with institutional shareholders on aspects of executive remuneration.

### 2025 AGM: statement of voting

At the last annual general meeting on 18 July 2025, votes on the resolutions to approve the remuneration policy and annual report on remuneration were cast as follows:

| Resolution | Votes for | Votes against | Votes withheld (abstentions) | Total votes cast |
|---|---|---|---|---|
| Approval of the directors' remuneration policy | 510,748,135 (99.41%) | 3,006,565 (0.59%) | 1,814,417 | 513,754,700 |
| Approval of the directors' remuneration report (other than the part containing the directors' remuneration policy) | 509,687,660 (99.43%) | 2,937,760 (0.57%) | 2,943,697 | 512,625,420 |

The directors' remuneration report was approved by the board of directors on 15 May 2026 and signed on its behalf by:

**Kath Cates**
Chair of the remuneration committee

# Appendix 1: Executive directors' share plan interests

1 April 2025 to 31 March 2026 (audited information)

| | Award date | Awards held at 1 April 2025 | Awards granted in year | Vested in year | Lapsed/ forfeited in year | Notional dividends accrued in year[1] | Awards held at 31 March 2026[1] |
|---|---|---|---|---|---|---|---|
| **Louise Beardmore** | | | | | | | |
| **Shares not subject to performance conditions at 31 March 2026** | | | | | | | |
| DBP | 16.06.22 | 9,954 | – | 9,954 | – | – | 0 |
| DBP | 16.06.23 | 11,496 | – | – | – | 517 | 12,013 |
| DBP | 17.06.24 | 21,274 | – | – | – | 959 | 22,233 |
| LTP | 29.07.22 | 57,513 | – | – | 15,941 | 2,364 | 43,936 |
| ShareBuy matching shares[2] | 01.04.25 to 31.03.26 | 35 | 31 | 35 | – | – | 31 |
| **Subtotal** | | 100,272 | 31 | 9,989 | 15,941 | 3,840 | 78,213 |
| **Shares subject to performance conditions at 31 March 2026** | | | | | | | |
| LTP | 15.12.23 | 86,288 | – | – | – | 3,889 | 90,177 |
| LTP | 14.03.25 | 96,303 | – | – | – | 4,341 | 100,644 |
| LTP[3] | 05.12.25 | – | 141,486 | – | – | 2,027 | 143,513 |
| **Subtotal** | | 182,591 | 141,486 | 0 | 0 | 10,257 | 334,334 |
| **Total** | | 282,863 | 141,517 | 9,989 | 15,941 | 14,097 | 412,547 |
| **Phil Aspin** | | | | | | | |
| **Shares not subject to performance conditions at 31 March 2026** | | | | | | | |
| DBP | 16.06.22 | 24,792 | – | 24,792 | – | – | 0 |
| DBP | 16.06.23 | 11,967 | – | – | – | 538 | 12,505 |
| DBP | 17.06.24 | 13,494 | – | – | – | 608 | 14,102 |
| LTP | 30.11.20 | 48,133 | – | 49,592 | – | 1,459 | 0 |
| LTP | 30.06.21 | 48,567 | – | – | – | 2,188 | 50,755 |
| LTP | 29.07.22 | 55,213 | – | – | 15,303 | 2,269 | 42,179 |
| ShareBuy matching shares[2] | 01.04.25 to 31.03.26 | 35 | 31 | 35 | – | – | 31 |
| **Subtotal** | | 202,201 | 31 | 74,419 | 15,303 | 7,062 | 119,572 |
| **Shares subject to performance conditions at 31 March 2026** | | | | | | | |
| LTP | 15.12.23 | 55,648 | – | – | – | 2,508 | 58,156 |
| LTP | 14.03.25 | 62,115 | – | – | – | 2,799 | 64,914 |
| LTP[3] | 05.12.25 | – | 91,071 | – | – | 1,304 | 92,375 |
| **Subtotal** | | 117,763 | 91,071 | 0 | 0 | 6,611 | 215,445 |
| **Total** | | 319,964 | 91,102 | 74,419 | 15,303 | 13,673 | 335,017 |

(1) Note that these are subject to performance conditions where applicable.

(2) Under ShareBuy, matching shares vest provided the colleague remains employed by the company one year after grant. During the year, Louise Beardmore purchased 154 partnership shares and was awarded 31 matching shares (at an average share price of 1,159.6 pence per share). Phil Aspin purchased 154 partnership shares and was awarded 31 matching shares (at an average share price of 1,159.6 pence per share).

(3) See page 161 for further details.

## Vesting of legacy share awards for former directors (audited information)

Steve Mogford retired from the board and left the company in March 2023. In line with policy he retained a number of awards under the DBP, and as a 'good leaver', the LTP. On 2 December 2025, 96,112 shares arising from his 2020 LTP vested. On 16 June 2025, 39,829 shares arising from his 2022 DBP vested.

## Dilution limits

Awards granted under the company's share plans are satisfied by market-purchased shares bought on behalf of the company by United Utilities Employee Share Trust immediately prior to the vesting of a share plan. The company does not make regular purchases of shares into the Trust nor employ a share purchase hedging strategy.

The rules of the Deferred Bonus Plan do not permit awards to be satisfied by newly issued shares and must be satisfied by market-purchased shares. The rules of the Long Term Plan permit the awards to be satisfied by newly issued shares but the company has decided to satisfy awards by market-purchased shares.

Should the company's method of satisfying share plan vestings change (i.e. issuing new shares) then the company would monitor the number of shares issued and their impact on dilution limits set by the Investment Association at the time of shareholder approval of the respective plan rules. No treasury shares were held or utilised in the year ended 31 March 2026.





# UK tax policies and objectives

Consistent with our wider business objectives, we are committed to acting in a responsible manner in relation to our tax affairs.

Our tax policies and objectives, which are approved by the board on an annual basis, ensure that we:

- only engage in reasonable tax planning aligned with our commercial activities and we always comply with what we believe to be both the letter and the spirit of the law;
- adopt a low-risk approach to taxation;
- do not engage in marketed, artificial or abusive tax avoidance;
- do not use tax havens for tax avoidance purposes, including not taking advantage of any related secrecy rules that can apply to tax havens;
- are committed to an open, transparent and professional relationship with HMRC based on mutual trust and collaborative working; and
- maintain a robust governance and risk management framework to ensure that these policies and objectives are fully complied with and applied at all levels.

We expect to fully adhere to the HMRC framework for co-operative compliance.

Our Chief Financial Officer (CFO) has responsibility for tax governance with oversight from the board. The CFO is supported by a specialist team of tax professionals with many years of tax experience within the water sector and led by the head of tax.

The head of tax has day-to-day responsibility for managing the group's tax affairs and engages regularly with key stakeholders from around the group in ensuring that tax risk is proactively managed. Where appropriate, she will also engage with both external advisers and HMRC to provide additional required certainty with the aim of ensuring that any residual risk is typically low. All significant tax issues are reported to the board regularly.

Consistent with the group's general risk management framework, all tax risks are assessed for the likelihood of occurrence and the negative financial or reputational impact on the group and its objectives, should the event occur. In any given period, the key tax risk is likely to be the introduction of unexpected legislative or tax practice changes that lead to increased cash outflow which has not been reflected in the current regulatory settlement. The group is committed to actively engaging with relevant authorities in order to manage any such risk.

In any given year, the group's effective cash tax rate on underlying profits may fluctuate from the standard UK rate mainly due to the available tax deductions on capital investment. These deductions are achieved as a result of utilising tax incentives, which have been explicitly put in place by successive governments precisely to encourage such investment. This reflects responsible corporate behaviour in relation to tax. Under the regulatory framework the group operates within, the majority of any benefit from reduced tax payments will typically not be retained by the group but will pass to customers; reducing their bills.

The group's principal subsidiary, United Utilities Water Limited (UUW), operates solely in the UK and its customers are based here. In addition, all of the group's profits are taxable in the UK.

Every year, the company pays significant contributions to the public finances on its own behalf as well as collecting and paying further amounts for its 7,622 strong workforce. Details of the total payments for 2026 of around £290 million are set out below.

## Taxes/contributions to public finances for 2026

Total taxes and contributions to public finances

**£290m**

| £94m | £0m | £45m | £80m | £14m | £57m |
|---|---|---|---|---|---|
| Business rates | Corporation tax | Employment taxes: company | Employment taxes: employees | Environmental taxes and other duties | Regulatory services fees (e.g. water extraction charges) |

The above tax policy disclosure meets the group's statutory requirement under Paragraph 16(2) of Schedule 19 of Finance Act 2016 to publish its UK tax strategy for the year ended 31 March 2026.

See our website for our latest separate annual tax report, which includes further details in relation to the following key areas:

- How much tax we pay;
- How we ensure that we pay the right tax at the right time; and
- How we ensure that our tax affairs are transparent for all our stakeholders.

Recognising the group's ongoing commitment to paying its fair share of tax and acting in an open and transparent manner in relation to its tax affairs, we were delighted to have retained the Fair Tax Mark independent certification for a seventh year.

# Directors' report

The directors present their management report, including the strategic report, on pages 01 to 99 and the audited financial statements of United Utilities Group PLC (the company) and its subsidiaries (together referred to as the group) for the year ended 31 March 2026.

| | |
|---|---|
| **Business model** | A description of the company's business model can be found within the strategic report on pages 12 to 63. |
| **Dividends** | The directors are recommending a final dividend of 35.78 pence per ordinary share for the year ended 31 March 2026, which, together with the interim dividend of 17.88 pence, gives a total dividend for the year of 53.66 pence per ordinary share (the interim and final dividends paid in respect of the 2024/25 financial year were 17.28 pence and 34.57 pence per ordinary share respectively). Subject to approval by our shareholders at our AGM, the final dividend will be paid on 3 August 2026 to shareholders on the register at the close of business on 26 June 2026. |
| **Directors** | The names of our directors who served during the financial year ended 31 March 2026 can be found on pages 102 to 105 and on page 110. |
| **Reappointment** | Our articles of association provide that our directors must retire at every annual general meeting following their last election or reappointment by our shareholders, which is consistent with the recommendation contained within the 2024 UK Corporate Governance Code (the code) that all directors should be subject to annual election by shareholders. This has been the case at all the AGMs since 2011. Information regarding the appointment of our directors is included in our corporate governance report on pages 100 to 170. |
| **Interests** | Details of the interests in the company's shares held by our directors and persons connected with them are set out in our directors' remuneration report on pages 140 to 170, which is hereby incorporated by reference into this directors' report. |
| **Corporate governance statement** | The corporate governance report on pages 100 to 170 is hereby incorporated by reference into this directors' report and includes details of our application of the principles and reporting against the provisions of the code. Our statement includes a description of the main features of our internal control and risk management systems in relation to the financial reporting process and forms part of this directors' report. A copy of the 2024 version of the code, as applicable to the company for the year ended 31 March 2026, can be found at the Financial Reporting Council's website at **frc.org.uk** Copies of the matters reserved for the board and the terms of reference for each of the main board committees can be found on our website. |
| **Share capital** | At 31 March 2026, the issued share capital of the company was £499,819,926 divided into 681,888,418 ordinary shares of 5 pence each and 273,956,180 deferred shares of 170 pence each. Details of our share capital and movements in our issued share capital are shown in note 21 to the financial statements on page 213. The ordinary shares represented 71.3% and the deferred shares represented 28.7% respectively of the shares in issue as at 31 March 2026.<br>All our ordinary shares have the same rights, including the rights to one vote at any of our general meetings, to an equal proportion of any dividends we declare and pay, and to an equal amount of any surplus assets, which are distributed in the event of a winding-up.<br>Our deferred shares convey no right to income, no right to vote and no appreciable right to participate in any surplus capital in the event of a winding-up. The rights attaching to our shares in the company are provided by our articles of association, which may be amended or replaced by means of a special resolution of the company in a general meeting. The company renews annually its power to issue and buy back shares at our AGM and such resolutions will be proposed at our 2026 AGM. Our directors' powers are conferred on them by UK legislation and by the company's articles. At the AGM of the company held on 18 July 2025, the directors were authorised to issue relevant securities up to an aggregate nominal amount of £11,364,806 and were empowered to allot equity securities for cash on a non-preemptive basis to an aggregate nominal amount of £3,409,442. The authority given at the 2025 AGM was used for a non-preemptive placing as announced on 30 April 2026 (see note 24, page 214). |
| **Voting** | Electronic and paper proxy appointment and voting instructions must be received by our registrar, Equiniti, no less than 48 hours before a general meeting and when calculating this period, the directors can decide not to take account of any part of a day that is not a working day. |
| **Transfers** | There are no restrictions on the transfer of our ordinary shares in the company, nor any limitations on the holding of our shares in the company, save: (i) where the company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Companies Act 2006; or (ii) where their holder is precluded from exercising voting rights by the Financial Conduct Authority's Listing Rules or the City Code on Takeovers and Mergers.<br>There are no agreements known to us between holders of securities that may result in restrictions on the transfer of securities or on voting rights. All our issued shares are fully paid. |
| **Major shareholdings** | At 15 May 2026, our directors had been notified of the following interests in the company's issued ordinary share capital in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority: |

| | % of issued share capital | Direct or indirect nature of holding |
|---|---|---|
| Lazard Asset Management LLC | 9.93 | Indirect |
| BlackRock, Inc. | 10.75 | Indirect |
| Atlas Infrastructure Partners (UK) Ltd | 6.55 | Direct |
| Future Fund Board of Guardians | 4.44 | Indirect |

| | |
|---|---|
| **Purchase of own shares** | At our AGM held on 18 July 2025, our shareholders authorised the company to purchase, in the market, up to 68,188,841 of our ordinary shares of 5 pence each. We did not purchase any shares under this authority during the year. We normally seek such an authority from our shareholders annually. At our 2026 AGM, we will seek authority from our shareholders to purchase up to 74,286,402 of our ordinary shares of 5 pence each with such authority expiring at the end of our AGM held in 2027. |
| **Change of control** | As at 31 March 2026, Ocorian Administration (UK) Limited was the trustee that administered our executive share plans and had the ability to exercise voting rights at its discretion, which related to shares that it held under the trust deed constituting the trust. In the event of a takeover offer, which could lead to a change of control of the company, the trustee must consult with the company before accepting the offer or voting in favour of the offer. Subject to that requirement, the trustee may take into account a prescribed list of interests and considerations prior to making a decision in relation to the offer, including the interests of the beneficiaries under the trust.<br>In the event of a change of control, the participants in our all-employee share incentive plan (ShareBuy) would be able to direct the trustee of ShareBuy, Equiniti Share Plan Trustees Limited, how to act on their behalf. |
| **Information required by UK Listing Rule 6.6.1** | Details of the amount of interest capitalised by the group during the financial year can be found in note 6 to the financial statements on page 201. In line with current UK tax legislation, the amount is fully deductible against the group's corporation tax liability, resulting in tax relief of £18.8 million.<br>There are no other disclosures to be made under UK Listing Rule 6.6.1. |
| **Directors' indemnities and insurance** | We have in place contractual entitlements for the directors of the company and of its subsidiaries to claim indemnification by the company in respect of certain liabilities that might be incurred by them in the course of their duties as directors. These arrangements, which constitute qualifying third-party indemnity provision and qualifying pension scheme indemnity provision, have been established in compliance with the relevant provisions of the Companies Act 2006 and have been in force throughout the financial year. They include provision for the company to fund the costs incurred by directors in defending certain claims against them in relation to their duties as directors of the company or its subsidiaries. The company maintains an appropriate level of directors' and officers' liability insurance. |
| **Political donations** | It is the company's policy position that we do not support any political party and do not make what are commonly regarded as donations to any political party or other political organisations. The wide definition of donations in the Political Parties, Elections and Referendums Act 2000, however, covers activities that form part of the necessary relationship between the group and our political stakeholders. This can include promoting United Utilities' activities at the main political parties' annual conferences, as well as occasional stakeholder engagement in Westminster. The group incurred expenditure of £43,272 (2024/25: £11,450, 2023/24:£8,091) as part of this process. At the 2025 AGM, an authority was taken to cover such expenditure. A similar resolution will be put to shareholders at the 2026 AGM to authorise the company and its subsidiaries to make such expenditure.<br>Relationships with regional MPs are very important to United Utilities, and as the provider of an essential service to around eight million people across the North West, customers do raise issues with their constituency MP. In 2025/26, we received just over one thousand MP contacts covering a wide range of topics, particularly as we face challenging times from an economic, environmental and social perspective. Our approach is to always have an open door policy with our MPs and members of their offices, to meet with us and visit our sites or land at any time. We are readily available to discuss topics, whether that is about service, climate change, environmental performance, flooding or quality, and regularly meet our MPs face to face.<br>We engage regularly with the two devolved administrations in the North West – the Greater Manchester Combined Authority (GMCA) and the Liverpool City Region (LCR) – as well as the region's local authorities, on a range of topics of shared interest, such as tackling flooding risk, better managing rainfall, enhancing the North West's natural capital and helping customers who struggle to pay their bills. Our sponsorship of the All Party Political Groups for Greater Manchester and LCR helps bring MPs and peers of all parties together with key leaders to help maximise future investment in these areas for the benefit of local communities.<br>In addition, the company's activities to engage with political stakeholders on matters relevant to the water industry and its operating footprint of North West England extend to its membership of trade associations. This is described in the section below. |
| **Trade associations** | We are members of a small number of trade associations where we make a financial contribution. Some have a national focus, such as Water UK, the representative body of the UK water industry and others focus on specific professions such as the GC100, the voice of general counsel and company secretaries in FTSE 100 companies. The company is a member of regional bodies, such as the North West Business Leadership Team, which encourages engagement across the public and private sectors. Our total contribution to these associations in 2025/26 was £657,166 (2024/25: £521,706, 2023/24:£394,507).<br>Through Water UK, the company has supported efforts to interact with parliamentary bodies, such as Select Committees and chairs of specific committees, to provide information on a range of topics. In the past year, we have worked with Water UK on topics such as storm overflows, river water quality and the Government's white paper in response to the Independent Water Commission's final report.<br>Through our membership of the North West Business Leadership Team, we have engaged with regional MPs and political stakeholders, such as local authorities and metro mayors, to explore how the business community can work more effectively with the public sector to drive economic growth in the region and tackle some of the North West's pressing social issues. |
| **Colleagues** | Our policies on employee consultation and on equal opportunities for all colleagues can be found on pages 14, 20 and 47 to 48. Applicants with disabilities are given equal consideration in our application process, and disabled colleagues have equipment and working practices modified for them as far as possible and where it is safe and practical to do so. Importance is placed on strengthening colleagues' engagement (see page 10). The effect of our regard towards colleagues in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 88 to 89.<br>Colleagues are encouraged to own shares in the company through the operation of an all-employee share incentive plan (ShareBuy).<br>Information on our average number of employees during the year can be found in note 3 on page 200. |
| **Customers and suppliers and key stakeholders** | Our approach to engagement with customers, suppliers, regulators and other key stakeholders can be found on page 20. The effect of our regard towards customers, suppliers, regulators and other key stakeholders in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 88 to 89.<br>Our United Supply Chain approach sets out how we work with our suppliers, which can be found on our website at **unitedutilities.com/corporate/about-us/governance/suppliers/delivering-value/united-supply-chain**<br>We are a signatory to the Prompt Payment Code. We publish key statistics and other information on our payment practices in line with the Duty to Report on Payment Practices and Performance on the Department for Business, Energy & Industrial Strategy's website. Information is published on a six-monthly basis. For the six months to 31 March 2026, our average time taken to pay invoices was 14 days; in the previous six months it was 13 days. |
| **Energy and carbon report** | Our energy and carbon report can be found on pages 72 to 74 and is hereby incorporated by reference into this directors' report. |
| **Approach to technology development** | We are committed to using innovative, cost-effective and practical solutions for providing high-quality services. We recognise the importance of ensuring that we focus our investment on the development of technology, having the right skills to apply technology to achieve sustainable competitive advantage, and continuing to be alert to emerging technological opportunities. |
| **Financial instruments** | Our risk management objectives and policies in relation to the use of financial instruments can be found in note A3 on page 218. |
| **Slavery and human trafficking** | Our statement can be found on our website at **unitedutilities.com/humanrights** |
| **Events occurring after the reporting period** | Details of events after the reporting period are included in note 24 on page 214. |

# Directors' report

## Annual general meeting

The 2026 annual general meeting (AGM) will be held on 17 July 2026. Full details of the resolutions to be proposed to shareholders, and explanatory notes in respect of these resolutions, can be found in the notice of AGM. A copy can be found on our website.

At the 2026 AGM, resolutions will be proposed, among other matters: to receive the integrated annual report and financial statements; to approve the directors' remuneration report; to approve the directors' remuneration policy; to declare a final dividend; to approve the directors' general authority to allot shares; to grant the authority to issue shares without first applying statutory rights of pre-emption; to authorise the company to make market purchases of its own shares; to enable the company to continue to hold general meetings on not less than 14 clear days' notice to approve the company's net zero transition plan and to authorise the making of limited political donations by the company and its subsidiaries.

## Information given to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006.

## Reappointment of the auditor

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

Approved by the board on 15 May 2026 and signed on its behalf by:

**Simon Gardiner**
Company Secretary

## Pre-emption group reporting

The equity issue announced on 30 April 2026 was a non-preemptive issue of equity securities for cash. The company makes the following post-transaction report in accordance with the most recently published Pre-Emption Group Statement of Principles (2022).

| Name of issuer | United Utilities Group PLC |
|---|---|
| Transaction details | The equity issue of 60,975,610 new ordinary shares comprised the placing to institutional investors (including the cornerstone commitment from ATLAS Infrastructure with the Future Fund), the retail offer to eligible UK retail investors via RetailBook and the director subscription by certain directors, and represents, in aggregate, approximately 8.9% (being less than 10%) of the existing issued ordinary share capital of the company prior to the equity issue. Settlement for the placing shares, retail offer shares and director subscription shares and admission took place at 8.00 a.m. on 5 May 2026. |
| Use of proceeds | The net proceeds of the equity issue will be used to fund the equity element of the company's circa £2.5 billion incremental capital investment programme during the AMP8 regulatory cycle (FY2025–30), ensuring the company is fully funded for its upgraded circa £11.5 billion total AMP8 investment programme, while maintaining gearing within the company's 55–65% target range. |
| Quantum of proceeds | In aggregate, the placing, retail offer and director subscription raised gross proceeds of approximately £800 million and net proceeds of approximately £788 million. |
| Discount | The placing price of 1,312 pence represented the closing price on 29 April 2026.[1] |
| Allocations | The committed allocation to ATLAS Infrastructure with the Future Fund recognises the early support of ATLAS Infrastructure with the Future Fund to the company. Allocations were determined in consultation between the company and the Joint Global Coordinators, and allocations were carried out in compliance with the applicable MiFID II allocation requirements. Where possible, soft pre-emption was adhered to in the allocations process. Allocations made outside of soft pre-emption were preferentially directed towards existing shareholders in excess of their pro rata entitlements, and wall-crossed investors. |
| Consultation | Prior to launch of the placing, the Joint Global Coordinators undertook a market sounding process, including with major shareholders, to the extent reasonably practicable and permitted by law. |
| Retail investors | The equity issue included the retail offer, for a total of 381,000 retail offer shares, via the RetailBook platform.<br>Retail investors who participated in the retail offer were able to do so at the same placing price as all other investors participating in the placing and the director subscription.<br>The retail offer was made available to existing shareholders and new investors in the UK. Investors were able to participate through RetailBook's partner network of retail brokers, wealth managers and investment platforms. As such, to the extent practicable on the transaction timetable, eligible UK retail investors (including certificated retail shareholders) had the opportunity to participate in the retail offer alongside institutional investors.<br>Allocations in the retail offer were preferentially directed towards existing shareholders in keeping with the principle of soft pre-emption. |

[1] The placing price represents a discount of 9.9% to the middle market price of 1,457 pence at the time at which the company and the Joint Global Coordinators agreed the placing price.





# Statement of directors' responsibilities in respect of the integrated annual report and the financial statements

The directors are responsible for preparing the integrated annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable and, in respect of the parent company financial statements only, prudent;
- for the group financial statements state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements

## Responsibility statement of the directors in respect of the integrated financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the integrated annual report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Approved by the board on 15 May 2026 and signed on its behalf by:

**Sir David Higgins**
Chair

**Phil Aspin**
Chief Financial Officer

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# KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

## 1. Our opinion is unmodified

**In our opinion:**

- the financial statements of United Utilities Group PLC give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2026, and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company Financial Statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

## What our opinion covers

We have audited the Group and Parent Company Financial Statements of United Utilities Group PLC (the "Company") for the year ended 31 March 2026 ('FY26') included in the Integrated Annual Report and Financial Statements, which comprise:

| Group | Parent Company (United Utilities Group PLC) |
|---|---|
| Consolidated statement of comprehensive income | Company statement of financial position |
| Consolidated statement of financial position | Company statement of changes in equity |
| Consolidated statement of changes in equity | Notes 1 to 24 and A1 to A7 to the Parent Company Financial Statements, including the accounting policies in note A6 and on pages 195 to 198. |
| Consolidated statement of cash flows | |
| Notes 1 to 24 and A1 to A7 to the Group Financial Statements, including the accounting policies in note A6 and on pages 195 to 198. | |

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

## 2. Overview of our audit

| | | Key Audit Matters | Vs FY25 | Item |
|---|---|---|---|---|
| Factors driving our view of risks | Following our FY25 audit, and considering developments affecting the Group since then, our assessment of risks and our view of how this impacts the audit of the Financial Statements has been updated for the current year where required.<br>Household customers' bills have increased in the year, reflecting the tariffs agreed for the new five year regulatory cycle. Economic uncertainty arose in the latter part of the year, which risks creating greater uncertainty of future customer affordability. Reflecting these matters, the risk associated with the estimate over allowances for expected credit losses relating to household customer debt continues to be seen as significant.<br>The Group's capital programme has significantly increased for the current five year Asset Management Plan (AMP) regulatory cycle (2025/26 to 2029/30). In addition to this, the Group has revised its judgement on capitalisation of infrastructure renewal expenditure. A significant portion of this expenditure is now being capitalised, whereas previously it was being entirely expensed. Due to these factors, there is increased likelihood of error which could result in a material misstatement. In line with prior year, our selection of projects to test considered those that could be more susceptible to judgement.<br>The Group continues to be under investigation by Ofwat and the Environment Agency ('EA') concerning compliance with environmental permits relating to storm sewerage discharges. The risks associated with these contingent liabilities remain unchanged from the prior year. | Allowances for expected credit losses relating to household customer debt | ◀▶ | 4.1 |
| | | Capitalisation of costs relating to the capital programme | ▲ | 4.2 |
| | | Contingent liabilities associated with certain environmental matters | ◀▶ | 4.3 |
| | | Recoverability of Parent Company's investment in United Utilities PLC | ◀▶ | 4.4 |

# KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

**Audit Committee interaction**

During the financial year, the Audit Committee met five times. KPMG are invited to attend all Audit Committee meetings and are provided with an opportunity to meet with the Audit Committee in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the Audit Committee in section 4, including matters that required particular judgement for each.

The matters included in the Audit Committee Report on pages 128 to 129 are materially consistent with our observations of the meetings.

**Our independence**

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY26 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 March 2012. The period of total uninterrupted engagement is for the 15 financial years ended 31 March 2026.

The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Andrew Bradshaw, he will be required to rotate off after the FY30 audit.

| | |
|---|---|
| Total audit fee | £1,159,000 |
| Audit related fees (including interim review) | £212,500 |
| Other services | £90,500 |
| Non-audit fee as a % of total audit and audit related fee % | 6.6% |
| Date first appointed | 22 July 2011 |
| Uninterrupted audit tenure | 15 years |
| Next financial period which requires a tender | 2032 |
| Tenure of Group engagement partner | 1 years |

**Materiality (Item 6 below)**

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

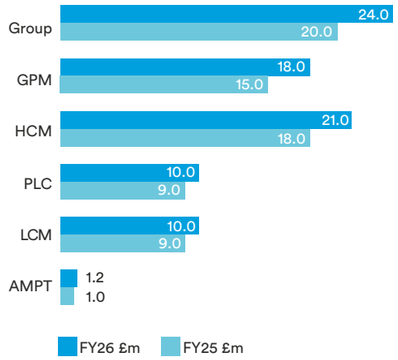
We have determined overall materiality for the Group financial statements as a whole at £24.0m (FY25: £20.0m) and for the Parent Company Financial Statements as a whole at £10.0m (FY25: £9.0m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY25, we determined materiality with reference to a range of metrics due to the fact that the Group faces increased finance costs, as a result of the current high-inflationary environment, which causes volatility in profit before tax. As such, group materiality is based on revenues, total assets and profit before tax, of which it represents 0.92%, 0.13% and 3.08% (FY25: revenues, total assets and operating profit,of which it represents 0.93%, 0.12% and 3.17%) respectively.

Materiality for the Parent Company Financial Statements was determined with reference to a benchmark of the Parent Company's total assets of which it represents 0.1% (FY25: 0.1%).

**Materiality levels used in our audit**




| | |
|---|---|
| Group | Group Materiality |
| GPM | Group Performance Materiality |
| HCM | Highest Component Materiality |
| PLC | Parent Company Materiality |
| LCM | Lowest Component Materiality |
| AMPT | Audit Misstatement Posting Threshold |

**Group scope (Item 7 below)**

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group Financial Statements, the type of audit procedures to be performed at these components and the extent of involvement required from our component auditors.

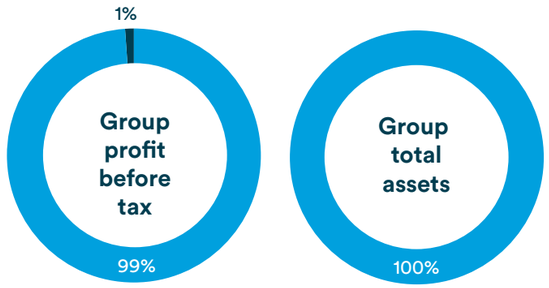
Of the Group's 23 (FY25: 22) reporting components, we identified one quantitatively significant component and three additional components where procedures were performed.

The components within the scope of our work accounted for the percentages illustrated below.

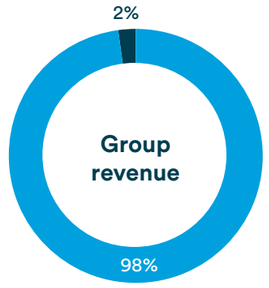
The work on all components including the audit of the Parent Company, was performed by the group team.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

We performed audit procedures in relation to components that accounted for the following percentages of group profit before tax and group total assets:




Our audit procedures covered the following percentage of group revenue:




**The impact of climate change on our audit**

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

The Group has set out its climate targets in line with limiting global warming to 1.5°C and to be climate net zero by 2050. The majority of the Group's carbon emissions are from the burning of fossil fuels, fuels used for transport and the grid electricity purchased. The Group continues to develop its assessment of climate change. Climate change matters impact the Group in a variety of ways including opportunities and risks relating to renewable energy sources and extreme weather events. Further information is provided on pages 26 to 36. While the Group has set out its targets, it is continually developing its assessment of the impact of climate change on capital expenditure, the cost base, and impacts on cash flows. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, including an evaluation of critical accounting estimates and judgements. The Group concluded that this did not have a material effect on the consolidated financial statements, as described on page 198.

As part of our audit, we have made enquiries of directors and operational managers to understand the extent of the potential impact of climate change risks on the Group's financial statements, including their assessment of critical accounting estimates and judgements, and the effect on our audit. We have performed a risk assessment to evaluate the potential impact, including the estimates made regarding useful economic lives of property, plant and equipment, and the valuation of certain unquoted pension assets.

We held discussions with our own climate change professionals to challenge our risk assessment. Considering the expected remaining useful lives of property, plant and equipment, and the nature of unquoted pension assets, we assessed that there is not a significant impact on our audit for this financial year. There was no significant impact of climate change on our key audit matters.

We have read the Group's disclosure of climate related information in the front half of the Integrated Annual Report and Financial Statements as set out on pages 26 to 36 and considered consistency with the financial statements and our audit knowledge.

# KPMG LLP's Independent Auditor's Report
to the members of United Utilities Group PLC

## 3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

### Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period related to a one-off total expenditure impact associated with a critical asset failure.

We considered whether the risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities. We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

#### Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement in the basis of preparation section of the accounting policies note to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in this note to be acceptable; and
- The related statement under the UK Listing Rules set out on page 122 is materially consistent with the Financial Statements and our audit knowledge.

### Disclosures of emerging and principal risks and longer-term viability

#### Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the Financial Statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the long-term viability statement on page 122 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement set out on pages 122 to 123 under the UK Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

#### Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the Financial Statements and our audit knowledge.





## 4. Key Audit Matters

### What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the Financial Statements as a whole. We do not provide a separate opinion on these matters.

### 4.1 Allowances for expected credit losses relating to household customer debt (Group)

| Financial Statement Elements | FY26 | FY25 | Our assessment of risk vs FY25 | Our results |
|---|---|---|---|---|
| Allowance for expected credit losses relating to household customer debt | **£91.1m** | £81.4m | ◀▶ We have not identified any significant changes to our assessment of the level of risk over allowances for expected credit losses relating to household customer debt despite the increase in household customers' bills at a time of ongoing economic uncertainty. | **FY26: Acceptable**<br>FY25: Acceptable |

#### Description of the Key Audit Matter

**Subjective estimate:**

At each balance sheet date assumptions involving a high degree of estimation uncertainty are required to assess the allowances for expected credit losses relating to household customer debt. Key assumptions (as outlined in the accounting policies on page 197) include current and forecast cash collection rates.

As part of our risk assessment for audit planning purposes, we determined that the recoverability of trade receivables had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole.

Household customers' bills have increased in the year, reflecting the tariffs agreed for the new five year regulatory cycle. Combined with economic uncertainty arising in the latter part of the year, this risks creating greater uncertainty of future customer affordability.

In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that of materiality. There is also a risk of management bias in the selection of assumptions upon which estimates are based given performance targets in remuneration schemes. The accounting policy note in the financial statements (on page 197) discloses the sensitivity estimated by the Group.

#### Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Our sector experience:** challenging the Group on the appropriateness of the selection of provisioning rates in place for calculating the expected credit loss allowance and assessing the appropriateness of the customer debt provisioning policy based on historical cash collections, credits, re-bills and write-off information, and estimates of future economic scenarios and their impact on credit losses;
- **Reperformance:** performing a recalculation of the provision, and verifying cash collections in the billing system;
- **Benchmarking assumptions:** assessing and challenging the assumptions used by the Group in calculating the allowance for expected credit losses against externally derived publicly available data relating to other water companies;
- **Sensitivity analysis:** considering the sensitivity of the expected credit loss allowance to changes in cash collection rates; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures of its customer debt provisioning policy, including the estimation uncertainty of the allowances for expected credit losses relating to household customer debt.

**Communications with the United Utilities Group PLC's Audit Committee**

Our discussions with and reporting to the Audit Committee included:

- The appropriateness of the selected provisioning rates used in deriving the allowances for expected credit losses relating to household customer debt.
- Our approach to the audit of the allowances for expected credit losses relating to household customer debt.
- Our conclusions on the appropriateness of key assumptions.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the key assumptions.

**Areas of particular auditor judgement**

We identified the following as the area of particular auditor judgement:

- The appropriateness of the allowances for expected credit losses relating to household customer debt. In particular, the selection of key assumptions used in the calculation (the period of historical cash collections and the risk associated with the impact of economic uncertainty on customer payment behaviour).

**Our results**

Based on the risk identified and the procedures that we performed, we found the allowances for expected credit losses relating to household customer debt and the related disclosures to be acceptable (FY25: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 128 for details on how the Audit Committee considered allowances for expected credit losses relating to household customer debt as an area of significant attention, pages 197 and 234 and for the accounting policy on allowance for expected credit losses relating to household customer debt, and page 208 for the financial disclosures.

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## 4.2 Capitalisation of costs relating to the capital programme (Group)

| Financial Statement Elements | FY26 | FY25 | Our assessment of risk vs FY25 | Our results |
|---|---|---|---|---|
| Property, plant & equipment additions | £1,675.8m | £1,243.9m | ▲ The level of risk associated with the capitalisation of costs relating to the capital programme has increased compared to FY25 due to the significant increase in the scale of the Group's capital programme over the next AMP and the change in judgement on capitalisation of infrastructure renewals expenditure. | **FY26: Acceptable**<br>FY25: Acceptable |

### Description of the Key Audit Matter

**Accounting treatment:**

The Group has agreed a substantial capital programme with the Water Services Regulation Authority (Ofwat) for the current Asset Management Plan (AMP) regulatory cycle (2025/26 to 2029/30), and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets.

Additionally, the Group has revised its judgement over the capitalisation of infrastructure renewals expenditure ('IRE'). A significant portion of IRE is now capitalised, whereas in previous periods it was fully expensed.

The determination of in year project costs as capital or operating expenditure is inherently judgemental, particularly, for projects incorporating both capital and operating expenditure elements and therefore has the opportunity for manipulation. Under IAS 16, expenditure is capitalised when it is probable that the future economic benefits associated with the item will flow to the entity and where such expenditure enhances or increases the capacity of the network. We determined that the costs capitalised has a high degree of judgement, with the potential for any misstatement to be greater than our materiality for the financial statements as a whole.

### Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Accounting analysis:** assessing the Group's capitalisation policy and the change in approach to the capitalisation of IRE for compliance with relevant accounting standards;
- **Tests of details:** critically assessing the capital nature of a sample of projects against the capitalisation policy focusing on high-risk projects which includes new projects approved, project overspends, projects with significant forecasted costs to complete and projects with changes to IRE; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures of its capitalisation policy including the judgement involved in assessing expenditure as capital, including IRE.

**Communications with the United Utilities Group PLC's Audit Committee**

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of capitalisation of costs relating to the capital programme.
- Our conclusion on the appropriateness of judgement over capitalisation of IRE.
- The results of our procedures.
- The adequacy of the disclosures.

**Areas of particular auditor judgement**

We identified the following as the area of particular auditor judgement:

- The appropriateness of the capitalisation rates applied to capital projects, where projects have an element of both capital and operating expenditure elements.
- The assessment of IRE as capital or operating expenditure

**Our results**

Based on the risk identified and the procedures that we performed, we found the capitalisation of costs relating to the capital programme and the related disclosures to be acceptable (FY25: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 128 for details on how the Audit Committee considered costs relating to the capital programme as an area of significant attention, pages 197 and 233 for the accounting policy on capitalisation of costs relating to the capital programme, page 195 for changes in approach to capitalisation of IRE, and page 206 for the financial disclosures.

## 4.3 Contingent liabilities associated with certain environmental matters (Group)

| Financial Statement Elements | Our assessment of risk vs FY25 | Our results |
|---|---|---|
| Financial statements disclosure in Note 22 | ◀▶ We have not identified any significant changes to our assessment of the risk, other than the decision of the competition appeal tribunal on potential collective proceedings (following application by Professor Carolyn Roberts) in favour of the Group. We have determined the matter relating to potential collective proceedings not to be part of this key audit matter.<br>We have determined the level of risk over contingent liabilities associated with EA and Ofwat investigations to be consistent with the prior year, given the investigations have not substantially progressed in the period. | **FY26: Acceptable**<br>FY25: Acceptable |

### Description of the Key Audit Matter

**Dispute outcome:**

The Group is subject to ongoing investigations by Ofwat and the Environment Agency ('EA') (together, the "investigation") with regards to whether the level of storm sewerage discharges are in compliance with environmental permits. The potential penalty for an environmental office has a range of potential fine up to 10% of relevant wastewater turnover, along with a range of other potential commitments to Ofwat. The potential penalty for an environmental offence under the EA regulations is an unlimited fine.

The Group has concluded that no provision is required in respect of these matters, but they should be disclosed as contingent liabilities, based on the results of internal investigations and ongoing discussions with the Group's legal team.

The amounts involved in these matters are potentially significant, and the application of accounting standards to determine the amount, if any, to be provided for, is inherently subjective.

### Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Enquiry of internal regulatory and legal teams:** obtaining an understanding of the internal procedures undertaken by the Group to assess compliance with relevant laws and regulations and understanding of the status of the investigations;
- **Inspection of correspondence with the regulators:** assessing the correspondence with regulators and corroborating it to the Group's assessment of the investigations; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures in relation to these environmental matters.

**Communications with the United Utilities Group PLC's Audit Committee**

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of contingent liabilities associated with these matters
- Our conclusions on the appropriateness of key judgements made, including whether a provision should, or should not, be recognised.
- The adequacy of the disclosures around the contingent liabilities.

**Areas of particular auditor judgement**

We identified the following as the area of particular auditor judgement:

- The completeness and accuracy of the contingent liability disclosure.

**Our results**

Based on the risk identified and the procedures that we performed, we found the Group's assessment that these environmental matters are treated as contingent liabilities and the related disclosures to be acceptable (FY25: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 129 for details on how the Audit Committee considered contingent liabilities associated with certain environmental matters as an area of significant attention, page 236 for the accounting policy on contingent liabilities associated with certain environmental matters, and page 214 for the financial disclosures.

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### 4.4 Recoverability of parent company's investment in United Utilities PLC (Parent company)

| Financial Statement Elements | FY26 | FY25 | Our assessment of risk vs FY25 | Our results |
|---|---|---|---|---|
| Investment in United Utilities PLC | £6,326.8m | £6,326.8m | We have not identified any significant changes to our assessment of the level of risk relating to the recoverability of the Parent Company's investment in United Utilities PLC compared to FY25 | FY26: Acceptable<br>FY25: Acceptable |

#### Description of the Key Audit Matter

**Low risk, high value:**
The carrying amount of the Parent Company's investment in United Utilities PLC represents 98% (FY25: 98%) of the Company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.

#### Our response to the risk

We performed the tests below rather than seeking to rely on the Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Tests of detail:** comparing the carrying amount of the investment with the expected value of the business based on the regulatory capital value (a recognised method of valuation within the industry).
- **Comparing valuations:** comparing the carrying amount of the Parent Company's investment with the market capitalisation of the Group.

**Communications with the United Utilities Group PLC's Audit Committee**
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverability of the Parent Company's investment in United Utilities PLC.
- Our conclusions on the appropriateness of key assumptions.
- The adequacy of the disclosures.

**Areas of particular auditor judgement**
We did not identify any areas of particular auditor judgement.

**Our results**
Based on the risk identified and procedures performed, we concluded that the Parent Company's conclusion that there was no impairment of its investment in United Utilities PLC to be acceptable (FY25: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 126 for details on how the Audit Committee considered the recoverability of the Parent Company's investment in United Utilities PLC as an area of significant attention, page 232 for the accounting policy on the recoverability of the Parent Company's investment in United Utilities PLC, and page 207 for the financial disclosures.

## 5. Our ability to detect irregularities, and our response

### Fraud – Identifying and responding to risks of material misstatement due to fraud

| | |
|---|---|
| **Fraud risk assessment** | To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:<br>Inquiring of directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;<br>Using analytical procedures to identify any unusual or unexpected relationships;<br>Reading Board and Audit Committee minutes; and<br>Considering remuneration incentive schemes and performance targets for directors including Long Term Plan awards. |
| **Risk communications** | We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. |
| **Fraud risks** | As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular: the risk that group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as allowances for expected credit losses relating to household customer debt.<br>On this audit we do not believe there is a fraud risk related to revenue recognition streams because the low value, high volume nature of transactions reduces the opportunities for fraudulent activity.<br>We did not identify any additional fraud risks. |
| **Link to KAMs** | Further detail in respect of the allowances for expected credit losses relating to household customer debt is set out in the key audit matter disclosures in section 4 of this report. |
| **Procedures to address fraud risks** | We also performed procedures including:<br>• Identifying journal entries to test based on AI transaction scoring, which identifies journals with increased identifiers of fraud risks; and<br>• Assessing significant accounting estimates and judgements for bias. |

### Laws and regulations - identifying and responding to risks of material misstatement relating to compliance with laws and regulations

| | |
|---|---|
| **Laws and regulations risk assessment** | We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.<br>As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. |
| **Risk communications** | We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. |
| **Direct laws context and link to audit** | The potential effect of these laws and regulations on the financial statements varies considerably.<br>The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. |
| **Most significant indirect law/ regulation areas** | The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Compliance with regulations imposed by Ofwat, the Environment Agency, and the Drinking Water Inspectorate, Competition law, GDPR compliance, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.<br>Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach. |
| **Link to KAMs** | Further detail in respect of the contingent liabilities associated with certain environmental matters are set out in the key audit matter disclosures in section 4 of this report. |
| **Known actual or suspected matters** | In relation to the Ofwat and the Environment Agency investigations launched in November 2021, as discussed in the Audit Committee Report and in Note 22 to the Financial Statements, we assessed disclosures against our understanding from legal correspondence and inquiries performed. |
| **Actual or suspected breaches discussed with the Audit Committee** | We discussed with the Audit Committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit. |

### Context

| | |
|---|---|
| **Context of the ability of the audit to detect fraud or breaches of law or regulation** | Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.<br>In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations. |

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## 6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

| | |
|---|---|
| £24.0m<br>(FY25: £20.0m)<br><br>Materiality for the group financial statements as a whole | **What we mean**<br>**A quantitative reference for the purpose of planning and performing our audit.**<br><br>**Basis for determining performance materiality and judgements applied**<br>Materiality for the Group Financial Statements as a whole was set at £24.0m (FY25: £20.0m).<br>Consistent with FY25, we determined materiality with reference to a range of metrics, given volatility in profit before tax in recent years.<br>Materiality represents 0.9% of revenue, 0.1% of total assets and 3.1% of profit before tax (FY25: 0.9% of revenue, 0.1% of total assets and 3.2% of operating profit).<br>When using a benchmark of either revenue, total assets, or profit before tax to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 0.5-1%, 0.5-1% and 3-5% respectively.<br>Materiality for the Parent Company financial statements as a whole was set at £10.0m (FY25: £9.0m), determined with reference to a benchmark of the Parent Company's total assets, of which it represents 0.1% (FY25: 0.1%). |
| £18.0m<br>(FY25: £15.0m)<br><br>Performance materiality | **What we mean**<br>**Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.**<br><br>**Basis for determining performance materiality and judgements applied**<br>We have considered performance materiality at a level of 75% (FY25: 75%) of materiality for the Group Financial Statements as a whole to be appropriate.<br>The Parent Company's performance materiality was set at £7.5m (FY25: £6.8m), which equates to 75% (FY25: 75%) of materiality for its Financial Statements as a whole.<br>We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk. |
| £1.2m<br>(FY25: £1.0m)<br><br>Audit misstatement posting threshold | **What we mean**<br>**This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.**<br>**This is also the amount above which all misstatements are communicated to United Utilities Group PLC's Audit Committee.**<br><br>**Basis for determining performance materiality and judgements applied**<br>We set out audit misstatement posting threshold at 5.0% (FY25: 5.0%) of our materiality for the Group Financial Statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds. |

The overall materiality for the Group Financial Statements of £24.0m (FY25: £20.0m) compares as follows to the main financial statement caption amounts:

| | Total Group Revenue | | Group profit before tax (FY25: Group operating profit) | | Total Group Assets | |
|---|---|---|---|---|---|---|
| | FY26 | FY25 | FY26 | FY25 | FY26 | FY25 |
| Financial Statement Caption | £2,616.3m | £2,145.1m | £779.0m | £631.5m | £18,127.0m | £16,769.5m |
| Group Materiality as % of caption | 0.92% | 0.93% | 3.08% | 3.17% | 0.13% | 0.12% |

## 7. The scope of our audit

**Group scope**

**What we mean**

**How the Group auditor determined the procedures to be performed across the Group.**

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 23 (FY25: 22) components, having considered our evaluation of the Group's legal structure, the existence of common information systems and our ability to perform audit procedures centrally.

Of those, we identified one quantitatively significant component which contained the largest percentage of total revenue and total assets of the Group, for which we performed audit procedures.

Additionally, we selected three components with accounts contributing to the specific risks to the Group Financial Statements.

The below summarises where we performed audit procedures, with prior year comparatives indicated in brackets:

| Component type | Number of components where we performed audit procedures | Range of materiality applied |
|---|---|---|
| Quantitatively significant components | 1 (1) | £21m (£18.0m) |
| Other components where we performed procedures | 3 (3) | £10.0m – £11.0m (£9.0m – £10.0m) |
| Total | 4 (4) | |

We set the component materialities having regard to the mix of size and risk profile of the Group across the components. We also performed the audit of the Parent Company.

Our audit procedures covered 98% of Group revenue.

We performed audit procedures in relation to components that accounted for 99% of the total profits and losses that made up Group profit before tax and 100% of Group total assets.

The work on all components, including the audit of the Parent Company, was performed by the Group team.

**Impact of controls on our Group audit**

We identified the main finance IT system, along with the related supporting systems relevant to billing, to be the main IT systems relevant to our audit. We used IT specialists to assist us in assessing the design, implementation and operating effectiveness of certain automated controls relating to these IT systems.

Following our testing, we relied on IT general controls in determining the work to be performed in some areas of the audit, in particular in relation to our reliance on system-generated reports in relation to revenue and the allowances for expected credit losses relating to household customer debt. We also placed reliance on automated IT controls to reduce the extent of our substantive testing in some areas of the audit, specifically in our audit of revenue.

In other areas of the audit we believe it is more efficient not to rely on controls and so the audit work performed in these areas was predominately substantive.

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## 8. Other information in the Integrated Annual Report

The directors are responsible for the other information presented in the Integrated Annual Report together with the Financial Statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

### All other information

**Our responsibility**

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

**Our reporting**

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

### Strategic report and directors' report

**Our responsibility and reporting**

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

**Our responsibility**

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Our reporting**

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Corporate governance disclosures

**Our responsibility**

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the Integrated Annual Report and Financial Statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Integrated Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Integrated Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

**Our reporting**

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the UK Listing Rules for our review.

We have nothing to report in this respect.

### Other matters on which we are required to report by exception

**Our responsibility**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Our reporting**

We have nothing to report in these respects.

## 9. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 175, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## 10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Andrew Bradshaw (Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE
15 May 2026

# Consolidated statement of comprehensive income
for the year ended 31 March 2026

| | Note | 2026 £m | 2025 £m |
|---|---|---|---|
| **Revenue** | 2 | **2,616.3** | 2,145.2 |
| Other income | | **23.3** | 17.5 |
| Staff costs | 3 | **(260.9)** | (224.1) |
| Other operating costs | 4 | **(707.4)** | (630.6) |
| Allowance for expected credit losses – trade and other receivables | | **(33.3)** | (20.5) |
| Depreciation of property, plant and equipment | | **(471.4)** | (435.7) |
| Amortisation of intangible assets | | **(29.1)** | (29.2) |
| Infrastructure renewals expenditure | | **(38.1)** | (191.1) |
| **Total operating expenses** | | **(1,516.9)** | (1,513.7) |
| **Operating profit** | | **1,099.4** | 631.5 |
| Investment income | 5 | **99.9** | 106.2 |
| Finance expense | 6 | **(415.7)** | (371.9) |
| **Investment income and finance expense** | | **(315.8)** | (265.7) |
| Share of losses of joint venture | 12 | **(4.6)** | (10.8) |
| **Profit before tax** | | **779.0** | 355.0 |
| Current tax charge | 7 | **(8.0)** | (0.4) |
| Deferred tax charge | 7 | **(184.2)** | (89.9) |
| **Tax** | 7 | **(192.2)** | (90.3) |
| **Profit after tax** | | **586.8** | 264.7 |
| **Other comprehensive income – items that may be reclassified to profit or loss in subsequent periods** | | | |
| Cash flow hedges – effective portion of fair value movements | | **4.0** | 8.6 |
| Tax on items that may be reclassified to profit or loss | 7 | **(1.0)** | (2.2) |
| Reclassification of items recorded in other comprehensive income to profit or loss | | **21.8** | (1.3) |
| Tax reclassified to income statement | 7 | **(5.5)** | 0.3 |
| | | **19.3** | 5.4 |
| **Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods** | | | |
| Remeasurement (losses)/gains on defined benefit pension schemes | | **(7.9)** | 18.6 |
| Change in credit assumptions for debt reported at fair value through profit or loss | | **(3.1)** | 1.9 |
| Cost of hedging – cross-currency basis spread adjustment | | **2.7** | 3.6 |
| Tax on items recorded in other comprehensive income | 7 | **2.2** | (6.0) |
| | | **(6.1)** | 18.1 |
| **Total comprehensive income** | | **600.0** | 288.2 |
| **Earnings per share** | | | |
| Basic | 8 | **86.1p** | 38.8p |
| Diluted | 8 | **85.8p** | 38.7p |
| Dividend per ordinary share | 9 | **53.66p** | 51.85p |

All of the results shown above relate to continuing operations.

The accompanying notes on pages 195 to 237 form part of these financial statements.





# Consolidated and company statements of financial position
at 31 March 2026

| | Note | Group 31 March 2026 £m | Group 31 March 2025 £m | Company 31 March 2026 £m | Company 31 March 2025 £m |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | **15,084.0** | 13,873.0 | **–** | – |
| Intangible assets | 11 | **119.9** | 105.8 | **–** | – |
| Interests in joint ventures and other investments | 12 | **–** | 1.6 | **6,326.8** | 6,326.8 |
| Trade and other receivables | 13 | **54.6** | 73.6 | **165.0** | 75.0 |
| Retirement benefit surplus | 14 | **310.9** | 302.3 | **–** | – |
| Derivative financial instruments | A3 | **334.0** | 329.3 | **–** | – |
| | | **15,903.4** | 14,685.6 | **6,491.8** | 6,401.8 |
| **Current assets** | | | | | |
| Inventories – properties held for resale | | **2.9** | 2.7 | **–** | – |
| Inventories – other | | **6.2** | 21.9 | **–** | – |
| Trade and other receivables | 13 | **333.3** | 282.0 | **39.4** | 97.3 |
| Current tax assets | 7 | **73.2** | 93.3 | **–** | – |
| Cash and cash equivalents | 15 | **1,794.3** | 1,672.6 | **–** | – |
| Derivative financial instruments | A3 | **13.7** | 11.4 | **–** | – |
| | | **2,223.6** | 2,083.9 | **39.4** | 97.3 |
| **Total assets** | | **18,127.0** | 16,769.5 | **6,531.2** | 6,499.1 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 18 | **(1,168.5)** | (1,063.8) | **–** | – |
| Borrowings | 16 | **(11,325.7)** | (10,326.5) | **(2,221.6)** | (2,108.9) |
| Deferred tax liabilities | 7 | **(2,216.9)** | (2,028.4) | **–** | – |
| Derivative financial instruments | A3 | **(302.4)** | (275.0) | **–** | – |
| | | **(15,013.5)** | (13,693.7) | **(2,221.6)** | (2,108.9) |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | **(682.7)** | (577.2) | **(4.4)** | (4.1) |
| Borrowings | 16 | **(164.9)** | (462.1) | **–** | – |
| Provisions | 17 | **(17.5)** | (19.0) | **–** | – |
| Derivative financial instruments | A3 | **(7.0)** | (17.6) | **–** | – |
| | | **(872.1)** | (1,075.9) | **(4.4)** | (4.1) |
| **Total liabilities** | | **(15,885.6)** | (14,769.6) | **(2,226.0)** | (2,113.0) |
| **Total net assets** | | **2,241.4** | 1,999.9 | **4,305.2** | 4,386.1 |
| **EQUITY** | | | | | |
| Share capital | 21 | **499.8** | 499.8 | **499.8** | 499.8 |
| Share premium account | | **2.9** | 2.9 | **2.9** | 2.9 |
| Other reserves | 20 | **340.5** | 319.2 | **1,033.3** | 1,033.3 |
| Retained earnings | | **1,398.2** | 1,178.0 | **2,769.2** | 2,850.1 |
| **Shareholders' equity** | | **2,241.4** | 1,999.9 | **4,305.2** | 4,386.1 |

The accompanying notes on pages 195 to 237 form part of these financial statements.

As permitted by section 408 of the Companies Act 2006, the company has not presented its own statement of comprehensive income. The result of the company for the financial year was a profit after tax of £277.6 million (2025: £255.0 million).

These financial statements for the group and United Utilities Group PLC (company number: 6559020) were approved by the board of directors on 15 May 2026 and signed on its behalf by:

**Louise Beardmore**
Chief Executive Officer

**Phil Aspin**
Chief Financial Officer

# Consolidated statement of changes in equity
for the year ended 31 March 2026

| | Share capital £m | Share premium account £m | Other reserves[1] £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2025 | 499.8 | 2.9 | 319.2 | 1,178.0 | 1,999.9 |
| Profit after tax | – | – | – | 586.8 | 586.8 |
| **Other comprehensive income** | | | | | |
| Remeasurement losses on defined benefit pension schemes (see note 14) | – | – | – | (7.9) | (7.9) |
| Change in credit assumptions for debt reported at fair value through profit or loss | – | – | – | (3.1) | (3.1) |
| Cash flow hedges – effective portion of fair value movements | – | – | 4.0 | – | 4.0 |
| Cost of hedging – cross-currency basis spread adjustments | – | – | 2.7 | – | 2.7 |
| Tax on items recorded within other comprehensive income (see note 7) | – | – | (1.7) | 2.9 | 1.2 |
| Reclassification of items recorded within other comprehensive income to profit or loss | – | – | 21.8 | – | 21.8 |
| Tax reclassified to income statement (see note 7) | – | – | (5.5) | – | (5.5) |
| **Total comprehensive income** | – | – | 21.3 | 578.7 | 600.0 |
| Dividends (see note 9) | – | – | – | (357.6) | (357.6) |
| Equity-settled share-based payments (see note 3) | – | – | – | 4.5 | 4.5 |
| Purchase of shares to satisfy exercise of share options | – | – | – | (5.8) | (5.8) |
| Proceeds from share forfeitures | – | – | – | 0.4 | 0.4 |
| **At 31 March 2026** | 499.8 | 2.9 | 340.5 | 1,398.2 | 2,241.4 |

| | Share capital £m | Share premium account £m | Other reserves[1] £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2024 | 499.8 | 2.9 | 311.1 | 1,242.3 | 2,056.1 |
| Profit after tax | – | – | – | 264.7 | 264.7 |
| **Other comprehensive income** | | | | | |
| Remeasurement gains on defined benefit pension schemes (see note 14) | – | – | – | 18.6 | 18.6 |
| Change in credit assumptions for debt reported at fair value through profit or loss | – | – | – | 1.9 | 1.9 |
| Cash flow hedges – effective portion of fair value movements | – | – | 8.6 | – | 8.6 |
| Cost of hedging – cross-currency basis spread adjustments | – | – | 3.6 | – | 3.6 |
| Tax on items recorded within other comprehensive income (see note 7) | – | – | (3.1) | (5.1) | (8.2) |
| Reclassification of items recorded within other comprehensive income to profit or loss | – | – | (1.3) | – | (1.3) |
| Tax reclassified to income statement (see note 7) | – | – | 0.3 | – | 0.3 |
| **Total comprehensive income** | – | – | 8.1 | 280.1 | 288.2 |
| Dividends (see note 9) | – | – | – | (344.1) | (344.1) |
| Equity-settled share-based payments (see note 3) | – | – | – | 4.7 | 4.7 |
| Purchase of shares to satisfy exercise of share options | – | – | – | (5.0) | (5.0) |
| Proceeds from share forfeitures | – | – | – | – | – |
| **At 31 March 2025** | 499.8 | 2.9 | 319.2 | 1,178.0 | 1,999.9 |

[1] Other reserves comprise the group's capital redemption reserve, merger reserve, cost of hedging reserve and cash flow hedging reserve. Further detail of movements in these reserves is included in note 20.

The accompanying notes on pages 195 to 237 form part of these financial statements.





# Company statement of changes in equity
for the year ended 31 March 2026

| | Share capital £m | Share premium account £m | Other reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2025 | 499.8 | 2.9 | 1,033.3 | 2,850.1 | 4,386.1 |
| Profit after tax | – | – | – | 277.6 | 277.6 |
| **Total comprehensive income** | – | – | – | 277.6 | 277.6 |
| Dividends (see note 9) | – | – | – | (357.6) | (357.6) |
| Equity-settled share-based payments (see note 3) | – | – | – | 4.5 | 4.5 |
| Purchase of shares to satisfy exercise of share options | – | – | – | (5.8) | (5.8) |
| Proceeds from share forfeitures | – | – | – | 0.4 | 0.4 |
| **At 31 March 2026** | 499.8 | 2.9 | 1,033.3 | 2,769.2 | 4,305.2 |

| | Share capital £m | Share premium account £m | Other reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2024 | 499.8 | 2.9 | 1,033.3 | 2,939.5 | 4,475.5 |
| Profit after tax | – | – | – | 255.0 | 255.0 |
| **Total comprehensive income** | – | – | – | 255.0 | 255.0 |
| Dividends (see note 9) | – | – | – | (344.1) | (344.1) |
| Equity-settled share-based payments (see note 3) | – | – | – | 4.7 | 4.7 |
| Purchase of shares to satisfy exercise of share options | – | – | – | (5.0) | (5.0) |
| Proceeds from share forfeitures | – | – | – | – | – |
| **At 31 March 2025** | 499.8 | 2.9 | 1,033.3 | 2,850.1 | 4,386.1 |

At 31 March 2026, 31 March 2025 and 31 March 2024, the company's entire retained earnings balance was distributable to shareholders.

The company's other reserves comprised a capital redemption reserve that arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009.

The accompanying notes on pages 195 to 237 form part of these financial statements.

# Consolidated statement of cash flows

for the year ended 31 March 2026

| | Note | 2026 £m | 2025 £m |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | A1 | 1,602.2 | 1,082.7 |
| Interest paid | | (322.1) | (263.5) |
| Interest received and similar income | 6 | 85.7 | 92.5 |
| Tax received | | 16.1 | 6.4 |
| **Net cash generated from operating activities** | | 1,381.9 | 918.1 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | A1 | (1,492.1) | (988.5) |
| Purchase of intangible assets | A1 | (42.9) | (9.5) |
| Grants and contributions received | 18 | 35.2 | 9.2 |
| Proceeds from disposal of property, plant and equipment | | 0.8 | 1.1 |
| Repayment of loans to joint ventures | A5 | 21.0 | 0.5 |
| Placement of deposits with maturity greater than three months | | (504.0) | (768.7) |
| Receipt of deposits with maturity greater than three months | | 504.0 | 768.7 |
| **Net cash used in investing activities** | | (1,478.0) | (987.2) |
| **Financing activities** | | | |
| Proceeds from borrowings net of issuance costs | | 1,017.6 | 1,339.3 |
| Repayment of borrowings | | (433.2) | (631.4) |
| Dividends paid to equity holders of the company | 9 | (357.6) | (344.1) |
| Purchase of shares to satisfy exercise of share options | | (5.8) | (5.0) |
| Proceeds from share forfeitures | | 0.4 | – |
| **Net cash generated from financing activities** | | 221.4 | 358.8 |
| **Net increase in cash and cash equivalents** | | 125.3 | 289.7 |
| Cash and cash equivalents at beginning of the year | | 1,669.0 | 1,379.3 |
| **Cash and cash equivalents at end of the year** | 15 | 1,794.3 | 1,669.0 |

The accompanying notes on pages 195 to 237 form part of these financial statements.

# Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Further detail can be found in note A6.

## Basis of preparation

The group financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006. They have been prepared on the historical cost basis, except for the revaluation of financial instruments, accounting for the transfer of assets from customers, and the revaluation of infrastructure assets to fair value on transition to IFRS.

The parent company financial statements have been prepared in accordance with UK accounting standards as applied in accordance with the provisions of the Companies Act 2006. The company meets the definition of a qualifying entity as defined in FRS 100 'Application of Financial Reporting Requirements', and these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

As permitted by FRS 101, the parent company has taken advantage of the disclosure exemptions available in relation to financial instruments, fair value measurement, the statement of cash flows, capital management, standards not yet effective, and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The preparation of these financial statements requires management to make estimates and assumptions that affect the recognition and measurement of assets and liabilities at the date of the financial statements, and the income and expenses during the reporting periods presented. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates.

The financial statements have been prepared on the going concern basis as the directors have a reasonable expectation that the group has adequate resources for a period of at least 12 months from the date of approval of the financial statements and that there are no material uncertainties to disclose.

In assessing the appropriateness of the going concern basis of accounting, the directors have reviewed the resources available to the group in the form of cash and committed facilities and the group's capital adequacy in the context of a baseline plan. The directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, and the likely effectiveness of mitigating actions that the directors would consider undertaking. The baseline position has been subjected to a number of 'severe but plausible' downside scenarios to assess the group's ability to operate within the amounts and terms (including relevant covenants) of existing facilities in the event that adverse factors materialise. These scenarios consider the potential impacts of increased costs, including: a significant one-off totex impact of £400 million arising in the assessment period; debt being refinanced as it matures at 1% above the forward projections of interest rates; incurring significant outcome delivery incentive ('ODI') penalties; and the impact of various downside scenarios materialising on a combined basis. Mitigating actions were considered to include deferral of capital expenditure; a reduction or suspension of discretionary totex spend; the close out of derivative assets; and the deferral or suspension of dividend payments.

Consequently, the directors are satisfied that the group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and that stress testing a number of severe but plausible downside scenarios indicates that the group will be able to operate within the amounts and terms (including relevant covenants) of existing facilities in the event that adverse factors materialise. The financial statements have, therefore, been prepared on a going concern basis.

## Material changes to accounting estimates

### Capitalisation of Infrastructure Renewals Expenditure ('IRE')

All Infrastructure Renewal Expenditure ('IRE'), being expenditure incurred in maintaining the operating capability of the group's water and wastewater infrastructure network assets in accordance with defined standards of service, has historically been recognised as an expense in the income statement in the year in which the expenditure is incurred. This historic treatment was based on such expenditure comprising repairs or servicing of the network infrastructure when considered as a small number of large components in the absence of information that could be used to account for replacement of individual smaller components within the network on a one-for-one basis. Developments in the availability and granularity of asset data, along with advances in data analytic capabilities, means that IRE activities can now be identified at the individual smaller component level. Therefore, to the extent that IRE includes expenditure on the replacement of assets and the recognition criteria of IAS 16 'Property, Plant and Equipment' are met at the component level, the cost of the replacement part is now capitalised as part of the cost of the infrastructure asset, with the carrying value of the component that has been replaced being simultaneously derecognised. IRE activities that do not result in an asset replacement continue to be expensed as incurred.

Following the change in approach to the capitalisation of IRE, management have also reviewed the useful economic lives of infrastructure assets. This resulted in the reduction of the useful lives for certain categories of infrastructure assets. However, given the long-lived nature of these assets, this did not materially affect the depreciation charge in the period.

This change in approach reflects a change in the application of judgement as to the level at which assets can be recognised and derecognised within the scope of the group's existing accounting policies for property, plant and equipment. It is not considered to be a change in accounting policy as defined within IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and, therefore, this change in accounting has been applied prospectively from 1 April 2025 with no restatement of prior year information.

This has resulted in IRE additions of £249.7 million within property, plant and equipment that would previously have been expensed in the period.

### Application of the effective interest rate ('EIR') in accounting for floating-rate debt

Floating-rate financial liabilities are accounted for in accordance with IFRS 9 'Financial instruments' and the group measures these liabilities at amortised cost using the effective interest rate method. Expected future cash flows used in measuring these liabilities are subject to periodic re-estimation to reflect movements in market rates of interest, and the effective interest rate is adjusted to incorporate these movements. Judgement is required in determining the most appropriate method for estimating the effective interest rate.

Historically, the group has adjusted the effective interest rate for floating-rate instruments for incurred changes in reference rates. Particularly for index-linked debt, given recent periods of unusually high and low inflation, this measurement technique has resulted in significant income statement volatility. During the year, the group has revised the measurement technique used, so that the effective interest rate is now determined with reference to both incurred market rates of interest and market expectations of future changes in these reference rates. The group considers that this technique provides more useful information regarding the effect of changes in market rates, particularly inflation, on the debt over time and presents a more faithful representation of expected future cash flows.

# Accounting policies

The group continues to apply its existing accounting policy of measuring these floating-rate financial liabilities at amortised cost, and the revised approach is a change in the estimation of the effective interest used by incorporating forward-looking information.

This change is, therefore, a change in accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and has been applied prospectively from 1 April 2025. This has resulted in a reduction of £23.4 million of finance expense in the period.

## Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the year ended 31 March 2026, that were relevant to the group or have a material impact on the group's financial statements, or that were not early adopted in previous years.

## Future accounting developments

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 March 2026 reporting period. These standards, amendments or interpretations are not expected to have a material impact on the financial statements in the following reporting period and on foreseeable future transactions. The group monitors developments across financial reporting standards and the status of adoption in the UK in assessing the extent to which these developments are likely to impact the financial statements in future periods. Relevant future accounting developments are detailed below.

### Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB published amendments relating to the classification and measurement of financial instruments. These amendments are effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The amendments most relevant to the group allow for an accounting policy choice to derecognise certain financial liabilities settled using an electronic payment system before the settlement date, where the electronic payment system meets specific criteria.

The accounting policy choice has not been adopted within the group financial statements. Financial liabilities continue to be derecognised upon the settlement, rather than initiation, of electronic payments, which reflects the operational management of the group's liquidity position. Management has, however, amended the presentation of these financial liabilities, which had not settled at the reporting date. Previously, these balances were presented as 'book overdrafts' within current borrowings; however, these have been prospectively recognised within trade and other payables, reflecting that it is the financial liability to the creditor, rather than the clearing bank, that has not been extinguished at the reporting date. At £3.6 million, these book overdrafts were not material at 31 March 2025 and so, accordingly, prior year comparatives have not been re-presented.

### IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The standard will replace IAS 1 'Presentation of Financial Statements' and does not change the measurement bases of the financial statements. There are three sets of new requirements relating to the structure of the income statement, management-defined performance measures, and the aggregation and disaggregation of financial information. Management have commenced an impact assessment in readiness for implementation.

## Critical accounting judgements and key sources of estimation uncertainty

In the process of applying its accounting policies set out in note A6, the group is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the carrying amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses recognised during the reporting periods presented. Changes to these estimates, judgements and assumptions could have a material effect on the financial statements.

On an ongoing basis, the group evaluates its estimates using historical experience, consultation with experts, and other methods considered reasonable in the particular circumstances. As estimates carry with them an inherent level of uncertainty, the group performs sensitivity analysis where this is practicable and where, in management's opinion, it provides useful and meaningful information. This sensitivity analysis is performed to understand a range of outcomes that could be considered reasonably possible based on experience and the facts and circumstances associated with individual areas of the financial statements that are subject to estimates. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

As part of the evaluation of critical accounting judgements and key sources of estimation uncertainty, the group has considered the implications of climate change on its operations and activities, further details of which are set out on page 198.

The following paragraphs detail the critical accounting judgements and key sources of estimation uncertainty in the financial statements. In determining which of these are significant, the group has considered the extent to which the estimation gives rise to a significant risk that a material adjustment to the carrying amounts of assets and liabilities could be required within the next financial year. Considered in this context, the group considers the accounting estimates for retirement benefits, the useful economic lives of property, plant and equipment and intangible assets, and the measurement of floating-rate financial liabilities to be significant areas of estimation uncertainty in preparing the financial statements.

### Retirement benefits

**Accounting estimate*** – The group operates two defined benefit pension schemes, which are independent of the group's finances. Actuarial valuations of the schemes are carried out as determined by the trustees at intervals of no more than three years. Profit before tax, OCI and net assets are affected by the actuarial assumptions used. The key assumptions include discount rates, pensionable salary growth, mortality and inflation. It should be noted that actual rates may differ from the assumptions used due to changing market and economic conditions and longer or shorter lives of participants and, as such, this represents a key source of estimation uncertainty. Sensitivities in respect of the assumptions used during the year are disclosed in note A4.

**Accounting estimate*** – Included within the group's defined benefit pension scheme assets are assets with a fair value estimated to be £1,485.3 million (2025: £1,555.0 million), which are categorised as 'level 3' within the IFRS 13 'Fair value measurement' hierarchy, meaning that their value is not observable at 31 March 2026. This includes assets with an estimated fair value of £1,381.0 million (2025: £1,405.8 million) relating to bulk annuity policies purchased as part of a partial buy-in transaction and £104.3 million of investments in private debt funds (2025: £149.2 million).

The fair value of the bulk annuity assets is directly pegged to the present value of the defined benefit obligations that they insure, and therefore estimation of their fair value is inherently linked to the assumptions used in valuing the schemes' liabilities as set out above. Estimates of the fair value of the remaining 'level 3' assets are based on valuations performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total asset balances, updated for any subsequent cash movements between the statement date and the year-end reporting date.

### Revenue recognition and allowance for doubtful receivables

**Accounting judgement** – The group recognises revenue generally at the time of delivery and when collection of the resulting receivable has been deemed probable. In estimating the amount of revenue to recognise, where the group considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is deemed probable. There are two criteria whereby management does not recognise revenue for amounts that have been billed to those customers on the basis that collectability is not probable. These are as follows:

- The customer has not paid their bills for a period of at least two years; or
- The customer has paid their bills in the preceding two years but has previously had bills derecognised and has more than their current year debt outstanding.

This two-criteria approach resulted in a £49.5 million (2025: £41.1 million) reduction in revenue compared with what would have been recognised had no adjustment been made for amounts where collectability is not probable. Had management made an alternative judgement that where customers have paid in the preceding two years, and have more than their current year debt outstanding, the recoverability of the entirety of their debt was deemed to be probable (i.e. the second criteria was disapplied), the required adjustment to revenue would have been £27.3 million (2025: £21.9 million) lower.

**Accounting estimate**** – At each reporting date, the company and each of its subsidiaries evaluate the estimated recoverability of trade receivables and record allowances for expected credit losses ('ECL') based on experience. Estimates associated with these allowances are based on, among other things, a consideration of how actual collection history might inform expected future recovery. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

At 31 March 2026, an allowance for expected credit losses relating to household customer debt of £91.1 million (2025: £81.4 million) was supported by a six-year cash collection projection. Based on a five-year or seven-year cash collection projection, the allowance for doubtful receivables would have increased by £1.9 million (2025: £1.5 million) or reduced by £1.1 million (2025: £0.9 million), respectively.

In determining the allowance for expected credit losses in respect of household customers, we have applied provisioning rates that are derived from historic experience of the recoverability of receivables, to the aged debt bandings to calculate the bad debt charge and the resultant expected credit loss allowance. The adequacy of the ECL allowance is then evaluated using analysis against the average collection over the last three years, which is considered to give a reasonable forecast of cash collection for use in the forward-looking ECL assessment.

We have considered the high level of uncertainty as to how economic conditions may impact the recoverability of household receivables for a significant proportion of the group's customer base. A range of scenarios has been used to inform a probability-based assessment of the allowance for expected credit losses. These take account of cash collection rates in the current year as well as recent years, incorporating the current economic uncertainty to provide a range of views as to how recoverability of household receivables may be impacted.

The provisioning rates support a charge equivalent to around 1.8% of household revenue recorded during the period, which is slightly higher than the position at 31 March 2025. A charge of 1.8% (2025: 1.5%) is considered to be appropriate given prevailing levels of uncertainty and recognising the level of estimation uncertainty associated with the assumptions made in forecasting the year-end debt position upon which the allowance for expected credit losses is based.

**Accounting estimate**** – United Utilities Water Limited ('UUW') raises bills in accordance with its entitlement to receive revenue in line with the limits established by the periodic regulatory price review processes. For household water and wastewater customers with water meters, the receivable billed is dependent on the volume supplied, including the sales value of an estimate of the units supplied between the dates of the last water meter reading and the billing date. Meters are read on a cyclical basis, and the group recognises revenue for unbilled amounts based on estimated usage from the last billing through to each reporting date.

The estimated usage is derived from historical data; actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to the estimates is determined.

Revenue recognised for unbilled amounts for these customers at 31 March 2026 was £233.3 million (2025: £172.9 million). Had actual consumption been 5% higher or lower than the estimate of units supplied, this would have resulted in revenue recognised for unbilled amounts being £8.2 million (2025: £5.9 million) higher or lower, respectively. For customers who do not have a meter, the receivable billed and revenue recognised is dependent on the rateable value of the property as assessed by an independent rating officer.

### Property, plant and equipment

**Accounting estimate*** – The estimated useful economic lives of property, plant and equipment and intangible assets is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of property, plant and equipment, and intangibles investment to the group, variations between actual and estimated useful economic lives could impact operating results both positively and negatively. As such, this is a key source of estimation uncertainty. The depreciation and amortisation expense for the year was £500.5 million (2025: £464.9 million). A 10% increase in average asset lives would have resulted in a £45.5 million (2025: £42.3 million) reduction in this figure and a 10% decrease in average asset lives would have resulted in a £50.0 million (2025: £46.5 million) increase in this figure.

# Accounting policies

### Derivative financial instruments

**Accounting estimate**** – The model used to arrive at the fair value of the group's derivative financial instruments requires management to estimate future cash flows based on applicable interest rate curves. Projected cash flows are then discounted back using discount factors that are derived from the applicable interest rate curves adjusted for management's estimate of counterparty and own credit risk, where appropriate. Sensitivities relating to derivative financial instruments are included in note A3.

### Floating-rate financial liabilities

**Accounting estimate*** – The group accounts for financial liabilities at amortised cost in accordance with IFRS 9 'Financial instruments'. For floating-rate financial liabilities, the periodic re-estimation of cash flows arising from expectation of future changes in market rates of interest requires adjustments to the effective interest rate. Adjustment of the effective interest rate affects the interest charge arising on, and carrying value of, these liabilities.

For the group's index-linked debt portfolio, an estimation of future changes in the inflation indices is used in determining the effective interest rate. A market-based expectation of future changes in inflation is derived from a breakeven measure implied by the difference between nominal yields on fixed-interest gilts and real yields on RPI-linked gilts. An inflation-risk premium is deducted from the breakeven measure to derive an assumption for RPI. The assumption for CPI inflation is then set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences between the indices.

The weighted average single equivalent inflation assumption derived from the breakeven inflation curve as at 31 March 2026 was 3.07%. Actual changes in inflation may differ from the assumptions used due to changing market and economic conditions and, as such, this represents a key source of estimation uncertainty. An increase/decrease in the inflation assumption of 1% would have resulted in a £30.6 million increase/decrease in the finance expense in the period.

* Estimates that could reasonably give rise to a material adjustment to the carrying value of assets or liabilities in the next financial year.

** Other estimates considered less likely to give rise to a material adjustment to the carrying value of assets or liabilities in the next financial year.

## Climate change

The group is continually developing its assessment of the impact that climate change has on the assets and liabilities recognised and presented in its financial statements, along with assessing climate-related risks and opportunities and the impact these could have on the financial statements.

The natural environment within which the group operates is constantly changing, and this influences how its water and wastewater services are to be delivered in the future. In addition, the group has embedded ambitious climate-related targets within its own operations, with this affecting the portfolio of assets required to deliver such services.

The impact of climate change, including adaptation to improve the group's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero, has been considered in the preparation of these financial statements and the measurement bases of the assets and liabilities across a number of areas, predominantly in respect of the valuation of the property, plant and equipment held by the group.

Asset life reviews are undertaken regularly for facilities impacted by climate change, environmental legislation or the group's decarbonisation measures. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be commercially obsolete, or for which no further use is planned, in part, as a result of the group's decarbonisation strategy. In recent years, this has resulted in material accelerations in respect of bioresources facilities impacted by changes in environmental legislative requirements. Although accelerated depreciation has been recognised in relation to a number of assets during the year as part of the group's broader environmental programme, there have been no further material accelerations required in the current financial year as a direct result of climate considerations, although this is subject to continuous assessment, particularly as environmental legislation continues to evolve.

The group is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency of which is expected to increase as the effects of climate change become more apparent. Following large-scale flooding, items are identified that have been damaged beyond repair and require immediate accounting write-downs. No such charges were required in the current financial year.

In addition to the risks posed by an increased likelihood of large-scale flooding events in future years, climate change presents challenges relating to prolonged periods of hot and dry weather, the frequency of which is expected to increase. This could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment, or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise, this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

In recent years, the group has sought to further enhance the accuracy of its useful life assessments through the introduction of more forward-looking information in asset life reviews. This includes the use of disposal data to identify trends that may inform the group's view of useful lives into the future. This information is used alongside other decommissioning data and data from strategic asset planning systems to inform useful asset lives.

The group mitigates the exposure that the carrying value of its asset base has to climate-related risks through strategic planning activities that incorporate defined climate scenarios, climate change mitigation pledges, and long-term climate projections. The group installs permanent flood defences and other resilience measures at the most vulnerable facilities to protect its assets. The group further mitigates the financial exposure arising from climate-related risks through the use of insurance policies, which insure against costs incurred as a result of major environmental incidents.

While there are climate-related opportunities that may arise in association with how the group manages its asset base, these are generally incidental and not considered to be material compared with climate-related risks.





# Notes to the financial statements

## 1 Segmental reporting

The board of directors of United Utilities Group PLC (the board) is provided with information on a single-segment basis for the purposes of assessing performance and allocating resources. The group's performance is measured against a range of financial and operational key performance indicators ('KPIs'), with operational KPIs aligned to the group's purpose and financial KPIs focused on profitability and financial sustainability. The board reviews revenue, operating profit and gearing, along with operational drivers, at a consolidated level. In light of this, the group has a single segment for financial reporting purposes.

## 2 Revenue

The group's revenue arises from the provision of services within the United Kingdom.

| | 2026 £m | 2025 £m |
|---|---|---|
| Wholesale water charges | 1,073.9 | 897.7 |
| Wholesale wastewater charges | 1,362.6 | 1,113.7 |
| Household retail charges | 136.0 | 90.5 |
| Other | 43.8 | 43.3 |
| | 2,616.3 | 2,145.2 |

In accordance with IFRS 15 'Revenue from Contracts with Customers', revenue has been disaggregated based on what is recognised in relation to the core services of supplying clean water and the removal and treatment of wastewater. Each of these services is deemed to give rise to a distinct performance obligation under the contract with customers, although following the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Other revenues comprise a number of smaller non-core income streams, including property sales and income from activities, typically performed opposite property developers, which impact the group's capital network assets. This includes diversion works to relocate water and wastewater assets, and activities that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

## 3 Directors and employees

### Directors' remuneration

| | 2026 £m | 2025 £m |
|---|---|---|
| Fees to non-executive directors | 1.0 | 0.9 |
| Salaries | 1.4 | 1.2 |
| Benefits | 0.2 | 0.2 |
| Bonus[1] | 0.7 | 0.4 |
| Share-based payment charge[1] | 2.0 | 1.3 |
| | 5.3 | 4.0 |

[1] The directors' bonus figure for 2025, including the deferred element included within the share-based payments charge, reflects the best estimate, at the date the financial statements for the year ended 31 March 2025 were approved, of the provisional amounts to be paid in respect of that financial year. Subsequent to this date, following the publication of Ofwat's performance related executive pay prohibition rule in June 2025, the remuneration committee decided that the annual bonuses that the executive directors would otherwise have been due to receive would not be paid.

Further information about the remuneration of individual directors and details of their pension arrangements are provided in the directors' remuneration report on pages 160 to 170.

### Remuneration of key management personnel

| | 2026 £m | 2025 £m |
|---|---|---|
| Salaries and short-term employee benefits | 8.3 | 6.7 |
| Share-based payment charge | 3.6 | 3.0 |
| | 11.9 | 9.7 |

Key management personnel comprise all directors and certain senior managers who are members of the executive team.

# Notes to the financial statements

## 3 Directors and employees continued

### Staff costs (including directors)

| Group | 2026 £m | 2025 £m |
|---|---|---|
| Wages and salaries[1] | 445.3 | 372.1 |
| Employee-related taxes and levies | 51.2 | 36.0 |
| Severance | 0.6 | 0.2 |
| Post-employment benefits: | | |
| Defined benefit pension expenses (see note 14) | 6.5 | 6.5 |
| Defined contribution pension expenses (see note 14) | 38.6 | 36.7 |
| | 542.2 | 451.5 |
| Charged to other areas, including regulatory capital schemes | (281.3) | (227.4) |
| **Staff costs** | 260.9 | 224.1 |

(2) Wages and salaries, excluding non-permanent staff, was £397.1 million (2025: £334.8 million).

Included within staff costs were £0.6 million net charges (2025: £0.2 million net charges) relating to restructuring costs.

The total expense included within staff costs in respect of equity-settled share-based payments was £4.5 million (2025: £4.7 million). The company operates several share option schemes, details of which are given on pages 160 to 162 in the directors' remuneration report.

Average number of staff employed by the group during the year (full-time equivalent including directors):

| | 2026 number | 2025 number |
|---|---|---|
| Average number of staff employed by the group during the year | 6,807 | 6,203 |

### Company

The company has no staff.

## 4 Other operating costs

| | 2026 £m | 2025 £m |
|---|---|---|
| Power | 182.7 | 154.5 |
| Materials | 160.3 | 144.1 |
| Hired and contracted services | 147.4 | 133.5 |
| Property rates | 93.3 | 89.9 |
| Regulatory fees | 53.4 | 44.8 |
| Insurance | 17.8 | 14.5 |
| Accrued innovation and water efficiency scheme costs | 14.3 | 8.0 |
| Loss on disposal of property, plant and equipment | 0.3 | 4.0 |
| Other expenses | 37.9 | 37.3 |
| | 707.4 | 630.6 |

The group's operating costs have increased by around £77 million compared with the prior year. This is due largely to inflationary pressures across the cost base (particularly impacting power and materials), higher regulatory fees and increased expenditure associated with the expansionary impact of delivering UUW's AMP8 business plan, which has resulted in increased headcount and staff costs. In addition, higher costs were incurred during the year in ensuring that the group's network has remained resilient and that supply has been safeguarded during what was a particularly dry spring and summer in 2025.

Research and Development ('R&D') expenditure for the year ended 31 March 2026, was £0.5 million (2025: £0.6 million). In addition, £11.3 million (2025: £8.0 million) of costs have been accrued during the year by UUW in relation to the Innovation in Water Challenge scheme operated by Ofwat, which has continued for AMP8. These expenses offset amounts recognised in revenue during each year intended to fund innovation projects across England and Wales as part of an industry-wide scheme to promote innovation in the sector. The amounts accrued will either be spent on innovation projects that the group successfully bids for or will be transferred to other successful water companies in accordance with the scheme rules.

Similarly, Ofwat has introduced the industry-wide Water Efficiency Fund ('WEF') for AMP8, focused on improving and promoting water efficiency, including innovation in this space. This operates in a similar way to the Innovation in Water Challenge. £3.0 million in costs have been accrued in respect of this, which offsets amounts recognised in revenue to fund them.





## 4 Other operating costs continued

During the year, the group obtained the following services from its auditor:

| | 2026 £'000 | 2025 £'000 |
|---|---|---|
| **Audit services** | | |
| Statutory audit – group and company | 292 | 280 |
| Statutory audit – subsidiaries | 867 | 830 |
| | 1,159 | 1,110 |
| **Non-audit services** | | |
| Regulatory audit services provided by the statutory auditor | 83 | 80 |
| Other non-audit services | 221 | 210 |
| **Total audit and non-audit services** | 1,463 | 1,400 |

## 5 Investment income

| | 2026 £m | 2025 £m |
|---|---|---|
| Interest receivable on short-term bank deposits held at amortised cost | 77.7 | 87.4 |
| Interest receivable on loans to joint ventures held at amortised cost (see note A5) | 4.7 | 5.9 |
| Net pension interest income (see note 14) | 17.5 | 12.9 |
| | 99.9 | 106.2 |

## 6 Finance expense

| | 2026 £m | 2025 £m |
|---|---|---|
| **Interest payable** | | |
| Interest payable on borrowings held at amortised cost[1] | 393.9 | 372.3 |
| | 393.9 | 372.3 |
| **Fair value (gains)/losses on debt and derivative instruments** | | |
| Fair value hedge relationships: | | |
| Borrowings[2] | (14.5) | (60.1) |
| Designated swaps[2][3][4] | (12.2) | 39.1 |
| | (26.7) | (21.0) |
| Financial instruments at fair value through profit or loss: | | |
| Borrowings designated at fair value through profit or loss[5] | (12.7) | (6.8) |
| Associated swaps | 11.9 | 5.6 |
| | (0.8) | (1.2) |
| Fixed interest rate swaps[6] | (5.4) | (4.1) |
| Net receipts on derivatives and debt under fair value option | 10.5 | 9.4 |
| Inflation swaps[6] | 43.9 | 16.5 |
| Other | 0.3 | – |
| | 49.3 | 21.8 |
| Net fair value gains/(losses) on debt and derivative instruments[7] | 21.8 | (0.4) |
| | 415.7 | 371.9 |

Notes:

(1) Includes a £133.7 million (2025: £142.2 million) non-cash inflation uplift expense repayable on maturity in relation to the group's index-linked debt and £3.2 million (2025: £1.9 million) interest expense on lease liabilities (as disclosed in note 19), representing the unwinding of the discounting applied to future lease payments. This includes an accrual of interest payable of £144.2 million (2025: £122.7 million), as disclosed within note 18, which is a non-cash adjustment for interest paid within the consolidated statement of cash flows.

(2) Includes foreign exchange gain of £45.1 million (2025: £13.2 million gain). These gains are largely offset by fair value losses on derivatives.

(3) Under the provisions of IFRS 9 'Financial instruments', £2.7 million of fair value gains (2025: £3.6 million fair value gains) resulting from changes to the foreign currency basis spread are recognised in other comprehensive income rather than profit or loss as they relate to items designated in an accounting hedge relationship.

(4) The fair value movements of swaps designated in fair value hedge relationships includes an increase in interest receivable of £17.7 million (2025: £10.2 million increase in interest receivable). Excluding the impact of interest accrual movements, these swaps generated a fair value loss of £5.6 million (2025: £49.3 million fair value loss).

(5) Under the provisions of IFRS 9 'Financial instruments', a £3.1 million loss (2025: £1.9 million gain) due to changes in the group's own credit risk is recognised in other comprehensive income rather than within profit or loss.

(6) These swap contracts are not designated within an IFRS 9 hedge relationship and are classed as 'held for trading' under the accounting standard. These derivatives form economic hedges and, as such, management intends to hold these through to maturity.

(7) Includes £2.4 million (2025: £1.3 million) income due to net interest on derivatives and debt under fair value option, and £20.5 million (2025: £19.6 million) expense due to non-cash inflation uplift on index-linked derivatives. Fair value movements, excluding this income, are deducted to reach underlying finance expense, which forms part of the group's alternative performance measures ('APMs') as set out on pages 96 to 97.

Interest payable is stated net of £75.4 million (2025: £68.5 million) borrowing costs capitalised in the cost of qualifying assets within property, plant and equipment and intangible assets during the year. This has been calculated by applying an average capitalisation rate of 5.1% (2025: 5.4%) to expenditure on such assets as prescribed by IAS 23 'Borrowing Costs'. These borrowing costs are included within interest paid in the consolidated statement of cash flows.

Underlying finance expense, which forms part of the group's APMs set out on pages 96 to 97, is calculated by adjusting net finance expense and investment income of £315.8 million (2025: £265.7 million) reported in the income statement to exclude the £21.8 million of fair value losses (2025: £0.4 million of fair value gains) in the above table, but include £2.4 million (2025: £1.3 million) income due to net interest on derivatives and debt under fair value option, and £20.5 million (2025: £19.6 million) expense due to non-cash inflation uplift on index-linked derivatives.

# Notes to the financial statements

## 7 Tax

| | 2026 £m | 2025 £m |
|---|---|---|
| **Current tax** | | |
| Adjustments in respect of prior years | 8.0 | 0.4 |
| Total current tax charge for the year | 8.0 | 0.4 |
| **Deferred tax** | | |
| Current year | 194.7 | 92.3 |
| Adjustments in respect of prior years | (10.5) | (2.4) |
| Total deferred tax charge for the year | 184.2 | 89.9 |
| Total tax charge for the year | 192.2 | 90.3 |

The current tax 'adjustments in respect of prior years' of £8.0 million relates to a £4.0 million adjustment to the claims for research and development ('R&D') UK tax allowances on our innovation-related expenditure, in respect of multiple prior years. It reflects an additional claim submitted during the prior year along with adjustments relating to ongoing enquiries from the tax authorities in relation to these claims. There has also been a claim for consortium relief of £4.0 million in relation to the years ended 31 March 2024 and 31 March 2025 claimed from the group's joint venture Water Plus Limited.

The deferred tax 'adjustments in respect of prior years' of £10.5 million is mainly due to the adjustment to the capital allowance pools as a result of the research and development allowances adjustment and the movement between qualifying and non-qualifying fixed asset additions between the tax provision and submitted corporation tax computation.

The table below reconciles the notional tax charge at the UK corporation tax rate to the total tax charge and total effective tax rate for the year:

| | 2026 £m | 2026 % | 2025 £m | 2025 % |
|---|---|---|---|---|
| Profit before tax | 779.0 | | 355.0 | |
| Tax at the UK corporation tax rate | 194.7 | 25.0 | 88.7 | 25.0 |
| Adjustments in respect of prior years | (2.5) | (0.3) | (2.0) | (0.6) |
| Net income not taxable | – | – | 3.6 | 1.0 |
| Total tax charge and effective tax rate for the year | 192.2 | 24.7 | 90.3 | 25.4 |

The table below reconciles the notional tax charge at the UK corporation tax rate to the total current tax charge for the year:

| | 2026 £m | 2025 £m |
|---|---|---|
| Profit before tax | 779.0 | 355.0 |
| Profit before tax multiplied by the standard rate of UK corporation tax of 25% | 194.7 | 88.7 |
| Relief for capital allowances in place of depreciation | (311.6) | (278.1) |
| Disallowances of depreciation charged in the financial statements | 107.9 | 99.8 |
| Adjustments to tax charge in respect of prior years | 8.0 | 0.4 |
| Financial transactions timing differences | 1.5 | (2.5) |
| Retirement benefit timing differences | (4.4) | (4.0) |
| Relief for capitalised interest | (18.8) | (17.1) |
| Other timing differences | 3.6 | 3.9 |
| Joint ventures losses not taxed | 1.2 | 2.6 |
| Expenses not deductible for tax purposes | (5.2) | (3.0) |
| Depreciation charged on non-qualifying assets | 3.9 | 3.9 |
| Current year tax losses carried forward | 27.2 | 105.8 |
| Current tax charge for the year | 8.0 | 0.4 |

The group's current tax charge is typically lower than the UK headline rate of 25% primarily due to a range of adjustments which are simply timing differences between recognition of the income or expense in the accounts and the related tax computations submitted to HMRC. These include: deductions in relation to capital spend; retirement benefit timing differences; unrealised profits or losses in relation to financing and related treasury derivatives; and capitalised interest.

The group has historically invested in capital expenditure on projects involving R&D upon which claims for accelerated capital allowances have been made. The extent to which R&D allowances are available on any given asset is dependent upon the specific fact pattern of the project to which it relates. Reaching agreement with tax authorities as to the amount of R&D allowances available can take a number of years, and judgement is required in estimating the amount of R&D allowances likely to be received following conclusion of these processes. The group believes it has made appropriate provision for periods that remain under enquiry and are yet to be agreed with tax authorities (financial years ended 31 March 2019 to 31 March 2022 inclusive), and that the carrying amount of the relevant tax assets reflect management's estimate of the most likely amount that will be received. Should it ultimately be the case that the tax receivable is unable to be recovered in full, the group is expected to instead be able to claim standard capital allowances. As a result, in the event that the in fully agreeing the R&D claims with the tax authorities, any reduction in the associated current tax receivable will be offset by an adjustment to the group's deferred tax position. There is a rate differential between the applicable current and deferred tax rates for the claim.





## 7 Tax continued

The year-on-year movement in financial transactions timing differences is sensitive to fair value movements on treasury derivatives and can, therefore, fluctuate significantly from year to year.

The relief for capitalised interest relates to amounts that are immediately deductible under the UK tax rules notwithstanding the amounts being capitalised for accounting purposes. The year-on-year amount will depend on the amount capitalised.

Other timing differences includes a range of low-value items where there is a timing difference between the accounting and tax recognition.

Joint venture net losses relate to losses incurred by the group's joint venture, Water Plus, in which it has a 50% shareholding.

Expenses not deductible includes non-taxable grant amortisation, share-based payment deductions, and a profit on disposal of fixed assets not eligible for capital allowances.

Depreciation charged on non-qualifying assets relates to accounting depreciation where there is no corresponding tax deduction.

Current-year tax losses have arisen mainly as a result of the availability of tax relief on capital spend; these losses will be carried forward to be utilised against future taxable profits.

### Pillar Two

Pillar Two legislation mandates a top-up tax for entities with an effective rate below the 15% threshold. As of 31 March 2026, the only jurisdiction in which the group has a potential Pillar Two exposure is the UK. The entire UK profits of the group are within the scope of Pillar Two. The group will be able to take advantage of the Transitional Safe Harbour rules for this and the subsequent three accounting periods, and then following the new side-by-side rules implemented in March 2026 the permanent safe harbour rules will take effect such that the current tax expense in relation to Pillar Two income taxes is nil.

It is unclear if the Pillar Two model rules create additional temporary differences, whether deferred taxes should be remeasured for the Pillar Two model rules, or which tax rate to use to measure deferred taxes. The International Accounting Standards Board ('IASB') issued amendments to IAS 12 'Income Taxes' in 2023 introducing a mandatory temporary exception to the requirements of IAS12, under which a company does not recognise or disclose information about deferred tax assets and liabilities in relation to the OECD/G20 BEPS Pillar Two model rules. The group applied the temporary exception at 31 March 2026.

| Tax on items recorded within other comprehensive income | 2026 £m | 2025 £m |
|---|---|---|
| **Deferred tax** | | |
| On remeasurement (losses)/gains on defined benefit pension schemes | (2.0) | 4.7 |
| On net fair value losses on credit assumptions for debt reported at fair value through profit and loss and cost of hedging | 6.4 | 3.1 |
| Share-based payments | (0.1) | 0.1 |
| Total tax charge on items recorded within other comprehensive income | 4.3 | 7.9 |

The tax adjustments taken to other comprehensive income primarily relate to remeasurement movements on the group's defined benefit pension schemes. Management considers that the most likely method of realisation would be through a refund, which would be taxed at the rate applicable to refunds from a trust.

### Current tax asset

| Group | Total £m |
|---|---|
| At 1 April 2024 | 100.1 |
| Adjustments in respect of prior years | (0.4) |
| Receipts | (6.4) |
| At 31 March 2025 | 93.3 |
| Adjustments in respect of prior years | (8.0) |
| Amounts payable to related parties for consortium relief (see notes 18 and A5) | 4.0 |
| Receipts | (16.1) |
| **At 31 March 2026** | 73.2 |

Amounts payable to related parties for consortium relief of £4.0 million reflects the amount of the 'adjustments in respect of prior years' relating to the claim for consortium relief losses from Water Plus Limited, a joint venture of the group.

The current tax asset recognised in the statement of financial position reflects the amount of tax expected to be recoverable in the next 12 months, based on judgements made regarding the application of tax law, and the current status of negotiations with, and enquiries from, tax authorities. A significant part of the receivable relates to the R&D claims made in prior years.

# Notes to the financial statements

## 7 Tax continued

### Deferred tax liabilities

The deferred tax liabilities and assets recognised by the group, and the movements thereon during the current and prior years, were as follows:

| Group | Accelerated tax depreciation £m | Retirement benefit obligations £m | Other £m | Tax losses £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2024 | 2,008.7 | 67.0 | 66.1 | (211.2) | 1,930.6 |
| (Credited)/charged to the income statement – adjustments in respect of prior years | (192.1) | – | – | 189.7 | (2.4) |
| Charged/(credited) to the income statement – current year | 192.1 | 3.8 | 2.2 | (105.8) | 92.3 |
| Charged to other comprehensive income | – | 4.7 | 3.2 | – | 7.9 |
| At 31 March 2025 | 2,008.7 | 75.5 | 71.5 | (127.3) | 2,028.4 |
| (Credited)/charged to the income statement – adjustments in respect of prior years | (9.9) | – | 0.7 | (1.3) | (10.5) |
| Charged/(credited) to the income statement – current year | 219.6 | 4.2 | (1.9) | (27.2) | 194.7 |
| Credited/(charged) to other comprehensive income | – | (2.0) | 6.3 | – | 4.3 |
| At 31 March 2026 | 2,218.4 | 77.7 | 76.6 | (155.8) | 2,216.9 |

Certain deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

The accelerated tax depreciation represents the difference between capital allowances and accounting depreciation on the group's property, plant and equipment. Capital allowances are tax reliefs provided in law and spread the tax relief due over a pre-determined standard number of years. This contrasts with the accounting treatment, where the expenditure is treated as an asset with the cost being depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially. Due to the group's continued significant annual capital expenditure, the deductions for capital allowances are expected to exceed depreciation for the medium term and continue to impact future corporation tax payments.

Changes to the UK capital allowance regime were substantively enacted prior to the balance sheet date. From 1 April 2026, the main pool writing-down allowance rate will reduce from 18% to 14%. As this change takes effect for periods commencing after the balance sheet date, deferred tax has been measured using the rates applicable at 31 March 2026. This change is expected to increase the duration over which the company's deferred tax liability will reverse in future periods, but does not impact the measurement of the liability at the reporting date.

Given the fully funded nature of the group's defined benefit pension schemes, the retirement benefit obligations primarily relates to deferred taxation on the pension schemes surplus positions. This amount is impacted by financial market conditions and long-term inflation expectations and therefore it is difficult to forecast future movements. However, these movements have no impact on medium term future corporation tax payments as they only impact year-on-year deferred tax movement.

Deferred tax on retirement benefit obligations can also arise where there are year-on-year differences between the contributions paid and the associated amounts charged to the profit and loss account. However, given the fully funded nature of our pension schemes, any such deferred tax movements, together with the associated impact on future corporation tax payments, are not expected to be significant for the medium term.

Deferred tax on losses carried forward has been recognised as offsetting against the deferred tax on accelerated tax depreciation. These losses are generated predominantly as a result of tax relief available on our capital expenditure in the form of capital allowances. These losses will be carried forward to offset against future taxable profits.

The 'Other' deferred tax consists of timing differences arising from the difference between the accounting and tax treatment of various transactions including in relation to provisions, unrealised profits or losses in relation to financing and related treasury derivatives, and share-based payments.

### Company

The company had no deferred tax assets or liabilities at 31 March 2026 or 31 March 2025.

## 8 Earnings per share

| | 2026 £m | 2025 £m |
|---|---|---|
| Profit after tax attributable to equity holders of the company – continuing operations | 586.8 | 264.7 |

| | 2026 pence | 2025 pence |
|---|---|---|
| **Earnings per share** | | |
| Basic | 86.1 | 38.8 |
| Diluted | 85.8 | 38.7 |

Basic earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 681.9 million, being the weighted average number of shares in issue during the year (2025: 681.9 million). Diluted earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 683.6 million, being the weighted average number of shares in issue during the year, including dilutive shares (2025: 683.6 million).

The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations represents those ordinary shares deemed to have been issued for no consideration on the conversion of all potential dilutive ordinary shares in accordance with IAS 33 'Earnings Per Share'. Potential dilutive ordinary shares comprise outstanding share options awarded to directors and certain employees (see note 3).

The weighted average number of shares can be reconciled to the weighted average number of shares, including dilutive shares, as follows:

| | 2026 million | 2025 million |
|---|---|---|
| Average number of ordinary shares – basic | 681.9 | 681.9 |
| Effect of potential dilutive ordinary share options | 1.7 | 1.7 |
| Average number of ordinary shares – diluted | 683.6 | 683.6 |

## 9 Dividends

| | 2026 £m | 2025 £m |
|---|---|---|
| Amounts recognised as distributions to equity holders of the company in the year comprise: | | |
| **Ordinary shares** | | |
| Final dividend for the year ended 31 March 2025 at 34.57 pence per share (2024: 33.19 pence) | 235.7 | 226.3 |
| Interim dividend for the year ended 31 March 2026 at 17.88 pence per share (2025: 17.28 pence) | 121.9 | 117.8 |
| | 357.6 | 344.1 |
| Proposed final dividend for the year ended 31 March 2026 at 35.78 pence per share (2025: 34.57 pence) | 244.0 | 235.7 |

The proposed final dividends for the years ended 31 March 2026 and 31 March 2025 were subject to approval by equity holders of United Utilities Group PLC as at the reporting dates and so have not been included as liabilities in the consolidated financial statements at 31 March 2026 and 31 March 2025.

# Notes to the financial statements

## 10 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

| | 2026 £m | 2025 £m |
|---|---|---|
| Property, plant and equipment – owned | 14,998.4 | 13,791.9 |
| Right-of-use assets – leased (see note 19) | 85.6 | 81.1 |
| **Net book value** | **15,084.0** | 13,873.0 |

### Property, plant and equipment – owned

| Group | Land and buildings £m | Infra-structure assets £m | Operational assets £m | Fixtures, fittings, tools and equipment £m | Assets in course of construction £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2024 | 379.3 | 6,787.7 | 9,093.4 | 445.3 | 1,590.2 | 18,295.9 |
| Additions | 2.3 | 134.9 | 208.8 | 6.4 | 891.5 | 1,243.9 |
| Transfers | (0.3) | 185.8 | 450.2 | 43.7 | (679.4) | – |
| Disposals | (1.5) | – | (63.3) | (16.9) | – | (81.7) |
| At 31 March 2025 | 379.8 | 7,108.4 | 9,689.1 | 478.5 | 1,802.3 | 19,458.1 |
| Additions | 27.5 | 381.5 | 397.8 | 6.2 | 862.8 | 1,675.8 |
| Transfers | 22.9 | (8.1) | 562.8 | (23.7) | (553.9) | – |
| Disposals | (0.1) | (0.3) | (36.6) | (4.7) | – | (41.7) |
| **At 31 March 2026** | **430.1** | **7,481.5** | **10,613.1** | **456.3** | **2,111.2** | **21,092.2** |
| **Accumulated depreciation** | | | | | | |
| At 1 April 2024 | 144.0 | 609.1 | 4,204.9 | 351.2 | – | 5,309.2 |
| Charge for the year | 8.9 | 51.3 | 355.1 | 18.7 | – | 434.0 |
| Transfers | – | (0.3) | 0.3 | – | – | – |
| Disposals | (1.0) | – | (59.5) | (16.5) | – | (77.0) |
| At 31 March 2025 | 151.9 | 660.1 | 4,500.8 | 353.4 | – | 5,666.2 |
| Charge for the year | 7.9 | 60.8 | 379.9 | 19.5 | – | 468.1 |
| Disposals | (0.1) | (0.3) | (36.1) | (4.0) | – | (40.5) |
| **At 31 March 2026** | **159.7** | **720.6** | **4,844.6** | **368.9** | **–** | **6,093.8** |
| Net book value at 31 March 2025 | 227.9 | 6,448.3 | 5,188.3 | 125.1 | 1,802.3 | 13,791.9 |
| **Net book value at 31 March 2026** | **270.4** | **6,760.8** | **5,768.5** | **87.4** | **2,116.7** | **14,998.4** |

At 31 March 2026, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £467.5 million (2025: £112.0 million). In addition to these commitments, the group has long-term expenditure plans, which include investments to achieve improvements in performance required by regulators and to provide for future growth.

Following the change in approach to capitalising infrastructure renewals expenditure, as explained in more detail within the basis of preparation note, additions of £249.7 million have been recognised within 'Infrastructure assets' which would have otherwise been expensed as incurred.

During the year ended 31 March 2026, government grants of £2.2 million (2025: £0.9 million) related to assets were received. These have been reflected in the 'additions' line as a deduction in arriving at the carrying value of the related assets.

During the year, United Utilities Water Limited acquired 100% of the share capital of Trafford Property Limited, a special purpose vehicle holding land adjacent to the group's Davyhulme Wastewater Treatment Works site, for £20.0 million. This transaction was accounted for as an asset acquisition rather than a business combination, as the transaction falls outside the scope of IFRS 3 'Business Combinations'. The cost of the acquisition was recognised as an addition to the company's land and buildings with the acquisition cost approximating the land's fair value at the date of acquisition.

### Company

The company had no property, plant and equipment or contractual commitments for the acquisition of property, plant and equipment at 31 March 2026 or 31 March 2025.

## 11 Intangible assets

| Group | Total £m |
|---|---|
| **Cost** | |
| At 1 April 2024 | 389.1 |
| Additions | 10.6 |
| Transfers | (0.1) |
| Disposals | (0.2) |
| At 31 March 2025 | 399.4 |
| Additions | 43.2 |
| **At 31 March 2026** | **442.6** |
| **Accumulated amortisation** | |
| At 1 April 2024 | 264.6 |
| Charge for the year | 29.2 |
| Disposals | (0.2) |
| At 31 March 2025 | 293.6 |
| Charge for the year | 29.1 |
| **At 31 March 2026** | **322.7** |
| Net book value at 31 March 2025 | 105.8 |
| **Net book value at 31 March 2026** | **119.9** |

The group's intangible assets relate mainly to computer software.

At 31 March 2026, the group had entered into contractual commitments for the acquisition of intangible assets amounting to £9.9 million (2025: £0.7 million).

### Company

The company had no intangible assets or contractual commitments for the acquisition of intangible assets at 31 March 2026 or 31 March 2025.

## 12 Interests in joint ventures and other investments

| | 2026 £m | 2025 £m |
|---|---|---|
| Joint ventures at the start of the period | 1.6 | 12.4 |
| Add: Zero-coupon loan notes converted into equity | 12.5 | – |
| Less: Historic share of losses of joint ventures allocated to zero-coupon loan notes | (9.5) | – |
| Less: Share of losses of joint ventures | (4.6) | (10.8) |
| **Joint ventures at the end of the period** | **–** | 1.6 |

The group's interests in joint ventures comprises its 50% interest in Water Plus Group Limited ('Water Plus'), which is jointly owned and controlled by the group and Severn Trent PLC under a joint venture agreement.

In March 2026, the group redeemed the entirety of the outstanding balance of zero-coupon loan notes issued to Water Plus, which were due to mature in March 2027 and had previously been recorded as a related-party receivable. This redemption was in the form of a subscription of additional share capital in the joint venture resulting in a net addition of £3.0 million comprising the redemption of the face value of the loan notes of £12.5 million less historic losses of £9.5 million allocated against the zero-coupon loan notes extended to Water Plus, which were deemed to be a long-term interest that, in substance, formed part of the group's net investment in Water Plus. Following the allocation of the group's recognised share of Water Plus losses of £4.6 million for the year ended 31 March 2026, the carrying value of the group's net investment in the joint venture, as at 31 March 2026, was reduced to £nil.

The group's total share of Water Plus losses for the year ended 31 March 2026 was £5.2 million, of which £4.6 million has been recognised in the income statement and £0.6 million is unrecognised due to the carrying amount of the group's investment in the joint venture being reduced to nil during the year through the application of the equity method. Any future share of Water Plus profits will be recognised in the income statement only after being allocated against any accumulated unrecognised share of losses such that the accumulated unrecognised share of losses is reduced to nil. Details of transactions between the group and its joint ventures are disclosed in note A5.

### Company

At 31 March 2026, the company's investments related solely to its investment in United Utilities PLC, which was recorded at a cost of £6,326.8 million (2025: £6,326.8 million).

# Notes to the financial statements

## 13 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 £m | 2025 £m | 2026 £m | 2025 £m |
| Trade receivables | 113.9 | 90.8 | – | – |
| Amounts owed by subsidiary undertakings | – | – | 204.0 | 171.7 |
| Amounts owed by related parties (see note A5) | 86.0 | 101.0 | – | – |
| Other debtors and prepayments | 96.9 | 84.1 | – | – |
| Accrued income | 91.1 | 79.7 | 0.4 | 0.6 |
| | 387.9 | 355.6 | 204.4 | 172.3 |

The majority of accrued income arises from timing differences between the billing cycle and the usage of water by customers. These timing differences typically reverse in subsequent months, with all amounts held in relation to these contract assets at the beginning of the reporting period having subsequently reversed into the income statement during the year.

At 31 March 2026, the group had £54.6 million (2025: £73.6 million) of trade and other receivables classified as non-current, £50.4 million (2025: £73.6 million) of which was owed by related parties.

The carrying amounts of trade and other receivables approximate to their fair value at 31 March 2026 and 31 March 2025.

Trade receivables do not carry interest and are stated net of allowances for bad and doubtful receivables, an analysis of which is as follows:

| Group | 2026 £m | 2025 £m |
|---|---|---|
| At the start of the year | 82.4 | 84.4 |
| Amounts charged to operating expenses | 33.3 | 20.5 |
| Trade receivables written off | (23.6) | (22.3) |
| Amounts credited/(charged) to deferred grants and contributions | 0.1 | (0.2) |
| **At the end of the year** | 92.2 | 82.4 |

Amounts credited/(charged) to deferred grants and contributions relate to amounts invoiced for which revenue has not yet been recognised in the income statement.

At each reporting date, the group evaluates the recoverability of trade receivables and records allowances for expected credit losses, which are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considers past events, current conditions and forecasts of future conditions.

At 31 March 2026 and 31 March 2025, the group had no trade receivables that were past due and not individually impaired.

The following table provides information regarding the ageing of net trade receivables that were past due and individually impaired:

| At 31 March 2026 | Aged less than one year £m | Aged between one year and two years £m | Aged greater than two years £m | Carrying value £m |
|---|---|---|---|---|
| Gross trade receivables | 120.3 | 26.2 | 59.6 | 206.1 |
| Allowance for expected credit losses | (24.2) | (14.0) | (54.0) | (92.2) |
| **Net trade receivables** | 96.1 | 12.2 | 5.6 | 113.9 |

| At 31 March 2025 | Aged less than one year £m | Aged between one year and two years £m | Aged greater than two years £m | Carrying value £m |
|---|---|---|---|---|
| Gross trade receivables | 88.8 | 30.9 | 53.4 | 173.1 |
| Allowance for expected credit losses | (16.2) | (13.5) | (52.7) | (82.4) |
| **Net trade receivables** | 72.6 | 17.4 | 0.7 | 90.7 |

At 31 March 2026, the group had £0.3 million (2025: £0.1 million) of trade receivables that were not past due.

At 31 March 2026 and 31 March 2025, the group had no accrued income that was past due. In instances where the collection of consideration is not considered probable at the point services are delivered, no accrued income is recognised, as the criteria to recognise revenue in accordance with IFRS 15 has not been met.

### Company

At 31 March 2026 and 31 March 2025, the company had no trade receivables that were past due. Of the £204.0 million (2025: £171.7 million) owed by subsidiaries, £165.0 million (2025: £75.0 million) was classified as non-current at the reporting date.

The carrying amount of trade and other receivables approximates to their fair value at 31 March 2026 and 31 March 2025.





## 14 Retirement benefits

The group participates in two major, funded defined benefit pension schemes in the United Kingdom – the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC Group of the Electricity Supply Pension Scheme ('ESPS') – as well as a defined contribution scheme, which is part of the UUPS, and a series of historic unfunded, unregistered retirement benefit schemes operated for the benefit of certain former employees.

Both defined benefit schemes are closed to new employees and, since 1 April 2018, the majority of active members in the defined benefit section of the UUPS have been part of a hybrid section comprising both defined benefit and defined contribution elements in order to reduce the overall costs and risk to the group resulting from increases in future service costs, while balancing the interests of employees by maintaining an element of defined benefit pension provision.

Information about the pension arrangements for executive directors is contained in the directors' remuneration report.

### Defined benefit schemes

As similar financial and demographic assumptions are used in accounting for both of the group's defined benefit pension schemes, and given they have similar risk profiles, the information below, and further detail provided in note A4, is presented on an aggregated basis unless otherwise stated.

The net pension income before tax recognised in the income statement in respect of the defined benefit pension schemes is summarised as follows:

| Group | 2026 £m | 2025 £m |
|---|---|---|
| Current service cost | 2.5 | 2.5 |
| Past service cost | 0.1 | – |
| Administrative expenses | 3.9 | 4.0 |
| **Pension expense charged to operating profit** | 6.5 | 6.5 |
| Net pension interest income credited to investment income (see note 5) | (17.5) | (12.9) |
| **Net pension income credited to the income statement before tax** | (11.0) | (6.4) |

Defined benefit pension costs included within employee benefit expense were £6.5 million (2025: £6.5 million) comprising current service costs, past service costs and administrative expenses. Total post-employment benefits expense charged to operating profit of £45.1 million (2025: £43.2 million) comprise the defined benefit costs described above of £6.5 million (2025: £6.5 million) and defined contribution costs of £38.6 million (2025: £36.7 million) (see note 3).

The reconciliation of the opening and closing net pension surplus included in the statement of financial position is as follows:

| Group | 2026 £m | 2025 £m |
|---|---|---|
| At the start of the year | 302.3 | 268.0 |
| Income recognised in the income statement | 11.0 | 6.4 |
| Contributions | 5.5 | 9.3 |
| Remeasurement (losses)/gains gross of tax | (7.9) | 18.6 |
| **At the end of the year** | 310.9 | 302.3 |

Included in the contributions paid of £5.5 million (2025: £9.3 million), which are included as cash outflows in arriving at net cash generated from operations in the consolidated statement of cash flows, are payments in relation to historic unfunded, unregistered retirement benefit schemes of £0.7 million (2025: £0.7 million), and administrative expenses of £1.0 million (2025: £1.1 million). Contributions in relation to current service cost were £2.5 million (2025: £2.5 million).

Remeasurement gains and losses are recognised directly in the statement of comprehensive income.

| Group | 2026 £m | 2025 £m |
|---|---|---|
| The return on plan assets, excluding amounts included in interest | (23.3) | (240.9) |
| Actuarial gains arising from changes in financial assumptions | 44.9 | 259.3 |
| Actuarial (losses)/gains arising from changes in demographic assumptions | (19.0) | 6.1 |
| Actuarial losses arising from experience | (10.5) | (5.9) |
| **Remeasurement (losses)/gains on defined benefit pension schemes** | (7.9) | 18.6 |

Deferred tax on the movement in the defined benefit surplus during the year has been recognised at a rate of 25%, being the rate applicable to refunds from a trust, reflecting the most likely method by which the defined benefit surplus would be realised (see note 7).

For more information in relation to the group's defined benefit pension schemes, including changes in financial and demographic assumptions, see note A4.

### Defined contribution schemes

During the year, the group made £38.6 million (2025: £36.7 million) of contributions to defined contribution schemes, which are included in employee benefits expense in the consolidated income statement (see note 3), and as cash outflows in arriving at net cash generated from operating activities in the consolidated statement of cash flows.

### Company

The company did not participate in any of the group's pension schemes during the years ended 31 March 2026 and 31 March 2025.

# Notes to the financial statements

## 15 Cash and cash equivalents

| | Group | |
|---|---|---|
| | 2026 £m | 2025 £m |
| Cash at bank and in hand | 2.6 | 4.2 |
| Short-term bank deposits | 1,791.7 | 1,668.4 |
| **Cash and short-term deposits** | 1,794.3 | 1,672.6 |
| Book overdrafts | – | (3.6) |
| **Cash and cash equivalents in the statement of cash flows** | 1,794.3 | 1,669.0 |

Cash and short-term deposits include cash at bank and in hand, deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and have a maturity of three months or less. The carrying amounts of cash and cash equivalents approximate their fair value.

Book overdrafts in prior periods comprised the value of cheques issued and payments initiated before the reporting date but which had not yet settled through the bank statement as at the reporting date. In accordance with the change in the accounting presentation, as explained further in the Basis of Preparation on page 195, these balances are instead reclassified to trade and other payables and are therefore not a deduction from cash at bank and in hand at the reporting date. This change is made on a prospective basis and hence prior periods have not been re-presented.

## 16 Borrowings

| Group | 2026 £m | 2025 £m |
|---|---|---|
| **Non-current liabilities** | | |
| Bonds | 9,805.3 | 8,807.1 |
| Bank and other term borrowings | 1,430.1 | 1,441.4 |
| Lease liabilities | 82.0 | 78.0 |
| DPC financing liability | 8.3 | – |
| | 11,325.7 | 10,326.5 |
| **Current liabilities** | | |
| Bonds | – | 143.7 |
| Bank and other term borrowings | 157.1 | 309.6 |
| Book overdrafts (see note 15) | – | 3.6 |
| Lease liabilities | 6.5 | 5.2 |
| DPC financing liability | 1.3 | – |
| | 164.9 | 462.1 |
| | 11,490.6 | 10,788.6 |

Borrowings at 31 March 2026 include £9.6 million (2025: £nil), of which £8.3 million was classified as non-current and £1.3 million was classified as current, in relation to the reimbursement by Cascade Infrastructure Limited ('Cascade') for an amount paid for land purchased by UUW in respect of the Haweswater Aqueduct Resilience Programme ('HARP'). Cascade is the project company selected during the year to deliver HARP under a Direct Procurement for Customers ('DPC') arrangement. UUW will retain title of, and control over, the land purchased and has recognised this as an asset within property, plant and equipment, with Cascade granted a licence to use the land for construction activities associated with HARP, which is expected to commence during the year ending 31 March 2027. The reimbursement will be repaid to Cascade over the duration of the long-term HARP DPC arrangement and is treated as a financing arrangement measured at amortised cost in accordance with IFRS 9 'Financial Instruments'.

During the year, the terms and conditions of three RPI-linked notes were amended to revise certain RPI fallback provisions and shorten the maturity dates of two of the notes. The modifications are classified as non-substantial based on application of IFRS 9 'Financial Instruments'. Borrowings amended during the year ended 31 March 2026 were as follows:

- £50 million 1.397% index-linked notes due February 2046
- £35 million 1.3805% index-linked notes originally due November 2056, now due November 2047
- £25 million 1.591% index-linked notes originally due September 2056, now due September 2047.

There were no modifications during the year ended 31 March 2025.

As at 31 March 2026, there were £761.9 million of borrowings with a single counterparty that are subject to compliance with financial covenants in respect of the level of gearing and interest cover of UUW, a subsidiary of the group. Compliance with these covenants is monitored by the group on a quarterly basis and is reported to the counterparty annually. The group was compliant with these financial covenants at the reporting date.

During the year, the group issued £606.6 million (2025: £1,036.0 million) of debt under its Sustainable Finance Framework. These instruments are structured as 'use of proceeds' bonds and do not include pricing mechanisms or covenants linked to financial or ESG performance. As a result, the accounting follows that of other conventional debt issuances.

Further details of the group's outstanding borrowings as at the reporting date, including the nature and extent of associated risks and how these risks are managed, along with hedge accounting (where applicable) and the determination of fair value, are provided in note A3.

The maturity profile of lease liabilities recognised as at the reporting date is provided in note 19.





## 16 Borrowings continued

| Company | 2026 £m | 2025 £m |
|---|---|---|
| **Non-current liabilities** | | |
| Amounts owed to subsidiary undertakings | 2,221.6 | 2,108.9 |
| | 2,221.6 | 2,108.9 |

Amounts owed to subsidiary undertakings relate to an intercompany loan from United Utilities PLC to the company, which bears interest calculated with reference to the Bank of England base rate plus a credit margin, and is repayable with 12 months' notice upon written request by a director of either party, with the repayment date not falling less than 366 days after the date of the request.

The company's borrowings are unsecured and measured at amortised cost. The carrying amount of borrowings approximates their fair value.

## 17 Provisions

| Group | Severance £m | Other £m | Total £m |
|---|---|---|---|
| At 1 April 2024 | 0.5 | 13.0 | 13.5 |
| Charged to the income statement | 0.3 | 20.0 | 20.3 |
| Credited to the income statement | – | (7.8) | (7.8) |
| Utilised in the year | (0.7) | (6.3) | (7.0) |
| At 31 March 2025 | 0.1 | 18.9 | 19.0 |
| Charged to the income statement | 0.6 | 11.2 | 11.8 |
| Credited to the income statement | – | (7.4) | (7.4) |
| Utilised in the year | (0.4) | (5.5) | (5.9) |
| **At 31 March 2026** | 0.3 | 17.2 | 17.5 |

The group had no provisions classed as non-current at 31 March 2026 or 31 March 2025.

The severance provision as at 31 March 2026 and 31 March 2025 relates to severance costs as a result of group reorganisation.

Other provisions principally relate to contractual, legal and environmental claims against the group and represent management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims.

### Company

The company had no provisions at 31 March 2026 or 31 March 2025.

## 18 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| Non-current | 2026 £m | 2025 £m | 2026 £m | 2025 £m |
| Deferred grants and contributions | 1,148.6 | 1,045.9 | – | – |
| Other creditors | 19.9 | 17.9 | – | – |
| | 1,168.5 | 1,063.8 | – | – |

| | Group | | Company | |
|---|---|---|---|---|
| Current | 2026 £m | 2025 £m | 2026 £m | 2025 £m |
| Trade payables | 57.7 | 29.9 | – | – |
| Amounts owed to related parties (see note A5) | 4.0 | – | – | – |
| Other tax and social security | 11.5 | 8.8 | – | – |
| Deferred grants and contributions | 21.4 | 19.7 | – | – |
| Accruals and other creditors | 505.5 | 453.2 | 4.4 | 4.1 |
| Deferred income | 82.6 | 65.6 | – | – |
| | 682.7 | 577.2 | 4.4 | 4.1 |

The average credit period taken for trade purchases is 13 days (2025: 11 days).

The carrying amounts of trade and other payables approximate to their fair value at 31 March 2026 and 31 March 2025.

The majority of deferred income balances comprise timing differences between customer payments, the billing cycle, and the usage of water by customers. They, therefore, typically reverse in subsequent months, with all amounts held in relation to these contract liabilities at the beginning of the reporting period having subsequently reversed into the income statement during the year.

Accruals and other creditors includes capital accruals of £180.3 million (2025: £162.3 million) and interest accruals of £144.2 million (2025: £122.7 million). The remainder of the balance mainly consists of accruals for other operating costs.

# Notes to the financial statements

## 18 Trade and other payables continued

### Deferred grants and contributions

| Group | 2026 £m | 2025 £m |
|---|---|---|
| At the start of the year | 1,065.6 | 955.5 |
| Amounts capitalised during the year | 33.0 | 8.3 |
| Transfer of assets from customers | 92.4 | 121.4 |
| Credited to the income statement – revenue | (20.9) | (19.8) |
| (Charged)/credited to allowance for bad and doubtful receivables | (0.1) | 0.2 |
| At the end of the year | 1,170.0 | 1,065.6 |

## 19 Leases

In order to carry out its activities, the group enters into leases of assets from time to time, typically in relation to items such as land, buildings, vehicles and equipment. Due to the nature of the group's operations, many of the group's leases have extremely long terms, with leases ranging from one year to 999 years. The group does not typically enter into lease contracts with a duration of less than 12 months, and no material costs were incurred during the year for short-term leases.

During the year, the group has entered into leases of computer equipment for which the underlying assets are of low value and, therefore, qualify for the recognition exemption available under IFRS 16 'Leases', which the group has elected to apply. The expense related to these low-value assets incurred in the year totals £2.0 million (2025: £2.0 million).

As at 31 March 2026, the group's statement of financial position included right-of-use assets with a net book value of £85.6 million (2025: £81.1 million) and lease liabilities with a total value of £88.5 million (2025: £83.2 million). These balances are analysed further below.

### Right-of-use assets

As shown in note 10, the carrying amount of right-of-use assets at the year ended 31 March 2026 is presented in the following asset classes:

| | 2026 £m | 2025 £m |
|---|---|---|
| Land and buildings | 62.0 | 59.9 |
| Operational assets | 23.6 | 21.2 |
| **Total carrying amount of right-of-use assets** | 85.6 | 81.1 |

Additions to right-of-use assets were £7.5 million (2025: £25.4 million). Disposals were £nil (2025: £0.5 million).

The depreciation charge recognised in relation to right-of-use assets, which is included within the group's operating profit, was as follows:

| | 2026 £m | 2025 £m |
|---|---|---|
| Land and buildings | 0.9 | 1.3 |
| Operational assets | 2.4 | 0.4 |
| **Total depreciation of right-of-use assets** | 3.3 | 1.7 |

### Lease liabilities

As set out in note 16, lease liabilities as at 31 March 2026 of £88.5 million (2025: £83.2 million) were split between £82.0 million (2025: £78.0 million) presented as non-current liabilities and £6.5 million (2025: £5.2 million) presented as current liabilities.

The maturity profile of lease liabilities recognised at the reporting date is:

| | 2026 £m | 2025 £m |
|---|---|---|
| Less than 1 year | 6.6 | 2.9 |
| 1 to 5 years | 24.5 | 10.6 |
| 5 to 10 years | 12.4 | 24.8 |
| 10 to 25 years | 33.6 | 33.4 |
| 25 to 50 years | 55.7 | 55.3 |
| 50 to 100 years | 104.3 | 103.7 |
| 100 to 500 years | 125.1 | 123.8 |
| Longer than 500 years | 3.5 | 3.5 |
| **Total undiscounted cash payments** | 365.7 | 358.0 |
| Effect of discounting | (277.2) | (274.8) |
| **Present value of cash payments** | 88.5 | 83.2 |





## 19 Leases continued

Interest recognised in relation to lease liabilities for the year ended 31 March 2026, and included within the group's finance expenses, was £3.2 million (2025: £1.9 million).

The total cash outflow for leases for the year ended 31 March 2026 was £5.9 million (2025: £3.3 million); of this, £3.2 million was payment of interest (2025: £1.9 million) and £2.7 million payment of principal (2025: £1.4 million). Payment of interest forms part of cash flows from operating activities and payment of principal is included within repayment of borrowings, which forms part of cash flows from financing activities in the group's statement of cash flows.

## 20 Other reserves

| Group | Capital redemption reserve £m | Merger reserve £m | Cost of hedging reserve £m | Cash flow hedging reserve £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2024 | 1,033.3 | (703.6) | 8.7 | (27.3) | 311.1 |
| Changes in fair value recognised in other comprehensive income | – | – | 3.6 | 8.6 | 12.2 |
| Amounts reclassified from other comprehensive income to profit or loss | – | – | – | (1.3) | (1.3) |
| Tax on hedge effectiveness recorded in other comprehensive income | – | – | (0.9) | (2.2) | (3.1) |
| Tax on reclassification to consolidated income statement | – | – | – | 0.3 | 0.3 |
| **At 31 March 2025** | 1,033.3 | (703.6) | 11.4 | (21.9) | 319.2 |
| At 1 April 2025 | 1,033.3 | (703.6) | 11.4 | (21.9) | 319.2 |
| Changes in fair value recognised in other comprehensive income | – | – | 2.7 | 4.0 | 6.7 |
| Amounts reclassified from other comprehensive income to profit or loss | – | – | – | 21.8 | 21.8 |
| Tax on hedge effectiveness recorded in other comprehensive income | – | – | (0.7) | (1.0) | (1.7) |
| Tax on reclassification to consolidated income statement | – | – | – | (5.5) | (5.5) |
| **At 31 March 2026** | 1,033.3 | (703.6) | 13.4 | (2.6) | 340.5 |

The capital redemption reserve arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009. The merger reserve arose in the same year on consolidation and represents the capital adjustment to reserves required to effect the reverse acquisition.

The group recognises the cost of hedging reserve as a component of equity. This reserve reflects accumulated fair value movements on cross-currency swaps resulting from changes in the foreign currency basis spread, which represents a liquidity charge inherent in foreign exchange contracts for exchanging currencies and is excluded from the designation of cross-currency swaps as hedging instruments.

The group designates a number of swaps hedging non-financial risks in cash flow hedge relationships to give a more representative view of operating costs. Fair value movements relating to the effective part of these swaps are recognised in other comprehensive income and accumulated in the cash flow hedging reserve.

### Company

The company's other reserves at 31 March 2026, 31 March 2025 and 1 April 2024 were comprised entirely of a £1,033.3 million capital redemption reserve that arose as a result of a return of capital to shareholders following the acquisition of United Utilities PLC by the company in the year ended 31 March 2009.

## 21 Share capital

| Group and company | 2026 million | 2026 £m | 2025 million | 2025 £m |
|---|---|---|---|---|
| **Issued, called up and fully paid** | | | | |
| Ordinary shares of 5.0 pence each | 681.9 | 34.1 | 681.9 | 34.1 |
| Deferred shares of 170.0 pence each | 274.0 | 465.7 | 274.0 | 465.7 |
| | 955.9 | 499.8 | 955.9 | 499.8 |

Details of the voting rights of each category of shares can be found within the directors' report on page 172.

The 170.0 pence deferred shares were created to facilitate a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009 (see company statement of changes in equity on page 193), and represent the amount of a special dividend paid on B shares at that time. The deferred shares convey no right to income, no right to vote and no appreciable right to participate in any surplus capital in the event of a winding up.

After the reporting date the company issued additional share capital. For further detail see note 24.

# Notes to the financial statements

## 22 Contingent liabilities

As at 31 March 2026, UUW remains subject to the enforcement case opened by Ofwat in 2024, along with the other water and wastewater companies in England and Wales that have not yet had their investigations concluded. If a company is found to have breached its legal obligations, this could result in a financial penalty of up to 10% of relevant wastewater turnover (which in UUW's case, would be around £140 million based on 2025/26 wastewater turnover), and/or a requirement to rectify any obligations deemed to be required as a consequence of those findings. To date, Ofwat has issued penalties to one company and agreed enforcement packages with six companies, with values ranging from 5% to 9% of relevant wastewater turnover. UUW has received and responded to notices under s203 of the Water Industry Act 1991 and continues to fully co-operate with Ofwat through the investigation process. Ofwat has stated that, while it has concerns with the sector that it must investigate, the opening of enforcement cases does not automatically imply that companies have breached their legal obligations or that a financial penalty will necessarily follow. Accordingly, the group considers that there was only a possible obligation as at the reporting date and so no provision has been recognised in the statement of financial position in respect of this matter. UUW has not been given a firm indication of the expected timeframe for the conclusion of Ofwat's ongoing investigation, or any subsequent action.

Similarly, the Environment Agency has made a number of data requests and undertaken site visits as part of its ongoing industry-wide investigation, with which the group continues to fully comply. This investigation is focused on environmental permit compliance at wastewater treatment works and wastewater networks, with the Environment Agency having a number of enforcement options open to it if it concludes that companies have breached their permit conditions and/or illegally polluted the environment. These include the potential for criminal prosecution and unlimited fines. As with the Ofwat investigation, this remains ongoing. It is currently unclear when this matter will be resolved.

As disclosed in the group's financial results for the year ended 31 March 2025, collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against UUW and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative ('PCR'), Professor Carolyn Roberts. The PCR alleges that customers have collectively paid an overcharge for sewerage services during the claim period as a result of UUW allegedly abusing a dominant position by providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against UUW (including interest) for household customers is at least £141 million. Separate letters before action were issued on 20 December 2024 in relation to similar claims in respect of non-household customers; however, it is not clear how these will proceed following the CAT and Court of Appeal's decision not to certify the claims brought in respect of domestic customers.

On 7 March 2025, the CAT unanimously concluded that claims could not proceed on the basis that the claims brought forward are excluded by section 18(8) of the Water Industry Act 1991. Subsequently, the PCR was granted permission by the Court of Appeal to appeal this decision. The hearing took place in early 2026 where the Court of Appeal rejected the PCR's appeal and concluded that the CAT's original decision should not be overturned. Following this, the PCR has applied to the Supreme Court to appeal the decision made by the Court of Appeal. The outcome of this request is not yet known. UUW believes the claim is without merit and will robustly defend it, should the certification decision be overturned on appeal.

## 23 Financial and other commitments

The group has credit support guarantees as well as general performance commitments and potential liabilities under contract that may give rise to financial outflow. The group has determined that the possibility of any outflow arising in respect of these potential liabilities is remote and, as such, there are no material financial liabilities to be disclosed in accordance with IFRS 9 'Financial Instruments' (2025: none).

At 31 March 2026, there were commitments for future capital expenditure and infrastructure renewals expenditure contracted, but not provided for, of £481.1 million (2025: £125.3 million).

| | 2026 £m | 2025 £m |
|---|---|---|
| Property, plant and equipment | 467.5 | 112.0 |
| Intangible assets | 9.9 | 0.7 |
| Infrastructure renewals expenditure | 3.7 | 12.6 |
| **Total commitments contracted but not provided for** | **481.1** | 125.3 |

The company has not entered into performance guarantees as at 31 March 2026 and 31 March 2025.

## 24 Events after the reporting period

On 30 April 2026, the company announced the issuance of 60,975,610 new ordinary shares of 5.0 pence each at a price of 1,312.0 pence per share, representing the company's closing share price on 29 April 2026. The settlement date on which these new shares were issued was 5 May 2026.

This resulted in the receipt of gross proceeds of £800.0 million, of which £3.0 million is recorded as share capital and the remainder (after deducting relevant transaction costs) is recorded as share premium. The net proceeds will be used to fund incremental investment for the AMP8 regulatory cycle.

Following this share issue, the total number of shares in the company in issue is 742,864,028 ordinary shares of 5.0 pence each and 273,956,180 deferred shares of 170.0 pence each.

This represents a non-adjusting event after the reporting period, and accordingly no amounts in relation to this share issue have been recognised in the financial statements as at 31 March 2026.





# Notes to the financial statements – appendices

## A1 Consolidated statement of cash flows – further analysis

### Cash generated from operations

| | 2026 £m | 2025 £m |
|---|---|---|
| Profit before tax | 779.0 | 355.0 |
| Adjustment for investment income and finance expense (see notes 5, 6 and A5) | 315.8 | 265.7 |
| Adjustment for share of losses of joint ventures (see note 12) | 4.6 | 10.8 |
| Operating profit | 1,099.4 | 631.5 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment (see notes 10 and 19) | 471.4 | 435.7 |
| Amortisation of intangible assets (see note 11) | 29.1 | 29.2 |
| Loss on disposal of property, plant and equipment (see note 4) | 0.3 | 4.0 |
| Amortisation of deferred grants and contributions (see note 18) | (20.9) | (19.8) |
| Equity-settled share-based payments charge (see note 3) | 4.5 | 4.7 |
| Pension contributions paid less pension expense charged to operating profit | 1.0 | (3.0) |
| Changes in working capital: | | |
| Decrease/(Increase) in inventories | 15.5 | (3.1) |
| Increase in trade and other receivables | (58.7) | (54.7) |
| Increase in trade and other payables | 62.1 | 52.7 |
| (Decrease)/Increase in provisions (see note 17) | (1.5) | 5.5 |
| **Cash generated from operations** | **1,602.2** | 1,082.7 |

### Reconciliation of fixed asset purchases to fixed asset additions

| **Owned property, plant and equipment**[1] | 2026 £m | 2025 £m |
|---|---|---|
| Purchase of property, plant and equipment in statement of cash flows | 1,492.1 | 988.5 |
| Non-cash additions: | | |
| Transfers of assets from customers (see note 18)[2] | 92.4 | 121.4 |
| IAS 23 capitalised borrowing costs (see note 6) | 75.1 | 67.5 |
| Receipt of government grants related to assets (see notes 10 and A6) | (2.2) | (0.9) |
| Net book value transfers from intangible assets | – | (0.1) |
| Timing differences on cash paid[3] | 18.4 | 67.5 |
| **Property, plant and equipment additions** | **1,675.8** | 1,243.9 |

Notes:

(1) This reconciliation relates to property, plant and equipment owned by the group and, therefore, excludes right-of-use assets recognised in accordance with IFRS 16 'Leases', for which cash flows relating to the associated lease liabilities are included within repayment of borrowings and interest paid in the statement of cash flows.

(2) The group has received property, plant and equipment of £92.4 million (2025: £121.4 million) in exchange for the provision of future goods and services (see notes 18 and A6).

(3) Timing differences arise and reverse when additions are recognised in the statement of financial position in a different period to when cash payments for capital expenditure are made. Capital accruals recognised in relation to these timing differences are included in 'Accruals and other creditors' within trade and other payables (see note 18).

| Intangible assets | 2026 £m | 2025 £m |
|---|---|---|
| **Purchase of intangible assets in statement of cash flows** | 42.9 | 9.5 |
| IAS 23 capitalised borrowing costs (see note 6) | 0.3 | 1.0 |
| Net book value transfers to property, plant and equipment | – | 0.1 |
| **Intangible asset additions** | **43.2** | 10.6 |

# Notes to the financial statements – appendices

## A2 Net debt

Net debt comprises borrowings, net of cash and short-term deposits and derivatives hedging the financial risk associated with the group's borrowings[1]. As such, movements in net debt during the year are impacted by changes in liabilities from financing activities as detailed in the tables below. The tables below should be read in conjunction with the consolidated statement of cash flows.

| | Borrowings | | | | Derivatives | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Bonds £m | Bank and other term borrowings £m | Lease liabilities £m | DPC financing liability £m | In a fair value hedge £m | At fair value through profit or loss £m | Total liabilities from financing activities £m | Cash and cash equivalents £m | Adjustments in calculating net debt[3] £m | Net debt £m |
| At 31 March 2025 | (8,950.8) | (1,751.0) | (83.2) | – | (196.9) | 272.4 | (10,709.5) | 1,669.0 | (305.0) | (9,345.5) |
| **Non-cash movements:** | | | | | | | | | | |
| Inflation uplift on index-linked debt | (105.6) | (28.1) | – | – | – | – | (133.7) | – | – | (133.7) |
| Fair value movements | 68.9 | 3.4 | – | – | 22.9 | (55.5) | 39.7 | – | 17.9 | 57.6 |
| Foreign exchange | (49.2) | 4.1 | – | – | – | – | (45.1) | – | – | (45.1) |
| Other | (8.8) | (0.2) | (11.2) | (0.4) | – | – | (20.6) | – | – | (20.6) |
| **Cash flows used in financing activities:** | | | | | | | – | | | |
| Receipts in respect of borrowing and derivatives[2] | (903.3) | (102.0) | – | (9.2) | (3.1) | – | (1,017.6) | 1,017.6 | – | – |
| Payments in respect of borrowings and derivatives[2] | 143.5 | 286.6 | 2.7 | – | 0.4 | – | 433.2 | (433.2) | – | – |
| Dividends paid | – | – | – | – | – | – | – | (357.6) | – | (357.6) |
| Exercise of share options – purchase of shares | – | – | – | – | – | – | – | (5.8) | – | (5.8) |
| **Other** | – | – | – | – | – | – | – | 0.4 | – | 0.4 |
| **Changes arising from financing activities** | (854.5) | 163.8 | (8.5) | (9.6) | 20.2 | (55.5) | (744.1) | 221.4 | 17.9 | (504.8) |
| Cash flows used in investing activities | – | – | – | – | – | – | – | (1,478.0) | – | (1,478.0) |
| Cash flows generated from operating activities | – | – | 3.2 | – | – | – | 3.2 | 1,381.9 | – | 1,385.1 |
| **At 31 March 2026** | (9,805.3) | (1,587.2) | (88.5) | (9.6) | (176.7) | 216.9 | (11,450.4) | 1,794.3 | 287.1 | (9,943.2) |

Notes:

(1) Derivatives held for the purpose of hedging commodity prices are excluded from net debt. At 31 March 2026, the group had net derivative liabilities of £1.9 million (2025: net derivative liabilities of £27.4 million) to hedge electricity prices. See note A3 for further details.

(2) Where derivatives are in an economic hedge of borrowings, derivative cash flows are shown net, with the net payment or receipt being reported against the underlying borrowing cash flow to provide a more faithful representation of the substance of the transaction.

(3) The fair value of the derivatives reported in financing liabilities that are not hedging, specific debt instruments are removed in calculating the group's net debt position. These derivatives correspond to the group's fixed interest rate swaps and inflation swaps, neither of which are designated within an IFRS 9 hedging relationship and both of which are classified as 'held for trading' under the accounting standard. The fair value movements on those derivatives, which are not excluded from the revised definition of net debt (being derivatives in fair value hedge relationships), are expected to be materially equal and opposite in value to the fair value movement included in borrowings, resulting in materially all fair value movements being excluded.

Fair value movements include the indexation expense of £20.5 million (2025: £19.6 million) due to the non-cash inflation uplift on index-linked derivatives.

The remaining fair value and foreign exchange movements in the year on the group's bond and bank borrowings are materially hedged by the fair value swap portfolio.





## A2 Net debt continued

| | Borrowings | | | | Derivatives | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Bonds £m | Bank and other term borrowings £m | Lease liabilities £m | DPC financing liability £m | in a fair value hedge £m | at fair value through profit or loss £m | Total liabilities from financing activities £m | Cash and cash equivalents £m | Adjustments in calculating net debt[3] £m | Net debt £m |
| At 31 March 2024 | (7,926.6) | (1,995.6) | (59.2) | – | (158.1) | 295.1 | (9,844.4) | 1,379.3 | (297.6) | (8,762.7) |
| **Non-cash movements:** | | | | | | | | | | |
| Inflation uplift on index-linked debt | (108.3) | (33.9) | – | – | – | – | (142.2) | – | – | (142.2) |
| Fair value movements | 50.2 | 3.5 | – | – | (29.7) | (22.7) | 1.3 | – | (7.4) | (6.1) |
| Foreign exchange | 12.6 | 0.6 | – | – | – | – | 13.2 | – | – | 13.2 |
| Other | (4.2) | – | (27.2) | – | – | – | (31.4) | – | – | (31.4) |
| **Cash flows used in financing activities:** | | | | | | | | | | |
| Receipts in respect of borrowing and derivatives[2] | (1,318.5) | (7.6) | – | – | (13.2) | – | (1,339.3) | 1,339.3 | – | – |
| Payments in respect of borrowings and derivatives[2] | 344.0 | 282.0 | 1.3 | – | 4.1 | – | 631.4 | (631.4) | – | – |
| Dividends paid | – | – | – | – | – | – | – | (344.1) | – | (344.1) |
| Exercise of share options – purchase of shares | – | – | – | – | – | – | – | (5.0) | – | (5.0) |
| Other | – | – | – | – | – | – | – | – | – | – |
| **Changes arising from financing activities** | (1,024.2) | 244.6 | (25.9) | – | (38.8) | (22.7) | (867.0) | 358.8 | (7.4) | (515.6) |
| Cash flows used in investing activities | – | – | – | – | – | – | – | (987.2) | – | (987.2) |
| Cash flows generated from operating activities | – | – | 1.9 | – | – | – | 1.9 | 918.1 | – | 920.0 |
| **At 31 March 2025** | (8,950.8) | (1,751.0) | (83.2) | – | (196.9) | 272.4 | (10,709.5) | 1,669.0 | (305.0) | (9,345.5) |

# Notes to the financial statements – appendices

## A3 Financial risk management

### Risk management

The board is responsible for treasury strategy and governance, which is reviewed on an annual basis.

The treasury committee, a subcommittee of the board, has responsibility for setting and monitoring the group's adherence to treasury policies, along with oversight in relation to the activities of the treasury function.

Treasury policies cover the key financial risks: liquidity risk, credit risk, market risk (inflation, interest rate, electricity price and currency) and capital risk. As well as managing our exposure to these risks, these policies help the group maintain compliance with relevant financial covenants, which are in place in relation to borrowings from the European Investment Bank ('EIB') and include interest cover and gearing metrics. These policies are reviewed by the treasury committee for approval on at least an annual basis, or following any major changes in treasury operations and/or financial market conditions.

Day-to-day responsibility for operational compliance with the treasury policies rests with the treasurer. An operational compliance report is provided monthly to the treasury committee, which details the status of the group's compliance with the treasury policies and highlights the level of risk against the appropriate risk limits in place.

The group's treasury function does not act as a profit centre and does not undertake any speculative trading activity.

### Liquidity risk

The group looks to manage its liquidity risk by maintaining liquidity within a board-approved duration range. Liquidity is actively monitored by the group's treasury function and is reported monthly to the treasury committee through the operational compliance report.

At 31 March 2026, the group had £3,069.3 million (2025: £2,822.7 million) of available liquidity, which comprised £1,794.3 million (2025: £1,672.7 million) of cash and short-term deposits and £1,275.0 million (2025: £1,150.0 million) of undrawn committed borrowing facilities.

The group had available committed borrowing facilities as follows:

| | 2026 £m | 2025 £m |
|---|---|---|
| Expiring within one year | 225.0 | 200.0 |
| Expiring after one year but in less than two years | 75.0 | 225.0 |
| Expiring after more than two years | 975.0 | 725.0 |
| Total borrowing facilities | 1,275.0 | 1,150.0 |
| Facilities drawn | – | – |

These facilities are arranged on a bilateral rather than a syndicated basis, which spreads the maturities more evenly over a longer time period, thereby reducing the refinancing risk by providing several renewal points rather than a large single refinancing point.

### Maturity analysis

Concentrations of risk may arise if large cash flows are concentrated within particular time periods. The maturity profile in the following table represents the forecast future contractual principal and interest cash flows in relation to the group's financial liabilities on an undiscounted basis. Derivative cash flows have been shown net where there is a contractual agreement to settle on a net basis; otherwise, the cash flows are shown gross. This table does not include the impact of lease liabilities for which the maturity profile is disclosed in note 19.

| At 31 March 2026 | Total[1] £m | Adjustment £m | 1 year or less £m | 1–2 years £m | 2–3 years £m | 3–4 years £m | 4–5 years £m | More than 5 years £m |
|---|---|---|---|---|---|---|---|---|
| Bonds | 18,703.5 | – | 484.6 | 915.2 | 897.6 | 920.1 | 1,292.4 | 14,193.6 |
| Bank and other term borrowings | 1,882.1 | – | 206.7 | 172.8 | 171.4 | 342.9 | 441.9 | 546.4 |
| Adjustment to carrying value[2] | (9,183.5) | (9,183.5) | – | – | – | – | – | – |
| Borrowings | 11,402.1 | (9,183.5) | 691.3 | 1,088.0 | 1,069.0 | 1,263.0 | 1,734.3 | 14,740.0 |
| Derivatives: | | | | | | | | |
| Payable | 4,348.2 | – | 190.2 | 303.2 | 395.2 | 373.5 | 304.0 | 2,782.1 |
| Receivable | (4,577.5) | – | (206.8) | (326.6) | (480.2) | (268.5) | (218.3) | (3,077.1) |
| Adjustment to carrying value[2] | 191.0 | 191.0 | – | – | – | – | – | – |
| Derivatives – net assets[3] | (38.3) | 191.0 | (16.6) | (23.4) | (85.0) | 105.0 | 85.7 | (295.0) |





## A3 Financial risk management continued

| At 31 March 2025 | Total[1] £m | Adjustment £m | 1 year or less £m | 1–2 years £m | 2–3 years £m | 3–4 years £m | 4–5 years £m | More than 5 years £m |
|---|---|---|---|---|---|---|---|---|
| Bonds | 16,603.5 | – | 415.7 | 270.8 | 702.9 | 691.6 | 535.7 | 13,986.8 |
| Bank and other term borrowings | 2,122.1 | – | 372.5 | 172.7 | 172.0 | 172.5 | 350.8 | 881.6 |
| Adjustment to carrying value[2] | (8,020.2) | (8,020.2) | – | – | – | – | – | – |
| Borrowings | 10,705.4 | (8,020.2) | 788.2 | 443.5 | 874.9 | 864.1 | 886.5 | 14,868.4 |
| Derivatives: | | | | | | | | |
| Payable | 4,284.3 | – | 363.0 | 239.2 | 339.1 | 425.5 | 391.2 | 2,526.3 |
| Receivable | (4,426.0) | – | (363.1) | (253.3) | (369.1) | (523.4) | (306.3) | (2,610.8) |
| Adjustment to carrying value[2] | 93.3 | 93.3 | – | – | – | – | – | – |
| Derivatives – net assets[3] | (48.4) | 93.3 | (0.1) | (14.1) | (30.0) | (97.9) | 84.9 | (84.5) |

Notes:

(1) Forecast future cash flows are calculated, where applicable, using forward interest rates based on the interest environment at the reporting date and are, therefore, susceptible to changes in market conditions. For index-linked debt it has been assumed that RPI will be 2.4% and CPI will be 2% over the life of each instrument.

(2) The carrying value of debt is calculated using various methods in accordance with IFRS 9 'Financial Instruments' and so this adjustment reconciles the undiscounted forecast future cash flows to the carrying value of debt in the statement of financial position, excluding £88.5 million (2025: £83.2 million) of lease liabilities.

(3) The derivative balance includes swaps with a carrying value of £nil (2025: £7.6 million) subject to optional break clauses that could be exercised within one year of the reporting date, and £2.9 million (2025: £0.1 million) subject to optional break clauses that could be exercised in later periods. At the reporting date, it was considered highly unlikely that these break clauses would be exercised and so cash flows that could arise from the exercise of these optional break clauses are not included in this table.

### Credit risk

Credit risk arises principally from trading (the supply of services to customers) and treasury activities (the depositing of cash and holding of derivative instruments). While the opening of the non-household retail market to competition from 1 April 2017 has impacted on the profile of the group's concentration of credit risk, as discussed further below, the group does not believe it is exposed to any material concentrations that could have an impact on its ability to continue as a going concern or its longer-term viability.

The group manages its risk from trading through the effective management of customer relationships. Concentrations of credit risk with respect to trade receivables from household customers are limited due to the customer base being comprised of a large number of unrelated households. However, collection can be challenging as the Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises, including domestic dwellings.

Credit risk from trading is concentrated in a small number of retailers to whom the group provides wholesale water and wastewater services. Retailers are licensed and monitored by Ofwat and, as part of the regulations, they must demonstrate that they have adequate resources available to supply services. The credit terms for the group's retail customers are set out in market codes.

As at 31 March 2026, Water Plus was the group's single largest debtor, with amounts outstanding in relation to wholesale services of £35.6 million (2025: £27.4 million). During the year, sales to Water Plus in relation to wholesale services were £378.7 million (2025: £338.8 million). Details of transactions with Water Plus can be found in note A5.

Under the group's revenue recognition policy, revenue is only recognised when collection of the resulting receivable is reasonably assured. Considering the above, the directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables (see note 13).

The group manages its credit risk from treasury activities by establishing a total credit limit by counterparty, which comprises a counterparty credit limit and an additional settlement limit to cover intra-day gross settlement of cash flows. In addition, potential derivative exposure limits are established to take account of potential future exposure that may arise under derivative transactions. These limits are calculated by reference to a measure of capital and credit ratings of the individual counterparties and are subject to a maximum single counterparty limit.

Credit limits are refreshed annually and reviewed in the event of any credit rating action. Additionally, a control mechanism to trigger a review of specific counterparty limits, irrespective of credit rating action, is in place. This entails daily monitoring of counterparty credit default swap levels and/or share price volatility. Credit exposure is monitored daily by the group's treasury function and is reported monthly to the treasury committee through the operational compliance report.

# Notes to the financial statements – appendices

## A3 Financial risk management continued

At 31 March 2026 and 31 March 2025, the maximum exposure to credit risk for the group is represented by the carrying amount of each financial asset in the statement of financial position:

| | 2026 £m | 2025 £m |
|---|---|---|
| Cash and short-term deposits (see note 15) | 1,794.3 | 1,672.6 |
| Trade and other receivables (see note 13) | 387.9 | 355.6 |
| Derivative financial instruments | 347.7 | 340.7 |
| | 2,529.9 | 2,368.9 |

The credit exposure on derivatives is disclosed gross of any collateral held. At 31 March 2026, the group held £33.1 million (2025: £37.1 million) as collateral in relation to derivative financial instruments.

The group generally restricts the provision of credit support guarantees to external parties other than where these are commercially beneficial to, or improve the terms enjoyed by, the group.

To enable Water Plus, a joint venture of the group, to enjoy credit terms for the payment of wholesale charges, United Utilities PLC has provided joint and several parent company guarantees ('PCGs') on behalf of Water Plus Limited. The aggregate limit of these guarantees was £50.7 million of which £27.0 million related to guarantees provided to United Utilities Water Limited.

United Utilities PLC guarantees certain borrowings owed by United Utilities Water Limited, all of which are owed to a single counterparty. As at 31 March 2026, there were £761.9 million of borrowings subject to this guarantee.

As disclosed within Note 23, the group has determined that the possibility of any outflow arising in respect of these potential liabilities is remote and, as such, there are no material financial liabilities to be disclosed in accordance with IFRS 9 'Financial Instruments'.

### Market risk

The group's exposure to market risk primarily results from its financing arrangements and the economic return that it is allowed on the regulatory capital value ('RCV').

The group uses a variety of financial instruments, including derivatives, to manage the exposure to these risks.

### Inflation risk

The group earns an economic return on its RCV, comprising a real return through revenues and an inflation return as an uplift to its RCV.

For the 2025 to 2030 regulatory period, from 1 April 2025 the group's RCV is 100% linked to CPIH inflation. This compares to the 2020 to 2025 regulatory period where the group's RCV was 50% linked to RPI inflation and 50% linked to CPIH inflation, with any new additions being added to the CPIH portion of the RCV.

The group's inflation hedging policy in place for AMP8 aims to have around 33% of the group's net debt in index-linked form (where it is economic to do so), by issuing index-linked debt and/or swapping a portion of nominal debt. This is currently weighted towards RPI-linked form, with circa 70% of the hedge linked to RPI and circa 30% linked to CPI and/or CPIH. These weightings are consistent with the prior financial year. Across the 2025 to 2030 regulatory period, the group intends to progressively reduce the proportion of index-linked debt from the previous target of around 50%. The new target of 33% is consistent with Ofwat's proportion of index-linked debt in the notional company and should position the group well in respect of any potential future changes in the regulatory model under which UUW operates, while recognising the benefits of maintaining index-linked debt in the group's overall capital structure, in being a good match to the RCV and strengthening the group's cash interest-based cover ratios.

Inflation risk is reported monthly to the treasury committee in the operational compliance report.

The carrying value of index-linked debt held by the group, including the carrying value of the nominal debt swapped to CPI, was £4,346.0 million at 31 March 2026 (2025: £4,478.3 million).

### Sensitivity analysis

The following table details the sensitivity of profit before tax to changes in the RPI and CPI on the group's index-linked borrowings. The sensitivity analysis has been based on the amount of index-linked debt held at the reporting date and, as such, is not indicative of the years then ended. In addition, it excludes the impact of inflation on revenues and other income statement costs as well as the hedging aspect of the group's regulatory assets and post-retirement obligations.

| Increase/(decrease) in profit before taxation and equity | 2026 £m | 2025 £m |
|---|---|---|
| 1% increase in RPI/CPI | (30.6) | (41.5) |
| 1% decrease in RPI/CPI | 30.4 | 41.5 |

From 1 April 2025, the carrying value of index-linked debt incorporates actual inflation to date and expected future inflation. The sensitivity analysis reflects the impact of a 1% parallel shift in expected future inflation at the reporting date. As the change is prospective, the prior year has not been restated, with the effective interest rate applied to index-linked debt not considering future changes in inflation. The prior year sensitivity assumes a 1% change in current RPI and CPI having a corresponding 1% impact on this position over a 12-month period.





## A3 Financial risk management continued

### Interest rate risk

The group's policy is to structure debt in a way that best matches its underlying assets and cash flows. The group currently earns an economic return on its RCV, comprising a real return through revenues, determined by the real cost of capital fixed by the regulator for each five-year regulatory pricing period, and an inflation return as an uplift to its RCV.

For the 2020 to 2025 regulatory period, Ofwat set a fixed real cost of debt in relation to embedded debt (80% of net debt) but introduced a debt indexation mechanism in relation to new debt (20% of net debt), where the allowed rate on new debt will vary in line with specific debt indices. The debt indexation mechanism will be settled as an end of regulatory period adjustment. For the 2025 to 2030 regulatory period, Ofwat has set a fixed real cost of debt in relation to embedded debt based on the median of the sector AMP8 projected cost of debt in existence at 31 March 2026, and continues to apply the debt indexation mechanism in relation to new debt. Where conventional long-term debt is raised in a fixed-rate form, to manage exposure to long-term interest rates, the debt is generally swapped at inception to create a floating rate liability for the term of the liability through the use of interest rate swaps. These instruments are typically designated within a fair value accounting hedge.

To manage the exposure to medium-term interest rates, the group fixes underlying interest rates on nominal debt out to around ten years in advance on a reducing balance basis. As such, at the start of each regulatory period, a proportion of the projected nominal net debt representing new debt for that regulatory period will remain floating until it is fixed via the above ten-year reducing balance basis, which should approximate Ofwat's debt indexation mechanism.

This interest rate hedging policy dovetails with our inflation hedging policy should we need to swap a portion of nominal debt to real rate form to maintain our desired mix of nominal and index-linked debt.

The group seeks to manage its risk by maintaining its interest rate exposure within a board-approved range. Interest rate risk is reported to the treasury committee through the operational compliance report.

### Sensitivity analysis

The following table details the sensitivity of the group's profit before tax and equity to changes in interest rates. The sensitivity analysis has been based on the amount of net debt and the interest rate hedge positions in place at the reporting date and, as such, is not indicative of the years then ended.

| Increase/(Decrease) in profit before tax and equity | 2026 £m | 2025 £m |
|---|---|---|
| 1% increase in interest rate | 168.8 | 146.3 |
| 1% decrease in interest rate | (179.1) | (216.5) |

The sensitivity analysis assumes that both fair value hedges and borrowings designated at fair value through profit or loss are effectively hedged and it excludes the impact on post-retirement obligations. The exposure largely relates to fair value movements on the group's fixed interest rate swaps, which manage the exposure to medium-term interest rates. Those swaps are not included in hedge relationships.

### Hedge accounting

Details regarding the interest rate swaps designated as hedging instruments to manage interest rate risk are summarised below:

| At 31 March 2026 | 1 year or less | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|
| Notional principal amount £m | – | 300.0 | 825.0 | 950.0 |
| Average contracted fixed interest rate % | – | 4.7 | 0.9 | 3.7 |

This table represents the derivatives that are held in fair value hedging relationships, with the weighted average net fixed rate receivable across both legs to the swap disclosed. The SONIA/LIBOR credit adjustment spread has been assumed to form part of the fixed rate element of the payable leg, which is to be netted off against the fixed rate receivable leg for the purposes of the rates shown here.

| | | | | Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2026[1] | | |
|---|---|---|---|---|---|---|
| Risk exposure | Nominal amount of the hedging instruments £m | Carrying amount of the hedging instruments £m | Accumulated fair value (gains)/losses on hedged items £m | Hedged items £m | Hedged instruments £m | Hedge ineffectiveness recognised in the income statement £m |
| Interest rate risk on borrowings | 2,075.0 | (169.8) | (171.0) | (6.3) | 7.1 | 0.8 |

Note:

(1) The change in fair value of the hedging instruments used to measure hedge ineffectiveness excludes interest accruals and credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

# Notes to the financial statements – appendices

## A3 Financial risk management continued

### Currency risk

Currency exposure principally arises in respect of funding raised in foreign currencies. To manage exposure to currency rates, foreign currency debt is hedged into sterling through the use of cross-currency swaps, and these are often designated within a fair value accounting hedge. The group seeks to manage its risk by maintaining currency exposure within board-approved limits. Currency risk in relation to foreign currency-denominated financial instruments is reported monthly to the treasury committee through the operational compliance report. The group has no material net exposure to movements in currency rates.

### Hedge accounting

Details regarding the interest rate swaps designated as hedging instruments to manage currency risk and interest rate risk are summarised below:

| At 31 March 2026 | 1 year or less | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|
| Notional principal amount £m | – | 116.3 | 236.4 | 2,183.2 |
| Average contracted fixed interest rate % | – | 0.9 | 1.0 | 2.1 |

This table represents the derivatives that are held in fair value hedging relationships, with only the weighted average net receivable for the fixed interest rate elements of the swap disclosed. The SONIA/LIBOR credit adjustment spread has been assumed to form part of the fixed rate payable, which is to be netted off against the fixed rate receivable for the purposes of the rates shown here.

Further detail on the fair value hedging relationships is provided below:

| | | | | Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2026[1] | | |
|---|---|---|---|---|---|---|
| Risk exposure | Nominal amount of the hedging instruments £m | Carrying amount of the hedging instruments £m | Accumulated fair value (gains)/ losses on hedged items £m | Hedged items £m | Hedged instruments £m | Hedge ineffectiveness recognised in the income statement £m |
| Foreign currency and interest rate risk on borrowings | 2,536.0 | (39.2) | (50.0) | (8.2) | (2.4) | (10.6) |

(1) The change in fair value of the hedging instruments used to measure hedge ineffectiveness excludes interest accruals and credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

### Repricing analysis

The following tables categorise the group's borrowings, derivatives and cash deposits on the basis of when they reprice or, if earlier, mature. The repricing analysis demonstrates the group's exposure to floating interest rate risk.

Our largest concentration of floating interest rate risk is with index-linked instruments. This has been classified as repricing in one year or less due to the refixing of the interest charge with changes in RPI and CPI.

| At 31 March 2026 | Total £m | 1 year or less £m | 1 to 2 years £m | 2 to 3 years £m | 3 to 4 years £m | 4 to 5 years £m | More than 5 years £m |
|---|---|---|---|---|---|---|---|
| **Borrowings in fair value hedge relationships** | | | | | | | |
| Fixed-rate instruments | 4,288.1 | – | 425.1 | 147.3 | 263.8 | 441.2 | 3,010.7 |
| Effect of swaps | – | 4,288.1 | (425.1) | (147.3) | (263.8) | (441.2) | (3,010.7) |
| | 4,288.1 | 4,288.1 | – | – | – | – | – |
| **Borrowings designated at fair value through profit or loss** | | | | | | | |
| Fixed-rate instruments | 320.6 | – | – | 320.6 | – | – | – |
| Effect of swaps | – | 320.6 | – | (320.6) | – | – | – |
| | 320.6 | 320.6 | – | – | – | – | – |
| **Borrowings measured at amortised cost** | | | | | | | |
| Fixed-rate instruments | 2,133.6 | 35.4 | 2.4 | 2.6 | 2.3 | 3.9 | 2,087.0 |
| Floating-rate instruments | 903.0 | 903.0 | – | – | – | – | – |
| Index-linked instruments | 3,845.3 | 3,845.3 | – | – | – | – | – |
| | 6,881.9 | 4,783.7 | 2.4 | 2.6 | 2.3 | 3.9 | 2,087.0 |
| Effect of fixed hedge for the term of the regulatory period | – | (3,811.4) | 250.6 | 653.5 | 250.0 | 932.9 | 1,724.4 |
| **Total borrowings** | 11,490.6 | 5,581.0 | 253.0 | 656.1 | 252.3 | 936.8 | 3,811.4 |
| Cash and short-term deposits | (1,794.3) | (1,794.3) | – | – | – | – | – |
| **Net borrowings** | 9,696.3 | 3,786.7 | 253.0 | 656.1 | 252.3 | 936.8 | 3,811.4 |





## A3 Financial risk management continued

| At 31 March 2025 | Total £m | 1 year or less £m | 1 to 2 years £m | 2 to 3 years £m | 3 to 4 years £m | 4 to 5 years £m | More than 5 years £m |
|---|---|---|---|---|---|---|---|
| **Borrowings in fair value hedge relationships** | | | | | | | |
| Fixed-rate instruments | 3,797.2 | 105.5 | – | 426.5 | 152.6 | 256.9 | 2,855.7 |
| Effect of swaps | – | 3,691.7 | – | (426.5) | (152.6) | (256.9) | (2,855.7) |
| | 3,797.2 | 3,797.2 | – | – | – | – | – |
| **Borrowings designated at fair value through profit or loss** | | | | | | | |
| Fixed-rate instruments | 330.2 | – | – | – | – | – | 330.2 |
| Effect of swaps | – | 330.2 | – | – | – | – | (330.2) |
| | 330.2 | 330.2 | – | – | – | – | – |
| **Borrowings measured at amortised cost** | | | | | | | |
| Fixed-rate instruments | 1,823.4 | 38.4 | 1.3 | 1.7 | 1.5 | 1.6 | 1,778.9 |
| Floating-rate instruments | 848.8 | 848.8 | – | – | – | – | – |
| Index-linked instruments | 3,989.0 | 3,989.0 | – | – | – | – | – |
| | 6,661.2 | 4,876.2 | 1.3 | 1.7 | 1.5 | 1.6 | 1,778.9 |
| Effect of fixed hedge for the term of the regulatory period | – | (2,328.9) | 200.0 | 389.8 | 250.6 | 653.5 | 835.0 |
| **Total borrowings** | 10,788.6 | 6,674.7 | 201.3 | 391.5 | 252.1 | 655.1 | 2,613.9 |
| Cash and short-term deposits | (1,672.6) | (1,672.6) | – | – | – | – | – |
| **Net borrowings** | 9,116.0 | 5,002.1 | 201.3 | 391.5 | 252.1 | 655.1 | 2,613.9 |

### Electricity price risk

The group is typically allowed a fixed amount of revenue by the regulator, in real terms, to cover electricity costs for each five-year regulatory pricing period. For the 2025 to 2030 regulatory period, energy costs will be subject to an end of regulatory period adjustment based on the Department for Energy Security and Net Zero ('DESNZ') industrial users' energy price index. To the extent that electricity prices remain floating over this period, this exposes the group to volatility in its operating cash flows. The group's policy, therefore, is to manage this risk by fixing a proportion of electricity commodity prices in a cost-effective manner. The group has fixed the price on a proportion of its anticipated net electricity usage on a rolling four-year basis, partially through entering into electricity swap contracts.

### Hedge accounting

Details of electricity swaps designated as hedging instruments to manage electricity price risk are summarised below:

| | 1 year or less | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|
| Notional amount MWh | 284,760 | 131,760 | 262,800 | – |
| Average contracted fixed price £/MWh | 112.4 | 73.9 | 68.8 | – |

Electricity swaps have been designated in cash flow hedge relationships. This means that only the impact of any hedging ineffectiveness is recognised through fair value in the income statement, with movements in the effective portion of the hedge being recognised in other comprehensive income.

| Risk exposure | Nominal amount of the hedging instruments £m | Carrying amount of the hedging instruments £m | Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2026[1] £m | Hedge ineffectiveness recognised in the income statement £m | Cash flow hedge reserve excluding effects of tax £m | Amount reclassified from the cash flow hedge reserve to the income statement £m |
|---|---|---|---|---|---|---|
| Electricity price risk | 59.8 | (1.9) | (4.1) | – | (16.1) | 21.8 |

(1) The change in fair value of the hedging instruments used to measure hedge ineffectiveness excludes credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

# Notes to the financial statements – appendices

## A3 Financial risk management continued

### Capital risk management

The group's objective when managing capital is to maintain efficient access to debt capital markets throughout the economic cycle. The board, therefore, believes that it is appropriate to maintain RCV gearing, measured as group consolidated net debt (including certain derivatives) to regulatory capital value ('RCV') of UUW, within a target range of 55% to 65%. As at 31 March 2026, RCV gearing was within the range at 60% (2025: 60%).

Assuming no significant changes to existing rating agencies' methodologies or sector risk assessments, the group aims to maintain UUW long-term issuer credit ratings for UUW of at least Baa1 with Moody's Investors Service ('Moody's'), and BBB+ with S&P Global Ratings ('S&P') and an issuer default rating of at least BBB+ with Fitch Ratings ('Fitch') (a senior unsecured debt rating for UUW of at least A-). Debt issued by UUW's financing subsidiary, United Utilities Water Finance PLC, is guaranteed by UUW and is, therefore, rated in line with UUW. The group's gearing and credit rating targets are subject to periodic review.

To maintain its targeted credit ratings, the group needs to manage its capital structure with reference to the ratings methodology and measures used by Moody's, S&P and Fitch. The ratings methodology is normally based on a number of key ratios (such as RCV gearing, adjusted interest cover, post maintenance interest cover ('PMICR'), Funds from Operations ('FFO') to debt, and debt to EBITDA) and threshold levels as updated and published from time to time by Moody's, S&P and Fitch. The group looks to manage its risk by maintaining the relevant key financial ratios used by the credit ratings agencies to determine a corporate credit rating, within the thresholds approved by the board. Capital risk is reported monthly to the treasury committee through the operational compliance report.

Further detail on the precise measures and methodologies used to assess water companies' credit ratings can be found in the methodology papers published by the rating agencies.

### Fair values

The table below sets out the valuation basis of financial instruments held at fair value and financial instruments where fair value has been separately disclosed in the notes as the carrying value is not a reasonable approximation of fair value.

| 2026 | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Derivative financial assets – fair value hedge | – | 59.9 | – | 59.9 |
| Derivative financial assets – held for trading[1] | – | 282.6 | – | 282.6 |
| Derivative financial assets – cash flow hedge | – | 5.2 | – | 5.2 |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Derivative financial liabilities – fair value hedge | – | (245.4) | – | (245.4) |
| Derivative financial liabilities – held for trading[1] | – | (57.0) | – | (57.0) |
| Derivative financial liabilities – cash flow hedge | – | (7.0) | – | (7.0) |
| Financial liabilities designated as fair value through profit or loss | – | (320.6) | – | (320.6) |
| **Financial instruments for which fair value has been disclosed** | | | | |
| Financial liabilities in fair value hedge relationships | (4,010.9) | (365.9) | – | (4,376.8) |
| Other financial liabilities | (2,881.8) | (3,227.0) | – | (6,108.8) |
| | (6,892.7) | (3,875.2) | – | (10,767.9) |

| 2025 | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Derivative financial assets – fair value hedge | – | 43.3 | – | 43.3 |
| Derivative financial assets – held for trading[1] | – | 295.7 | – | 295.7 |
| Derivative financial assets – cash flow hedge | – | 1.7 | – | 1.7 |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Derivative financial liabilities – fair value hedge | – | (245.9) | – | (245.9) |
| Derivative financial liabilities – held for trading[1] | – | (17.6) | – | (17.6) |
| Derivative financial liabilities – cash flow hedge | – | (29.1) | – | (29.1) |
| Financial liabilities designated as fair value through profit or loss | – | (330.2) | – | (330.2) |
| **Financial instruments for which fair value has been disclosed** | | | | |
| Financial liabilities in fair value hedge relationships | (3,447.9) | (368.9) | – | (3,816.8) |
| Other financial liabilities | (2,171.1) | (3,662.6) | – | (5,833.7) |
| | (5,619.0) | (4,313.6) | – | (9,932.6) |

[1] These derivatives form economic hedges and, as such, management intends to hold these through to maturity. Derivatives forming an economic hedge of the currency exposure on borrowings included in these balances were £90.0 million (2025: £105.0 million).





## A3 Financial risk management continued

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable).

The group has calculated fair values using quoted prices where an active market exists, which has resulted in £6,892.7 million (2025: £5,619.0 million) of 'Level 1' fair value measurements. In the absence of an appropriate quoted price, the group has applied discounted cash flow valuation models utilising market available data to arrive at 'Level 2' fair value measurements, in line with prior years. The £1,273.6 million increase (2025: £112.9 million increase) in Level 1 fair value measurements primarily reflects debt issuances in the year.

During the year, changes in the fair value of financial liabilities designated at fair value through profit or loss resulted in a £8.6 million loss (2025: £6.3 million loss). Included within this was a £3.1 million loss (2025: £1.9 million gain) attributable to changes in own credit risk, recognised in other comprehensive income. The cumulative amount due to changes in credit spread was £34.7 million profit (2025: £37.8 million profit). The carrying amount is £94.5 million (2025: £104.1 million) higher than the amount contracted to settle on maturity.

## A4 Retirement benefits

### Defined benefit schemes

Under the group's defined benefit pension schemes – the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC Group of the Electricity Supply Pension Scheme ('ESPS') – members are entitled to annual pensions on retirement. Benefits are payable following events such as withdrawing from active service and upon death. No other post-retirement benefits are provided to these members.

The assets of these schemes are held in trust funds independent of the group's finances. The trustees are composed of representatives of both the employer and employees, who are required, by law, to act in the interests of all relevant beneficiaries and are responsible for the investment policy with regards to the assets of the schemes plus the day-to-day administration of the benefits.

As at 31 March, the fair value of the schemes' assets and the present value of the defined benefit obligations, and, therefore, the value of the net retirement benefit surplus included in the consolidated statement of financial position was as follows:

| Group | 2026 £m | 2025 £m |
|---|---|---|
| Total fair value of schemes' assets | 2,288.5 | 2,308.6 |
| Present value of defined benefit obligation | (1,977.6) | (2,006.3) |
| **Net retirement benefit surplus** | 310.9 | 302.3 |

### Estimated future benefits payable

The defined benefit obligation includes benefits for current employees, deferred members and current pensioners as analysed in the table below:

| Group | 2026 £m | 2025 £m |
|---|---|---|
| Total value of current employees' benefits | 239.5 | 238.5 |
| Deferred members' benefits | 309.9 | 309.5 |
| Pensioner members' benefits | 1,428.2 | 1,458.3 |
| **Total defined benefit obligation** | 1,977.6 | 2,006.3 |

Movements in the present value of the defined benefit obligations are as follows:

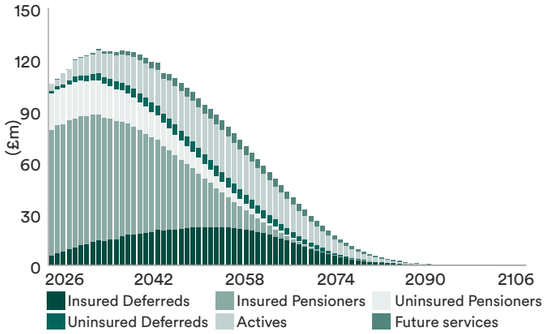
| Group | 2026 £m | 2025 £m |
|---|---|---|
| At the start of the year | (2,006.3) | (2,284.4) |
| Interest cost on schemes' obligation | (110.8) | (106.1) |
| Actuarial gains arising from changes in financial assumptions | 44.9 | 259.3 |
| Actuarial (losses)/gains arising from changes in demographic assumptions | (19.0) | 6.1 |
| Actuarial losses arising from experience | (10.5) | (5.9) |
| Member contributions | (1.0) | (2.2) |
| Benefits paid | 127.7 | 129.4 |
| Past service cost | (0.1) | – |
| Current service cost | (2.5) | (2.5) |
| **At the end of the year** | (1,977.6) | (2,006.3) |

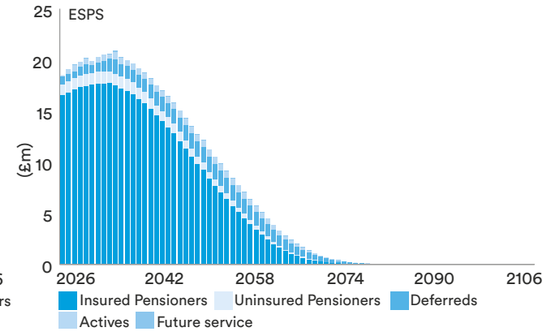
The duration of the combined schemes is around 12 years. The schemes' duration is an indicator of the weighted-average time until benefit payments are settled, taking account of the split of the defined benefit obligation between current employees, deferred members and the current pensioners of the schemes.

# Notes to the financial statements – appendices

## A4 Retirement benefits continued

The estimated profile of cash flows out of the schemes as retirement benefits are paid is as follows:




### Estimated future benefits payable

Under UK legislation, there is a requirement that pension schemes are funded prudently, and that funding plans are agreed by pension scheme trustees. The defined benefit schemes are subject to funding valuations carried out by independent qualified actuaries, in conjunction with the schemes' trustees, on a triennial basis. These valuations inform the level of future contributions to be made by the group in order to ensure that the schemes are appropriately funded and, therefore, that benefits can be paid. The latest finalised funding valuation was carried out during the prior year, as at 31 March 2024, which determined that the schemes were fully funded on a low-dependency basis and do not require additional contributions from the group over and above those related to current service and expenses.

The schemes' funding plans are reviewed regularly, including between funding valuations. The group expects to make further contributions of £5.2 million in the year ending 31 March 2027, £4.2 million in respect of current service contributions and £1.0 million in respect of expenses.

The group and trustees have agreed long-term strategies for reducing investment risk in each scheme. This includes an asset-liability matching policy, which aims to reduce the volatility of the funding level of the pension plan by investing in assets, such as corporate bonds and gilts, supplemented by swap and gilt long-term hedges of interest and inflation rates, which perform in line with the liabilities to hedge against changes in interest and inflation rates. Both the UUPS and ESPS schemes are fully hedged for inflation exposure through external market swaps and gilts. Further details of the derivatives used in reducing investment risk are disclosed later in this note.

While longevity risk has reduced as a result of a partial buy-in transaction during the year ended 31 March 2024, the group and trustees remain actively engaged in exploring further de-risking options that may be implemented in the future. Based on the results of the latest triennial valuation as at 31 March 2024, for ESPS the buy-in was estimated to cover circa 85% of liabilities, and for UUPS circa 70% of liabilities, on a technical provisions basis, with the split on an IAS 19 basis expected to be broadly consistent.

The basis on which scheme liabilities are valued for funding purposes differs from the basis required under IAS 19 'Employee Benefits', with liabilities on a funding basis being subject to assumptions at the valuation date that are not updated between revaluations. Funding positions vary significantly from company to company, but none of the position, the assumptions on which they are based, the associated sensitivities, nor the risk exposures are disclosed by many companies and, therefore, meaningful cross-company comparisons are not possible. However, scheme liabilities are valued on a consistent accounting basis between companies applying IAS 19, and are subject to assumptions and sensitivities that are required to be disclosed in accordance with that accounting standard. Consequently, the relative economic positions of companies are comparable only on an IAS 19 basis, subject to the normalisation of assumptions used between companies.

Included within the present value of the defined benefit obligation of the UUPS scheme are liabilities of £7.0 million (2025: £7.2 million) in respect of unregistered pension promises made to certain former employees, which are paid directly from the group as opposed to through one of the group's registered pension schemes. Liabilities in respect of these promises are not considered to be material in the context of the group's overall defined benefit obligations or the financial statements taken as a whole.

### Virgin Media High Court decision

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited vs. NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill, which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. This legislation received Royal Assent in April 2026 and became an Act of Parliament (law).

The Directors do not expect the Virgin Media ruling to give rise to any additional liabilities. The present value of defined benefit obligations has not been adjusted and continues to reflect the benefits currently being administered.





## A4 Retirement benefits continued

### Impact of scheme risk management on IAS 19 disclosures

Under the prescribed IAS 19 basis, pension scheme liabilities are calculated based on current accrued benefits. Expected cash flows are projected forward allowing for RPI and CPI and the current member mortality assumptions. These projected cash flows are then discounted using a high-quality corporate bond rate, which comprises an underlying interest rate and a credit spread.

As well as through the purchase of bulk annuity policies, the group has de-risked its pension schemes through hedging strategies applied to the underlying interest rate and future inflation. Both UUPS and ESPS fully hedge RPI inflation exposure along with underlying interest rates through external market swaps and gilts (including gilt repurchase instruments), the value of which is included in the schemes' assets, net of associated derivative liabilities.

Consequently, the reported statement of financial position for the uninsured portion of the schemes' liabilities remains subject to some volatility due to changes in credit spread and changes in mortality, neither of which have been hedged at the current time. Changes in credit spreads have not been hedged primarily due to difficulties in doing so over long durations. In contrast, the schemes' specific funding bases are unlikely to suffer from significant volatility due to credit spread, because a dynamic discount rate is applied for funding purposes. Changes in mortality have not been hedged due to this exposure being subject to lower volatility in the short term, though the group and scheme trustees are committed to exploring options to de-risk changes in mortality, or pension longevity, in future periods for the uninsured liabilities, as outlined above.

Pension benefits under the defined benefit element of the UUPS hybrid section are linked to CPI rather than RPI.

In the year ended 31 March 2026, the discount rate increased by 0.35% (2025: 0.9% increase), which includes a 0.30 % increase in gilt yields over the year and a 0.05% increase in credit spreads. The IAS 19 remeasurement loss of £7.9 million (2025: £18.6 million gain), reported in note 14, has largely resulted from changes in financial and demographic assumptions, predominantly due to actual inflation over the year being higher than assumed and updates to the mortality projections.

The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions and are, therefore, more than 100% hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The increase in credit spreads during the year is partially offset by an RPI inflation increase of 0.15% (2025: 0.05% reduction). In the shorter term, recent high inflation has resulted in greater-than-expected pension increases, and longer-term expectations for inflation have increased versus the prior reporting date.

### Reporting and assumptions

The results of the latest funding valuation as at 31 March 2024 have been used to inform the group's best estimate assumptions used in calculating the defined benefit pension obligation reported on an IAS 19 basis at 31 March 2026. The results of the funding valuation have been adjusted to take account of experience over the period, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service costs, were measured using the projected unit credit method.

In accordance with IAS 19, the fair value of the buy-in insurance assets at the date of the transaction was considered to be equal to the IAS 19 value of the insured liabilities and, subsequently, the fair value of the insurance assets is pegged to the present value of the liabilities being insured.

Member data used in arriving at the liability figure included within the defined benefit surplus has been based on the finalised actuarial valuations as at 31 March 2024 for both UUPS and ESPS. As part of each actuarial valuation and, more frequently, as required by the trustees, member data is reassessed for completeness and accuracy and to ensure it reflects any relevant changes to benefits entitled by each member.

### Financial assumptions

The main financial and demographic assumptions used by the actuary to calculate the defined benefit surplus of UUPS and ESPS are outlined below:

| Group | 2026 % p.a. | 2025 % p.a. |
|---|---|---|
| Discount rate | 6.05 | 5.70 |
| Pension increases | 3.35 | 3.20 |
| Pensionable salary growth (pre-2018 service): | | |
| ESPS | 3.35 | 3.20 |
| UUPS | 3.35 | 3.20 |
| Pensionable salary growth (post-2018 service): | | |
| ESPS | 3.35 | 3.20 |
| UUPS | 2.90 | 2.75 |
| Price inflation – RPI | 3.35 | 3.20 |
| Price inflation – CPI* | 2.90 | 2.75 |

* The CPI price inflation assumption represents a single weighted average rate derived from an assumption of 2.45% pre-2030 and 3.15% post-2030 (2025: 2.30% pre-2030 and 3.00% post-2030).

# Notes to the financial statements – appendices

## A4 Retirement benefits continued

The discount rate is consistent with a high-quality corporate bond rate, with 6.05% being equivalent to gilts of 5.40% plus 65 basis points in respect of credit spread (2025: 5.70% being equivalent to gilts of 5.10% plus 60 basis points in respect of credit spread). The corporate bond population used in deriving this rate comprises those rated at least AA by one or more credit rating agencies.

In accordance with the scheme rules, pensionable salary growth is linked to RPI for UUPS for service pre-2018 and CPI for service post-2018, for ESPS the growth is linked to RPI.

Assumed pension increases are aligned to the RPI price inflation assumption as the vast majority of benefits across the schemes have a direct RPI linkage.

In accordance with plans put forward by the UK Statistics Authority ('UKSA'), the Retail Prices Index ('RPI') and the Consumer Prices Index, including owner occupier's housing costs ('CPIH'), are expected to align from 2030. This compares with the current situation in which, absent these reforms, CPIH increases are broadly expected to average around 0.5% below RPI in the long term (about the same as CPI). The alignment of RPI and CPIH could, therefore, have a significant impact on many pension schemes.

### Demographic assumptions

In line with previous reporting periods, mortality assumptions continue to be based on the latest available Continuous Mortality Investigation's (CMI) mortality tables. As at 31 March 2026, mortality assumptions are based on adjusted SAPS 4 CMI2025 base tables, inclusive of a 1.25% p.a. rate of improvement, initial adjustment (A) parameter of 0.25%, a 'half-life' (H) parameter of 1, and an adjustment to the 'advanced parameters' to model lower improvements in life expectancy at older ages than the core model. A scaling factor of 109% (2025: 109%) and 111% (2025: 111%) for male pensioners and non-pensioners, respectively, and 109% (2025: 109%) and 105% (2025: 105%) for female pensioners and non-pensioners, respectively, is applied, reflecting the profile of the membership. Compared against the base tables used for previous year-end mortality assumptions (CMI 2023 S4PA), the Core CMI2025 model sees a small increase in life expectancies. It should be noted, however, that post buy-in, any changes in the life expectancy assumptions for insured members are offset by a corresponding change in the value of the buy-in bulk annuity policies on an IAS 19 basis. At 31 March 2026, future improvements in mortality are based on the extended CMI 2025 (2025: CMI 2023) projection model, with a long-term annual rate of improvement of 1.25% (2025: 1.25%).

The current life expectancies, at age 60, underlying the value of the accrued liabilities for the schemes are:

| Group | 2026 years | 2025 years |
|---|---|---|
| Retired member – male | 25.8 | 25.3 |
| Non-retired member – male | 26.8 | 26.4 |
| Retired member – female | 28.0 | 27.7 |
| Non-retired member – female | 29.4 | 29.2 |

### Financial and demographic assumptions – further analysis

The assumptions used in measuring the group's defined benefit surplus reflect management's best estimates as at the reporting date. These estimates inherently involve judgement, and the measurement of the defined benefit surplus is sensitive to changes in these key assumptions.

Given that changes in the insured liabilities are offset by an equal change in the value of the buy-in insurance assets, the IAS 19 surplus will be predominantly driven by changes in the uninsured liabilities and residual invested assets going forward. Sensitivity calculations allow for the specified movement in the relevant key assumption on total scheme liabilities, while all other assumptions are held constant. This approach does not take into account the interrelationship between some of these assumptions or any hedging strategies adopted; however, it demonstrates how reasonably possible changes could impact on the measurement of the defined benefit surplus. The schemes' hedging strategies are designed primarily to reduce the volatility on a technical provisions basis.

- Asset volatility – If the schemes' assets underperform relative to the discount rate used to calculate the schemes' liabilities, this will create a deficit. Under IAS 19, the value of the buy-in assets is equal to the IAS 19 value of the insured liabilities. The bulk annuity policies represent a significant proportion of the scheme's assets, with the valuation of these assets pegged to the valuation of insured liabilities. As such, movements in asset values are offset by corresponding movements in the value of insured liabilities. For the uninsured liabilities, the intention is that the schemes' assets provide a full economic hedge of interest rates and RPI inflation on a scheme funding basis.
- Discount rate – An increase/decrease in the discount rate of 0.25% would have resulted in a £52.6 million / £55.1 million (2025:£56.2 million / £59.0 million) decrease/increase in the schemes' liabilities at 31 March 2026, although, as long as credit spreads remain stable this will be largely offset by an increase/decrease in the value of the schemes' bond holdings and other instruments designed to hedge this exposure. The discount rate is based on high-quality corporate bond yields of a similar duration to the schemes' liabilities. High-quality corporate bonds are considered to be those that have a credit rating of AA or above with at least one rating agency. An alternative approach could be taken whereby only those bonds rated AA or higher, by at least two rating agencies, are used. While this alternative approach may provide additional comfort around the quality of these corporate bonds, management believes that the wider population of corporate bonds under a 'single agency' approach gives a more representative indication of high-quality corporate bonds that are aligned to the schemes' liabilities and, therefore, provides a more robust estimate.
- Price inflation – An increase/decrease in the RPI inflation assumption of 0.25% would have resulted in a £49.7 million /£47.5 million (2025: £52.8 million / £50.4 million) increase/decrease in the schemes' liabilities at 31 March 2026, as a significant proportion of the schemes' benefit obligations are linked to inflation. However, nearly all of the schemes' liabilities were hedged for RPI in the external market at 31 March 2026, meaning that this sensitivity is likely to be insignificant as a result, on a combined basis. The sensitivity to price inflation allows for the impact of changes to pensionable salary growth and pension increases, which are both assumed to be linked to price inflation. While inflation may be volatile in the near term, the value of the schemes' liabilities is based on inflation assumptions that reflect the full profile of the liabilities, in particular the long-term nature.





## A4 Retirement benefits continued

- Consistent with market practice, in arriving at the group's best estimate for RPI an inflation risk premium of 0.3% (2025: 0.2%) has been deducted from the breakeven inflation rate for the year ended 31 March 2026. The impact of this is a decrease in the uninsured defined benefit obligation of around £24.0 million (2025: £17.0 million) and, therefore, an increase in the net-defined benefit surplus compared with no inflation risk premium being deducted. The change to the inflation risk premium of 0.3% resulted in a circa £8 million reduction in the uninsured defined benefit obligation and a corresponding increase in the net defined benefit surplus compared to a deduction of 0.2% as applied in the prior year. There is no allowance for any further change in the inflation risk premium post-2030 as a result of RPI reform. A reduction in expected RPI will result in a reduction to the value of pension scheme liabilities; however, as our pension schemes are hedged for RPI inflation movements, this will result in a comparable reduction to the value of pension scheme assets.
- The assumption for CPI is set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences. For pre-2030 inflation, this wedge has been estimated at 0.9% per annum, reducing to 0.2% per annum post-2030 given that RPI and CPI are expected to converge. The impact of this reduction in the post-2030 wedge, as a result of RPI reform, is a circa £3.0 million increase to the uninsured defined benefit obligation and, therefore, a decrease in the net-defined benefit surplus compared with the wedge remaining at 0.9% per annum after 2030.
- Mortality long-term improvement rate – An increase in the mortality long-term improvement rate from 1.25% to 1.50% would have resulted in a £9.8 million increase in the schemes' liabilities at 31 March 2026 (2025: £12.7 million increase in the schemes' liabilities).
- Life expectancy – An increase in life expectancy of one year would have resulted in a £72.5 million (2025: £77.3 million) increase in the schemes' liabilities at 31 March 2026. The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions.

### Schemes' assets

At 31 March, the fair values of the schemes' assets recognised in the statement of financial position were as follows:

| Group | Underlying assets £m | Fair value of derivatives £m | Combined £m | Schemes' assets % |
|---|---|---|---|---|
| **At 31 March 2026** | | | | |
| Gilts | 532.0 | (204.3) | 327.7 | 14.3 |
| Bonds | 356.0 | (16.7) | 339.3 | 14.8 |
| Bulk annuity policies | 1,381.0 | – | 1,381.0 | 60.4 |
| Other | 265.3 | (24.8) | 240.5 | 10.5 |
| **Total fair value of schemes' assets** | 2,534.3 | (245.8) | 2,288.5 | 100.0 |
| At 31 March 2025 | | | | |
| Gilts | 537.2 | (202.0) | 335.2 | 14.5 |
| Bonds | 313.1 | 0.6 | 313.7 | 13.6 |
| Bulk annuity policies | 1,405.8 | – | 1,405.8 | 60.9 |
| Other | 279.1 | (25.2) | 253.9 | 11.0 |
| **Total fair value of schemes' assets** | 2,535.2 | (226.6) | 2,308.6 | 100.0 |

Included within the scheme's assets are assets with a fair value estimated to be £1,485.3 million that are categorised as 'Level 3' assets within the IFRS 13 'Fair value measurement' hierarchy, meaning that the value of the assets is not observable at 31 March 2026. Of these, £1,381.0 million relates to bulk annuity policies purchased as part of the buy-in transaction and £104.3 million relates to unquoted senior private debt assets. Estimates of the fair value of these assets have been performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total Level 3 asset balance, updated for any subsequent cash movements between the statement date and the year-end reporting date.

Of the remaining balance of scheme assets, there are assets with a fair value estimated to be £785.7 million, which are categorised as 'Level 2' assets, meaning that valuations include observable inputs other than quoted prices in active markets, and £17.5 million of 'Level 1' assets, meaning that there is a quoted price in an active market for identical assets or liabilities at the measurement date.

The UUPS has entered into a variety of derivative transactions to change the return characteristics of the assets held to reduce undesirable market and liability risks. As such, the above breakdown separates the assets of the schemes to illustrate the underlying risk characteristics of the assets held.

The portfolio contains a proportion of assets set aside for collateral purposes linked to the derivative contracts held. The collateral portfolio, comprising cash and eligible securities readily convertible to cash, provides sufficient liquidity to manage exposure relating to the derivative transactions and is expected to achieve a return in excess of SONIA (Sterling Overnight Index Average). During the year ended 31 March 2026, no liquidity support or facilities were required by the group as a result of collateral calls.

# Notes to the financial statements – appendices

## A4 Retirement benefits continued

The derivative values in the table above represent the net market value of derivatives held within each of these asset categories as follows:

| Group | 2026 £m | 2025 £m |
|---|---|---|
| **Gilts** | | |
| Repurchase agreements | (204.3) | (202.0) |
| | (204.3) | (202.0) |
| **Bonds – hedging non-sterling exposure back to sterling** | | |
| Currency forwards | (1.6) | 0.6 |
| Gilt futures | (15.1) | |
| | (16.7) | 0.6 |
| **Other – managing liability risks targeting a high level of interest rate and inflation hedging** | | |
| Interest rate swaps | (25.2) | (25.7) |
| RPI inflation swaps | 0.4 | 0.5 |
| | (24.8) | (25.2) |
| **Total fair value of derivatives** | (245.8) | (226.6) |

The derivatives shown in the tables only cover those expressly held for the purpose of reducing certain undesirable asset and liability risks as part of the liability-driven investment strategies. The schemes invest in a number of other pooled funds that make use of derivatives. No allowance is made in the figures above for any derivatives held within these other pooled funds, as they are not held expressly for the purpose of managing risk. The fair value of pooled funds held within the schemes' assets was £175.1 million (2025: £162.4 million).

The intention is that the schemes' assets provide a full economic hedge of interest rates and RPI inflation of the schemes' liabilities on a scheme funding basis. As the scheme funding basis is more prudent than the IAS 19 measurement basis for the defined benefit obligation, the schemes are more than 100% hedged on an accounting basis. Movements in the fair value of the schemes' assets were as follows:

| Group | 2026 £m | 2025 £m |
|---|---|---|
| At the start of the year | 2,308.6 | 2,552.4 |
| Interest income on schemes' assets | 128.3 | 119.0 |
| The return on plan assets, excluding amounts included in interest | (23.3) | (240.9) |
| Member contributions | 1.0 | 2.2 |
| Benefits paid | (127.7) | (129.4) |
| Administrative expenses | (3.9) | (4.0) |
| Employer contributions | 5.5 | 9.3 |
| **At the end of the year** | 2,288.5 | 2,308.6 |

The group's actual return on the schemes' assets was a gain of £105.0 million (2025: £121.9 million loss). In line with IAS 19, the fair values of the buy-in assets have been set equal to the IAS 19 present values of the insured liabilities. The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions and are therefore more than 100% hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The trustees of both the ESPS and UUPS schemes publish a statement of investment principles, available via the United Utilities corporate website. The statements set out the ESG principles, in particular climate risk, behind the choice of investments. UUPS published its latest TCFD report in October 2025, which is available on the corporate website. For ESPS, while the group does not meet the size threshold that requires full TCFD reporting, the trustee has provided information for the wider scheme's report. The wider scheme's most recent TCFD report was published in October 2025 and is available from the ESPS website.

## A5 Related party transactions

### Group

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The related party transactions with the group's joint ventures and other related parties during the period, and amounts outstanding at the period-end date, were as follows:

| | 2026 £m | 2025 £m |
|---|---|---|
| Sales of services | 378.7 | 338.8 |
| Charitable contributions advanced to related parties | 0.2 | 0.2 |
| Purchases of goods and services | 0.9 | 1.5 |
| Interest income and fees recognised on loans to related parties (see note 5) | 4.7 | 5.9 |
| Amounts owed by related parties (see note 13) | 86.0 | 101.0 |
| Amounts owed to related parties (see note 18) | 4.0 | – |

With the exception of charitable contributions advanced by the group, all of the above related party transactions and balances relate to Water Plus, which is jointly owned and controlled by the group and Severn Trent PLC under a joint venture agreement.

Sales of services to related parties comprises non-household wholesale charges to Water Plus that were billed and accrued during the period. These transactions were on market credit terms in respect of non-household wholesale charges, which are governed by the wholesale charging rules issued by Ofwat.

Charitable contributions advanced to related parties during the year relate to amounts paid to Rivington Heritage Trust, a charitable company limited by guarantee for which UUW is one of three guarantors.

At 31 March 2026, amounts owed by joint ventures, as recorded within trade and other receivables in the statement of financial position, were £86.0 million (2025: £101.0 million), comprising £35.6 million (2025: £27.4 million) of trade balances, which are unsecured and represent the amounts that are expected to be settled in accordance with normal credit terms, and £50.4 million (2025: £73.5 million) relating to loans.

Included within these loans receivable were the following amounts owed by Water Plus:

- £50.4 million (2025: £71.4 million) outstanding on a £95.0 million revolving credit facility provided by United Utilities PLC, with a maturity date of December 2029 with the option for a further 2 years of extension, bearing a floating rate interest rate of the Bank of England base rate plus a credit margin. This balance comprises £54.0 million outstanding, net of a £3.6 million allowance for expected credit losses (2025: £75.0 million net of a £3.6 million allowance for expected credit losses).
- £nil (2025: £2.2 million) receivable in relation to a £12.5 million unsecured zero-coupon loan note held by United Utilities PLC, which had a maturity date of 28 March 2027 but was redeemed on 19 March 2026 in the form of a subscription for £12.5 million of additional share capital in Water Plus (see note 12). As at 31 March 2025, the £2.2 million carrying value of the receivable comprised £11.7 million fair value of amounts owed in relation to the loan note, net of £9.5 million of the group's share of joint venture losses relating to historic periods that were allocated against the loan note as it was deemed to be part of the group's long-term interest in Water Plus. The £11.7 million fair value of the receivable represented the present value of the £12.5 million payable at maturity discounted using an appropriate market rate of interest at the inception of the loan, and £0.8 million recorded as an equity contribution to Water plus recognised within interests in joint ventures.

During the year, United Utilities PLC provided guarantees in support of Water Plus in respect of certain amounts owed to wholesalers. The aggregate limit of these guarantees was £50.7 million of which £27.0 million related to guarantees to UUW.

At 31 March 2026, amounts owed to related parties were £4.0 million (2025: £nil) being amounts due to Water Plus for the surrender of consortium relief tax losses (see note 7).

### Company

The parent company receives dividend income, and pays and receives interest to, and from, subsidiary undertakings in the normal course of business. Total dividend income received during the year amounted to £357.6 million (2025: £344.1 million) and total net interest payable during the year was £106.9 million (2025: £119.6 million). Amounts outstanding at 31 March 2026 and 31 March 2025 between the parent company and subsidiary undertakings are disclosed in notes 13, 16 and 18.

At 31 March 2026 and 31 March 2025, no related-party receivables and payables were secured, and no guarantees were issued in respect thereof. Balances will be settled in accordance with normal credit terms. No allowance for doubtful receivables has been made for amounts owed by subsidiary undertakings as at 31 March 2026 and 31 March 2025.

# Notes to the financial statements – appendices

## A6 Accounting policies

Of the accounting policies outlined below, those deemed to be the most significant for the group are those that align with the critical accounting judgements and key sources of estimation uncertainty set out on pages 195 to 198.

### Basis of consolidation

The group financial statements consolidate the financial statements of the company and entities controlled by the company (its subsidiaries) and incorporate the results of its share of joint ventures using the equity method of accounting. The results of subsidiaries and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date control is obtained or until the date that control ceases, as appropriate.

### Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group is exposed to, or has the rights to, variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. In the parent company accounts, investments are held at cost less provision for impairment.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Joint ventures

Joint ventures are entities in which the group holds an interest on a long-term basis, and which are jointly controlled with one or more parties under a contractual arrangement. The group's share of joint venture results is incorporated using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the group's share of the profit or loss of the joint venture.

### Revenue recognition

Revenue from the sale of water, wastewater and other services represents the fair value of the consideration receivable in the ordinary course of business for the goods and services provided, exclusive of value-added tax. Where relevant, this includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the period end.

There are two main areas of the group's activities considered to result in revenue being recognised:

- The provision of core water and wastewater services, accounting for more than 98% of the group's revenue.
- Capital income streams relating to diversions work and activities, typically performed opposite property developers, that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

The provision of core water and wastewater services, which are deemed to be distinct performance obligations of the contract with customers, follow the same pattern of transfer to the customer, who simultaneously receives and consumes both of these services over time.

Revenue is generally recognised at the time of delivery, with consideration given as to whether collection of the full amount under the contract is considered probable. Should the group consider that the criteria for revenue recognition have not been met for a transaction, revenue recognition, and the recognition of associated receivable balances, would be delayed until such time as collectability is reasonably assured. Any gross debt that is not expected to be recovered through future cash collection is provided against through either an allowance for expected credit losses (non-collection, where revenue had been previously recognised due to recovery being considered probable at the point services were rendered) or credit note provision (incorrectly billed and, therefore, reducing the amount of revenue that should have been recognised). The group recognises a credit note provision typically in relation to non-household customers who can claim allowances against amounts previously billed, in accordance with non-household market codes. Future allowances for which a credit note provision is recognised are estimated based on historic information derived from market operating systems. Credit note provisions held in relation to household customers relate to bill adjustments made after the reporting date.

Payments received in advance of revenue recognition are recorded as deferred income. This includes revenue in respect of connection activities, which itself reflects a distinct performance obligation. The revenue recognised in respect of these activities is released to the income statement over a period of 60 years, which is deemed to be the time over which the performance obligation for providing the connection is satisfied.

### Operating profit

Operating profit is stated after charging operational expenses but before investment income and finance expense and before the share of profits or losses of joint ventures.

### Borrowing costs and finance income

Except as noted below, all borrowing costs and finance income are recognised in the income statement on an accruals basis. Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability are included in the initial fair value of that instrument. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset in accordance with IAS 23 'Borrowing Costs'.

### Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income. Assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law and the result of negotiations with, and enquiries from, tax authorities. A current tax provision is only recognised when the group has a present obligation resulting from a past event and it is probable that the group will be required to settle that obligation to a tax authority.

The amount of current tax provisions or assets is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

#### Current tax

Current tax is based on the taxable profit for the period and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted, or substantively enacted, at each reporting date, and includes any adjustment to tax payable in respect of previous years.

Taxable profit differs from the net profit as reported in the income statement, because it excludes items of income or expense that are non-taxable or non-deductible.

Current tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.





## A6 Accounting policies
continued

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted, or substantively enacted, at each reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all, or part, of the asset to be recovered.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. These deferred tax assets will be recovered against the deferred tax liabilities in relation to fixed assets that will reverse in the same periods.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current assets and liabilities on a net basis.

### Property, plant and equipment

Property, plant and equipment comprises water and wastewater infrastructure assets and overground assets.

The useful economic lives of these assets are primarily as follows:

- Water and wastewater infrastructure assets:
  - Impounding reservoirs – 200 years
  - Mains and raw water aqueducts – 30 to 150 years
  - Sewers and sludge pipelines – 60 to 180 years
  - Sea outfalls – 60 years
- Buildings – 10 to 60 years
- Operational assets – 5 to 80 years
- Fixtures, fittings, tools and equipment – 3 to 40 years

Employee and other related costs incurred in implementing the capital schemes of the group are capitalised. This includes an allocation of estimated time and resources incurred by the group's support functions in supporting capital programmes. The group is required to evaluate the carrying values of property, plant and equipment for impairment whenever circumstances indicate, in management's view, that the carrying value of such assets may not be recoverable. An impairment review requires management to make uncertain estimates concerning the cash flows, growth rates and discount rates of the cash-generating units under review.

Costs associated with a major inspection or overhaul of an asset or group of assets are capitalised within property, plant and equipment and depreciated over the period of time expected to elapse between major inspections or overhauls.

#### Water and wastewater infrastructure assets

Infrastructure assets comprise a network of water and wastewater pipes and systems. Expenditure on the infrastructure assets, including borrowing costs where applicable, relating to increases in capacity or enhancements to the resilience of functionality of the network, is treated as an addition. Similarly, amounts incurred on replacement of assets to maintain the operating capability of the network in accordance with defined standards of service are also treated as an addition. Infrastructure maintenance expenditure that does not result in an asset replacement is expensed as incurred. Infrastructure assets are depreciated by writing off their cost (or deemed cost for infrastructure assets held on transition to IFRS), less the estimated residual value, on a straight-line basis over their useful economic lives.

#### Other assets

All other property, plant and equipment is stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items, including relevant borrowing costs, where applicable, for qualifying assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost, less their estimated residual value, on a straight-line basis over their estimated useful economic lives, based on management's judgement and experience.

Depreciation methods, residual values and useful economic lives are reassessed annually and, if necessary, changes are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating costs.

#### Transfer of assets from customers and developers

Where the group receives, from a customer or developer, an item of property, plant and equipment (or cash to construct or acquire an item of property, plant and equipment) that the group must then use either to connect the customer to the network or to provide the customer with ongoing access to a supply of goods or services, or both, such items are capitalised at their fair value and included within property, plant and equipment, with a liability of the same amount recognised within deferred grants and contributions. The assets are depreciated over their useful economic lives and the deferred contributions released to revenue over the 60 years, which is the estimated period over which an average connection through which the group provides water and wastewater services is expected to be operational. Where the receipt of property, plant and equipment is solely to connect the customer to the network, the contribution is recognised in revenue immediately.

Assets transferred from customers or developers are accounted for at fair value. If no market exists for the assets, then incremental cash flows are used to arrive at fair value.

#### Government grants

Government grants, including those receivable from government agencies and local authorities, are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Where government grants relate to the acquisition or construction of assets, the group has elected to account for the grant by deducting the value of the grant from the asset's carrying amount. Other grants are typically recognised in other income in the period in which the conditions attached to them are fulfilled.

### Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful economic lives. The carrying amount is reduced by any provision for impairment where necessary.

Internal expenditure is capitalised as internally generated intangibles only if it meets the criteria set out in IAS 38 'Intangible Assets'.

Intangible assets, which relate primarily to computer software, are generally amortised over a period of three to ten years.

# Notes to the financial statements – appendices

## A6 Accounting policies
continued

The group expenses costs incurred in the implementation and ongoing operation of computing systems built and delivered on a 'software as a service' ('SaaS') basis and hosted in an external cloud environment. These do not generally give rise to an identifiable intangible asset that the group controls. In limited circumstances, costs incurred in association with the implementation and customisation of a SaaS system may enhance the group's existing digital infrastructure and would be expected to generate broader future economic benefit. Where this results in an identifiable intangible asset that the group controls, the costs are capitalised in accordance with IAS 38 and are subsequently amortised over a period of generally three to sixteen years.

### Impairment of assets

Where appropriate, assets are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss, in accordance with IAS 36 'Impairment of Assets'. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use represents the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

The recoverable amount of the investment in subsidiary companies is assessed using 'Level 2' IFRS 13 fair value hierarchy techniques, with reference to the regulatory capital value ('RCV') of the regulated water and wastewater business, where appropriate. This is used as a proxy in estimating the subsidiary's market value, with the RCV being a regulatory measure determined by Ofwat, based on the company's historic market value plus the value of accumulated capital investment assumed at each price review. The RCV used in this assessment is adjusted for actual spend.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses in respect of assets are recognised in the income statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

### Financial instruments

Financial assets and financial liabilities are recognised and derecognised in the group's statement of financial position on the trade date when the group becomes/ceases to be a party to the contractual provisions of the instrument.

#### Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash, have a maturity of three months or less from the date of acquisition, and that are subject to an insignificant risk of change in value.

From time to time the group places cash on deposits that have a maturity greater than three months but less than 12 months, typically for the purpose of reducing the cost of carrying cash that is not required for the purpose of meeting short-term commitments. These deposits do not meet the group's definition of cash and cash equivalents, and so are not included in the group's cash and cash equivalents balance in the statement of financial position. In the consolidated statement of cash flows, the placement and receipt of these funds are reported as investing activities.

#### Financial investments

Investments (other than interests in subsidiaries, joint ventures and fixed deposits) are initially measured at fair value, including transaction costs. Investments classified as financial assets measured at fair value through profit or loss ('FVPL') in accordance with IFRS 9 'Financial Instruments' are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised in the net profit or loss for the period. The business model employed in respect of financial assets is that of a hold-to-collect model.

#### Trade and other receivables

Trade and other receivables are initially measured at fair value on initial recognition. Trade receivables are held within a business model to collect contractual cash flows that comprise solely payments of principal and interest on the principal amount outstanding. After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. At each reporting date, the group evaluates the estimated recoverability of trade receivables and records allowances for expected credit losses.

The group estimates the expected credit loss on trade receivables applying the simplified approach as permitted under IFRS 9. For trade receivables that are assessed as not impaired individually, the expected credit loss is estimated based on the group's historical experience of cash collection, which is considered to be a good predictor of future collection, as well as the incorporation of other forward-looking information.

Amounts owed by related parties are assessed for credit risk based on the facts and circumstances of the balances receivable. The group assesses the lifetime expected credit losses of loans receivable from its joint venture, Water Plus, based on Water Plus's financial projections and a probability-weighted assessment of scenarios that could impact these. Credit risk is considered separately for trade receivables due from Water Plus and is considered immaterial as amounts outstanding are paid within 30 days.

Other receivables are assessed for credit risk and, where this is material, an allowance for expected credit losses is determined based on historic credit losses adjusted for expected changes in future collection.

#### Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost.

#### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

#### Borrowings

The group's default treatment is that bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently measured at amortised cost applying the effective interest method. The difference between the net cash proceeds received at inception and the principal cash flows due at maturity is accrued over the term of the borrowing. For floating-rate financial liabilities, consisting of the group's SONIA-linked loans and the inflation-linked debt, periodic re-estimation of cash flows reflects the movements in the market rates of interest, and the effective interest rate is adjusted to incorporate these movements. In determining the adjusted effective interest rate, the group incorporates both incurred changes in market rates of interest and expectations of future changes in these rates at the reporting date over the remaining life of the liability.





## A6 Accounting policies
continued

The default treatment of measuring borrowings at amortised cost, while associated hedging derivatives are recognised at fair value, gives rise to an accounting measurement mismatch that has the potential to introduce considerable volatility to both the income statement and the statement of financial position. Therefore, where feasible, the group takes advantage of the provisions under IFRS 9 'Financial Instruments' to make fair value adjustments to its borrowing instruments to reduce this volatility and better represent the economic hedges that exist between the group's borrowings and associated derivative contracts.

Where feasible, the group designates its financial instruments within fair value hedge relationships. To apply fair value hedge accounting, it must be demonstrated that there is an economic relationship between the borrowing instrument and the hedging derivative and that the designated hedge ratio is consistent with the group's risk management strategy.

#### Borrowings designated within a fair value hedge relationship

Where designated, bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently adjusted for any change in fair value attributable to the risk being hedged at each reporting date, with the change being charged or credited to finance expense in the income statement.

Hedge accounting is discontinued prospectively when the hedging instrument is sold, terminated or exercised, or where the hedge relationship no longer qualifies for hedge accounting.

#### Borrowings designated at fair value through profit or loss

Designation is made where the requirements to designate within a fair value hedge cannot be met at inception despite there being significant fair value offset between the borrowing and the hedging derivative. Where designated, bonds and loans are initially measured at fair value being the cash proceeds received and are subsequently measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement.

Under the provisions of IFRS 9 'Financial Instruments', changes in the group's own credit risk are recognised in other comprehensive income.

#### Derivative financial instruments

The group's default treatment is that derivative financial instruments are measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement. The group enters into financial derivatives contracts to manage its financial exposure to changes in market rates (see note A3).

#### Derivative financial instruments designated within a cash flow hedge relationship

Gains or losses resulting from the effective portion of the hedging instrument are recognised in other comprehensive income and in the cash flow hedge reserve with any remaining gains or losses recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item. At the maturity date, amounts paid or received are presented within operating expenses in the income statement.

Upon discontinuation of a cash flow hedge, the amount accumulated in other comprehensive income remains in the cash flow hedge reserve if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to the income statement.

#### Derivatives and borrowings – valuation

Where an active market exists, designated borrowings and derivatives recorded at fair value are valued using quoted market prices. Otherwise, they are valued using a net present value valuation model. The model uses applicable interest rate curve data at each reporting date to determine any floating cash flows. Projected future cash flows associated with each financial instrument are discounted to the reporting date using discount factors derived from the applicable interest curves adjusted for counterparty credit risk where appropriate. Discounted foreign currency cash flows are converted into sterling at the spot exchange rate at each reporting date. Assumptions are made with regard to credit spreads based on indicative pricing data.

The valuation of debt designated in a fair value hedge relationship is calculated based on the risk being hedged as prescribed by IFRS 9 'Financial Instruments'. The group's policy is to hedge its exposure to changes in the applicable underlying interest rate, and it is this portion of the cash flows that is included in the valuation model (excluding any credit risk spread).

The valuation of debt designated at fair value through the profit or loss incorporates an assumed credit risk spread in the applicable discount factor. Credit spreads are determined based on indicative pricing data.

#### Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

### Inventories

Inventories are stated at the lower of cost and net realisable value. For properties held for resale, cost includes the cost of acquiring and developing the sites, including borrowing costs where applicable.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### Employee benefits

#### Retirement benefit obligations

The group operates two defined benefit pension schemes, which are independent of the group's finances, for its employees. Actuarial valuations to determine the funding of the schemes, along with future contribution rates, are carried out by the pension scheme actuary as directed by the trustees at intervals of not more than three years. In any intervening years, the trustees review the continuing appropriateness of the funding and contribution rates.

From a financial reporting perspective and in accordance with IAS 19 'Employee Benefits', defined benefit assets are measured at fair value, while liabilities are measured at present value using the projected unit credit method. The difference between the two amounts is recognised as a surplus or obligation in the statement of financial position. Where this difference results in a defined benefit surplus, this is recognised in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', on the basis that the group has an unconditional right to a refund of any surplus that may exist once the liabilities of the schemes have been settled.

The pension costs under IAS 19 are assessed in accordance with the advice of a firm of actuaries based on the latest actuarial valuation and assumptions determined by the actuary, which are used to estimate the present value of defined benefit obligations. The assumptions are based on information supplied to the actuary by the company, supplemented by discussions between the actuary and management. These assumptions are disclosed in note A4.

The cost of providing pension benefits to employees relating to the current years' service (including curtailment gains and losses) is included within employee benefits expense, while the net interest on the schemes' net defined benefit position is included within investment income, where there is an overall net defined benefit surplus, and finance expense, where there is an overall net defined benefit deficit. Remeasurement gains/losses on scheme assets and liabilities are presented in other comprehensive income.

# Notes to the financial statements – appendices

## A6 Accounting policies
continued

In addition, the group operates a defined contribution pension section within the United Utilities Pension Scheme. Payments are charged as employee costs as they fall due. The group has no further payment obligations once the contributions have been paid.

### Share-based compensation arrangements

The group operates equity-settled, share-based compensation plans, issued to certain employees. The equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a pro-rated basis over the vesting period, based on estimates of the number of options that are expected to vest and according to relevant measures of performance determining the number of shares awarded. The initial fair value of each award scheme is updated for each reporting period to account for lapsed shares and updated estimates of the performance measures. At each reporting date, the group revises its estimate of the number of options that are expected to become exercisable, with the impact of any revision being recognised in the income statement and a corresponding adjustment to equity over the remaining vesting period.

### Provisions and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Expenditure that relates to an existing condition caused by past operations that does not contribute to current or future earnings is expensed.

In cases where there is a possible obligation whose existence will be confirmed by uncertain future events not wholly within the group's control, this gives rise to a contingent liability that will be disclosed, if material, unless the possibility of any economic outflow is deemed to be remote. Contingent liabilities may evolve such that at a subsequent date the recognition criteria for a provision could be met once the uncertainty that previously existed is resolved. If this is the case, a provision is recognised in the period in which the uncertainty is resolved.

### Foreign currency translation

#### Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates applicable on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange applicable on that date. Gains and losses arising on translation are included in the income statement for the period.

Exchange differences arising on investments in equity instruments classified as fair value through other comprehensive income are included in the gains or losses arising from changes in fair value, which are recognised directly in equity. To hedge its exposure to certain foreign exchange risks, the group enters into contracts for derivative instruments (see note A3).

### Leases

At the inception of a contract, the group assesses whether a contract is, or contains, a lease. Where a lease is present, a right-of-use asset and lease liability are recognised at the commencement date. The lease liability is measured at the present value of future lease payments due over the term of the lease, with the right-of use asset recognised as property, plant and equipment at cost. This is generally equivalent to the initial measurement of the lease liability.

Lease payments are discounted using the group's incremental rate of borrowing if the interest rate implicit in the lease cannot be readily determined. For materially all of the group's leases, the group's incremental rate of borrowing is used. This rate is calculated using a number of inputs, being observable risk-free gilt rates, specific data based on bonds already in circulation for the relevant group company, as well as data from the wider utility sector. Further adjustments for payment profile and the term of the lease are made.

After the commencement date, the lease liability is increased for the accretion of interest (being the unwinding of the discounting applied to future lease payments) and reduced by lease payments made. In addition to this, the carrying amount is updated to reflect any remeasurement or lease modifications. Remeasurements are typically required as a result of rent reviews or changes to the lease term. In these cases, a corresponding adjustment to the right-of-use asset is made.

Depreciation of right-of-use assets is charged on a straight-line basis over the term of the lease.

Where leases have a term of less than 12 months from the commencement date and do not have a purchase option, the group applies the short-term lease recognition exemption available under IFRS 16. The group applies the low-value recognition exemption permitted by the standard to leases of assets with a value of less than £2,500. Payments for short-term and low-value leases are, instead, charged to operating costs on a straight-line basis over the period of the lease.

### Statement of cash flows

#### Grants and contributions received

Where government grants are received as a contribution against qualifying fixed assets, and where transactions with customers – typically property developers – result in the expansion of the group's water and wastewater network (and, therefore, its fixed asset base), the relevant cash inflows are classified within investing activities in the period.

#### Interest payments and receipts

IFRS allows interest payments and receipts to be classified within operating activities or financing activities/investing activities. The group classifies interest payments and interest receipts within operating activities, with management viewing these in conjunction with other operating cash flows in assessing the ability of the group to maintain its operating capability.

#### Cash flows from derivatives

The cash flows from derivatives as a result of the group's hedging activities are presented together with the cash flows relating to the underlying hedged item to provide a more faithful representation of the substance of the transaction.

#### Taxes paid

Taxes paid by the group are presented as cash flows from operating activities. The group deems it impracticable to identify the tax cash flows with respect to individual transactions, which may, themselves, be presented in investing activities or financing activities and, instead, present total tax cash flows as operating activities.

#### Changes in working capital

The movement in trade and other payables excludes movements in capital accruals, interest accruals and deferred grants and contributions. These movements are, instead, incorporated as adjustments in other areas of the statement of cash flows.

## A7 Subsidiaries and other group undertakings

Details of the group's subsidiary undertakings, joint ventures and associates at 31 March 2026 are set out below. Unless otherwise specified, the registered address for each entity is the same as that of United Utilities Group PLC: Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP, United Kingdom.

For further details of joint ventures, see note 12.

| | Class of share capital held | Proportion of share capital owned/voting rights %[1] | Nature of business |
|---|---|---|---|
| **Subsidiary undertakings** | | | |
| **Great Britain** | | | |
| Castleshaw Developments Limited | Ordinary | 100 | Energy generation |
| Dunnockshaw Developments Limited | Ordinary | 100 | Energy generation |
| Halkyn District Mines Drainage Company Limited | Ordinary | 99.9 | Dormant |
| Lingley Mere Management Company Limited | Ordinary | 90.0 | Property management |
| North West Water Limited | Ordinary | 100 | Dormant |
| Ramsden Clough Developments Limited | Ordinary | 100 | Energy Generation |
| Trafford Property Limited | Ordinary | 100 | Property management |
| United Utilities (Overseas Holdings) Limited | Ordinary | 100 | Dormant |
| United Utilities Bioresources Limited | Ordinary | 100 | Wastewater services |
| United Utilities Energy Limited | Ordinary | 100 | Energy generation |
| United Utilities Healthcare Trustee Limited | Ordinary | 100 | Corporate trustee |
| United Utilities International Limited | Ordinary | 100 | Non-trading |
| United Utilities North West Limited | Ordinary | 100 | Holding company |
| United Utilities Pensions Trustees Limited | Ordinary | 100 | Corporate trustee |
| United Utilities PLC | Ordinary | 100 | Holding company |
| United Utilities Property Services Limited | Ordinary | 100 | Property management |
| United Utilities Utility Solutions (Industrial) Limited | Ordinary | 100 | Holding company |
| United Utilities Water Finance PLC | Ordinary | 100 | Financing company |
| United Utilities Water Limited | Ordinary | 100 | Water and wastewater services |
| UU (ESPS) Pension Trustee Limited | Ordinary | 100 | Corporate trustee |
| UU Group Limited | Ordinary | 100 | Dormant |
| UU Secretariat Limited | Ordinary | 100 | Dormant |
| YCL Transport Limited | Ordinary | 100 | Dormant |
| **Joint ventures** | | | |
| All joint ventures are accounted for using the equity method and are strategic to the group's activities to varying degrees. | | | |
| **Great Britain** | | | |
| Lingley Mere Business Park Development Company Limited | Ordinary | 50 | Development company |
| Selectusonline Limited | Ordinary | 16.7 | Dormant |
| Water Plus Group Limited[2] | Ordinary | 50 | Holding company |
| Water Plus Limited[2] | Ordinary | 50 | Water and wastewater retail services |
| Water Plus Select Limited[2] | Ordinary | 50 | Water and wastewater retail services |

(1) With the exception of United Utilities PLC, shares are held by subsidiary undertakings rather than directly by United Utilities Group PLC.

(2) Water Plus Limited and Water Plus Select Limited are wholly owned subsidiaries of Water Plus Group Limited. Registered address: Prospect House, Gordon Banks Drive, Trentham Lakes, Stoke-On-Trent ST4 4TW, United Kingdom.





Financials

# Five-year summary – unaudited

The financial summary (unaudited) set out below has been derived from the audited consolidated financial statements of United Utilities Group PLC for the five years ended 31 March 2026.

| Year ended 31 March<br>Continuing operations | 2026<br>£m | 2025<br>£m | 2024<br>£m | 2023<br>£m | 2022<br>£m |
|---|---|---|---|---|---|
| Reported revenue | 2,616.3 | 2,145.2 | 1,949.5 | 1,804.2 | 1,844.3 |
| Underlying revenue | 2,576.4 | 2,145.2 | 1,949.5 | 1,804.2 | 1,844.3 |
| Reported operating profit | 1.099.4 | 631.5 | 480.2 | 440.8 | 610.0 |
| Underlying operating profit | 1,059.5 | 633.8 | 517.8 | 440.8 | 610.0 |
| Reported profit before tax | 779.0 | 355.0 | 170.0 | 256.3 | 439.9 |
| Underlying profit/(loss) before tax | 738.0 | 338.7 | 220.5 | (34.3) | 301.9 |
| Reported profit/(loss) after tax | 586.8 | 264.7 | 126.9 | 204.9 | (56.8) |
| Underlying profit/(loss) after tax | 730.0 | 338.3 | 227.3 | (8.7) | 367.0 |
| Reported earnings per share (basic) | 86.1p | 38.8p | 18.6p | 30.0p | (8.3)p |
| Underlying earnings per share | 107.1p | 49.6p | 33.3p | (1.3)p | 53.8p |
| Dividend per ordinary share | 53.66p | 51.85p | 49.78p | 45.51p | 43.50p |
| Non-current assets | 15,903.4 | 14,685.6 | 13,884.4 | 13,835.8 | 13,823.2 |
| Current assets | 2,223.6 | 2,083.9 | 1,769.0 | 691.4 | 613.8 |
| Total assets | 18,127.0 | 16,769.5 | 15,653.4 | 14,527.2 | 14,437.0 |
| Non-current liabilities | (15,013.5) | (13,693.7) | (12,489.5) | (11,442.6) | (10,791.0) |
| Current liabilities | (872.1) | (1,075.9) | (1,107.8) | (575.9) | (688.6) |
| Total liabilities | (15,885.6) | (14,769.6) | (13,597.3) | (12,018.5) | (11,479.6) |
| Total net assets and shareholders' equity | 2,241.4 | 1,999.9 | 2,056.1 | 2,508.7 | 2,957.4 |
| Net cash generated from operating activities | 1,381.9 | 918.1 | 745.1 | 787.5 | 934.4 |
| Net cash used in investing activities | (1,478.0) | (987.2) | (731.4) | (593.4) | (639.7) |
| Net cash generated from/(used in) financing activities | 221.4 | 358.8 | 1,037.7 | (85.0) | (809.7) |
| Effects of exchange rates | – | – | – | (1.3) | 1.5 |
| Net increase/(decrease) in cash and cash equivalents | 125.3 | 289.7 | 1,051.4 | 107.8 | (513.5) |
| Net debt | 9,943.3 | 9,345.6 | 8,762.7 | 8,200.8 | 7,570.0 |
| RCV gearing[1] (%) | 60% | 60% | 59% | 58% | 59% |

(1) Regulatory Capital Value ('RCV') gearing is calculated as group net debt (see note A2) adjusted for loan receivables from joint ventures, divided by the RCV (as adjusted for actual spend and timing difference) of UUW, including the expected value of AMP7 ex-post adjustment mechanisms.





# Shareholder information

## Key dates

**25 June 2026**
Ex-dividend date for 2025/26 final dividend

**26 June 2026**
Record date for 2025/26 final dividend

**13 July 2026**
DRIP election date for 2025/26 final dividend

**17 July 2026**
Annual general meeting

**3 August 2026**
Payment of 2025/26 final dividend to shareholders

**12 November 2026**
Announcement of half-year results for the six months ending 30 September 2026

**17 December 2026**
Ex-dividend date for 2026/27 interim dividend

**18 December 2026**
Record date for 2026/27 interim dividend

**11 January 2027**
DRIP election date for 2026/27 interim dividend

**1 February 2027**
Payment of 2026/27 interim dividend to shareholders

**May 2027**
Announce the final results for the 2026/27 financial year

**June 2027**
Publish the integrated annual report and financial statements for the year 2026/27

## Dividends paid directly into your bank or building society account

The company no longer sends out dividend cheques by post. Dividends will be paid directly into a shareholder's UK bank or building society account. Please ensure your account details are kept up to date. Shareholders resident outside the UK may wish to use the overseas payment service (charges may apply) – please contact Equiniti via **shareview.co.uk**

You will receive one tax voucher each year. This will be issued with the interim dividend normally paid in February and will contain details of all the dividends paid in that tax year. If you would like to receive a tax voucher with each dividend payment, please contact Equiniti.

## Electronic communications

We're encouraging our shareholders to receive their shareholder information by email and via our website. Not only is this a quicker way for you to receive information, it helps us to be more sustainable by reducing paper and printing materials and lowering postage costs.

Registering for electronic shareholder communications is very straightforward and is done online via **shareview.co.uk**, which is a website provided by our registrar, Equiniti.

Log on to **shareview.co.uk** and you can:

- set up electronic shareholder communication;
- view your shareholdings;
- update your details if you change your address; and
- keep your UK bank or building society account details up to date for dividends to be paid directly into your account.

Please do not use any electronic address provided in this integrated annual report or in any related document to communicate with the company for any purposes other than those expressly stated.

## Online annual report

Our integrated annual report is available online. View or download the full integrated annual report and financial statements from: **unitedutilities.annualreport2026.com**

## Keeping you in the picture

You can find information about United Utilities quickly and easily on our website: **unitedutilities.com/corporate.** Here, the integrated annual and financial statements, responsible business performance, company announcements, and the half-year and final results and presentations are published.

## Registrar

The group's registrar, Equiniti, can be contacted on: **+44 (0)371 384 2041** (please use the code when calling from outside the UK), or for deaf and speech impaired customers, we welcome calls via Relay UK. Please see **relayuk.bt.com** for more information. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Equiniti's address is: Equiniti, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 6DA.

Equiniti offers a share-dealing service by telephone: **0345 603 7037** and online: **shareview.co.uk/dealing**

Equiniti also offers a stocks and shares ISA for United Utilities shares: call **0345 300 0430** or go to: **shareview.co.uk/dealing**

# Shareholder information

## Dividend history – pence per share

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Interim | 14.50 | 15.17 | 16.59 | 17.28 | **17.88** |
| Final | 29.00 | 30.34 | 33.19 | 34.57 | **35.78** |
| Total ordinary | 43.50 | 45.51 | 49.78 | 51.85 | **53.66** |

## Warning to shareholders

Please be very wary of any unsolicited contact about your investments or offers of free company reports. It may be from an overseas 'broker' who could sell you worthless or high-risk shares. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. Further information and a list of unauthorised firms that have targeted UK investors is available from the Financial Conduct Authority at: **fca.org.uk/consumers/unauthorised-firms-individuals**

## Important information

### Cautionary statement:

The integrated annual report and financial statements (the annual report) contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. These forward-looking statements include, without limitation, any projections or guidance relating to the results of operations and financial conditions of the group as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and any strategic initiatives relating to the group, as well as discussions of our business plan and our assumptions, expectations, objectives and resilience with respect to climate scenarios. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast. Certain regulatory performance data contained in this annual report is subject to regulatory audit.

### Terms used in this report:

Unless expressly stated otherwise, the 'group', 'United Utilities', 'UU' or 'the company' means United Utilities Group PLC and its subsidiary undertakings; the 'regulated business', 'regulated activities' or 'UUW' means the licensed water and wastewater activities undertaken by United Utilities Water Limited (formerly United Utilities Water PLC) in the North West of England.

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United Utilities

Water for the North West