
Background

In 2014, Ofwat published its principles on board leadership, transparency and governance (the Principles) which it considered should apply to regulated water companies and their holding companies.

United Utilities continues to support fully Ofwat's drive for the highest standards of board leadership, transparency and governance in the industry and aspires to those same standards at both holding company and regulated company levels. This document sets out our code for achieving those standards.

Ofwat's principles and the UK Corporate Governance Code

As a listed company, United Utilities Group PLC (UUG) complied with the UK Corporate Governance Code (the Code) as disclosed most recently in the 2016 annual report. United Utilities Water Limited (UUG), as required by its licence, has also had regard to the Code since 2008 and has reported annually on its application of the Code in the corporate governance section of its annual report.

The Board is satisfied that its current practices and application of the Code at both holding company and regulated company level are entirely consistent with the Principles published by Ofwat.

United Utilities Water Limited directors and board committees

Following the completion of our non-regulated business disposals in 2010, a governance structure was agreed with Ofwat that allowed directors to be members of both the regulated and holding company boards. We continue to believe that this increases the efficiency and effectiveness of the corporate governance structure. Although UUG does not duplicate the board committees already in operation at the UUG level, it should be noted that UUG represents 98% of the UUG group's revenues. Therefore, the activities of the UUG board committees, whose memberships are made up entirely of independent non-executive directors and who are also independent directors of UUG, are necessarily targeted towards UUG related matters, thus ensuring that the interests of UUG and its customers are safeguarded.

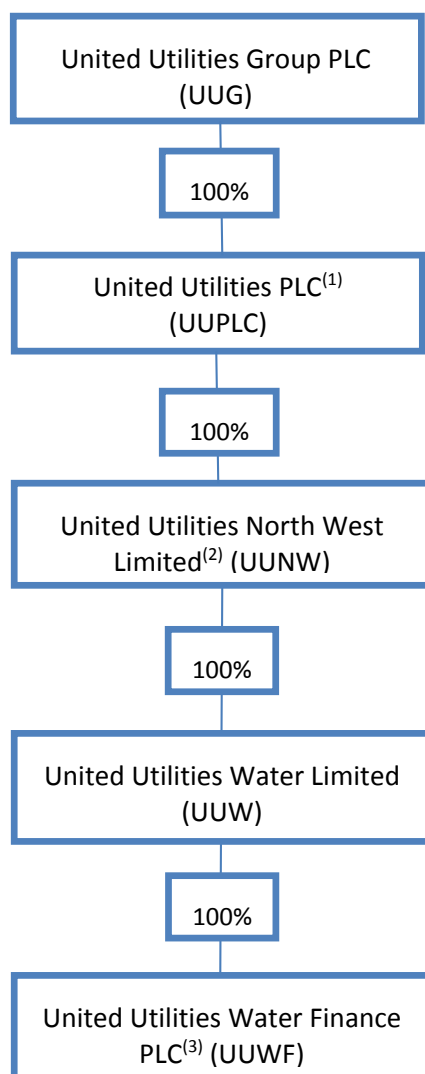
None of our board members represent investors, and directors are expected to make every effort to attend all scheduled board meetings. Although the articles of association of both companies permit alternate directors, they have never been used in practice nor is there any intention to use them. In line with the Code, the roles of the chairman (who was independent upon appointment) and chief executive officer are separate and each has a role specification.

United Utilities group structure

As a group, United Utilities has a simple corporate structure. UUG has a primary listing on the London Stock Exchange with a stock code of 'UU'; it has around 90,000 registered shareholders. Below UUG, there are two intermediate holding companies, one is United Utilities PLC (UUGPLC)⁽¹⁾ (which is also the holding company for a number of non-regulated and legacy/dormant companies) and United Utilities North West Limited (UUNW)⁽²⁾. The regulated company UUG is a direct subsidiary of UUNW which in turn is a direct subsidiary of UUGPLC. Neither UUGPLC nor UUNW are operational entities.

All companies are registered in England and Wales and copies of their accounts are available at Companies House.

United Utilities group structure chart



⁽¹⁾United Utilities PLC – was the listed ultimate holding company prior to July 2008, when the group underwent a scheme of arrangement as part of the return of value to shareholders from the proceeds of the sale of the electricity distribution business. This company is used from time to time to raise debt financing.

⁽²⁾United Utilities North West Limited – previously held the electricity distribution business prior to its disposal in 2007 and is retained for legal purposes.

⁽³⁾United Utilities Water Finance PLC is used to raise debt finance in support of UUW.

United Utilities' Code on Board leadership, transparency and governance principles

The Board's code on complying with the Principles is to continue to comply fully with the Code at UUG and, as far as practicable and efficient, at UUW too. The two are entirely consistent. Both companies will continue to follow the 'comply or explain' approach required by the Code as set out in their respective annual reports and will continually refine their disclosures to improve transparency.