

Our approach to Environmental, Social and Governance: a guide for investors



About United Utilities



“As CFO, I recognise and embrace the importance of ESG. Ensuring United Utilities creates value for all stakeholders in a sustainable manner is a significant pillar of my role. I hope you find the guide useful and I look forward to discussing these topics with you in more detail in the months to come.”

Phil Aspin

Phil Aspin, Chief Financial Officer

Our purpose drives us to deliver our services in an environmentally sustainable, economically beneficial and socially responsible manner, looking after the interests of the stakeholders with whom we interact. The provision of water and wastewater services creates a deep connection between the company and the stakeholders we serve. For investors, this means offering a financial return and, increasingly, demonstrating how we manage, and perform, on issues relating to environmental, social and governance (ESG) matters.

We have a wide-ranging impact on the communities, environment and economy of the North West.

By delivering on our purpose we are creating long-term value for all of our stakeholders.

Providing clean water and removing wastewater from properties is our major contribution to the health and wellbeing of 7 million people in the region.

We believe passionately in using our investment programme to help keep the North West economy moving – generating jobs through our capital investments, providing income for North West residents. Our supply chain provides a stimulus for the development of skills and jobs the region's economy needs.

Protecting and enhancing the natural environment through our activities to help improve rivers, lakes and bathing waters supports a thriving regional tourism industry.

Where we outperform our financial targets, we reinvest in a way that benefits communities, such as enhancing long-term water resilience.



Our purpose

To provide great water and more for the North West.

Our vision

To be the best UK water and wastewater company.

Our strategic themes

The best service to customers

At the lowest sustainable cost

In a responsible manner

Our core values

Customer focused

Customers are at the heart of everything we do, and we aim to provide a great and resilient service at the most efficient cost.

Innovative

We continually look for new ways to make our services better, safer, faster and cheaper.

Trustworthy

We make promises knowingly and keep them, behaving responsibly towards all of our stakeholders.

ESG is fundamental in fulfilling our purpose



Understanding what matters to stakeholders

How we manage ESG matters is essential to how we deliver our purpose and operate in a responsible manner. It starts with understanding which ESG matters are most relevant to our stakeholders and then demonstrating to them we have delivered against the performance expectations we have set.

Our approach to materiality

We consider stakeholder priorities alongside our own assessment of what has the biggest impact on the company and its ability to create value, and the output is presented in our material issues matrix. This stakeholder materiality assessment informs decisions about what we report in documents such as the Annual Performance Report. Setting out issues in this way helps ensure we understand key stakeholder priorities and consider their interests in strategic decision making, helping us create long-term value. Understanding these priorities is fundamental to being a purpose-driven organisation.

Environmental

We rely on the environment as one of our key resources so it is important for the sustainability of our business that we protect and enhance it. We engage with interested groups such as environmental regulators, non-governmental organisations, customers and communities.



Environmental performance



Greenhouse gas emissions



Catchment

Social

Our work puts us at the heart of local communities, places where customers and employees live and work. We seek to develop strong relationships based on mutual trust, respect and an understanding of the impact our work has on their everyday lives.



Affordability and vulnerability



Health, safety and wellbeing



Community investment

Governance

Being open, honest and transparent about what we do and how we perform is key to building and maintaining trust and legitimacy with all. Stakeholders expect us to operate in a responsible manner. They want to know what contribution we are making to the region.



Our approach to corporate governance



Innovation



Responsible finance



For more information, please visit:
unitedutilities.com/corporate/responsibility/our-approach/materiality/

Measuring how we deliver our purpose



Read more about our external accreditation on [page 17](#)



We have a strong track record of leading and delivering on ESG matters. It is more important than ever before that we demonstrate how we are performing against these measures that create value for all.

Focus on Environmental



Sector-leading rating with the Environment Agency

Environmental performance is key for regulator confidence in the water sector. We have achieved 'Leading 4-star status' for three of the last four years in the Environment Agency's annual assessment.

Key point

Catchment systems thinking builds on the legacy of Sustainable Catchment Management (SCaMP) with targeted investment designed to improve environmental performance further by 2025. Our plan includes delivery of 21 natural capital solutions to achieve £4 million added natural capital value.

Focus on Social



Transforming how the sector supports vulnerable customers

North West England has 41 per cent of the most deprived areas in the country, so helping customers struggling to pay their water bills is especially important.

Key point

£71m of voluntary funding to provide financial assistance to customers that need it, helping over 65,000 customers out of water poverty by 2025.

Focus on Governance

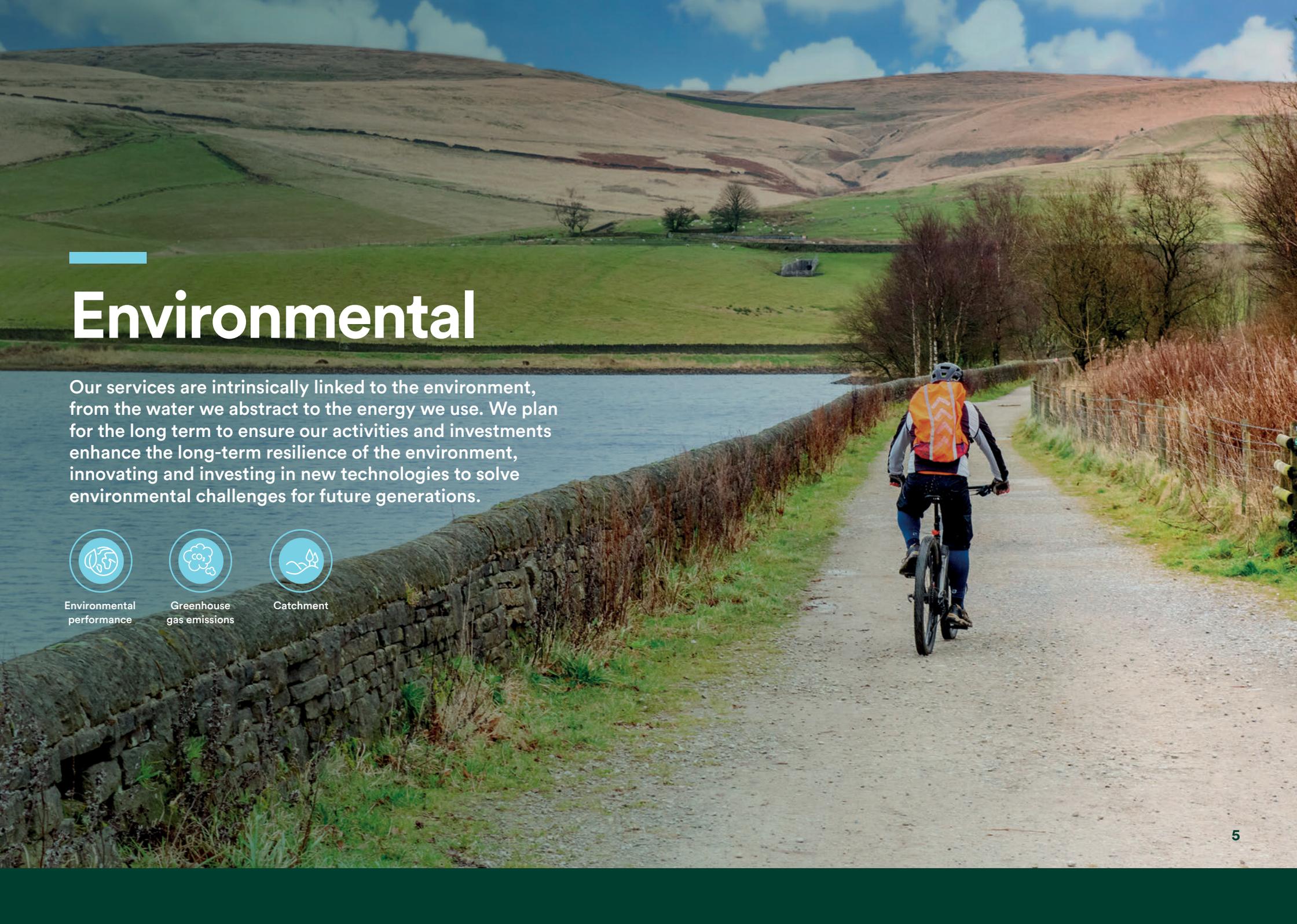


Highest levels of trust and confidence in our reporting

Being open, honest and transparent about what we do and how we perform is key to building and maintaining trust and legitimacy with all.

Key point

Prudent financial risk management and best-in-class pensions position mitigating risk for employees and shareholders.

A cyclist wearing a helmet and a high-visibility orange vest is riding away on a gravel path. To the left is a large reservoir, and to the right is a stone wall and a fence. The background features rolling hills under a blue sky with scattered clouds.

Environmental

Our services are intrinsically linked to the environment, from the water we abstract to the energy we use. We plan for the long term to ensure our activities and investments enhance the long-term resilience of the environment, innovating and investing in new technologies to solve environmental challenges for future generations.



Environmental performance



Greenhouse gas emissions



Catchment



Environmental performance

Given our reliance on the natural environment to deliver our services, we need our environmental performance to be constantly improving. In 2011, the Environment Agency (EA) set out its Environmental Performance Assessment (EPA) to compare English water companies across a set of six comparable indicators. Overall performance is then rated in a star system.

Over the past five years we have consistently been awarded 3 or 4 stars and lead the sector in key measures such as serious pollution incidents.

Reduction in pollution

Since 2015 we have achieved large reductions in pollution incidents and we are now an industry leader. Our performance has improved as a result of a number of process, data and training initiatives, including our environmental compliance green tick campaign. The number of serious pollution incidents has been maintained at a low level, with no serious pollutions in two of the last three years.

Wastewater treatment works compliance

For three of the five years in AMP6, we outperformed this commitment and our ongoing environmental compliance programme will continue to reduce compliance risk. This programme focuses on all aspects of our operations – people, processes, systems and data – and aims to deliver a step change improvement in compliance with our regulatory permits. It involves the implementation of clear processes and accountability, supported by systems and training to enable field teams to deliver improved levels of performance.

External links



For more information, please visit:
unitedutilities.com/corporate/responsibility/environment/environment-performance/



Held
ISO14001

since 2004

Met Ofwat leakage target for

14
consecutive years

All investment programmes to achieve

net gain
for biodiversity

EPA

upper quartile

performance target for AMP7



Greenhouse gas emissions

Climate change has been a subject of strategic and operational focus for us for over two decades. Reducing our carbon footprint is a key part of minimising our contribution to greenhouse gas emissions.

Emissions reduction performance

We have reduced our greenhouse gas emissions by 73 per cent against our 2005/06 baseline. This has been achieved through generating more renewable energy and purchasing certified renewable electricity.

Renewable energy generation

We have over 90MW of installed renewable generation capacity with a mix of generation from wind, hydro, solar photovoltaics and energy recovery from bioresources (using sewage sludge to power combined heat and power generators).

Six carbon pledges to reduce our emissions

Our ongoing contribution to limiting climate change now comprises six company specific pledges:

- 1 Commitment to meet our science-based emissions targets (scope 1&2), with a further 42 per cent reduction by 2030, and 100 per cent reduction by 2050
- 2 100 per cent renewable electricity by 2021
- 3 100 per cent Green Fleet by 2028
- 4 1,000 hectares of peat restoration by 2030
- 5 Planting one million trees to create 550 hectares of woodland by 2030
- 6 Commitment to set science-based scope 3 emissions target by 2021

External links

 For more information, please visit:
unitedutilities.com/corporate/responsibility/environment/climate-change/

 [unitedutilities.annualreport2020.com/strategic-report/our-approach-to-climate-change-\(tcf\)/tcf-metrics-and-targets](https://unitedutilities.annualreport2020.com/strategic-report/our-approach-to-climate-change-(tcf)/tcf-metrics-and-targets)

B rating

in 2019 CDP

Greenhouse gas emissions

73%

reduction from our 2005/06 baseline

Renewable energy generation

191 GWh

equivalent to 24% of our energy consumption

TCFD

Comprehensive Task Force on Climate-related Financial Disclosures report published in 2020 Annual Report



Catchment

The aim of catchment management is to protect and enhance the water environment through managing the surrounding land. We have a long history of doing just that on the 56,000 hectares of land we own around our reservoirs – much of which is open for the public to enjoy for themselves.

Our approach to integrated catchments

Our award winning sustainable catchment management programme (SCaMP) has been successful at demonstrating how, by working with others, we can manage catchments for water quality and other benefits, such as an improved natural environment and a reduction in carbon emissions.

Catchment systems thinking (CaST)

Through catchment systems thinking, we are moving away from asset solutions and towards an integrated approach that combines asset and catchment solutions to deliver a wider number of outcomes. Our natural capital performance commitment will ensure the natural environment is protected and improved in the way we deliver our services.

Innovative catchment markets

We are adopting the use of alternative market mechanisms and innovative business models to align our interests with others in the catchments and incentivise different ways to deliver improvements. Through this combined approach, we are exploring the concept of 'blended finance' (which offers both financial and non-financial returns) to deliver environmental schemes that go beyond statutory requirements because they seek added natural capital value.

External links



For more information, please visit:
unitedutilities.com/corporate/responsibility/environment/catchment-management/



9m

visits to our land each year



CaST is our new approach to tackling water quality issues across the North West.

1m

trees planted to create 550ha woodland by 2030

1st ODI

with reward/penalty focused on enhancing natural capital

A photograph of three people walking on a beach. On the left, a man in a red jacket and grey beanie. In the middle, a woman in a grey jacket and white beanie. On the right, a man in a red and grey jacket and grey beanie. They are walking on a sandy beach with houses in the background under a cloudy sky.

Social

As a provider of water to the North West, we are in a unique position to make a real, positive contribution through everything we work on, every day. Our reputation and the relationships we have with people and institutions enable that contribution.



Affordability and vulnerability



Health, safety and wellbeing



Community investment



Affordability and vulnerability

We help those who are struggling to pay get back into good payment habits. We have one of the largest populations of economically deprived households in the country, with nearly half of the most deprived neighbourhoods in England in the North West.*

Our sector-leading approach

Our ambitious and innovative approach to addressing affordability and vulnerability is seen by Ofwat as sector-leading and we received the highest available assessment in its review of AMP7 business plans.

Supporting those who are struggling to pay their bills

We have one of the sector's most comprehensive set of assistance schemes, supporting over 118,000 customers struggling to pay their bills. Our plans to 2025 include helping over 65,000 customers out of water poverty.

Priority Services

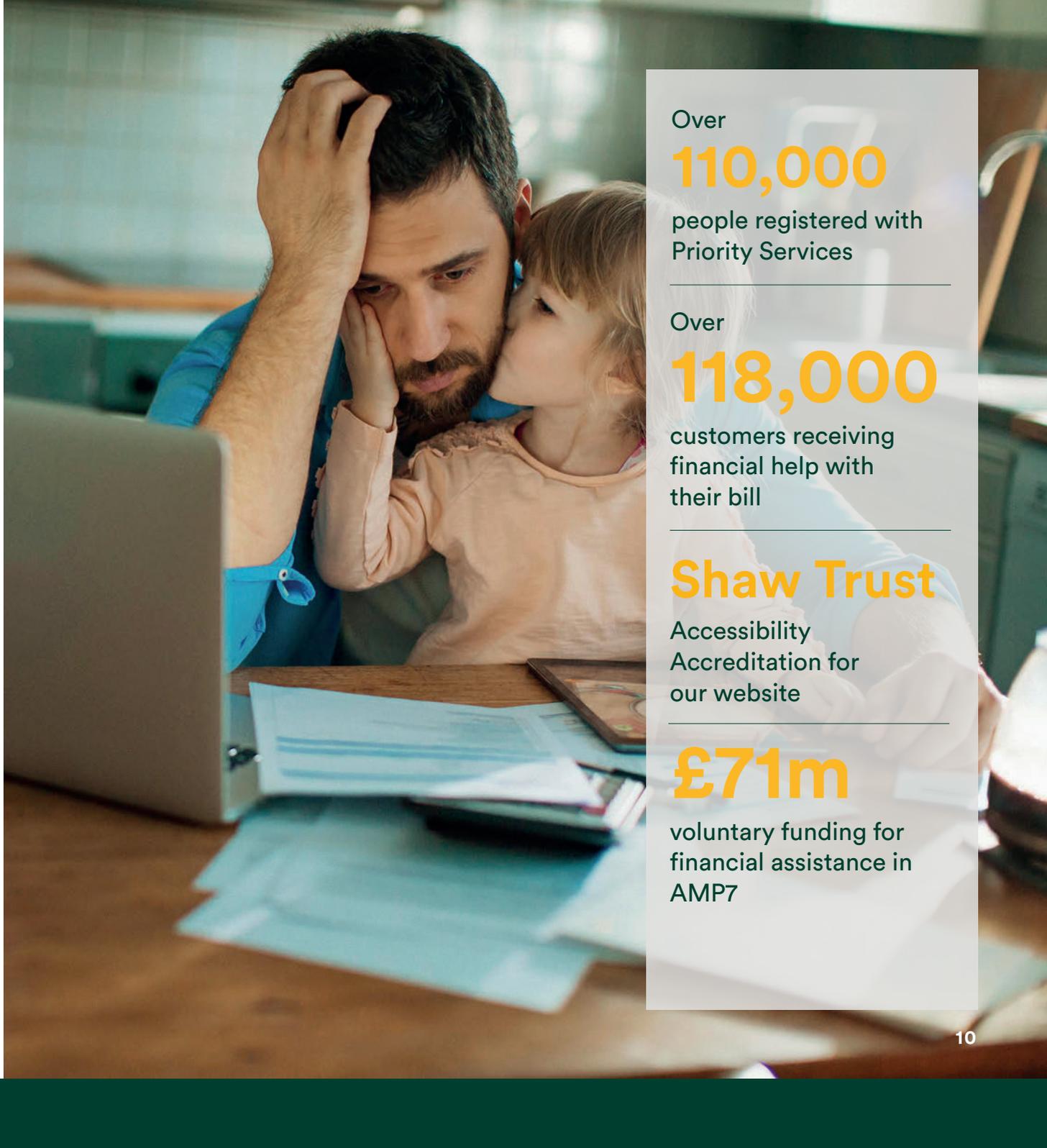
We have taken the lead in transforming how the sector supports customers, particularly those in vulnerable circumstances. We have over 110,000 customers registered for additional support, whether that is due to age, ill health, disability, mental health problems, financial worries or language barriers.

* National Statistics English indices of deprivation 2019 from Ministry of Housing, Communities & Local Government.

External links



For more information, please visit:
unitedutilities.com/corporate/responsibility/customers/helping-those-in-need/vulnerability-and-affordability-report/



Over
110,000
people registered with
Priority Services

Over
118,000
customers receiving
financial help with
their bill

Shaw Trust
Accessibility
Accreditation for
our website

£71m
voluntary funding for
financial assistance in
AMP7



Health, safety and wellbeing

We want all of our employees, contractors and supply chain partners to get home safe and well. Their health, safety and wellbeing is vital to the success of our business, and anyone can stop working if they feel it is unsafe, and to ask for advice or support. We firmly believe that nothing we do is worth getting hurt for.

Home safe and well

In 2018, we started the roll-out of our home safe and well programme. This focuses on behaviour change and includes a positive coaching culture in relation to health, safety and wellbeing. We have won REBA awards for our work on mental and physical health and have been recognised by Britain's Healthiest Workplace for all our improvements over the past two years.

Focus on employee wellbeing

We have trained over 200 people as Mental Health Supporters or Wellbeing Champions. They listen and provide guidance in a non-judgemental, open way for anyone who wants to talk about their mental health. Their principal role is to provide support and guide employees to seek additional help should they need it.

External links



For more information, please visit:
unitedutilities.com/corporate/responsibility/employees/health--safety--wellbeing/



ROSPA
gold



Accident frequency rate
(per 100,000 hours)

0.110

Employee

0.083

Contractor

zero

accidents by 2030



Community investment

We work in the heart of local communities, and aim to go the extra mile for these neighbourhoods, especially when our work is disruptive. During the past five years we have contributed over £35 million to communities and our Trust Fund. Our strategy focuses on three issues most relevant to the region and our business: affordability and vulnerability; environment and recreation; and education and skills.

Youth programme

We run a six week programme supporting local young people not in work, education or training back into employment through skills development. This collaboration has supported over 120 young people, with 74 per cent of participants in paid employment after the programme. The Prince's Trust measure the social value of the programme at £150,000 per person.

CommUnity Share

Our business plan for 2020–25 includes sharing benefits with customers from outperformance. We have made a guarantee to provide £71 million of company-funded customer support schemes, such as £46 million for our 'back on track' support tariff.

Graduates and Apprenticeships

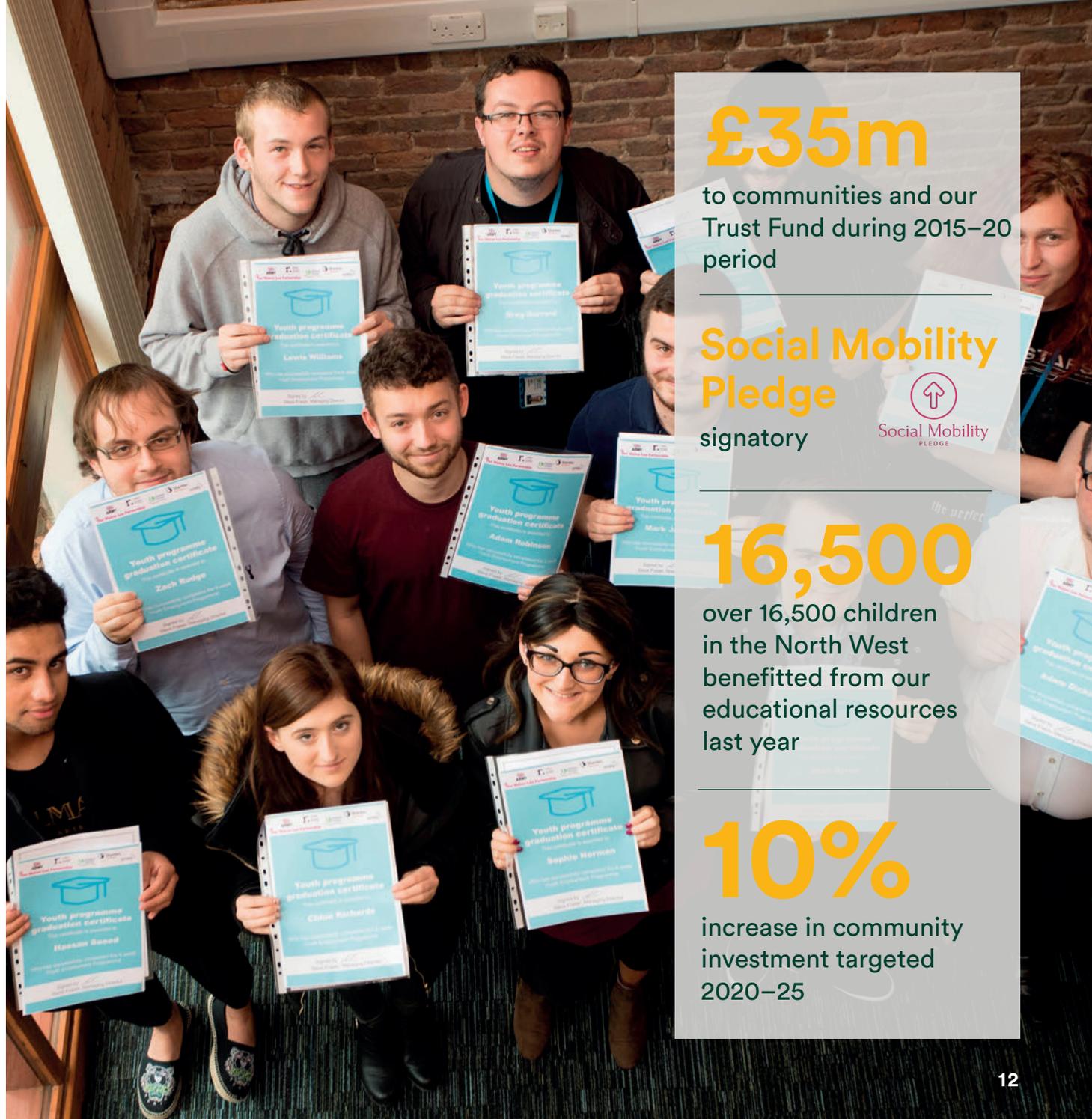
We currently have 36 graduates and 102 apprentices on their respective training schemes, upskilling through access to relevant qualifications and placements, using our dedicated training centre at Bolton.

In 2020 we are one of the Glassdoor top 20 best places to work in the UK.

External links



For more information, please visit:
unitedutilities.com/corporate/responsibility/communities/



£35m
to communities and our Trust Fund during 2015–20 period

Social Mobility Pledge
signatory



16,500
over 16,500 children in the North West benefitted from our educational resources last year

10%
increase in community investment targeted 2020–25



Governance

We aim to maintain high ethical standards of business conduct and corporate governance – those systems and processes through which our organisation is managed, controlled and held accountable.



Our approach
to corporate
governance



Innovation



Responsible
finance



Our approach to corporate governance

As a public listed company, we consistently adhere to the highest levels of governance, accountability and transparency. We comply fully with the principles and the spirit of the UK Corporate Governance Code, and have procedures and policies in place to ensure we act in accordance with the Universal Declaration of Human Rights.

Anti-bribery and internal control

We have an anti-bribery policy that all employees must follow, and processes in place to monitor compliance with the policy. Our sustainable supply chain policy sets out that we do not tolerate corruption, bribery and unfair anti-competitive actions by our own staff or our suppliers.

Resilience

Our continued investment in our assets and risk management approach helps ensure we maintain operational, financial and corporate resilience for the long term.

Fast-track business plan

We received the highest grades in the sector against the test areas in Ofwat's initial assessment of business plans, and were one of only three companies to be awarded a fast-track rating. This achievement is a recognition of the quality of our plan and of the transformation we have made, which has been delivered through a consistent customer-focused approach and a drive for continuous improvement.

External links



For more information, please visit:
unitedutilities.com/corporate/about-us/governance/



Multiple winner of
PwC Public Trust

Reporting awards

No breaches

of our anti-bribery and corruption policy

£350m

additional investment from AMP6
outperformance
improving resilience and services

Compliance with

UK Corporate Governance Code



Innovation

Our proven approach to innovation is externally recognised as being the most embedded in the sector. In our AMP7 business plan we reported that the application of our established innovation model is expected to deliver £445 million of savings from 2010 to 2025. We are actively working with global innovators, from small start-ups to large, established corporations, reaching far beyond the water sector.

Innovation Lab

This sector-first, ten-week programme provides successful applicants with the opportunity to test their solutions in a live environment, while gaining access to, and building relationships with, senior United Utilities executives. The Lab comes with the potential to lead to longer-term commercial partnerships. Challenges are set to the marketplace to enable innovative smaller companies with solutions to come forward.

CEO Challenge

We run an annual competition, sponsored by the CEO and directors across the organisation, where our graduates are engaged in solving real business challenges to improve service and efficiency. Giving graduates the opportunity to work on real business challenges, with freedom to make decisions, learn from any mistakes, and change the way we do things, assists in their development and helps embed an innovation mindset at all levels of our business.

External links



For more information, please visit:
unitedutilities.com/innovation/



Industry leading

approach/most embedded culture of innovation (Ofwat)

Three

Innovation Labs launched

31

teams taken part in CEO challenge

£445m

expected savings from innovation between 2010-2025



Responsible finance

Long-term financial resilience starts with a robust balance sheet and prudent approach to financial risk management. This is one of our competitive advantages and we believe we are at the frontier in this respect. We have maintained a responsible level of gearing and a well-controlled pension position for many years.

Strong credit rating

We have maintained a stable RCV gearing over the last ten years, always within our target range of 55 to 65 per cent, supporting a stable A3 credit ratings with Moody's. This ensures we retain efficient access to debt capital markets throughout all economic cycles.

Best in class pensions position

We have taken progressive steps to de-risk our pensions position. We have a relatively stable IFRS pension surplus and have eliminated our deficit on a funding basis, achieving low-dependency such that the pensions schemes have minimal reliance on the company going forward. This mitigates risk for our employees past and present, and for shareholders.

Fair Tax Mark

We continue to be fully committed to paying our fair share of tax and behaving in an open and transparent manner in relation to our tax affairs. In July 2019 we were delighted to secure the Fair Tax mark, an independent certification that recognises organisations that pay the right amount of corporation tax at the right time and in the right place.

External links



For more information, please visit:
unitedutilities.com/corporate/investors/

A3

Credit rating with
Moody's

62%

Gearing*



Our pensions
scheme has achieved
low-dependency

* measured as group net debt/UUW's
regulatory capital value (RCV), as at
31 March 2020

External benchmarking

Index/rating

Description

Performance



The Dow Jones Sustainability Index ranks the sustainability approach of the top 10 per cent of the world's biggest companies based on long-term economic, environmental and social criteria.

For 2019, our overall performance was 79 per cent and we attained World Class status for the 13th consecutive year. We were awarded SAM Silver Class in the Sustainability Yearbook 2020.



FTSE4Good

The FTSE4Good Index measures the performance of companies who demonstrate strong ESG practices against globally recognised responsible business standards.

We have been named in the FTSE4Good Index every year for the last 17 years. Latest review June 2019.



ISS recently expanded its methodology used by investors to identify governance risks within their portfolios to include environmental and social risks.

In the annual review of November 2019 our status was assessed as Prime.



Provides ESG ratings on an AAA to CCC scale according to exposure to industry specific ESG risks and ability to manage those risks relative to peers.

As of 2019, United Utilities Group PLC received an MSCI ESG rating of AA.



Sustainalytics provides ESG risk ratings that summarise company performance in relation to industry peers and gives an overview of ESG controversies.

In 2020 Sustainalytics has given us a low risk rating with a score of 19.1. This positions us as 2nd out of 40 in the water utility sector.



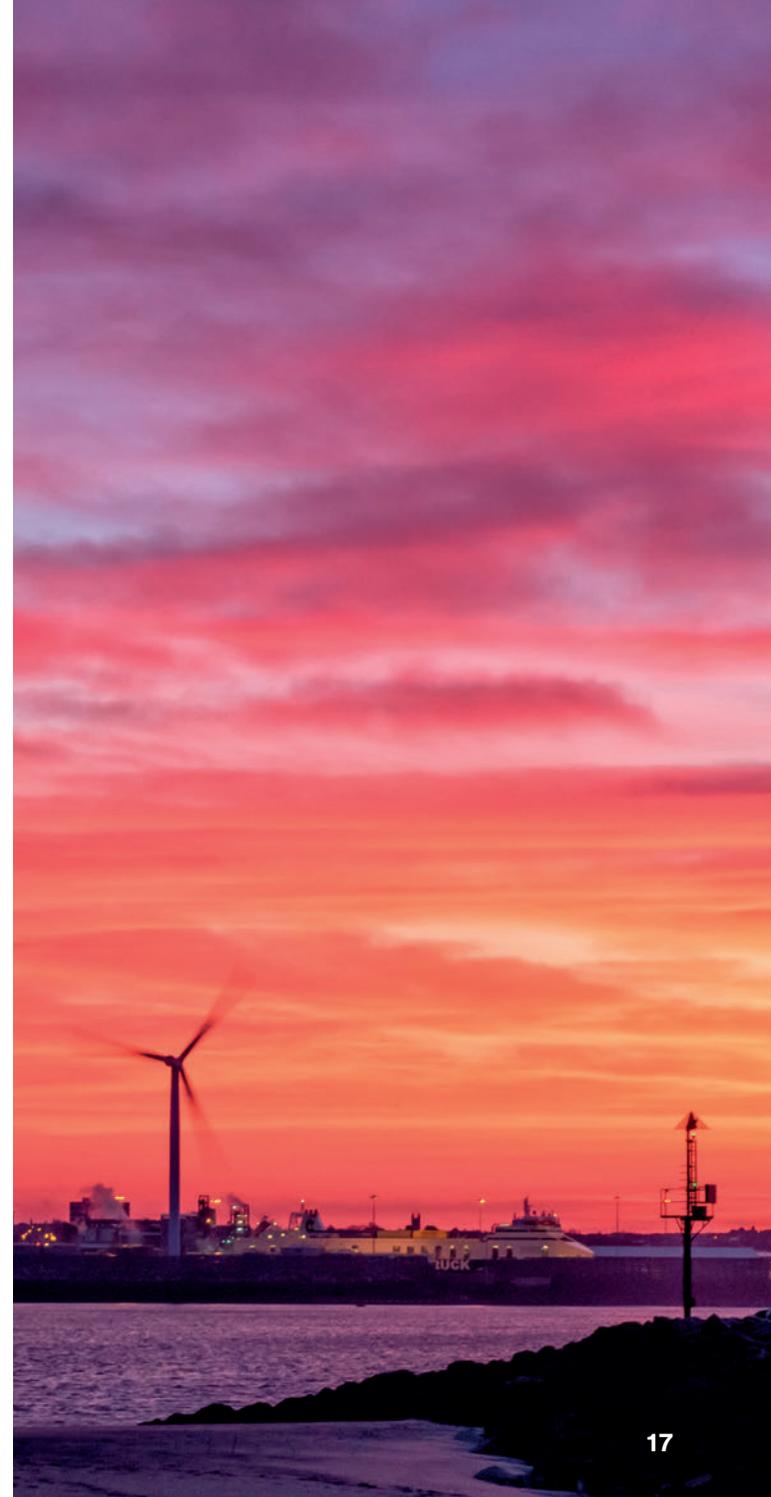
Euronext Vigeo Eiris indices are composed of the highest-ranking listed companies according to an evaluation of their ESG performance.

We are part of the UK 20 (the 20 most advanced companies in the UK) as of December 2019.



Composition of the Ethibel Sustainability Indices is based on a best-in-class approach to companies included in their sustainable Investment Register combined with ethical exclusion criteria.

United Utilities Group PLC has been reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe since 8 May 2020.



For further information please go to:

unitedutilities.com/corporate/responsibility

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Water for the North West