



We value the diverse perspectives that a broad range of stakeholders, representing different and often competing interests, can bring to our decision-making.

S172(1) Statement

Our key decisions during the year to 31 March 2023

Introduction

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 2023 including:

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

Cyber security

Link to strategy



The decision

To respond to calls from investors and company commentators on the board's oversight of cyber issues and security. Cyber risk ranked as a top ten risk at United Utilities and this has been the case since 2019. The board receives presentations from the chief security officer, who reports functionally to the company secretary, twice a year, providing the board with insight into mitigation activities employed by the group in response to the evolving threat of cyber and physical security attacks. The board is kept apprised of developments in this area, and, in particular, matters impacting the water and other utility sectors. During the year, the audit committee, as part of its responsibility for financial internal controls, received a presentation on the management and assurance of the IT controls environment and its contribution toward mitigation of cyber crime. The board spends time understanding the increasing threats to the group's cyber/digital security and overseeing management's actions to mitigate the risk of a serious cyber attack (see pages 53 and 69), with board members providing their experience of similar issues faced by other sectors to the board's discussions. Our Systems Thinking approach real-time digital monitoring capabilities have produced significant operational performance improvements, but adversely raised the risk of cyber attack, in a similar way to that of hybrid working.

How we engaged with stakeholders

Preparedness to mitigate cyber attacks is a topic investors are often keen to explore. As a provider of essential services for UK Critical National Infrastructure, the group is governed by The Network and Information Systems Regulations (NIS Regulations), which came into force in 2018 and focus on cyber security compliance; monitoring/enforcement of these regulations is within the remit of the DWI. The group is required to comply with the Security and Emergency Measures Direction (SEMD) which directs water undertakers to maintain plans to provide a supply of water at all times and includes security components. A SEMD report is submitted annually to DWI and is subject to independent attestation prior to the submission. Colleagues are encouraged and trained to be vigilant to phishing and cyber attacks and a variety of modern protective defence tools are employed to protect our systems and data.

The board's view

The group's information security policies and compliance are aligned to ISO 27001. Good progress is being made with the programme of work to comply with the NIS Regulations, although the evolving nature of the sector-specific profile defined by the DWI can be challenging.

The board is strongly averse to accepting cyber risk within the group's business strategy or operational activity. The approach to the protection of information and data held by the group about its assets and operations, customers and colleagues is aligned with the group's strategic priority of delivering great service for all customers and the board believes that this would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Better Rivers: Better North West

[Link to strategy](#)



The decision

Storm overflows help to minimise the risk of sewer flooding in periods of heavy rainfall by allowing heavily diluted wastewater to be released directly to the environment. The group committed to four pledges in its Better Rivers: Better North West programme to underpin a revival of rivers across the North West region. £230 million has been committed to deliver environmental improvements, supporting at least a one-third sustainable reduction in the number of activations recorded from our storm overflows by 2025 compared to the 2020 baseline, leading to 184 kilometres of improved waterways across the group's region. We have committed to accelerate these plans and get a head start on future requirements through £250 million of reinvestment funded from outperformance, to take action to improve river health across our region and make other environmental improvements.

How we engaged with stakeholders

Collaborative action will deliver the best results for our region, and an important step in the journey was the organisation and participation in the Future Rivers Forum in November 2022, which brought together representatives from environmental NGOs, businesses, local authorities and our regulators to focus on identifying new collaborations and collective actions to improve river health. Customers have told us we must report on the steps we are taking to improve river health. Our storm overflows report was published in December 2022, coinciding with the holding of the first Environmental AGM, which was attended by over 30 North West environmental leaders including representatives from local nature partnerships, wildlife trusts, rivers trusts, combined authorities and other environmental stakeholders. A new partnership was launched with farmers to work with the farming community to incentivise farming practices that reduce the impact to river health, share best practice and develop sustainable farming clusters.

The board's view

Storm overflow activations are a big area of focus for the whole industry as part of improving river health. Following keen interest from the public and government, and publication of the new Environment Act 2021, ambitious targets have been set for a progressive but substantial reduction in activation frequency across the country. The North West receives 28 per cent more average annual water runoff than other regions and the industrial legacy of our region means we have a much higher proportion of combined sewers, with 55 per cent of our network taking both waste and surface water, compared with the industry average of 33 per cent.

We were an early adopter of activation monitoring and have one of the largest installed bases in the sector, with 100 per cent coverage to be achieved by 2023. Our Better Rivers programme is delivering improvements that support our target of at least a 33 per cent reduction in activations by 2025, from a 2020 baseline. We have already made great headway, delivering a 39 per cent reduction so far. We are conscious that performance can be significantly influenced by weather and while we are extremely pleased with the progress delivered so far, we recognise that there is more we could do, both individually and as a sector. The Government has asked us to go faster, and we have responded by identifying additional investment that could be spent in AMP7 but would be fully recovered in AMP8. We are still early in the process of scoping and costing our environmental programme for AMP8, but as a result of these targets and other drivers coming out of the Environment Act, early indications point to an investment that could be significantly higher than the average level over the last two AMP periods. Given the size of this potential investment, we are in discussions with regulators about balancing the pace of investment in light of affordability and deliverability considerations, and the investment needed to meet these new environmental requirements is likely to run over successive AMP periods.

The board, in committing to playing its part in improving river health, believes this would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Water Industry National Environment Programme (WINEP)

[Link to strategy](#)



The decision

Approval of the 2025–30 WINEP that sets out how United Utilities intends to meet its obligations from environmental legislation and UK Government policy.

How we engaged with stakeholders

We have been working in collaboration with our regulators, Ofwat, the Environment Agency, Natural England and Defra, and our suppliers who are key to helping us deliver our programme.

The board's view

The company has taken all reasonable steps to deliver a high-quality WINEP programme that offers 'best value' as defined by the WINEP Options Development Guidance⁽¹⁾ as well as the Water Industry Strategic Environmental Requirements (WISER) based on a sound and robust evidence base.

In relation to the 'affordable to deliver' requirement for a best value plan, the company has sought to make the plan as affordable as possible. However, the WINEP and WISER requirements are driving a programme of very significant size and scale and with an ambitious timetable for implementation. This means that it is not possible at the time of the WINEP final submission in January 2023 to conclude that the programme would be affordable to customers as a whole. The company will continue to engage with the UK Government and regulators to understand the scope to improve this position. The WINEP programme has been subject to sufficient processes and internal systems of control to ensure the reliability of information and has been assured in line with the published assurance framework. The company has appropriately considered the feedback and recommendations from independent external assurance partners. Notwithstanding the board's support for the submission, it highlighted the considerable risk associated with the programme including the risk relating to: affordability, deliverability, the long-term impact on operating costs, the impact on whole-life carbon, and the impact on operational and delivery performance. The submission of the WINEP is a statutory requirement and having taken all reasonable steps to deliver a high-quality WINEP programme the board believes our proposed programme is one that would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

⁽¹⁾ Water industry national environment programme, Options development guidance, July 2022, version 3.