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3 June 2025

Rt Hon Mr Alistair Carmichael MP

Chair, Environment, Food and Rural Affairs Committee

By email

Dear Mr Carmichael,

EFRA Committee - Reforming the water sector

Thank you for your letter of 13 May 2025, requesting further information to support the Committee's inquiry into reforming the water sector. I am pleased to provide our answers to each of the questions in turn below, and where relevant, we have also provided links to information that is already published in the public domain and which is relevant to the questions the Committee has asked.

Remuneration models and dividend policies

As a FTSE100 listed company on the London Stock Exchange we adhere to the highest levels of governance, transparency and accountability. We have consistently, and over many years, demonstrated high standards of transparency and corporate governance on our remuneration policy and approach. This includes undertaking independent assessment of our policies and practices, such as our renumeration scale, to identify and adopt best practice and to reflect on market benchmarks. Our director’s renumeration policy, annual report on remuneration and information on how directors' remuneration is linked to company performance is published on our website each year within our Annual Report and Financial Statements[1]. It is also important to note that any performance related pay outcomes received by executive directors are not paid for by customers.

Regarding dividends, the Board has an established dividend policy[2] with robust and well-evidenced principles, which has been consistently applied right across AMP7 (2020-25). Our policy complies with or exceeds Ofwat’s updated licence condition P requirements and historic Ofwat guidance. Our policy has not significantly changed over the past 5 years as we were already complying with or exceeding requirements. However, we have expanded the information we outline in our annual performance report to reflect increasing stakeholder interest in our performance and dividends paid.

[1] The 2023/2024 Annual Report and Financial Statements is available at https://www.unitedutilities.com/globalassets/documents/corporate-documents/31404-united-utilities-ar-2024.pdf See pages 158-162 for our director’s renumeration policy; pages 146 -157 for our annual report on remuneration; and pages 142-145 for a summary of how our renumeration is linked to company performance.

[2] Details of our dividend policy and its application is published in the Annual Performance Report. See, for example, pages 137-141 at https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-annual-performance-report-2023-24

How our remuneration committee is selected and who sits on it

United Utilities has established a remuneration committee in line with the requirements set out in section 5 of the UK Corporate Governance Code (the Code), which sets out the principles, remit and responsibilities of remuneration committees[3].

The current members of the committee are Kath Cates (member since September 2020 and committee chair since July 2022), Alison Goligher (member since August 2016) and Doug Webb (member since July 2021). These committee members have extensive experience in the management of publicly listed companies; remuneration policy and practice; and non executive director roles[4]. In accordance with Section 3 of the Code, these members are selected by the nomination committee, which leads the process for appointments, based on merit and objective criteria, promoting diversity and with a combination of skills, experience and knowledge. The terms of reference for the nomination committee and the remuneration committee are published on our website[5].

The remuneration committee reports annually on its work and decisions through the Remuneration Committee Report[6], which is also published on our website. In addition, the committee seeks regular advice and assurance from independent third parties on remuneration matters including analysis of the remuneration policy and regular market and best practice updates, to ensure our policy and its implementation remains up to date with best practice and relevant emerging trends.

The remuneration committee ensures that executive pay outcomes are aligned with the interests of all our stakeholders. For many years we have incorporated a substantial link in our performance pay outcomes with delivery for customers, communities and the environment. It is central to our approach that overall performance for these key stakeholder groups substantially influences executive performance related pay outcomes. Further information on this is set out in the Remuneration Committee Report and disclosures, again, as published at the link below.

Our remuneration policy for senior executive bonuses

The current remuneration policy is set out within the Directors' Remuneration Report and we also provide comprehensive disclosures regarding the remuneration of all board directors (including executive directors), in compliance with relevant governance requirements and expectations including: Ofwat's Board leadership, transparency and governance principles; The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013; the FCA Listing Rules; and the requirements of the Financial Reporting Council in the UK Corporate Governance Code and its Guidance on Board Effectiveness.

The Directors' Remuneration Policy is subject to a shareholder vote every three years, and everything we then do pay (and the way it is paid) to executive directors is put to an annual shareholder vote. Our current policy was approved at the United Utilities Group (UUG) PLC AGM in July 2022. The main change in our 2022 policy compared to our 2019 policy was that the committee extended the circumstances in which the malus and clawback provisions attached to our performance pay schemes

[3] See https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2018.pdf

[4] For information on UUG's board members please see https://www.unitedutilities.com/corporate/about-us/governance/our-board/

[5] See the Terms of Reference section at https://www.unitedutilities.com/corporate/investors/shareholders/corporate-governance/

[6] The Remuneration Committee Report for 2023/24 is on pages 140 to 163 of our 2023/2024 Annual Report and Financial Statements is available at https://www.unitedutilities.com/globalassets/documents/corporate-documents/31404-united-utilities-ar-2024.pdf

could apply, having taken note of the proposals in the 2021 BEIS white paper on 'Restoring trust in audit and corporate governance'.

Whilst the full policy is publicly available, for ease of reference we have summarised the key points pertaining to executive performance pay below.

The majority of the remuneration that executive directors are eligible for each year is performance-related (69%) and long-term (52%). This balance recognises the importance of focusing on aspects of performance that will improve outcomes for customers, communities and the environment for the long-term. Under current policy, each year the executive directors are eligible for:

- bonuses worth a maximum of 130% of their salary and based on stretching performance targets as described below; and
- long-term incentives worth 130% of salary on grant and assessed over a three-year performance period, followed by an additional holding period so that in total at least five years must elapse before any shares are due.

Of these performance pay schemes, currently 75% of the annual bonus and at least 50% of long-term incentives are directly linked to delivery for customers and the environment. Overall, this amounts to nearly 63% of all performance pay, with the measures selected by the remuneration committee being clear customer priorities as identified by research into what matters most to them, such as water quality, minimising spills from storm overflows, improving water quality, and helping vulnerable customers.

In addition to performance, customer service and environmental measures, there are incentives based on financial measures, reflecting the need to manage the financial strength of the company. It is important that incentives exist to ensure that the company is managed efficiently and that returns to investors are sufficient to attract necessary new funds for investment into the business, especially during a time of immense transformation and change in the sector. We are very conscious that performance related pay and bonuses in the water sector are facing growing scrutiny from the public and media. As a result, as well as ensuring we set robust and stretching targets each year, we have also taken the decision that all performance related pay outcomes must be paid for by shareholders, rather than by customers. While performance related pay remains very important in attracting and retaining talented people at UU as we embark on our biggest ever investment programme in the North West, we believe it is appropriate that this should be paid for by shareholders.

The remuneration committee takes steps to make sure that performance pay outcomes are based on stretching targets. A number of factors are considered when setting stretching targets, including our business plan, our historic performance and improvements required, relative sector performance, and regulatory requirements and determinations.

It is central to our remuneration approach that overall performance for customers, communities and the environment influence executive performance pay outcomes for senior executives. Our pay policy enables the committee to override formulaic incentive outcomes by exercising discretion on outcomes if deemed necessary, and all assessments of performance are ultimately subject to the committee's judgement. So, when determining the outcomes for executives at the end of a performance pay period the committee also considers the extent to which the formulaic outcomes are aligned with the experience of customers, communities and the environment, amongst other stakeholders. Clear disclosure is provided in our published annual remuneration report showing our performance against the targets set and the other lenses through which the committee has considered the performance outturn, including the rationale for the eventual outcomes and the impact of any discretion used.

The committee has a track record of rigorously applying these governance mechanisms. Most recently, it exercised and disclosed the use of discretion in May 2024 by applying downward adjustments to the senior executive's bonuses in recognition of disruption caused to customers and communities by an operational incident in the summer of 2023.

Our long-term stewardship responsibilities are facilitated by a number of best practice governance mechanisms including the following:

- Our performance pay schemes include comprehensive and legally enforceable malus and clawback provisions that enable the committee to withhold or recover payments in a number of circumstances.
- Executive directors are required to defer at least 50% of any bonus received into shares and these only become available after a period of three years.
- Long-term incentive outcomes are subject to an additional holding period so that in total at least five years must elapse before any shares are due.
- These deferral and holding mechanisms provide 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 holding or deferral period. This could include the use of the malus and clawback provisions, where deemed appropriate.
- Executive directors are required to build to and retain a material personal shareholding in the company of at least 200% of their salary within five years of their appointment. Combined with the deferral and holding periods, this means their interests are strongly aligned with the long-term performance of the company.

We believe that our executive remuneration policy and approach, including the performance pay elements, is well-aligned to: providing high standards of services for customers; protecting and enhancing the environment; and best practice corporate governance standards.

<u>Our dividend policy</u>

Our board has an established dividend policy[7], which complies with or exceeds Ofwat's updated licence condition P requirements and historic Ofwat guidance.

Before declaring any dividends, the board will consider a wide range of factors including: service delivery for customers and the environment; company performance in the round and over time; and consideration to the company's current and future investment needs and financial resilience over the short and longer term. An example of how this policy is applied in practice was during the COVID-19 pandemic. Given the uncertainty surrounding the outbreak of Covid-19 in 2020, the board decided not to pay a dividend during the financial year 2020/21 to ensure that United Utilities Water (UUW) maintained a robust and financially resilient profile. Only when, in the following year, the impact of COVID-19 on the business was better understood was any subsequent payment approved.

In the last five years, dividend considerations have been further underpinned by commitments to maintain normal levels of gearing and additional financial support for customers beyond regulatory requirements, funded in full by shareholders.

We are a very financially resilient company, having a robust balance sheet with gearing for UUG at 60%, supporting strong investment credit ratings for UUW of Baa1/BBB+/BBB+. This position is further

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[7] Details of our dividend policy and its application is published in the Annual Performance Report. See, for example, pages 137-141 at https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-annual-performance-report-2023-24

supported with our pension scheme being fully funded on a low dependency basis, meaning there are no long-term unfunded pension liabilities. The financial resilience of the company is a key underpin in dividend decision making.

Dividend policy disclosures are thorough and transparent and clearly communicated to stakeholders through the Annual Performance Report[8].

UUW's dividend policy for the 2020–25 regulatory period was set as follows:

Ref	Policy	Comment/Justification
i)	a 4% (nominal) return on the actual equity portion of the shadow RCV, paid in relation to the appointed activities of UUW	The base dividend policy of 4% is broadly aligned to Ofwat's Final Determination 2020-25 allowed cost of equity. This level is consistent with Ofwat's published expectation for companies that are performing in line with the determination in 2020-25, with little real RCV growth to support, and no particular financial resilience concerns
ii)	a further dividend comprising the profit after tax in relation to the non-appointed activities of UUW	Non-appointed profits are typically relatively small (e.g. circa £2 million in 2023/24)
iii)	an amount no greater than demonstrable outperformance versus the final determination	This is only distributed after very careful consideration by the board

One of our key underlying principles is that dividend distributions must be fully supported by earnings and performance. Across the last five years, our financial flows assessment – prepared in line with Ofwat's regulatory reporting requirements - clearly demonstrated total returns well in excess of dividends paid across the period. UUW's outperformance distribution equated to 21% of total outperformance earned between 2020-25, a clearly sustainable level going forward. This is also consistent with the evidence presented by our Chief Financial Officer, Phil Aspin, at the EFRA Select Committee on 26 February 2025[9].

Legal and advertising fees

Spend on legal action against Ofwat, the Environment Agency and the Drinking Water Inspectorate

United Utilities has not brought any legal action against Ofwat, the EA or DWI in the last 5 years and nor has it appealed Ofwat's price reviews. A high bar would always be applied before having to take recourse to legal action as part of any regulatory or judicial process.

Advertising spend over the last five years

We use a multi-channel approach to ensure that we can raise awareness of our support and advice with as many customers as possible through the way they may choose to look for help and information. Campaigns include providing support and information for customers on how to get a lower bill through

[8] See, for example, pages 137-141 at https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-annual-performance-report-2023-24
[9] See question 331 at https://committees.parliament.uk/oralevidence/15500/pdf/

metering; additional help if struggling to pay the bill; and encouraging behavioural change, including water efficiency and how to avoid blockages and drainage issues.

On average, over the last five years, the company has spent approximately £1.8 million per annum on airtime and advertising space. The largest elements of this are sponsorship for the local TV weather forecast and for airtime on local radio stations, which provides customers with useful cues about the need to use water efficiently and take care about what is safe to flush or dispose of in drains.

These messages are complementary to other promotional activities in the region, such as being present in shopping centres and at popular local events and venues and through using social media campaigns as well as traditional email and postal messages to customers.

During AMP7 (2020-25), these campaigns supported our delivery against bespoke regulatory targets to influence customer behaviour and increase customer awareness. One regulatory target was based on increasing customer awareness of behaviours that can increase flooding risk through – for example – putting fats, oils and greases into the drain and discouraging this in order to reduce flooding risk. We used the impactful 'Stop the Block!' identifier to badge our campaign collateral to drive consistency and memorability, and we used a range of media channels to reach our customers across the North West.

Another regulatory target was based on ensuring that customers were more aware of how to use water efficiently in the home. Again, a multi-channel approach has been used to communicate water efficiency and conservation measures.

Performance was tracked by an independent customer research organisation to measure customer awareness. This showed that awareness of 'what not to flush' messaging increased to 80% from 27% between 2021 and 2024, corresponding with a 27% reduction in blockages from 15,544 to 11,368 over the same time. Awareness of water efficiency messages increased from 52% in 2020 to 74.3% in 2024, corresponding with an 8.6% fall in consumption per person per day.

As we have reported in our Annual Performance Reports, both targets were achieved in each of the first four years of AMP7[10]. Our report for the fifth year of AMP7, due to be published in July, will confirm that we also met our target for these measures in 2024/25.

Advertising and promotional activities also support a number of other customer campaigns such as promoting financial assistance schemes for those who may be struggling with their water bills, highlighting our priority services scheme for vulnerable customers, and ways to get a cheaper bill, such as promoting our metering lowest bill guarantee scheme. We use social media to help target that information to customers that may need our help. Our latest research shows that 80% of our customers are aware of the additional services we offer.

Replacement rates of assets

United Utilities takes seriously its responsibility to provide high levels of service based on prudent asset stewardship alongside efficient management of costs. Asset replacement is one of a number of factors that delivers service resilience. Cost effective and efficient service delivery means managing our asset base through an appropriate blend of asset rehabilitation, renewal and operational interventions. Since 2015, we have increased our investment in improved performance monitoring, asset information systems and decision support tools, and response and recovery capabilities. This approach has improved our resilience in the round, as evidenced in our supply interruptions performance, reduced

[10] Performance targets A04 – Helping customers look after water in their home and G04 – Customer awareness of the risk of flooding is reported on pages 39 and 88 respectively of our 2024/25 Annual Performance Report, published at https://annualperformancereport2024.unitedutilities.com/media/uguai3sf/31849-uu-apr-2024-index-linked.pdf

risk from single points of water service failure and capability to recover from significant shocks such as the December 2022 freeze thaw event.

Over the same period, we have focused on operational optimisation, to reduce bursts and leakage, and enhanced response capabilities, including the deployment of our Alternate Supply Vehicle (ASV) fleet. These initiatives have often delivered better cost-benefit outcomes than traditional asset replacement and have allowed better use of and longer useful lives for assets in situ, without the need for customers to pay for earlier replacement than was necessary.

Asset replacement during AMP7 (2020-25)

Our approach to asset replacement planning is considered over a longer timeframe than a single five year period, to ensure sustainable investment and avoid short-term decisions that could undermine long-term performance. For example, significant investment in our water network between 1990-2010 enabled us to maintain service levels even whilst requiring fewer replacements in recent years. This illustrates the value of strategic, forward-looking asset management which takes into account asset condition and performance based on a longer term approach.

During the last five years we routinely replaced assets across our asset base and invested in the planning for future improvements. This activity was delivered through a combination of planned major projects and tactical responses to faults or failures. The balance between planned and reactive replacement varied by asset type, for example:

- **Water network**: Planned interventions were primarily focused on large-scale strategic works, including: over £200 million on major aqueducts such as development of the Haweswater Aqueduct Resilience Programme and the Vyrnwy Aqueduct Modernisation Programme; many service reservoirs, including building a new service reservoir in Kerridge, new and refurbished tanks across West Cumbria; and reducing the risk of water quality failures at interventions across numerous other reservoirs.
- **Wastewater Network**: Our previous asset replacement approach was predominantly reactive, driven by operational needs. However, over the last five years we transitioned to a more proactive approach through our £86 million Dynamic Network Monitoring programme, which saw us deploy over 20,000 advanced sensors into wastewater network. This significantly enhanced our situational awareness by providing real-time monitoring data, allowing us to monitor assets and identify needed replacements or repairs.
- **Water and Wastewater treatment works**: A number of large-scale maintenance projects were initiated, including over £250 million invested in our critical water treatment works at Oswestry, Huntington, Watchgate and Hodder and over £60 million invested in our Wastewater Treatment Works at Ellesmere Port, Fleetwood and Kendal. These were complemented by extensive tactical replacements to address emerging issues and maintain operational resilience, with our overall investment totalling more than £500 million across water and wastewater during AMP7.
- **Bioresources**: Over £88 million was spent over the last five years with older, end-of-life assets being replaced with larger, more centralised capacity to improve efficiency and long-term sustainability, including over £30 million at our Ellesmere Port, Dukinfield, Eccles, Liverpool, Manchester, Bury and Oldham bioresource installations.

Our holistic approach to asset management during 2020-25 ensured that we maintained and improved service levels, while responding flexibly to emerging needs across our asset base. Extended asset lives through more targeted replacement, rehabilitation and operational interventions have proven to be consistent with improved levels of service and lower levels of cost.

Asset management in AMP8 (2025-30)

Over the next five years we will continue to enhance our asset information and decision-making processes, targeting cost-beneficial investment to secure resilience and service improvements. This involves maintaining existing assets, optimising operational interventions to make best use of existing assets and building new assets that accommodate growth or expanding quality requirements.

As we set out in our PR24 business plan, we expect that there will be an increase in asset replacement in the medium term – especially in AMP9 (2030-35) and beyond. This reflects that the opportunity to cost-effectively extend asset utilisation through operational interventions is likely to reduce.

During AMP8 we are planning to build on our previous experience and good performance, as demonstrated by examples of specific activities set out below:

- **Water network**: We are targeting a replacement of approximately 2% of the length of the network over the next 5 years. This is an increase from the 2020-2025 period, reflecting a strategic shift toward more proactive asset renewals. We also plan to continue our investment in our major aqueducts, through the Vyrnwy Aqueduct Modernisation Programme and the replacement of the Haweswater Aqueduct in a £2.9bn programme[11].
- **Wastewater network**: We will enhance our targeting programme, which prioritises proactive CCTV inspections and sewer rehabilitation in postcodes with the highest historical risk of sewer flooding to prevent sewer flooding. Over 2025-30, we anticipate rehabilitating approximately 245km of gravity sewers. In parallel, we plan to replace or structurally refurbish 21km of rising mains by March 2030. We are also investing in strategic infrastructure upgrades to enhance system resilience. Notably, we are allocating approximately £9 million to upgrade the Mersey Estuary Pollution Alleviation Scheme (MEPAS) interceptor sewer.
- **Water treatment works**: We anticipate an increase in the number of major replacement projects, driven by the ageing profile of our assets. Approximately 10% of our water treatment works are approaching end-of-life for key components, necessitating targeted investment on core assets to maintain service resilience. We plan to invest over £300 million of base expenditure over the next five years to address these issues and some of the activities we will undertake include:£44 million to upgrade storage facilities for hazardous materials, such as chlorine; £25 million for chemical tank replacements; and £25 million in upgrading legacy treatment plants.
- **Wastewater treatment works:** We plan to invest over £350 million of base expenditure to support a higher volume of asset renewals and maintenance programmes across a number of our wastewater installations to: reduce pollution and spills; modernise our asset base; and improve performance and compliance. We are also allocating £3.8 million of this investment to our Wonderful Windemere project and working with partners to reduce phosphorus levels entering the lake through third party discharges.
- **Bioresources:** The consolidation strategy introduced in 2020-25 will continue, with over £140 million focused on replacing dispersed, end-of-life assets with larger, centralised capacity. However, our implementation strategy may be influenced by forthcoming legislative changes, particularly those related to recycling to land of sewage sludge.

[11] See https://www.unitedutilities.com/corporate/newsroom/latest-news/united-utilities-identifies-preferred-bidder-for-haweswater-aqueduct-resilience-programme/

We have published further detail on our approach to asset health as part of our PR24 business plan which can be accessed at the link provided below[12]. This sets out how our plans have developed as risk profiles evolve, new threats and opportunities emerge and regulations change.

Assessment of our asset management approach

As set out above, asset replacement is just one element of service resilience. We want confidence in the health of our assets to ensure service and environmental performance can be sustained and enhanced, and are resilient to increasing frequency and severity of external stresses, such as climate change. This is why we use three primary concepts to consider measurement of asset health (fitness, wellness, life expectancy); these are outlined in our asset health framework, published in 2021 and available online.[13]

Our approach to asset lifecycle management has been independently certified to ISO 55001. This allows us to target sustainable and efficient service delivery in line with legal and statutory commitments and the requirements of stakeholders. Our understanding of the asset base scored highly in Ofwat's Asset Management Maturity Assessment (AMMA.)[14] This gives us confidence that investment decisions are being optimised to maximise overall value for money for customers.

We work to avoid disruption that negatively impacts customers or the environment. We do this by proactively managing risk associated with our assets, systems and processes, with control and mitigation focusing on preventing or limiting problems, while maintaining the capacity to respond effectively. Our business risk and resilience management process has been developed and assessed against the International Risk Management Standard ISO 31001.

We remain committed to active engagement with the industry to help shape a more sustainable, risk-informed approach to long-term asset management. We are encouraged that Ofwat has established a cross-industry workstream (the "Asset Health Roadmap") to further consider the approach to asset health information, monitoring and management – including whether additional expenditure on asset replacement represents good value for money for customers. **Tackling Water Poverty**

The degree of socio-economic challenges in the North West means the need for affordability support is greater than in many other areas of England and Wales. This is why we place particular emphasis on delivering effective customer assistance schemes, providing financial and non-financial support to customers who need our help[15], and why United Utilities has committed £200 million of direct shareholder support to our affordability schemes during 2025-30, boosting their value to £525m in total over AMP8 (2025-30). United Utilities is recognised as an industry leader in supporting customers who are in vulnerable situations or have financial challenges. We do this through direct help with water bills and, where possible, working with partners to secure broader support for customers' financial situation. Nevertheless, the scale of the socio-economic challenges in the North West means that there remains a significant number of people who will face affordability challenges opposite their utility bills and the broader cost of living.

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[12] See https://pr24.unitedutilities.com/pdfs/UUW07_chapter_7.pdf, especially section 7.6.10.

[13] See https://www.ofwat.gov.uk/wp-content/uploads/2021/04/United-Utilities-Asset-Health-Framework-Future-Ideas-Lab.pdf

[14] Available at https://www.ofwat.gov.uk/regulated-companies/resilience-in-the-round/operational-resilience/asset-resilience/

[15] A full list of all six of our social tariff schemes can be found here - https://www.unitedutilities.com/my-account/your-bill/difficulty-paying-your-bill/how-we-can-help/

Measurement of water poverty levels and the success of affordability schemes

We have invested in a comprehensive suite of direct financial support offerings, including industry-first capabilities in open data and data sharing. Using advanced data and analytic capabilities we've been able to focus our efforts on identifying and supporting the customers at greatest financial risk, proactively promoting the support available and encouraging customers to contact us if they are struggling to pay. Through a range of schemes we are now directly supporting around 380,000 customers with payment of their bills. This represents more than 1 in 9 customers and we expect this will rise to 1 in 6 customers by 2030. We see this as demonstrative that schemes have good levels of reach with eligible customers.

Our range of affordability support has been developed collaboratively with customers and stakeholders. Using advice from a Customer Affordability and Vulnerability Panel we have put in place a support package that is considered industry leading, not only meeting but often exceeding best practice standards. Practices such as our new flexible 'PayAsUGo' scheme, extensive partnership working including our annual Affordability Summit, and use of insight and intelligence to anticipate the needs of customers and target action, have been highlighted by both Ofwat and CCW as representing good practice. We were recognised for "exemplary" performance following Ofwat's 2023 'Paying Fair' review into company provision and customer access to affordability schemes, debt management and cash collection processes[16].

Government statistics show that United Utilities serves 47% of the most severely deprived communities in England.[17] This means that social and economic circumstances in the region create a particularly challenging environment for addressing affordability across all utility bills. Water and wastewater services are not an exception to this. In 2021, research by Frontier Economics estimated that up to 10% of households in the UUW region were likely experiencing water poverty - 60% higher than the national average rate of 6%. This is despite the fact that bills in the region are broadly in line with industry averages. Many of these customers are likely to be experiencing financial challenges across the cost of living and utility bills more generally.

Assessment of whether a customer is in water poverty is typically based on whether a household spends more than 5% of household income (excluding housing costs) on their water bill. We estimate the number of affected households by triangulating our billing data with income data from the HM Government Family Resources Survey. In 2024, we projected that without our affordability schemes, 274,000 households would spend more than 5% of their disposable income on water. Our support efforts directly resulted in 34,000 households being lifted out of water poverty entirely. We believe that the overwhelming majority of the remainder are eligible for and receiving support from our schemes to reduce their water bill, even whilst they face broader challenges in relation to the cost of living.

During AMP7 we were set a regulatory target of reducing the number of customers in water poverty. This target defined water poverty based on a 3% of disposable income metric. As reported in our Annual Performance Report, we have significantly outperformed this target in each year of AMP7, and our action directly reduced the number of customers in water poverty by 84,000 based on this metric and performance target[18].

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[16] See https://www.ofwat.gov.uk/regulated-companies/vulnerability/how-water-companies-are-committing-to-paying-fair-our-compliance-assessment/#assessment

[17] See https://pr24.unitedutilities.com/pdfs/UUW02R_chapter_2.pdf, specifically page 12. UUW's analysis is taken from the Ministry of Housing, Communities & Local Government's English indices of deprivation 2019, which can be found at: https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019

[18] See reported performance opposite metric E01 – Number of customers lifted out of water poverty – for example, page 72 of the 2023/24 Annual Performance Report at united-utilities-annual-performance-report-2023-24

With 380,000 customers receiving some form of support – rising to around 590,000 by 2030 – we believe that United Utilities is making a meaningful difference to affordability of water bills for customers that face far broader financial and affordability challenges across their cost of living.

We actively work to raise awareness of the affordability support we offer, particularly with key customer groups where our information indicates they are most likely to have a need for additional support. Through targeted messaging, outreach campaigns and working with community partners we are raising the awareness of the full range of support that is available. For example, tools such as our 'Hardship Hub' provide a one stop shop for debt advice, giving debt advisers easy access to over 550 support schemes from around 230 different organisations operating in the North West. This holistic approach recognises that customers experiencing challenges in affordability opposite their water bill are likely also facing broader financial challenges.

When it comes to water, we ensure easy access to support for customers that are looking for it. For example, our 'Water Without Worry' webpage brings together all elements of our customer services to help customers take control of their bills and access the support they need with both their payments and the services we provide[19].

Actions to eliminate water poverty by 2030

Whilst the level and quality of support provided is welcomed by customers, and recognised by regulators and third sector organisations, we acknowledge that the scale of support we can offer is not sufficient to fully address the root causes of water poverty in the North West. Fundamentally, this is driven by the extent of poverty and deprivation in the region. Current Defra social tariff guidance also places some limits on the scale of social tariff support we can offer, despite our expectation that 1 in 6 customers will be able to access financial support to meet their water charges by 2030.

We recognise that as bill rises begin to take effect, affordability will become more challenging for customers and we will need to take even greater strides to assist customers in affording their bills. The combined impact of bills rising faster than inflation, a rising population and uncertainty around future household incomes make it unlikely that there will be full elimination of water poverty by 2030.

Nevertheless, we remain highly committed to company actions to deliver reductions in water poverty as far as possible. For example, this year we introduced a new low-income discount. Working with the DWP we have been able to auto enrol 180,000 customers that are likely to be struggling to meet the costs of their water charges, providing each home with a discount of £50 on their bill. As outlined above, between 2025 and 2030 we plan to deliver our largest ever affordability support package, with £525 million worth of bill reductions and support grants being provided to customers that are struggling to meet the cost of water charges, including £200 million of company funding. United Utilities is one of a small subset of companies that provides direct funding from shareholders to support affordability schemes as part of its customer support package[20].

Whilst this help is welcomed by customers, we recognise that more needs to be done to meet water poverty targets at either the 3% or 5% level. We have long advocated for broader reform of social tariffs. The industry needs large scale social tariff reform that goes beyond innovation around existing tariffs. We have been one of the leading voices in the sector supporting the introduction of a Single Social Tariff scheme with CCW and others to advocate an approach involving cross-regional transfers.

[19] See https://www.unitedutilities.com/my-account/your-bill/difficulty-paying-your-bill/water-without-worry/

[20] Shareholder investment into customer support over the last five years (2020-25) was £158 million and will increase to £200m by 2030.

We also believe that proactive support is crucial to reaching those that need it most. Companies and government (notably the DHSC, DWP and HMRC) must work collaboratively to establish data shares to better identify customers in need of support, and where appropriate support the auto enrolment of these customers onto companies' social tariffs.

Data transparency

As I set out during the oral evidence session on 26 February 2025, transparency and customer confidence is extremely important to United Utilities and over the last year we have invested to improve our transparency further.

Environmental Information Regulations (EIR)

As part of our broader commitment to transparency and in response to discussions with the Information Commissioner's Office (ICO), we have significantly strengthened the way we manage Environmental Information Regulations (EIR) requests. In 2024, we introduced three dedicated roles focused solely on overseeing all aspects of EIR activity. This investment has allowed us to improve both consistency and quality of our responses, and to embed more robust processes for sharing our data.

In 2023/24, we disclosed over 16 million rows of data in response to EIRs and are on track to disclose more than 17 million rows of data in 2024/25. This increase reflects the growing volume of information requests and demonstrates our proactive approach and ongoing commitment to openness and transparency.

To ensure this information is accessible to the public, we publish our responses via an EIR disclosure log[21] on our website[22]. This provides a central repository for the public to review data that has already been disclosed, categorised by both interested party and subject matter, improving visibility and reducing the need for duplicate requests. Also published is our response to the ICO's Practice Recommendation and data on our performance on delivering EIR responses within statutory timescales. We are on track to meet 100% timeliness compliance for Q2 2025.

Water resources

Water is a precious resource, and additional capacity is needed to respond to climate change adaption and to meet future growth demand. It is the responsibility of both water companies and water users to be prepared for current and future pressures on water supply. This is why we endeavour to do more to connect communities to where their water comes from and to better understand their usage. We publish weekly updates on all our reservoir levels[23] so that customers and other stakeholders can track capacity. The data shows the actual position, any change in the week and a comparison of the average year and prior year.

Around 85% of our region's drinking water comes from surface water sources, such as reservoirs. While the North West is known for its wet weather, the rain falls unevenly across the region, resulting in some reservoirs being more sensitive to dry spells. Following the recent dry weather, our reservoir levels are much lower than is usual at this time of year and we have sent over 4 million direct emails to customers to: raise awareness of reservoir levels and provided information on how to save and re-use water

[21] See https://www.unitedutilities.com/corporate/responsibility/environment/environmental-information-regulations/united-utilities-eir-disclosure-log/

[22] Information on our compliance can be found on our website and information on Q2 2025 compliance will be uploaded in July - https://www.unitedutilities.com/corporate/responsibility/environment/environmental-information-regulations/

[23] See https://www.unitedutilities.com/help-and-support/your-water-supply/your-reservoirs/reservoir-levels/

around homes and gardens; and for customers to report leaks to us[24]. As a result of our most recent email, there were around 9,000 clicks through to our reservoir levels webpage and a significant increase in customer reporting of water leaks, with over 200 leaks reported in one day - the highest volume of leaks reported.

In addition to mass communications, we have used targeted communications around water efficiency to help connect communities with their local water source and capacity levels. For example, in Oldham, awareness of water levels increased by more than 9 per cent to 67 per cent awareness.

We also provide information to the Environment Agency on surface water capacity, which is published in its monthly 'Water Situation Report for England[25]' and 'Water Situation Area[26]' reports. These reports measure and monitor:

- the amount of rain that falls
- how dry the soils are and how much rain they can soak up
- the amount of water flowing in rivers
- the amount of water stored below ground in aquifers and above ground in reservoirs

<u>Rivers and beaches</u>

Live data on the operation of storm overflows is published on our website on a near-real time basis through the storm overflow map[27]. This enables the public to view the location and indicative operational status of our storm overflows. Customers can search using their postcode, or by navigating the map using conventional map tools. Links are provided to the national storm overflow plan for England, showing the future delivery dates for improvements to be made under the Environment Act.

The United Utilities Better Rivers microsite[28] contains a wide variety of information on the investment plans, case studies, accelerated investment, community partnership fundings and our monthly and annual performance statistics.

Live data on the operation of storm overflows is also published on the National Storm Overflow Hub[29]. Bathing water boundaries are also shown, giving an indication of which bathing waters might be impacted by the discharge of any overflow. The Hub publishes an application programming interface for the data feed for live storm overflow status, meaning anyone can access the live data feed and use it to create their own visualisation tool or website.

We are one of four water and sewerage companies that publishes a consolidated monthly download of storm overflow start and stop times on our website[30] as part of our commitment to Open Data. Copies of our annual Event Duration Monitor regulatory submissions can be downloaded from the same location and is also available on the Environment Agency's website[31]. From 2024, we began publishing

[24] Dry weather, especially extended periods of hot, dry weather, can increase leaks in water pipes due to soil movement and increased pressure on pipes. The soil shrinks and cracks as it dries, putting stress on underground pipes, which can lead to bends, cracks, and displacement, ultimately resulting in leaks or bursts.
[25] See https://www.gov.uk/government/publications/water-situation-national-monthly-reports-for-england-2025
[26] See https://www.gov.uk/government/publications/water-situation-local-area-reports
[27] See https://www.unitedutilities.com/better-rivers/storm-overflow-map/
[28] See https://www.unitedutilities.com/better-rivers/
[29] See https://www.streamwaterdata.co.uk/pages/the-national-storm-overflow-hub
[30] See https://www.unitedutilities.com/better-rivers/our-challenges/storm-overflow-performance/
[31] This information is also available from the Environment Agency website at https://environment.data.gov.uk/dataset/21e15f12-0df8-4bfc-b763-45226c16a8ac

previous year's total daily flow data annually, aligned with regulatory submissions. Again, this is available on the same part of our website.

The Committee will be aware that new river water monitors are to be introduced during 2025-2030. It is intended that information will be added to both the United Utilities storm overflow map and the National Storm Overflow Hub, when devices are installed and commissioned in line with the Environment Agency's Water Industry National Environment Plan.

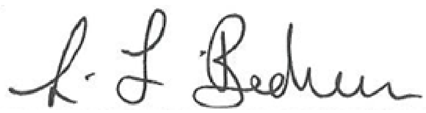
<u>Drinking water</u>

Drinking water in England and Wales is amongst the most tightly regulated and best quality in the world, with a compliance rate of 99.97%. We recognise public interest in drinking water quality and the results from our regulatory drinking water quality sampling programme are published on our website[32].

Customers can insert their postcode to obtain a summary of the water quality information relevant to their specific neighbourhood, along with detailed information on sample results, including the number of samples taken and whether samples exceeded the relevant standard. The data feed is updated weekly and shows a rolling 12 months of data. The site also gives customers insight on where their water comes from, as well as answers to the most frequently asked questions, for example information on the hardness of the water supply which is useful to adjust dishwasher settings.

I trust that this information is all helpful to the committee. Please do let me know if you would like any further information to be made available to you.

Yours sincerely



Louise Beardmore

Chief Executive Officer

[32] See https://www.unitedutilities.com/help-and-support/your-water-supply/