



























Corporate governance report

Summary of board activity in 2016/17

| | Cross reference | Link to strategic objectives |
|---|-----------------|---|
| Leadership and employees | | |
| — Regular review of health and safety incidents of employees and contractors reflecting the company's belief that 'nothing we do is worth getting hurt for' | See page 38 |  |
| — Considered board succession planning and the appointment of a new non-executive director | See page 68 |  |
| — Reviewed and discussed executive succession plans and the needs of the business; the potential changes arising out of market reform; and received an update on the activities to develop talented employees in the senior leadership team but also extending this focus to middle management and further increasing diversity, given the strong progress already made in the apprentice and graduate programmes | See page 66 |  |
| — Discussed the results of the annual employee engagement survey | See page 38 |   |
| Strategy | | |
| — Reviewed the group's corporate responsibility activities focusing on reputation management, particularly in our communication with stakeholders | See page 84 |  |
| — Received regular updates at each meeting of items with strategic component, such as emerging changes to regulation, major capital expenditure and business structuring decisions | |    |
| — Held the annual full day strategy session debating and discussing the context of the next price review, the key issues to be addressed and considered the expectations of our key stakeholders | See page 5 |    |
| Governance | | |
| — Reviewed and debated the risk profile of the group and in particular the principal risks which included greater visibility of operational risks following a change in the underlying risk assessment process | See page 46 |    |
| — Reviewed the effectiveness of the risk management systems, including financial, operational and compliance controls and reviewed the effectiveness of the internal control systems | See page 72 |    |
| — Reviewed and discussed developments in cybercrime and the activities undertaken to enhance the effectiveness of the group's security controls and work with various government agencies and a number of other water companies to define cyber security guiding principles for use across the industry | See page 23 |   |
| — Reviewed the terms of reference for the audit, remuneration, treasury and corporate responsibility committees and received post-meeting reports from the chairs of each committee summarising discussions and actions | |  |
| — Reviewed biannual updates on changes and developments in corporate governance and the implementation of any changes required | See page 64 |  |
| — Reviewed and discussed the annual evaluation of the board, its committees and individual directors and conflicts of interest | See page 63 |  |
| — Reviewed the performance of the external auditor and recommendation for reappointment | See page 76 |   |
| — Reviewed the approach, background work and progress of work to identify areas where there is any risk of modern slavery occurring in our supply chain contributing to the development of and approval of the slavery and human trafficking statement | See page 115 |  |

Key:

 The best service to customers  At the lowest sustainable cost  In a responsible manner

Summary of board activity in 2016/17

| | Cross reference | Link to strategic objectives |
|--|-----------------|------------------------------|
| United Utilities Water Limited (UUW) regulated business | | |
| — Reviewed the progress with the implementation of the recommendations of the internal investigation undertaken by Mark Clare, senior independent director, in relation to the August 2015 Lancashire water quality incident and lessons learnt | See page 72 | |
| — Regular updates on the progress of our preparations (supported by independent assurance, particularly in relation to systems readiness), on the transfer of the commercial customer base to Water Plus (the group's joint venture with Severn Trent) prior to the opening of the market for commercial customers on 1 April 2017 along with monitoring the changes to our own systems and processes supporting our role as a wholesaler of water and wastewater services | See page 4 | |
| — Monitored progress of the implementation of the customer experience programme to improve customer service including new initiatives such as 'Priority Services' and 'Moving Home', improved training for employees handling customer calls and systems improvements | See page 35 | |
| — Received regular updates on developments by Ofwat's view of the next five-year asset management period (known as 'Water 2020') and its approach to the Price Review in 2019 | See page 5 | |
| Other group business | | |
| — Reviewed progress on the group's renewable energy generation capabilities and opportunities for expansion and innovation including developing our plans around battery storage of power for use overnight when solar panels are not generating | See page 23 | |
| — Regular updates on the progress of the joint venture Water Plus' preparedness prior to the opening of the market for commercial customers on 1 April 2017 | See page 4 | |
| Shareholder relations | | |
| — Received and discussed a presentation by Makinson Cowell (in May 2016) on investors' views and perceptions (after a tender process Rothschild Investor Advisory were appointed as investor relations advisers with effect from 1 April 2017) | See page 71 | |
| — Received and discussed feedback from roadshows/presentations to investors by the CEO and/or the CFO and communications from large investors | See page 71 | |
| Financial | | |
| — Reviewed the 2016-20 business plan and approved the 2017/18 budget | | |
| — Reviewed and approved the half and full year results and associated announcements | | |
| — Reviewed and approved the company's tax strategy | See page 110 | |
| — Reviewed and approved the company's treasury policy, the group's funding requirements for the year and the potential sources to meeting these funding requirements (including the first issue of consumer price index-linked debt) and managing the group's interest rate and other market risk exposures including the impact of Brexit | See page 42 | |
| — Reviewed progress with material litigation involving the group | See page 47 | |
| — Reviewed and discussed pensions and proposals in relation to the United Utilities defined benefit pension scheme and related discussions with the trade unions | | |