MORE REWARD

United Utilities
Water for the North West

United Utilities Pension Scheme Understanding Investments

Defined Contribution (DC) / Additional Voluntary Contributions (AVCs)

The pension pot which you build up will not only depend on how much is paid in but also the investment returns achieved on these contributions.

You can choose where you would like your DC contributions, together with those paid by the Company and/or AVCs, to be invested.

You have two choices

Choice 1: Let us do it for you

This is for members who do not wish to take an active role in the investment of t

or

Choice 2: Do it yourself

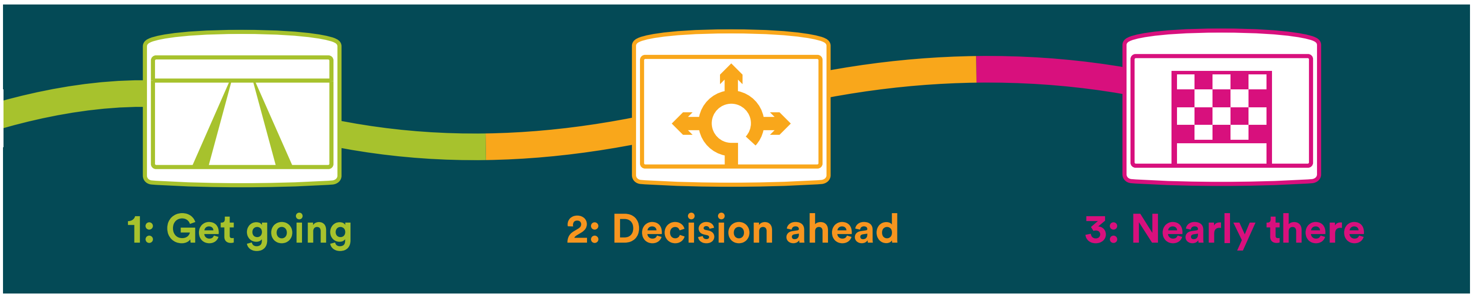
This is for members who would like to select their own investments and take an active role in managing where their money is invested.

More information on this is available on page 3.

Further information

Whilst the Trustee, the pensions administrator and the Pensions Department can provide you with information about the available investment options, they cannot offer you investment advice.

Your choice of investment options will be based on a number of personal factors, including your attitude to risk and the length of time until your retirement. If you need advice you should speak to an Independent Financial Adviser (IFA). For details of your nearest IFA, please visit **www.unbiased.co.uk**



Choice 1: Let us do it for you

If you do not wish to make a decision on where your pension pot is invested the Scheme has three lifestyle strategies. Each one is aligned to the different ways you could use your pension pot at retirement.

You can change your investment at any time.

The Trustee has decided that the default arrangement (which automatically applies if you do not select an investment option) should be the Retirement Flexible Income Fund as we expect the majority of members will wish to take their pension pot flexibly at retirement.

(Please note if you were within 10 years of your target retirement age (TRA)* on 1 July 2019 then your default investment will be the Retirement Cash Fund, see below).

If you are more than 10 years from your target retirement age then your pension pot is invested 50% in equities and 50% in the diversified growth fund.

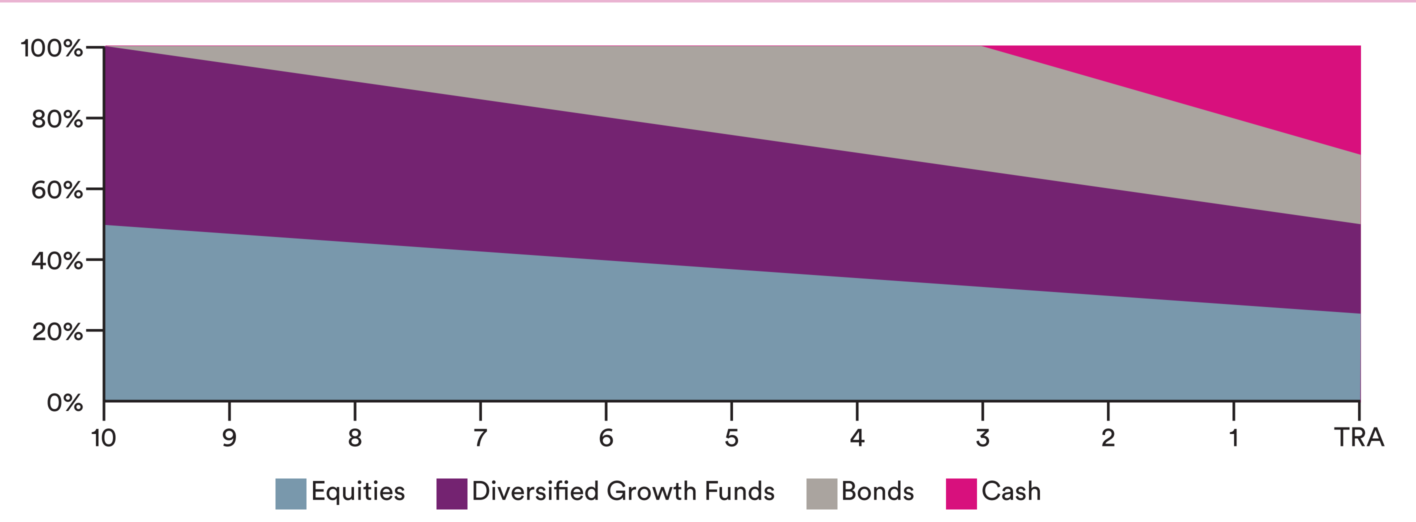
The chart below shows how your investments would change once you are 10 years from your TRA* .

☞ Action

Is your TRA the date you wish to take your pension pot?*

Retirement Flexible Income Fund

This would suit you if you would like to leave some of your pension pot invested but have the flexibility to take cash over several years (also known as drawdown).



However if you do not plan to take all of your pension pot flexibly at retirement you may wish to consider one of the following:

Retirement Secured Income Fund

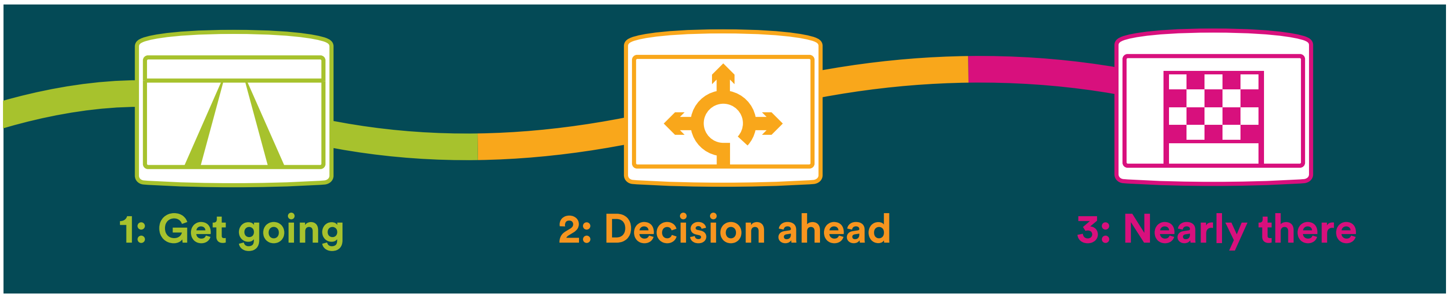
Use this if at retirement you wish to have a secure income (i.e. buying an annuity which provides a guaranteed monthly pension payable for the rest of your life).

Retirement Cash Fund

Use this if you wish to take all your pension pot as cash at retirement (with 25% tax free).

In all of the above options you would be able to take up to 25% of your pot as a tax free lump sum if you wish.

**The Scheme's normal retirement age is 65 which means if you are in one of the above strategies your pension pot will start switching into the other funds at age 55. If you plan to retire before or after 65, you may wish your automatic switching to start earlier, or later respectively. You should therefore amend your target retirement age on your Aegon record to the earlier or later age. You can change this any time in the future.*



Choice 2: Do it yourself

The Scheme allows you to choose how your pension pot is invested from a range of investment options. The funds available from the Scheme relate to either equity, diversified growth, property, bonds, cash or a combination of these.

All the funds (and their factsheets) available are listed on the Aegon TargetPlan
https://lwp.aegon.co.uk/targetplan/

Types of investment

Here are some guidance notes to help you understand the characteristics of each standard investment type:

EQUITIES
Generally, equity funds:

- Are made up of shares in companies traded on stock markets in the UK or overseas.
- Are affected by rises and falls in their markets - their value can go down or up.
- Are normally suited to members who are not planning to retire for several years and hence do not need to think about selling their Scheme investments to take cash or buy a pension for several years.

DIVERSIFIED GROWTH
Generally, diversified growth funds:

- Invest in several types of investment, such as equities, bonds, property and alternative assets.
- Have the potential to provide long-term growth.
- React to markets differently from equity only funds so collectively they reduce the overall risk.
- The use of different managers can reduce risk compared to the use of one manager.

It aims to lessen the impact of a significant fall in equity markets as you approach retirement as the diversified growth funds are not closely correlated to equities.

BONDS
Generally, bonds:

- Are loans to companies or the Government (in this latter case the bonds are known as gilts) for a fixed period.
- Pay interest on the amount loaned and repay the capital at the end of the loan period.
- Pay interest at a fixed rate (fixed interest bonds) or a rate linked to inflation (index linked bonds).
- Are more suitable for those nearing retirement who are planning to buy a pension

Bond funds are expected to produce a lower investment return than equities over the long term, but are also expected to have lower volatility of investment returns than equity funds.

Action

You should regularly monitor your investments, particularly when you get nearer to taking your pension pot

PROPERTY
Generally, funds that invest in property:

- Earn income from rent or through leases, and can also profit by selling properties that have risen in value over time.
- The properties the funds invest in can be from a variety of business sectors, such as commercial, industrial or retail.
- Are affected by changes in the value of the property – their value can go down or up.
- Are expected to offer higher long-term returns than bond and cash funds, and can be more stable than equity funds.

CASH
Generally, cash funds:

- Work in a similar way to a deposit account with a bank or building society.
- Are expected to provide lower returns over the long term than equities, property or bonds.
- Ensure that your capital will not go down although inflation may reduce the real value of the investment.
- Help to protect the value of any tax-free cash you are planning to take from falls in value just before you retire.
- Are generally thought less suitable for members who are a long way from retirement.

Cash funds are expected to provide a lower investment return than either bonds, property, equity or diversified growth funds over the medium to long term, but with much lower volatility.

BLENDED FUND
These are a mixture of the above funds which therefore combine their characteristics.

Fund factsheets are available for the blended funds and can be found on the Aegon website at:
https://lwp.aegon.co.uk/targetplan/