



# Sustainable Finance Framework

## Allocation and Impact Report 2023

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# 2022/23 performance

**£447m**

of cumulative funding to date for sustainable projects

**Upper quartile**

across a suite of Environmental, Social and Governance (ESG) indices

Making good progress against ambitious 1.5°C aligned science-based targets for

**42%**

reduction in scope 1 and 2 emissions by 2030

Science-based targets covering

**scope 3**

emissions verified by Science Based Targets initiative (SBTi)

Ambition for

**net zero carbon**

across scope 1, 2 and 3 emissions by 2050

Met leakage target for the

**17th**

consecutive year

Supported more than

**300,000**

households through affordability schemes since 2020 and over 290,000 customers signed up to Priority Services

Over

**84,000**

customers lifted out of water poverty

**3 star rating**

in the Environment Agency's assessment for 2022, meaning good environmental performance

Welcomed 23 students onto placements as part of '10,000 Black Interns' programme, with

**56%**

of those ready for employment being offered a role with us

**82%**

colleague engagement score for 2022/23, higher than both the UK norm and Utilities norm

**100%**

of our 2022/23 Better Rivers commitments achieved, delivering a 39% reduction in reported storm overflow activation since 2020

# Foreword



**Phil Aspin**  
Chief Financial  
Officer

I am pleased to introduce our 2023 allocation and impact report. This details the proceeds from funds raised under our Sustainable Finance Framework (SFF), which includes a £150m sustainable loan raised during the year, and the amount allocated to Eligible Projects. It provides an overview of the environmental and social impacts generated by our activities, investments and expenditures as well as providing case studies relating to projects funded by the proceeds.

On her appointment as Chief Executive Officer, Louise Beardmore, has been very clear about our ambition to build a stronger, greener, healthier North West on behalf of customers, communities and the environment. As part of this transition we have taken the opportunity to refresh the group's purpose, strategic priorities, and core values to ensure these clearly reflect the key areas of focus in the current landscape, and our ongoing commitment to environmental, social and governance (ESG) matters. I welcome these developments and see sustainable finance and this report as part of demonstrating our commitment to this ambition.

Despite a challenging year of cost pressures our operational performance has been strong this year. We have delivered our best ever performance on a range of measures that matter most to customers, including leakage, water quality and serious pollution incidents. To help ease cost of living pressures, we have provided financial support to over 330,000 households so far this regulatory period and have continued to play a key role in the wider economy of the North West, supporting over 22,000 jobs across the region.

We continue to work towards our 2050 net zero ambition, underpinned by ambitious science-based targets. We are making good progress against our six carbon pledges, and have reduced our scope 1 and 2 greenhouse gas (GHG) emissions by a further 1.5% this year.

Communities are concerned about the country's rivers and particularly the impact of storm overflows. We have listened, understand the strength of feeling and we agree that we need to go further and faster to reduce the number of storm overflow activations. We have already achieved a 39% reduction in reported activations since 2020, but we need to go faster and drive a step change in performance. We have won support from regulators, receiving provisional approval, and are able to make an early start on over £900 million of investment. This will allow us to commence work now on one third of the overflows we are targeting in our plans for 2025–30.

Our approach to responsible business has ensured consistent upper quartile performance in selected ESG ratings and indices. After a year's absence, we have returned as a component of the Dow Jones Sustainability World Index along with just three other companies from the Multi Utilities and Water sector. In the Sustainalytics assessment, we continue to be classified as low risk and a top ten performer in the Utilities industry group. We are proud to have maintained an MSCI ESG rating of AA since 2014.

This report complements our comprehensive corporate reporting of financial and non-financial information that aims to provide stakeholders with the evidence that we are purpose led and that we focus on what matters to them.

Our Integrated Annual Report and Financial Statements has this year been further aligned to the draft standards from the International Sustainability Standards Board (ISSB) providing information on strategy, governance, risks and opportunities, and metrics and targets. In addition we have adapted the way we present our operational performance for the year that are now structured across headings of ESG. For stakeholders who are not interested in the financial aspects of our performance we have produced a complementary sustainability report.

## Complementary reports



**Integrated Annual Report and Financial Statements 2023** with full disclosure on the Task Force on Climate-related Financial Disclosures recommendations and Task Force on Nature-related Financial Disclosures recommendations



**Sustainability Report 2023**



**Tax Report 2023** – aligned to the Fair Tax Mark Accreditation



**Our Sustainable Finance Framework**



**2021 Climate Change Adaptation Report**

# A purpose-led business operated in a responsible manner

Our purpose and strategy are intrinsically linked to ESG.

We have taken the opportunity to refresh our purpose and strategy as we look ahead and mobilise for the next price review period between 2025 and 2030.

We engaged with stakeholders and colleagues to define six strategic priorities and expand our purpose, to ensure our ambitions are clearly defined and targeted at the company we want and need to be.

In doing so, it has become even clearer how strongly environmental, social and governance (ESG) matters are integrated into the way we approach our business and the way we monitor our performance – everything aligns under the stronger, greener and healthier ambitions within our purpose.

The infographic on the right demonstrates the alignment between our purpose – to provide great water for a stronger, greener and healthier North West – and our six strategic priorities with ESG.

It shows the link between our purpose and the UN Sustainable Development Goals (SDGs) that we contribute towards.

Our metrics and targets, including our operational key performance indicators (KPIs), are linked to ESG and aligned to the stronger-greener-healthier elements of our purpose, with clear links to our strategic priorities.

## E Protecting and enhancing the environment

### Strategic priorities:

- Create a greener future
- Improve our rivers

Contributing to:



## S Supporting society

### Strategic priorities:

- Provide a safe and great place to work
- Deliver great service for all our customers

Contributing to:



## G Responsible business and governance

### Strategic priorities:

- Spend customers' money wisely
- Contribute to our communities

Contributing to:



# A purpose-led business operated in a responsible manner

## Our strategic priorities: how we deliver our purpose

### Improve our rivers

We are a sector leader in minimising pollution, and continue to protect bathing waters across the North West. River health in the UK has received a lot of public interest. The industrial legacy and high rainfall in our region means we have a bigger task than many to deliver the significant reduction in storm overflow activations required by the Environment Act 2021. This will form a significant component of our 2025–30 business plan, and we are accelerating investment with good progress already made.

### Create a greener future

We are committed to protecting nature and biodiversity, and reducing water consumption. We have six carbon pledges underpinned by ambitious science-based targets and a net zero transition plan. We generate around a quarter of our energy from bioresources and through partners. We are looking at how we can make the best use of our land to deliver clean energy, be that through our pledges to create woodland and restore peatland, or increasing our renewable energy generation capacity.

### Provide a safe and great place to work

We invest in our colleagues' training and development, and maintain high levels of health, safety and wellbeing. We want to attract, develop and engage great talent across the organisation, we support and encourage a diverse and inclusive culture, and we want colleagues to be empowered to contribute to making things better. To facilitate this, we are launching new 'Call it out' and 'Tell me' initiatives, which enable everyone to raise topics directly with the CEO and receive a response within 48 hours.

### Deliver great service for all our customers

Delivering great service means continually improving our ways of working, for example, improving water quality, minimising interruptions, leakage and sewer flooding, and supporting customers with affordability and vulnerability. Engagement helps us understand what matters most to customers and we act on their feedback. This can be seen in the way we redesigned our bills based on customer research, and the early investment we are making to improve customer and environmental performance faster.

### Spend customers' money wisely

We continuously challenge ourselves to improve cost efficiency in a sustainable way, so we can keep customer bills as low as possible in the long term without compromising on service or resilience. We look to minimise whole-life cost and deliver the best value solutions, using Systems Thinking and innovation to find better ways of working, leveraging partnerships and driving value in our supply chain, capitalising on digital and automation opportunities, and removing areas of duplication or waste.

### Contribute to our communities

We work closely with communities across the North West and we want to ensure we are visible and trusted. We actively engage and make use of partnerships to drive value for communities, such as our participation in the Love Windermere initiative. With much to deliver in the years ahead, we have appointed regional stakeholder managers for each of the North West's five counties to help manage these relationships and ensure we can deliver our planned improvements with minimal disruption.

# Our sustainable finance and how we have used the funds

Our Sustainable Finance Framework was published in November 2020 (the “Framework”) and was developed to align with relevant International Capital Market Association (ICMA) and Loan Market Association (LMA) principles.<sup>1</sup>

Under our Framework we stated our intention to follow market best practice and to communicate in a transparent manner on:

Use of proceeds

Process of project evaluation and selection

Management of proceeds

Reporting

<sup>1</sup> Green Bond Principles (2018 edition), the Social Bond Principles (2020 edition) and the Sustainability Bond Guidelines (2018 edition) as published by ICMA, as well as the Green Loan Principles (2020 edition) as published by the LMA.

## Our sustainable finance portfolio

During the year to 31 March 2023, United Utilities Water Limited issued a £150m sustainable loan under the Framework. This loan was 50% allocated to refinancing at issuance with 50% to be allocated to future spending to enable the loan to have greater additionality of impact compared to 100% refinancing.

As at 31 March 2023 there were a total of two sustainable financing instruments issued under our Framework:

Name	GBP 300,000,000.00 0.875% Fixed Rate Notes due 2029 (SF1)	GBP 150,000,000 Floating Rate Loan due 2032 (SF2)	Total
Issuer	United Utilities Water Finance PLC	United Utilities Water Limited	
On lent to	United Utilities Water Limited	N/A	
Form of financing	Bond	Loan	
Issue/drawdown date	28 January 2021	29 July 2022	
Maturity date	28 October 2029	30 June 2032	
Credit rating	A3 (Moody's) / A- (Fitch) / BBB+ (S&P)	Unrated	
ISIN	XS2291328735	N/A	
Net proceeds	£297.0m	£149.6m	£446.6m
Allocation status	Fully allocated	50% allocated at issuance 75% allocated at 31 March 2023	

# Our sustainable finance and how we have used the funds

On 6 April 2023 and 26 June 2023 United Utilities Water Finance PLC issued £300m and £350m sustainable bonds respectively, which were on lent to United Utilities Water Limited and are the group's third and fourth sustainable financing instruments. As these bonds were issued after 31 March 2023 (the data cut off point of this report), the allocations associated with these sustainable bonds will be reported in next year's allocation and impact report due to be published in summer 2024.

## Use of proceeds

An amount at least equal to the net proceeds from the issuance of the Sustainable Financing Instruments, will be used to finance or refinance, in whole or in part, new or existing projects that meet the Project Eligibility Criteria as set out in the Framework.

Eligible Projects are those projects where expenditures have occurred within the three year period prior to the issuance year of the Sustainable Financing Instruments, and/or where expenditure has occurred within a two year period following the issuance.

Eligible project portfolio:

	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023
<b>Eligible project portfolio<sup>2</sup></b>	£442.5m	£420.2m	£621.0m	£675.9m	£723.2m
<b>Amounts allocated</b>	£(297.0)m	£nil	£(36.7)m	£(32.5)m	£(42.7)m
<b>Unallocated eligible projects</b>	Residual now time ineligible	Residual now time ineligible	£584.3m	£643.4m	£680.5m

<sup>2</sup> The amount of eligible project portfolios can differ from those reported in previous years as previously unclassified projects are reviewed and appropriately categorised or previously eligible projects no longer meet the eligibility criteria (e.g. following divestment, technology switch, etc.).

Our new £150m sustainable loan (SF2) issued during the year was allocated c50% to refinancing at drawdown leaving c50% to be allocated to future spending to enable the loan to have greater additionality of impact compared to 100% refinancing. The below table shows the allocations both at drawdown (29 July 2022) and as at the date of this report (31 March 2023):

Eligible category	Net proceeds allocated at:		Focus of projects
	Issuance (29 July 2022)	31 March 2023	
<b>Sustainable Water and Wastewater Management</b>	£37.0m	£59.6m ◇	Reducing leakage from distribution networks and flood mitigation projects
<b>Terrestrial and Aquatic Biodiversity Conservation</b>	£22.5m	£35.4m ◇	Improvements to river water quality
<b>Pollution Prevention and Control</b>	£5.9m	£5.9m ◇	Anaerobic digestion and recycling of biosolids to land
<b>Renewable Energy</b>	£1.5m	£1.5m ◇	Producing renewable energy through the processing and treatment of organic waste
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	£6.5m	£6.7m ◇	Wetland creation
<b>Clean Transportation</b>	£1.0m	£2.4m ◇	Deploying electric vehicles in our fleet and associated charging infrastructure
<b>Access to Essential Services</b>	£0.4m	£0.4m ◇	Helping vulnerable customers
<b>Total</b>	£74.8m	£111.9m ◇	
<b>Unallocated amounts</b>	£74.8m	£37.7m	
<b>% allocated/unallocated</b>	50%/50%	75%/25%	

◇ = limited assurance by KPMG in respect of the year ended 31 March 2023 (see page 9)



# Our sustainable finance and how we have used the funds

Table of total allocations as at 31 March 2023 across portfolio:

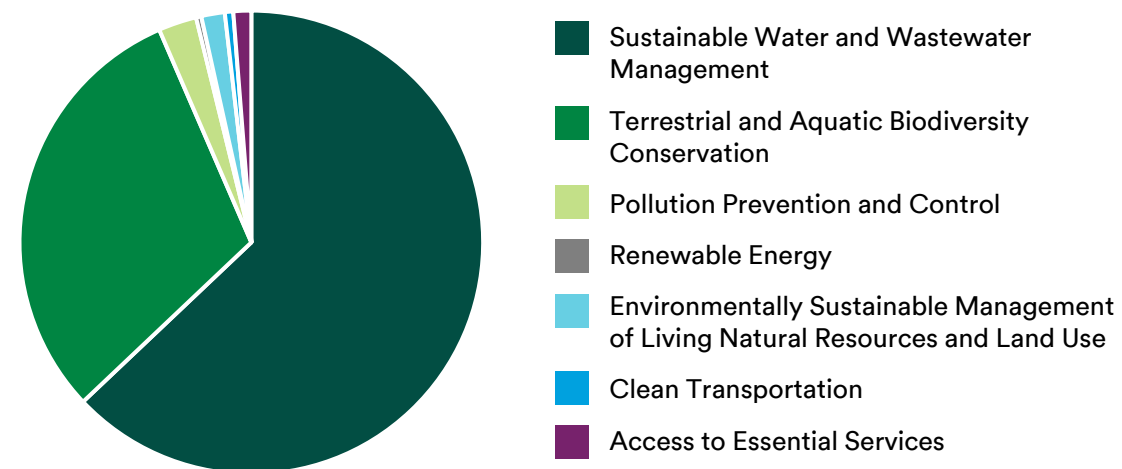
Eligible category	SF1	SF2	Net proceeds allocated
Sustainable Water and Wastewater Management	£197.7m $\Delta$	£59.6m $\Diamond$	£257.3m
Terrestrial and Aquatic Biodiversity Conservation	£89.6m $\Delta$	£35.4m $\Diamond$	£125.0m
Pollution Prevention and Control	£5.0m $\Delta$	£5.9m $\Diamond$	£10.9m
Renewable Energy	£nil $\Delta$	£1.5m $\Diamond$	£1.5m
Environmentally Sustainable Management of Living Natural Resources and Land Use	£nil $\Delta$	£6.7m $\Diamond$	£6.7m
Clean Transportation	£nil $\Delta$	£2.4m $\Diamond$	£2.4m
Access to Essential Services	£4.7m $\Delta$	£0.4m $\Diamond$	£5.1m
<b>Total</b>	<b>£297.0m <math>\Delta</math></b>	<b>£111.9m <math>\Diamond</math></b>	<b>£408.9m</b>
<b>Unallocated amounts</b>	<b>£nil</b>	<b>£37.7m</b>	<b>£37.7m</b>

$\Delta$  = limited assurance by KPMG in respect of the year ended 31 March 2021 (see opposite)

$\Diamond$  = limited assurance by KPMG in respect of the year ended 31 March 2023 (see opposite)

All allocated amounts are capital expenditure with the exception of amounts allocated to the Access to Essential Services category, which is operating expenditure.

## Allocation



## Assurance statement

KPMG LLP (“KPMG”), our independent auditor, has provided limited assurance over the selected information in the previous tables, denoted by the symbol  $\Diamond$  using the assurance standard ISAE (UK) 3000.



**KPMG’s limited assurance report, dated 17 July 2023**

KPMG also provided limited assurance in 2021 over the selected information in the previous tables denoted by the symbol  $\Delta$  using the assurance standard ISAE (UK) 3000.



**KPMG’s limited assurance report, dated 5 July 2021**

# Our sustainable finance and how we have used the funds

## Process for project evaluation and selection

To ensure that allocations are made to Eligible Green or Social Projects (as specified in the framework) we have established a Sustainable Finance Committee comprising representatives from Treasury, Sustainability, Finance and the Regulated Business. The committee is supported by a cross-department Sustainable Finance Working Group.

All capital expenditure funded under the Framework is subject to rigorous governance and assurance activity. Project approval committees at 3 key stages in the project lifecycle approve the release of allocated funding and multi-layer assurance activity ensures that the required project lifecycle steps have taken place. Projects are initially evaluated and allocated to the eligible categories under the framework based on the relevant internal strategic programme categories. This initial allocation is then verified by a cross-department Sustainable Finance Working Group and signed off by the Sustainable Finance Committee.

The Sustainable Finance Committee has:

- ensured that allocated Eligible Projects have followed the relevant UU project development policies;
- ensured that allocated Eligible Projects are aligned with the ICMA and LMA principles<sup>3</sup> categories;
- approved changes to the register of Eligible Projects where eligibility criteria is no longer met; and
- reviewed and approved this Allocation and Impact Report.

## Management of proceeds

The net proceeds arising from the issuance under our Framework is managed by our Treasury function. Unallocated amounts have been placed on deposit with banks that meet the group's prudent banking counterparty risk policy. Our Treasury function has tracked the unallocated amounts prior to their utilisation.

Our Treasury team has ensured that the portfolio of Eligible Projects has exceeded, or been at least equal to, the amount of Sustainable Financing Instruments raised under this Framework.

<sup>3</sup> Green Bond Principles (2018 edition), the Social Bond Principles (2020 edition) and the Sustainability Bond Guidelines (2018 edition) as published by ICMA, as well as the Green Loan Principles (2020 edition) as published by the LMA.



# Contributing to environmental and social performance

Our eligibility criteria link through to overall company responsible business metrics that matter to our stakeholders.

## Green Bonds Principles Category

Sustainable Water and Wastewater Management

## Eligibility Criteria

Projects which reduce pollution and impacts of water abstraction

Projects which improve water quality

Projects which reduce water losses from the system

Flooding mitigation projects

## Overall Company Impact Metrics

Leakage	Year	2020/21	2021/22	2022/23
	Annual MI/d	424.7	413.9	423.0
	3 year average MI/d	438.8	426.1	420.5

Regulated emissions per megalitre of treated water, Kg CO <sub>2</sub> e/MI	Year	2020/21	2021/22	2022/23
	Kg CO <sub>2</sub> e/MI	118.51	106.91	101.4

Regulated emissions per megalitre of sewage treated, Kg CO <sub>2</sub> e/MI	Year	2020/21	2021/22	2022/23
	Kg CO <sub>2</sub> e/MI	152.26	144.21	158.76

## Highlights

Our Dynamic Network Management project has enabled predictive and preventative optimisation of our wastewater network using real-time performance data from a network of sensors, leading to a reduction in sewer flooding and pollution incidents

## Relevant SDGs



Terrestrial and Aquatic Biodiversity Conservation

Investments and/or expenditures relating to projects which deliver improved conservation outcomes

Investments and/or expenditures relating to river quality improvements

Improving river water quality and the water environment	Year	2020/21	2021/22	2022/23
	Net days schemes delivered early/late <sup>4</sup>	0	62 <sup>4</sup>	80 <sup>4</sup>

Cumulative number of trees planted over 2020 to 2025 period <sup>5</sup>	Year	2020/21	2021/22	2022/23
	Trees	216,601	461,240	565,733

Improvements funded at our Carlisle Wastewater Treatment Works will ensure no deterioration to shellfish waters of the Solway Firth



<sup>4</sup> Positive numbers indicate that schemes to improve river water quality and/or the water environment have been delivered early. Negative numbers indicate that schemes to improve river water quality and/or the water environment have been delivered late.

<sup>5</sup> This metric was displayed as an annual measure in the prior year report, and is now displayed on a cumulative basis.

# Contributing to environmental and social performance

## Green Bonds Principles Category

## Eligibility Criteria

## Overall Company Impact Metrics

## Highlights

## Relevant SDGs

Pollution Prevention and Control

Investments and/or expenditures relating to projects which reduce waste and increase the proportion recycled, and/or recover energy from waste materials

% biosolids recycled in compliance with regulatory standard and Biosolids Assurance Scheme	Year	2020/21	2021/22	2022/23
	%	99.87	100.00	100.00

Improving the resilience of our Manchester Bioresources Centre has contributed to more efficient recovery of energy from waste materials



Renewable Energy

Investments and/or expenditures relating to solar photovoltaic or wind power installations  
  
Investments and/or expenditures relating to construction and operation of biogas powered combined heat and power (CHP) plants

Total energy generated from sewage sludge (CHP and biomethane exported to gas grid as GWh equivalent)	Year	2020/21	2021/22	2022/23
	GWh	142.4	149.7	137.5

Nitrous Oxide (Nox) emissions per unit of renewable energy generated	Year	2020/21	2021/22	2022/23
	NOx/GWh	1.30	1.19	1.07

Investment in the refurbishment of combined heat and power engines contributing to improved levels of renewable energy generation



Environmentally Sustainable Management of Living Natural Resources and Land Use

Investments and/or expenditures relating to projects which deliver an increase in natural capital value  
  
Investments and/or expenditures relating to projects which contribute to avoidance of designated area deterioration

Enhancing natural capital for customers	Year	2020/21	2021/22	2022/23
	£million	Delivery from 2022	£3.234	£0

Area of peatland restored	Year	2020/21	2021/22	2022/23
	Hectares	Plans for 5 sites	Activity underway	585

Area of woodland created	Year	2020/21	2021/22	2022/23
	Hectares	9	9	37

Creation of an innovative wetland at our Southwaite Wastewater Treatment Works will help protect local river quality with the added benefit of enhancing natural capital



# Contributing to environmental and social performance

## Green Bonds Principles Category

Clean Transportation

## Eligibility Criteria

Investments and/or expenditures relating to acquisition and deployment of battery electric vehicles and associated charging infrastructure

## Overall Company Impact Metrics

Number of fully electric vehicles deployed in fleet	Year	2020/21	2021/22	2022/23
	Number of vehicles	28	27	33

## Highlights

Investment enabling the deployment of electric vehicles into the corporate fleet and associated charging infrastructure

## Relevant SDGs



## Social Bonds Principles Category

Access to Essential Services

## Eligibility Criteria

Investments and/or expenditures relating to programs which enable vulnerable customers to maintain access to water and other supplies

## Indicative Metrics

Number of customers lifted out of water poverty	Year	2020/21	2021/22	2022/23
	Number of customers	71,057	77,312	84,002

Number of households registered for Priority Services	Year	2020/21	2021/22	2022/23
	Number of households	128,831	186,224	294,490




The group's Priority Services offering achieved the new ISO Consumer Vulnerability standard, ISO 22458:2022

## Relevant SDGs



All performance indicators throughout this report have received an appropriate level of assurance, such as independent third-party verification, regulatory reporting assurance processes, or through our own internal audit team.

# Summary of the group's wider ESG KPIs for 2022/23

-  Met expectation/target
-  Close to meeting expectation/target
-  Behind expectation/target

Delivering our purpose is about more than just providing customers with water and removing wastewater. Our operational key performance indicators (KPIs) for the year ended 31 March 2023 provide an overview of how we are creating a stronger, greener and healthier North West.

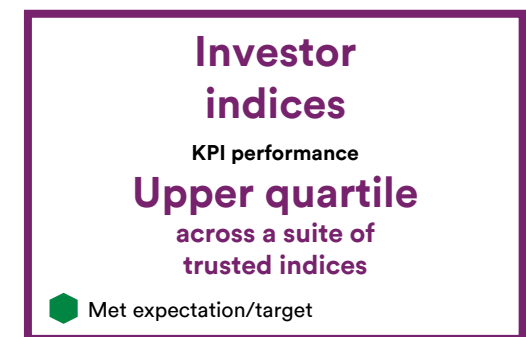
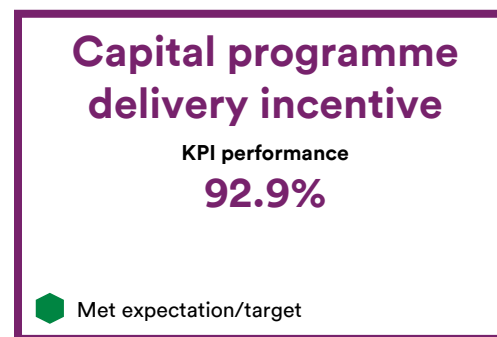
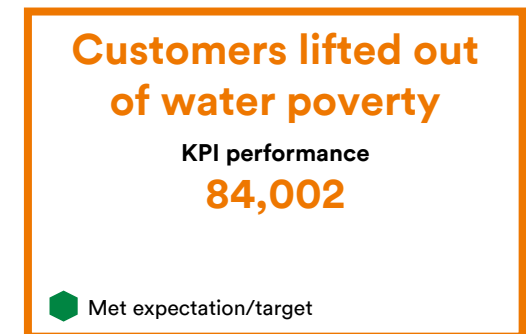
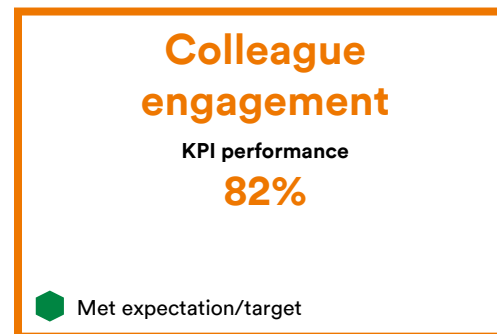
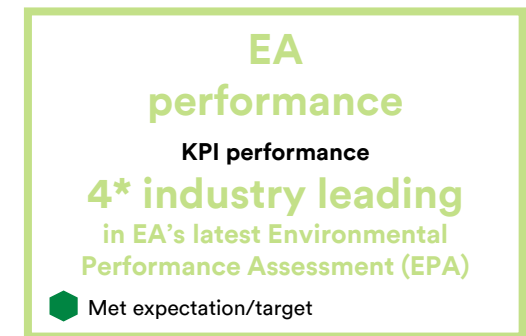
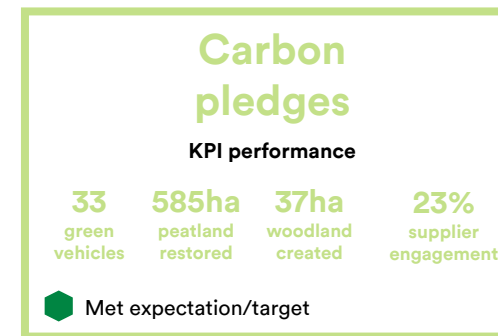
 [Read more about our operational performance in our Integrated Annual Report](#)

## Providing great water

We measure the provision of our core services through a host of measures, including how we are doing against our regulatory performance commitments, where we have met or exceeded 83 per cent of these targets this year – our best ever performance. C-MeX is a regulator-compiled assessment that measures overall customer satisfaction with our services, and we use this as our KPI for customer service.

## ...for a stronger, greener and healthier North West

Our industry-leading environmental performance with zero serious pollution incidents, Better Rivers programme driving a 39% reduction in storm overflow activations, and the progress we are making in reducing our carbon footprint, are all helping to protect the natural environment in the North West. We provide an industry-leading package of affordability support, and have continuously improved our colleague accident frequency rate every year for the last five years. We invest in communities, spend money wisely and efficiently, and our strong governance and responsible business approach contribute to consistently strong performance against a suite of investor ESG indices.



# Our environmental performance in 2022/23

## Status key

### Annual performance

- Met expectation/target
- Close to meeting expectation/target
- Behind expectation/target

### Against 2025 target

- Confident of meeting target
- Some work to do
- Target unobtainable

## Assurance key

- ITV Independent third-party verification
- RRA Regulatory reporting assurance
- IAT Internal audit team

Measure	2025 target	Performance			Link to assurance	Link to remuneration <sup>(2)</sup>	Link to main stakeholder	Status	
		2022/23	2021/22	2020/21				Annual performance	Against 2025 target
Pollution incidents per 10,000km sewer network <sup>(1)</sup>	19.5	<b>16.29</b>	17.71	18.10	RRA	LTP		<span style="color: green;">●</span>	<span style="color: green;">●</span>
Reduction in reported storm overflow activations	33% sustainable reduction	<b>39%</b>	28%	n/a	IAT			<span style="color: green;">●</span>	<span style="color: green;">●</span>
Treatment works compliance <sup>(1)</sup>	100%	<b>98.45%</b>	98.98%	99.75%	RRA	LTP		<span style="color: pink;">●</span>	<span style="color: orange;">●</span>
Leakage reduction <sup>(1)</sup>	15% <sup>(3)</sup>	<b>6%</b>	8%	5%	RRA	LTP		<span style="color: green;">●</span>	<span style="color: green;">●</span>
Reduction in per capita consumption <sup>(1)</sup>	6.3% <sup>(4)</sup>	<b>0.5% increase</b>	1.5% increase	1.7% increase	RRA	PC		<span style="color: pink;">●</span>	<span style="color: orange;">●</span>
Internal flooding incidents per 10,000 sewer connections <sup>(1)</sup>	1.34	<b>2.32</b>	2.98	4.47	RRA	PC		<span style="color: pink;">●</span>	<span style="color: pink;">●</span>
External flooding incidents <sup>(1)</sup>	5,859	<b>5,916</b>	6,223	6,849	RRA	PC		<span style="color: green;">●</span>	<span style="color: orange;">●</span>
Waste to beneficial use	98%	<b>98.3%</b>	97.8%	97.3%	IAT			<span style="color: green;">●</span>	<span style="color: green;">●</span>
Enhancing natural capital for customers <sup>(1)</sup>	£4 million	<b>£0</b>	£3.234 million	Delivery from 2022	RRA	PC		<span style="color: green;">●</span>	<span style="color: green;">●</span>
Number of trees planted	500,000	<b>565,733</b>	461,240	216,601	IAT			<span style="color: green;">●</span>	<span style="color: green;">●</span>
Carbon pledge 1: reduction of scope 1 & 2 GHG emissions	14% reduction <sup>(5)</sup> (42% by 2030)	<b>3.6% reduction</b>	2.20% reduction	1.5% increase	ITV			<span style="color: orange;">●</span>	<span style="color: orange;">●</span>
Carbon pledge 2: renewable electricity purchased	100% by 2023	<b>100%</b>	96%	93%	ITV			<span style="color: green;">●</span>	<span style="color: green;">●</span>
Carbon pledge 3: green fleet	100% by 2028	<b>33 vehicles</b>	27 vehicles	28 vehicles	IAT	LTP		<span style="color: green;">●</span>	<span style="color: green;">●</span>
Carbon pledge 4: peatland restoration	1,000 hectares (ha) by 2030	<b>585 ha</b>	Activity underway	Plans for 5 sites	ITV	LTP		<span style="color: green;">●</span>	<span style="color: green;">●</span>
Carbon pledge 5: woodland created	550 hectares (ha) by 2030	<b>37 ha</b>	9 ha	9 ha	ITV	LTP		<span style="color: green;">●</span>	<span style="color: green;">●</span>
Construction services suppliers with science based targets	66%	<b>23%</b>	n/a	n/a	IAT	LTP		<span style="color: green;">●</span>	<span style="color: green;">●</span>
Better air quality: nitrogen oxides (NOx) emissions per unit of renewable electricity generated <sup>(1)</sup>	1.42	<b>1.07</b>	1.19	1.30	RRA	PC		<span style="color: green;">●</span>	<span style="color: green;">●</span>
Electricity generated directly and with partners as % of used	Under review	<b>24%</b>	26%	25%	IAT			<span style="color: green;">●</span>	<span style="color: green;">●</span>

<sup>(1)</sup> Measure relates to United Utilities Water Limited.

<sup>(2)</sup> PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed into both bonus and LTP through inclusion of customer ODIs and return on regulated equity (RoRE) respectively. Read more about the bonus and long term plan (LTP) in our remuneration report on pages 170 to 203 of our Integrated Annual Report 2023.

<sup>(3)</sup> As measured against a 2017/18 baseline.

<sup>(4)</sup> As measured against a 2019/20 baseline.

<sup>(5)</sup> As measured against science based target baseline year 2019/20.














































# Our social performance in 2022/23

## Status key

Annual performance		Against 2025 target	
	Met expectation/target		Confident of meeting target
	Close to meeting expectation/target		Some work to do
	Behind expectation/target		Target unobtainable

## Assurance key

ITV	Independent third-party verification
RRA	Regulatory reporting assurance
IAT	Internal audit team

Measure	2025 target	Performance			Link to assurance	Link to remuneration <sup>(2)</sup>	Link to main stakeholder	Status	
		2022/23	2021/22	2020/21				Annual performance	Against 2025 target
Customer ODIs <sup>(1)</sup>	£200 million cumulative	<b>£25 million</b>	£25 million	£21 million	RRA	Bonus			
Water quality customer contacts per 10,000 population <sup>(1)</sup>	12.2	<b>14.1</b>	17.9	17.7	RRA	Bonus			
Supply interruptions per property per year (hours:minutes:seconds) <sup>(1)</sup>	00:05:00	<b>00:38:44</b>	00:07:58	00:04:46	RRA	PC			
Unplanned outages of peak week production capacity <sup>(1)</sup>	2.34%	<b>1.73%</b>	2.07%	1.88%	RRA	PC			
Number of household written complaints compared to WASCs <sup>(1)</sup>	Upper quartile	<b>Second quartile<sup>(3)</sup></b>	Second quartile	Upper quartile	RRA	Bonus			
Speed of resolution <sup>(1)</sup>	5 days	<b>3.9 days</b>	3.5 days	3.5 days	RRA				
Developer satisfaction score (D-MeX) <sup>(1)</sup>	Above industry median	Above industry median	Above industry median	Above industry median	RRA	PC			
Number of households registered for Priority Services <sup>(1)</sup>	In excess of 220,000 (7%)	<b>294,490 (9.1%)</b>	186,224 (5.9%)	128,831 (4.1%)	RRA	LTP			
Certification for Priority Services <sup>(1) (4)</sup>	Maintain certification	<b>ISO22458: 2022 Verification achieved</b>	Maintained BS18477	Maintained BS18477	ITV				
Helping customers look after water in their home <sup>(1)</sup>	10% increase	<b>31.60%</b>	23.85%	13.75%	RRA	PC			
Compliance Risk Index <sup>(1)</sup>	0.00	<b>3.67</b>	3.02	2.58	RRA	LTP			
Wellbeing Charter accreditation	Retain accreditation	<b>Retained</b>	Retained	Retained	ITV				
Accident frequency rate for colleagues (per 100,000 hours)	0.064	<b>0.072</b>	0.073	0.094	IAT				
Accident frequency rate for contractors (per 100,000 hours)	Year-on-year improvement	<b>0.078</b>	0.043	0.087	IAT				
Your Opinion Survey score for diversity and inclusion questions	Upper quartile against Utilities norm	<b>Upper quartile</b>	Upper quartile	Upper quartile	ITV				

<sup>(1)</sup> Measure relates to United Utilities Water Limited.

<sup>(2)</sup> PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed into both bonus and LTP through inclusion of customer ODIs and return on regulated equity (RoRE) respectively. Read more about the bonus and long term plan (LTP) in our Remuneration report on pages 170 to 203 of our Integrated Annual Report 2023.

<sup>(3)</sup> Latest comparative data available 2021/22.

<sup>(4)</sup> The new Consumer Vulnerability standard, ISO 22458:2022 replaces the previous BS18477:2010 Inclusive Service Provision standard.

For more information, see our [Integrated Annual Report 2023](#)



# Our governance performance in 2022/23

## Status key

### Annual performance

- Met expectation/target
- Close to meeting expectation/target
- Behind expectation/target

### Against 2025 target

- Confident of meeting target
- Some work to do
- Target unobtainable

## Assurance key

- ITV Independent third-party verification
- RRA Regulatory reporting assurance
- IAT Internal audit team

Measure	2025 target	Performance			Link to assurance	Link to remuneration	Link to main Stakeholder	Status	
		2022/23	2021/22	2020/21				Annual Performance	Against 2025 Target
Credit rating U UW (Moody's, S&P, Fitch) <sup>(1)</sup>	A3, BBB+, A-	<b>A3, BBB+, A- (Stable outlook)</b>	A3, BBB+, A- (Stable outlook)	A3, BBB+, A- (Stable outlook)	ITV				
Maintain Sustainable Finance framework	Available/continued issuance	<b>Available</b>	Available	Available	IAT				
Anti-bribery: percentage of identified colleagues completing required training	100%	<b>100%</b>	100%	94%	IAT				
Number of children benefiting from education materials	20,000	<b>23,253</b>	12,998	19,120	ITV				
Partnership leverage <sup>(1)</sup>	1:4	<b>1:4</b>	1:4	1:7	RRA				
Invoices paid within 60 days	At least 95%	<b>98.91%</b>	99.34%	99.55%	ITV				
Average time taken to pay invoices	<28 days	<b>12</b>	13	13	ITV				
Supplier Relationship Management score	90%	<b>90%</b>	54%	69%	IAT				
CIPS ethical mark	Retain accreditation	<b>Retained</b>	Retained	Retained	ITV				
Percentage of targeted suppliers signed up to United Supply Chain	100%	<b>89%</b>	90%	38%	IAT				
Percentage of partner and strategic suppliers that have sustainability risk assessment in place	75%	<b>73%</b>	72%	35%	IAT				
Percentage of suppliers in high risk categories (in sustainability risk assessments) covered by enhanced due diligence audits	5%	<b>3%</b>	Delivery scheduled from 2022	Delivery scheduled from 2021	IAT				
UK Corporate Governance Code	Maintain compliance	<b>Compliant</b>	Compliant	Compliant	IAT				
Fair Tax Mark	Retain accreditation	<b>Retained</b>	Retained	Retained	ITV				
Living Wage accreditation	Secure and retain	<b>Retained</b>	Retained	Secured accreditation	ITV				
Pension Quality Mark +	Retain accreditation	<b>Retained</b>	Retained	Retained	ITV				

<sup>(1)</sup> Measure relates to United Utilities Water Limited.

For more information, see our [Integrated Annual Report 2023](#)

# Sustainable bond proceeds in action

## Business Insight | Southwaite

Southwaite Wastewater Treatment Works is a relatively small treatment works in rural Cumbria that receives varying flows as a result of a nearby motorway service station. To reduce phosphorus levels in the River Eden the site required improved treatment. In addition because of high volumes of water coming into the site during wet weather, its permit required appropriate treatment of any storm waters to protect the river downstream.

Traditional solutions would involve the installation of large storm tanks to store the high flows and then pass the water to the treatment works in dry weather. Due to the predicted impacts of climate change, any tanks would have to be extremely large compared to the size of the treatment works and carbon intensive to build.

So alongside traditional approaches, we considered more innovative nature based solutions to minimise the negative environmental impact whilst meeting permit requirements.

We concluded the best solution was to create an innovative storm water treatment wetland. While this nature based solution was not the lowest cost option, it provided the best overall value when additional benefits such as recreational access, health and improved biodiversity were taken into account.

Construction involved the creation of 3 distinct open water pools, each planted with a variety of wetland plants to create a diverse environment and three stages of treatment. During storm conditions flows from the treatment works pass through each pool and receive treatment as they progress, before being discharged to the river. Constructed wetlands mimic the processes found in natural wetlands as they physically slow the flow of the passing water, settling out some of the pollution present. Variations in depth encourages a range of different plants to establish promoting active biological treatment within the wetland cells to specifically target the removal of organic material which, if discharged to river, can affect the river system.

The solution had a lower carbon impact than other options by avoiding significant concrete infrastructure and providing a small amount of carbon sequestration from the wetland itself. In addition the c800m<sup>2</sup> of wetland habitat provides space for biodiversity and, by connecting the site to a public footpath, opportunities for people to observe this new habitat. The wetlands were completed and opened to the public on 31 March 2022.

This innovative approach, the first of its kind for England and Wales, has been shortlisted in the Natural Capital category of the Water Industry Awards. The project has provided valuable insight, which will be used to roll out similarly innovative nature based solutions and to inform a standard approach by the industry for the future.

The overall capital investment at Southwaite which included investment in some traditional phosphorus management in addition to the wetland, was c£6.9m, of which c£6.6m was allocated to the sustainable loan raised in 2022/23.



Southwaite wetlands under construction



Southwaite wetlands three months after creation

# Sustainable bond proceeds in action

## Business Insight | Storm overflows

Storm overflows, which includes combined sewer overflows (CSOs) and storm tank discharges, have been an important part of the sewerage network for over 150 years, acting as the catch-all last defence for managing surface water in our communities. This needs to change.

In normal conditions sewage, mixed with rainwater in wet weather, transits through our wastewater treatment works, and only treated water is returned to the natural environment. If the flow is too much for the works to deal with, it is usually stored in tanks until the incoming flows have returned to normal levels. Then the tanks are emptied and the water is treated.

Our sewers are typically no more than 15 per cent full in dry conditions but, when rainfall is very heavy and the tanks fill to capacity, overflows act as a pressure relief valve allowing rain water, mixed with sewage, to rise inside the sewer and eventually enter a separate pipe which flows into a river or the sea. Sewers operate this way to help prevent the flooding of streets, homes and businesses.

The North West has:

- A significantly higher proportion of combined sewers, receiving a mix of rainwater and sewage, than any other water company;
- 28 per cent higher annual rainfall than the average for England and Wales, so considerably more rainwater entering our sewers; and
- 25 per cent more overflows than the industry average.

When overflows are activated they can sometimes temporarily affect river and bathing water quality. With more extreme rainfall events and significant population growth expected over the next 25 years, more foul and rainwater will be entering our sewers, and the need for overflows would increase if left unaddressed.

We understand and share concerns around this and we are committed to driving a step-change. This will not happen overnight. It is a long-term plan that will need a fundamental re-plumb of the region's sewer system, moving us away from the use of combined storm pipes and creating new ways of dealing with excess wastewater at times of heavy rainfall.

We have made a fast start to a very ambitious plan that is already delivering improvement, and we are keen to go further faster.

**54%** combined sewers in the North West compared to **33%** industry average, with some urban centres even higher, for example Liverpool has **84%**

## Find out more

We released a report in 2023 detailing progress against the commitments in our Better Rivers: Better North West plan.



[Better rivers report 2023](#)

We released a report in 2022 discussing the issue of storm overflows and our plans to reduce their use.



[Storm overflow report 2022](#)

Louise Beardmore talks about the issue with storm overflows and how we plan to tackle it.



[Video from our CEO](#)

# Sustainable bond proceeds in action



## Business Insight | Better Rivers Better North West – working with others to improve river health

We have an important role to play in improving river health across the region, engaging with local communities and interested organisations. Our river rangers and Future Rivers Forum are two ways in which we are working with others to respond to the challenge.

To protect our rivers and help to keep them healthy, we have recruited a brand new team of six river rangers who will be based across the region. The rangers will be working with teams across our catchments, forging close links and engaging with community groups and organisations and collaborating with them to improve the environment and river water quality in those areas. They'll be proactively patrolling the banks of rivers, checking assets to organise maintenance and cleaning litter and debris to mitigate against the aesthetic impact of our operations. The river rangers' work will allow us to further understand the quality of rivers across our region and what more we need to do to protect their health and help them thrive. If successful, we plan to hire more rangers to support our activities right across the North West.

In partnership with the Rivers Trust, we hosted the North West's first Future Rivers Forum to drive awareness and address the challenges that face rivers across the region including climate change, population growth and pollution. The Future Rivers Forum brought together a cross section of people and organisations including local authority representatives, North West businesses, environmental bodies, water sector regulators and local community figures to encourage greater collaboration to improve the health of the region's rivers.

The day consisted of a mixture of speakers as well as networking and interactive sprint workshops to identify new opportunities to work together. Attendees discussed the challenges their industries face, shared solutions and committed to put words into actions and create a lasting impact that goes beyond the day's events. Collaboration, funding, and nature-based solutions were key themes to emerge from discussions.

# Progress against our carbon pledges

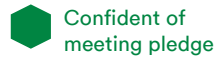
In 2020 we made six pledges that set out our initial priorities in the global goal to curb climate change to no more than 1.5°C.

Here is our progress in meeting those pledges:

## Pledge 1

42% reduction of scope 1 and 2 emissions from our 2020 baseline by 2030

**Our progress**  
↓ 3.6%



Confident of meeting pledge

We are making good progress towards our pledge and SBT, having made a year-on-year 1.5% reduction from 2021/22. Progress is not expected to be linear while we have emerging challenges that drive increasing emissions.

2019/20: 138,961 tCO<sub>2</sub>e Baseline  
2022/23: 133,930 tCO<sub>2</sub>e 3.6% reduction

## Pledge 2

100% renewable electricity by 2021

**Our progress**  
100%



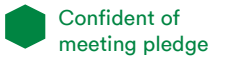
Pledge met

Since October 2021 all electricity we use is renewable. Around 25% of our needs are renewably generated directly by us or with partners and the remainder is purchased on a renewable tariff backed with REGO certificates. We are working on plans to increase the energy we can self-supply through new investment in renewable capacity and storage.

## Pledge 3

100% green fleet by 2028

**Our progress**  
33 vehicles



Confident of meeting pledge

Our initial focus has been on understanding the travel patterns of our fleet. With this insight we have begun the delivery of the required charging infrastructure, the purchase of an initial 200 electric vehicles and are continuing to explore options for HGVs. We are also supporting colleagues to switch to electric with a salary sacrifice scheme.

## Pledge 4

1,000 hectares of peatland restoration by 2030

**Our progress**  
585 hectares



Confident of meeting pledge

We have peatland restoration activities across the North West at different stages of maturity including the 2000ha improved through our 2005–15 SCAAMP projects. We have 585ha currently under restoration towards meeting this pledge.

## Pledge 5

Plant one million trees to create 550 hectares of woodland by 2030

**Our progress**  
37 hectares



Confident of meeting pledge

Weather and tree disease slowed our planting progress but we have two well established nurseries and plans for more and have identified hundreds of sites for new and 'replanted' woodlands.

## Pledge 6

Set a scope 3 science-based target by 2021

**Our progress**  
SBTs verified July 2021



Pledge met

We have two science-based targets which between them cover all our relevant scope 3 emissions. 29% of our scope 3 emissions are from our construction services partners delivering infrastructure as part of our AMP7 business plan. We are working with our partners to reduce the emissions from building these projects by supporting their own environmental ambitions and encouraging them to set their own science-based targets. 23% of these suppliers (by 2022/23 emissions) have set SBTi verified science-based targets for their organisation and approximately 60% more have either made an SBTi or other public commitment statement to set targets that are science-based.

# The six capitals

To deliver our purpose we are reliant on a broad range of resources. We use the internationally regarded concept of the six capitals to define our key resources, and to help us manage our impacts and dependencies.

Our relationship with the six capitals is not one-way. Much as their availability and quality have an impact on our business, our activities also have an impact on the capitals, and this can be positive or negative. As a regulated water and wastewater company that continuously relies on, and interacts with, nature and society to deliver our purpose, it is especially helpful to consider and manage our key resources through the six capitals framework to ensure we maximise the positive impact we can have.

In our **Integrated Annual Report 2023** we explore the ways that we depend and impact on each of the capitals, and how we manage them to ensure long-term resilience and value creation. To better understand and manage these important interactions, we are creating a six capitals account. This approach is based on the premise that traditional financial accounting doesn't show the full picture. We rely on things that are not on our balance sheet, like our people and the environment, and we have an impact on things that have no associated income statement or cash flow value. Six capitals accounting aims to close that gap by accounting for these non-financial elements, which would be viewed alongside our financial information, to give a fuller picture of our impacts and dependencies.



We are in the process of integrating six capitals thinking into all our business processes and planning, including taking a multi-capital value approach to the formation of our business plan for the 2025–30 period.

This expands on the natural capital accounting method we have previously used, and will provide a fuller picture of the two-way value transfer between the business and each of the capitals, and the consequences of different strategic options, to better inform our decision-making and help us create and protect value for all of our stakeholders.

Performance can also be monitored and assessed by reference to the positive and negative impacts on these six capitals, and this is already well aligned to the way we monitor our performance by reference to value creation for our six stakeholder groups as well as financial performance – with strong alignment between these stakeholders and the capitals. The six capitals accounting will help us identify any other areas that are worth adding to the way we manage and assess our performance.

# Future targets

This page sets out some of the climate-related, nature-related and other sustainability targets we have set ourselves over the short, medium and long term.

Short term      Medium term      Long term

**2023**  
Monitor all storm overflows and make real-time data on their operation available to the general public

**2025**  
Improve water quality in 1,315 kilometres of rivers across the North West

**2025**  
100% of targeted suppliers signed up to United Supply Chain

**2025**  
>220,000 customers registered for our Priority Services scheme

**2025+**  
Work to enable future national water trading

**2045**  
Install additional water meters to achieve coverage of around 75% of households

**2035**  
Deliver our service using natural capital in a sustainable, efficient and resilient way

**2030**  
Restore 1,000 hectares of peatland and create 550 hectares of woodland

**2030**  
Reduce scope 1 & 2 greenhouse gas (GHG) emissions by 42% and scope 3 GHG emissions by 25%

**2028**  
100% green fleet

**2050**  
Net zero GHG emissions aligned to the Paris Agreement's ambition to limit global warming to 1.5°C

**2050**  
Help reduce water demand to 110 litres per person per day

**2050**  
Reduce leakage by 50%

**2050**  
Reduce to an average of no more than 10 activations per storm overflow

**2070**  
Eliminate lead pipes

**United Utilities Group PLC**

Haweswater House  
Lingley Mere Business Park  
Lingley Green Avenue  
Great Sankey  
Warrington  
WA5 3LP

Registered in England and Wales  
Registered number 6559020



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**Water for the North West**