## Business model

A description of the company’s business model can be found within the strategic report on pages 24 to 38.

## Dividends

Our directors are recommending a final dividend of 27.52 pence per ordinary share for the year ended 31 March 2019, which, together with the interim dividend of 13.76 pence, gives a total dividend for the year of 41.28 pence per ordinary share (the interim and final dividends paid in respect of the 2017/18 financial year were 13.24 pence and 39.73 pence per ordinary share respectively). Subject to approval by our shareholders at our AGM, the final dividend will be paid on 1 August 2019 to shareholders on the register at the close of business on 21 June 2019.

## Directors

The names of our directors who served during the financial year ended 31 March 2019 can be found on pages 80 to 83. Sir David Higgins was appointed on 13 May 2019.

## Reappointment

Our articles of association provide that our directors must retire at every annual general meeting following their last election or reappointment by our shareholders which is consistent with the recommendation contained within the 2016 UK Corporate Governance Code (‘the Code’) that all directors should be subject to annual election by shareholders. This has been the case at all the AGMs since 2011. Information regarding the appointment of our directors is included in our corporate governance report on pages 94 to 97.

## Interests

Details of the interests in the company’s shares held by our directors and persons connected with them are set out in our directors’ remuneration report on pages 116 to 143 which is hereby incorporated by reference into this directors’ report.

## Corporate governance statement

The corporate governance report on pages 80 to 115 is hereby incorporated by reference into this directors’ report and includes details of our compliance with the Code. Our statement includes a description of the main features of our internal control and risk management systems in relation to the financial reporting process and forms part of this directors’ report. A copy of the 2016 version of the Code, as applicable to the company for the year ended 31 March 2019, can be found at the Financial Reporting Council’s website frc.org.uk. Copies of the matters reserved for the board and the terms of reference for each of the main board committees can be found on our website.

## Share capital

At 31 March 2019, the issued share capital of the company was £499,819,926 divided into 681,888,418 ordinary shares of 5 pence each and 273,956,180 deferred shares of 170 pence each. Details of our share capital and movements in our issued share capital are shown in note 23 to the financial statements on page 186. The ordinary shares represented 71.3 per cent and the deferred shares represented 28.7 per cent respectively of the shares in issue as at 31 March 2019.

All our ordinary shares have the same rights, including the rights to one vote at any of our general meetings, to an equal proportion of any dividends we declare and pay, and to an equal amount of any surplus assets which are distributed in the event of a winding-up.

Our deferred shares convey no right to income, no right to vote and no appreciable right to participate in any surplus capital in the event of a winding-up. The rights attaching to our shares in the company are provided by our articles of association, which may be amended or replaced by means of a special resolution of the company in general meeting. The company renews annually its power to issue and buy back shares at our AGM and such resolutions will be proposed at our 2019 AGM. Our directors’ powers are conferred on them by UK legislation and by the company’s articles. At the AGM of the company on 27 July 2018, the directors were authorised to issue relevant securities up to an aggregate nominal amount of £11,364,806 and were empowered to allot equity securities for cash on a non-pre-emptive basis to an aggregate nominal amount of £1,704,721.

## Voting

Electronic and paper proxy appointment and voting instructions must be received by our registrars (Equiniti) not less than 48 hours before a general meeting and when calculating this period, the directors can decide not to take account of any part of a day that is not a working day.

## Transfers

There are no restrictions on the transfer of our ordinary shares in the company, nor any limitations on the holding of our shares in the company, save: (i) where the company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Companies Act 2006; or (ii) where their holder is precluded from exercising voting rights by the Financial Conduct Authority’s Listing Rules or the City Code on Takeovers and Mergers.

There are no agreements known to us between holders of securities that may result in restrictions on the transfer of securities or on voting rights. All our issued shares are fully paid.
Major shareholdings

At 22 May 2019, our directors had been notified of the following interests in the company’s issued ordinary share capital in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority:

<table>
<thead>
<tr>
<th>Per cent of issued share capital</th>
<th>Direct or indirect nature of holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lazard Asset Management LLC</td>
<td>8.03 Indirect</td>
</tr>
<tr>
<td>BlackRock Inc.</td>
<td>5.13 Indirect</td>
</tr>
<tr>
<td>Norges Bank</td>
<td>3.03 Direct</td>
</tr>
</tbody>
</table>

Purchase of own shares

At our last AGM held on 27 July 2018, our shareholders authorised the company to purchase, in the market, up to 68,188,841 of our ordinary shares of 5 pence each. We did not purchase any shares under this authority during the year. We normally seek such an authority from our shareholders annually. At our 2019 AGM, we will again seek authority from our shareholders to purchase up to 68,188,841 of our ordinary shares of 5 pence each with such authority expiring at the end of our AGM held in 2020.

Change of control

As at 31 March 2019, Equiniti Trust (Jersey) Limited was the trustee that administered our executive share plans and had the ability to exercise voting rights at its discretion which related to shares that it held under the trust deed constituting the trust. In the event of a takeover offer which could lead to a change of control of the company, the trustee must consult with the company before accepting the offer or voting in favour of the offer. Subject to that requirement, the trustee may take into account a prescribed list of interests and considerations prior to making a decision in relation to the offer, including the interests of the beneficiaries under the trust.

In the event of a change of control, the participants in our all-employee share incentive plan (ShareBuy) would be able to direct the trustee of ShareBuy, Equiniti Share Plan Trustees Limited, how to act on their behalf.

Information required by UK Listing Rule 9.8.4

Details of the amount of interest capitalised by the group during the financial year can be found in note 6 to the financial statements on page 175. In line with current UK tax legislation, the amount is fully deductible against the group’s corporation tax liability, resulting in tax relief of £7.1 million.

There are no other disclosures to be made under Listing Rule 9.8.4.

Directors’ indemnities and insurance

We have in place contractual entitlements for the directors of the company and of its subsidiaries to claim indemnification by the company in respect of certain liabilities which might be incurred by them in the course of their duties as directors. These arrangements, which constitute qualifying third-party indemnity provision and qualifying pension scheme indemnity provision, have been established in compliance with the relevant provisions of the Companies Act 2006 and have been in force throughout the financial year. They include provision for the company to fund the costs incurred by directors in defending certain claims against them in relation to their duties as directors of the company or its subsidiaries. The company also maintains an appropriate level of directors’ and officers’ liability insurance.

Political donations

We do not support any political party and do not make what are commonly regarded as donations to any political party or other political organisations. However, the wide definition of donations in the Political Parties, Elections and Referendums Act 2000 covers activities which form part of the necessary relationship between the group and our political stakeholders. This includes promoting United Utilities’ activities at the main political parties’ annual conferences, and occasional stakeholder engagement in Westminster. The group incurred expenditure of £9,338 (2018: £21,662) as part of this process. At the 2018 AGM, an authority was taken to cover such expenditure.

A similar resolution will be put to our shareholders at the 2019 AGM to authorise the company and its subsidiaries to make such expenditure.

Trade associations

We are members of a small number of trade associations. Some of these have a national focus, such as Water UK, the representative body of the UK water industry, which considers industry-wide priorities such as development of markets, customer trust, resilience and regulation and, and the Confederation of British Industry, which provides a policy-making voice for firms at a regional, national and international level. Others focus on specific professions such as the 100 Group representing the views of the finance directors of FTSE 100 and large UK private companies and the GC 100, the voice of general counsel and company secretaries in FTSE 100 companies. The company is also a member of regional bodies, such as the North West Business Leadership Team which encourages engagement across the public and private sectors to promote the sustainable economic development and long-term well-being of the North West. Our total contribution to these associations in 2018/19 was £399,658 (2017/18: £389,743).
### Employees

Our policies on employee consultation and on equal opportunities for our disabled employees can be found in the ‘People’ section on page 32. The company’s business principles make clear how the company and all our employees must seek to act with integrity and fairness and observe legal requirements. Anyone with serious concerns that the company may not be adhering to these principles is encouraged to speak up via their line manager or through a confidential telephone line.

Importance is placed on strengthening employees’ engagement (see page 42), measuring their views annually, then taking action to improve how they feel about the company and understand its direction. Employees are provided with information, through briefings and access to other online materials, to enable them to understand the financial and economic factors affecting the company’s performance. Furthermore, Alison Goligher has been designated as the non-executive director for leading the board’s engagement with the workforce. Amongst other initiatives, an Employee Voice Panel has been established, chaired by Alison; meetings will be held quarterly with the venue rotating around our region. The Panel will consist of circa 30 employees elected from across all employee segment groups and geographical areas. Panel members will be re-elected approximately every two years. The objectives of the Panel are to: provide the opportunity for a two-way channel of communication between the board and the workforce; provide insight to the board on how people think and feel about working for the company; and contribute to the monitoring and assessment of the culture of the business. During the year, we have had regard to employee interests, consulting with employees and their representatives and trade union representatives in relation to new pension arrangements introduced on 1 April 2019 and consulting with employee representatives in relation to organisational changes for support and managerial roles. The effect of our regard towards employees in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 152.

Employees are encouraged to own shares in the company through the operation of an all employee share incentive plan (ShareBuy).

Information on our average number of employees during the year, can be found in note 3 on page 173.

### Environmental, social and community matters

Details of our approach, as a responsible business, is set out in our business principles, which can be found on our website at unitedutilities.com/corporate/about-us/governance/business-principles/. Our approach to engagement with our environmental stakeholders and those in the communities we serve can be found on pages 40 to 43. The effect of our regard towards the environment, social and community matters in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 152.

### Customers and suppliers and key stakeholders

Our approach to engagement with customers, suppliers, regulators and other key stakeholders can be found on pages 39 to 45. The effect of our regard towards customers, suppliers, regulators and other key stakeholders in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 152.

Our sustainable supply chain charter sets out how we work with our suppliers, which can be found on our website at: unitedutilities.com/corporate/about-us/governance/suppliers/how-we-buy/sustainable-supply-chain/; we are also a signatory to the Prompt Payment Code. We publish key statistics and other information on our payment practices in line with the Duty to Report on Payment Practices and Performance on the Department for Business, Energy & Industrial Strategy’s website. Information is published on a six-monthly basis. For the six months to 31 March 2019, our average time taken to pay invoices was 24 days; in the previous six months it was 25 days.

### Approach to technology development

We are committed to using innovative, cost-effective and practical solutions for providing high-quality services and we recognise the importance of ensuring that we focus our investment on the development of technology and that we have the right skills to apply technology to achieve sustainable competitive advantage and also that we continue to be alert to emerging technological opportunities.

### Financial instruments

Our risk management objectives and policies in relation to the use of financial instruments can be found in note A4 on page 190.

### Events occurring after the reporting period

Details of events after the reporting period are included in note 26 on page 186.

### Slavery and human trafficking statement

Our statement can be found on our website at: unitedutilities.com/human-rights
Annual general meeting

Our 2019 annual general meeting (AGM) will be held on 26 July.

› Full details of the resolutions to be proposed to our shareholders, and explanatory notes in respect of these resolutions, can be found in our notice of AGM. A copy can be found on our website.

At our 2019 AGM, resolutions will be proposed, among other matters:

› to receive the annual report and financial statements; to approve the directors’ remuneration report; to declare a final dividend; and to reappoint KPMG LLP as auditor; and

› to approve the directors’ general authority to allot shares; to grant the authority to issue shares without first applying statutory rights of pre-emption; to authorise the company to make market purchases of its own shares; to authorise the making of limited political donations by the company and its subsidiaries; and to enable the company to continue to hold general meetings on not less than 14 working days’ notice.

Non-financial information statement

The table below constitutes the company’s non-financial Information statement (‘the statement’), produced to comply with sections 414CA(1) and 414CB(1) of the Companies Act 2006. The statement is incorporated into the strategic report by cross reference. Our business principles set out how we behave as a business and are applicable to the areas of disclosure required by s414CB(1). Our business principles can be found on our website: unitedutilities.com/corporate/about-us/governance/business-principles/. The stakeholder metrics table (see page 55) also includes data in relation to the areas of disclosure required by s414CB(1).

<table>
<thead>
<tr>
<th>Reporting requirement</th>
<th>Information necessary to understand our business and its impact, policy, due diligence and outcomes</th>
<th>Policies, guidance and standards which govern our approach (some of which are only published internally)</th>
</tr>
</thead>
</table>
| Environmental matters| Reflecting the needs of the environment:  
Natural resources – see page 28  
Natural environment – see page 28  
Reducing our carbon emissions – see pages 28-29 | Waste and resource use policy  
Environmental policy – see page 29  
Water resources management plan – see page 48  
Emissions target – see page 146 |
| Employees             | Reflecting the needs of our employees:  
Competitive base salaries and benefits - see page 93  
Health and safety – see page 6  
Mental well being – see page 33  
Gender pay report 2018 – see page 98  
Engagement – see pages 42 and 150  
Board diversity – see page 96 | Health and safety policy  
Equality, diversity and inclusion policy  
Flexible working arrangements  
Agency worker policy  
Mental well being policy  
Human rights policy – see page 32  
Board diversity policy – see page 97 |
| Respect for human rights| Reflecting the needs of our stakeholders:  
Suppliers – see page 43.  
Diversity within our workforce – see pages 32 and 98 | Employee data protection policy  
Slavery and human trafficking statement  
Human rights policy – see page 32 |
| Social matters        | Reflecting the needs of our stakeholders:  
Customers – see pages 40 and 57  
Community – see page 40  
Environment – see pages 42 and 61  
Suppliers – see pages 42 and 148  
Regulators – see page 44 | YourVoice – see page 40  
Charitable matched funding guidance  
Volunteering policy  
Sustainable supply chain charter – see page 150  
Commercial procurement policy |
| Anti-corruption and anti-bribery | Employees – see pages 36, 41 to 42  
Suppliers – see page 42 | Anti-bribery policy  
Fraud investigation and reporting processes  
Whistleblowing policy  
Internal financial control processes  
Commercial procurement policy |

Information given to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

› so far as he or she is aware, there is no relevant audit information of which the company’s auditor is unaware; and

› he or she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company’s auditor is aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of the auditor

Our board is proposing that our shareholders reappoint KPMG LLP as our auditor at the forthcoming AGM and authorises the audit committee of the board to set the auditor’s remuneration.

Approved by the board on 22 May 2019 and signed on its behalf by:

Simon Gardiner  
Company Secretary

Non-financial information statement

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Introduction
Throughout this annual report, we provide examples of how we: take into account the likely consequences of long-term decisions; build relationships with stakeholders; understand the importance of engaging with our employees; understand the impact of our operations on the communities in our region and the environment we depend upon; and attribute importance to behaving as a responsible business.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006
The board of directors of United Utilities Group PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 March 2019 (see pages 88 to 89). In particular, by reference to the approval of our business plan (‘our plan’) for the period 2020–25, supported by the board assurance statement accompanying our plan:

› Our plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering a better quality, more reliable water and wastewater service for customers in the North West of England to 2025 and beyond. We will continue to operate our business within tight budgetary controls and in line with our regulatory targets. Our plan was awarded ‘fast-track’ status and commended in relation to: customer engagement, affordability and vulnerability, resilience and innovation (see pages 19 to 21).
› Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business (see page 6).
› Our duty, in accordance with the Water Industry Act 1991, is to provide a safe and secure supply of water and return wastewater safely to the environment. Our plan was informed by extensive engagement with customers, enabling us to gain an understanding of their views and priorities, communicating and listening through new channels and underpinned by working with the independent customer challenge group YourVoice (see page 40). We have made a commitment to share the gains of out-performance with customers. We also aim to act responsibly and fairly in how we engage with: our suppliers (see page 42); our credit investors (see page 100); and co-operate with our regulators (see page 44); all of whom are, integral to the successful delivery of our plan.
› Our plan took into account the impact of the company’s operations on the community and environment and our wider societal responsibilities, and in particular how we impact the regions we serve in the North West of England (see page 40). Several of the proposed performance measures in our plan will deliver environmental improvements.
› As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours (see pages 84 to 143) and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.
› As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.