

Corporate governance report

Nomination committee

The committee's board recruitment process is continuous and proactive, it takes into account the factors affecting the long-term success of the group and its strategic priorities.



Sir David Higgins
Chair of the
nomination
committee

Dear Shareholder

Board changes during the year are summarised on page 117, suffice to say it has been a year of considerable change around the board table. We endeavoured to ensure a smooth induction (see page 134), albeit virtually, for our new independent non-executive colleagues Kath Cates and Doug Webb, both of whom joined the board in September 2020.

The nomination committee has undertaken a comprehensive review of the board succession plan, which addresses both contingency planning needs and requirements in the short to medium term, and incorporates a reasonable degree of certainty on timescales for key board

positions. The committee's role is to ensure that the board and senior management have the appropriate balance of skills and experience to support the group's strategic objectives and that any developmental needs are met. Board members and senior managers need to be in tune with the culture of the company and be supportive of the company's ESG credentials which are embedded in the way the business is operated and will be ever more important.

Historically, independent non-executive directors at United Utilities have served a term of between seven and nine years; a pattern that has facilitated the refreshing of the board in recent years almost on an annual basis, along with ensuring a high degree of continuity. Notwithstanding this, the specifics of each of the non-executive directors' time of departure have been driven by their own personal circumstances. Serving beyond a nine-year term is identified in the code as being one of the reasons that could affect a non-executive director's independence. For this reason, we say a fond farewell to Brian May, the chair of audit committee, at the annual general meeting. In accordance with our succession plans, Brian will be succeeded in this important board position by Doug Webb, whom the board is satisfied as having recent and relevant financial expertise. Two-thirds of board members are independent non-executive directors, fulfilling provisions 10 and 11 of the code. Biographies of board directors can be found on pages 112 to 115.

Diversity and inclusion is high on the board agenda with the board's focus on the matter both across the entire workforce, and in terms of the board's own members. The board diversity policy (see page 133) is taken into account during every candidate selection process. Ultimately, we do strive to appoint the person we believe is best matched to the role in terms of what they have to offer the company and to make a positive contribution to the board conversation and board dynamics. Diversity in its broadest sense and in terms of outlook and interest is essential to ensuring we have a variety of views to contribute to discussions and the decision-making process. The board is committed to ethnic diversity, and its membership is in line with the board diversity policy, reflecting the recommendations of the Parker Review Committee, that there should be at least one director of non-white ethnicity by 2021.

The annual board and committee evaluation (see page 135) was externally facilitated in December 2020/January 2021 by Independent Audit Limited.

QUICK FACTS

- All members of the committee are independent, thus fulfilling the code requirement that a 'majority of members of the nomination committee should be independent non-executive directors'. On joining the board, all independent non-executive directors become members of the nomination committee.
- The role of the committee is to lead the process for appointments to the board and ensure plans are in place for orderly succession to both the board and senior management positions and oversee a diverse pipeline for succession.
- The company secretary attends all meetings of the committee.
- The customer services and people director has responsibility for human resources, she regularly attends meetings and is responsible for engaging with executive search recruitment advisers.
- The CEO is not a member of the committee, but from time to time is invited to attend. Neither the Chairman nor the CEO would participate in the recruitment of their own successor.

Quick link

 Terms of reference – [unitedutilities.com/corporate-governance](https://www.unitedutilities.com/corporate-governance)

Nomination committee members



Sir David Higgins
(chair)



Brian May



Paulette Rowe



Stephen Carter



Mark Clare



Alison Goligher



Kath Cates



Doug Webb

MAIN RESPONSIBILITIES

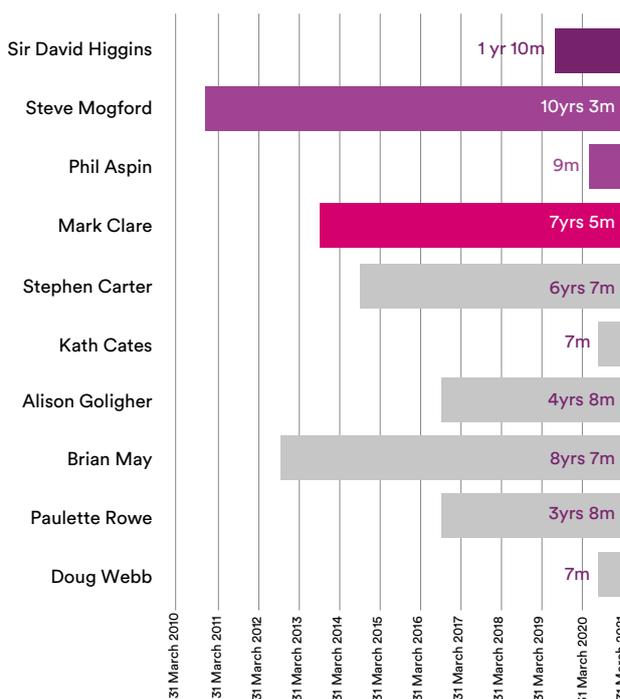
- Lead the process for board appointments and make recommendations to the board about filling vacancies on the board, including the company secretary;
- Consider the succession planning of directors and members of the executive team;
- Make recommendations to the board on refreshing the membership of the board's principal committees;
- Review directors' conflict authorisations;
- Consider the request from executive directors for election to the boards of other companies and make a recommendation to the board; and
- Consider requests from non-executive directors for election to the boards of other companies; this role has been delegated to the Chairman (other than in respect of his own requests).

During the year, Steve has re-shaped his executive management team to better reflect the needs of the business going forward and to provide key senior managers with new opportunities for challenge and development. The board is satisfied that this will contribute to the strength and quality of the senior management succession pipeline, as has management's response to the pandemic, quickly evolving from the 'new normal' to 'business as usual'. The board has good visibility and communication links with senior management, indeed this is one of the contributing factors to the board's confidence in its management team. Excluding the CEO and CFO, there are now eight members of the executive team (2020:13) of which 50 per cent are women. Short biographies can be found on our website at unitedutilities.com/executive-team. While the executive team reflects strong gender diversity, there is a way to go to achieve our aspirations for ethnic diversity.

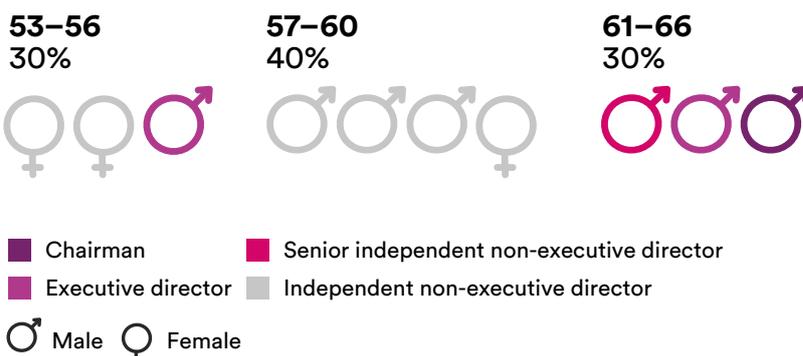
Sir David Higgins
Chair of the nomination committee

Diversity and inclusion is high on the board agenda, with the board's focus on the matter both across the entire workforce, and in terms of the board's own members.

Directors' tenure as at 31 March 2021



Age and gender profile at 31 March 2021



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Composition, succession and evaluation

Principle J:

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The board is satisfied it has applied principle J. An explanation of the board appointment and succession planning activities can be found on page 132 and forms our disclosure as part of provision 23. Our disclosure against provision 20 is on page 132. In relation to provision 23, our policy on board diversity is on page 133 and details of the gender balance of senior management on page 137. Information on the company's approach to diversity and inclusion is set out on pages 138 to 140.

Principle K:

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

The board is satisfied it has applied principle K. Biographies of the board can be found on pages 112 to 115. An overview of directors' areas of expertise is set out in the skills matrix on page 133 and the length of service of board members on page 131. Board biographies include our reporting against provision 18.

Principle L:

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

The board is satisfied it has applied principle L. Details of the board evaluation and disclosure against provision 23 can be found on pages 116 and 135.

What has been on the committee's agenda during the year?

Board succession

In line with the board succession plan, and the approximate timescales therein, the process of the appointment of Kath Cates was undertaken to fill the vacancy when Sara Weller stepped down from the board at the end of the 2020 AGM. Doug Webb was recruited with the knowledge that Brian May was approaching nine years' service on the board. The committee is supported during any recruitment process by the customer services and people director, Louise Beardmore, as part of her human resources responsibilities. The executive search firm Lygon Group were engaged as part of the recruitment process.

The succession planning matrix tool and skills matrix (see opposite) for board directors is used to support the planning process for board appointments. The succession planning matrix highlights the code governance requirements; existing directors' terms of appointment and a forecast/anticipated time frame when an individual might leave the business; the projected strategic needs of the business and resulting preferred experience of any potential new board member; existing potential internal successors to a role (where identified) and those who could act as an interim should the need arise. A candidate suitable for the role of CEO would need to demonstrate that their management approach would fit with the company's culture of behaving responsibly.

The committee would seek to consult with the incumbent CEO, given his unique knowledge and perspective of the group, on his view of the needs of the business going forward. Neither the Chairman nor the CEO would be involved in the appointment process of their successor.

Other than providing executive search services on previous occasions Lygon Group have no other connection with the company.

Membership of the principal board committees

Alison Goligher took over the role as chair of the remuneration committee when Sara Weller left the board in July 2020, Alison had served as a member of the committee since 2016 and chairs the remuneration committee at Meggitt plc. On appointment, Kath Cates joined the remuneration committee, bringing her experience from her existing non-executive appointments. Doug Webb was appointed with a view to taking over as chair of the audit committee and treasury committee when Brian steps down at the conclusion of the 2021 AGM, at which point Doug will also replace Brian on the remuneration committee.

The board is satisfied that the membership of the audit committee is in accordance with provision 24, and that the membership of the remuneration committee is in accordance with provision 32.

Board diversity

The board diversity policy is to 'ensure the selection process for board appointments provides access to a range of candidates. Any appointments will be made on the basis of merit and objective criteria, and within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, but with due regard for the benefits of diversity on the board, including gender diversity.' The objective of the policy is for new directors to bring something different to the board table, be it in terms of experience, skills, perspective, interests or other attributes. As referred to above, our board diversity policy would be brought to the attention of any executive search firm used as part of the selection and appointment process for a board position. Feedback would be sought from the search firm in terms of their success in attracting potential candidates in terms of their diversity of attributes. Feedback would also be gathered first hand through the interview process with candidates conducted by other board members and taken into consideration in identifying those suitable for the role in question. As a board, the benefits of diversity and associated benefits to the decision-making process

is widely recognised and has been the subject of discussion with major investors. When Brian May steps down from the board at the annual general meeting, the measurable targets of 33 per cent female representation on the board and one director of non-white ethnicity will be met. On the board at 31 March 2021, female representation was 30 per cent and BAME was representation 10 per cent. Amongst the workforce BAME representation was 2.5 per cent (15 per cent choose not to disclose) and 9.2 per cent* (*Office for National Statistics, Regional Ethnic Diversity, August 2020) as a comparator, across our region. We recognise the benefits of diversity across our business with initiatives in place to support women in the workplace and tackle the ethnic imbalance of our workforce, thereby aligning with our strategic theme of operating our business in a responsible manner (see page 17).

SUMMARY

Summary of board diversity policy

- Ensure the selection process for board appointments provides access to a range of candidates. Any such appointments will be made on the basis of merit and objective criteria, and within this context should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- Ensure that the policies adopted by the group will promote diversity in the broadest sense among senior managers who will in turn aspire to a board position.
- In selecting candidates for board positions, only use the services of executive search firms who have signed up to the voluntary code of conduct for executive search firms as recommended by the Davies Report.
- Adopt measurable objectives from time to time for achieving gender diversity at board level, which shall be to maintain at least 25 per cent, and aspire to 33 per cent, female representation by 2020, and to have at least one director of non-white ethnicity by 2021.

Skills matrix of board directors

	Sir David Higgins	Steve Mogford	Phil Aspin	Mark Clare	Stephen Carter	Kath Cates	Alison Goligher	Brian May	Paulette Rowe	Doug Webb
Finance/accounting			●	●		●		●		●
Utilities		●	●	●	●					
Regulation	●	●	●	●	●	●			●	●
Government	●		●	●	●					
Construction/engineering	●	●		●			●			
Industrial							●	●		●
Customer-facing		●	●	●	●	●		●	●	
FTSE companies		●	●	●	●	●	●	●	●	●
Digital/Technology		●		●	●	●		●	●	
ESG		●	●	●	●	●	●			●
Current CEO/CFO of FTSE 350 *					●					
Former CEO/CFO of FTSE 350	●			●				●		●

* Excludes UU

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Non-executive directors' induction programme

Since joining the board in September 2020, Kath Cates and Doug Webb have spent time (both virtually and face-to-face as was permitted from time to time) with members of the executive team and met with representatives from the company's advisers as follows:

- The CFO and members of the finance function and gained external perspective from the group's statutory auditor, KPMG. Met representatives from JPM Cazenove and Deutsche Bank, the group's corporate brokers;
- The water, wastewater and digital services director to gain an understanding of the company's operations and digital monitoring and control of the group's water and wastewater network and assets and insight into the group's IT systems;
- The company secretary to gain an understanding of the group's corporate structure, governance arrangements

and associated processes and met with Slaughter and May, the group's legal adviser, to receive an external perspective on governance and best practice;

- The commercial, engineering and capital delivery director to gain an understanding of the group's capital delivery programme and insight into the Haweswater Aqueduct Resilience Programme;
- The customer services and people director to discuss the actions undertaken by the business to improve service to customers and the group's employee agenda and the director of health, safety and wellbeing;
- The strategy and regulation director and the director of environment, planning and innovation to discuss the requirements of the economic and quality regulators; and
- The corporate affairs director to gain an understanding of the group's engagement with political stakeholders.

CFO transition programme

Phil Aspin had extensive finance experience within the group prior to his appointment as CFO, having previously been both group controller and group treasurer. To support his transition to his new role he has taken part in a programme of activities, including:

- Investor relations: met with Rothschild & Co the group's investor relations adviser and received a briefing on equity investor themes and perceptions;
- Corporate brokers: met with JPM Cazenove and Deutsche Bank and received a briefing on equity markets;
- Legal advisers: met with Slaughter and May and received an in-depth review of directors' responsibilities and corporate governance requirements;
- Media and communications advisers: received media training provided by Tulchan Communications; and
- Participated in a CFO transition programme provided by Deloitte.



Evaluation of the effectiveness of the board, board committees and individual directors

Our board evaluation was conducted by Independent Audit Limited (IAL) who were engaged after a competitive tender process; this was the first review undertaken by IAL. Bids were received from six bidders. The tender process was conducted by the company secretary, head of legal and deputy secretary. Prior to this, an external evaluation was last conducted in 2018. In the intervening years the evaluation was facilitated by the company secretary and his team. IAL does not have any other connection with the group. IAL reviewed the accuracy of the content set out in relation to their work.

A summary of IAL's 2020/21 review of responses to the board self-assessment questionnaire is set out below:

2020/21 areas of assessment	Commentary and actions
Overview	IAL found the responses to be, on the whole, very positive. They recommended that the board should continually challenge itself to ensure it maintained consistency in the areas that were felt to be working particularly well. The review of responses identified a broad mix of skills, experience, personalities and diversity in the board composition which should continue to be an aspiration for future board appointments.
Board fundamentals	The review of responses indicated board members felt there was an appropriate mix of skills and experience with members drawn from a diverse range of backgrounds. The mix of personalities helped to encourage diversity of thinking. There was a constructive relationship between the non-executive directors and the executive directors and management team, of which there was good visibility at board level.
Strategy	Responses indicated there was a clear understanding of the strategic goals for the core business and with good visibility of both short and long-term strategy, although it was felt that a better understanding of the sustainable aspects of strategy was needed. Oversight of the financial performance of the business was felt to be good. Greater visibility of the people skills, characteristics and diversity for the future needs of the business was an area to be addressed along with that of enhancing the oversight of culture.
Managing risk	Responses indicated that risk was considered to be well managed and the board had a clear overview of the principal risks. More opportunity for the discussion of IT risk was cited along with other emerging risks.
Support and information	Respondents felt meetings were well chaired and the board arrangements and administration provided by the company secretary and his team were effective. On the whole, papers were considered to be well structured, although better signposting of key issues on more complex topics would be helpful.
Committees	<ul style="list-style-type: none"> • Overview: responses suggest that committees were well chaired and supported. Agendas were focused and members were provided with appropriate information. Members had the right skills to debate issues and provide challenge to management. • Audit committee: questionnaire responses indicated that members agreed that the reporting environment was satisfactory and oversight of internal and external audit was appropriate. Some respondents indicated the need for better insight on how the key risk and control functions operated together. • Remuneration committee: questionnaire responses indicated that the committee was working well and the focus of the committee's agenda was appropriate. The committee should consider the employee's perspective on how remuneration and wider policies align with the values and impact on culture. • Nomination committee: respondents agreed there to be a good level of debate and discussion. A revised skills planning matrix was developed during the year which would aid future non-executive succession planning. It was suggested that the executive succession pipeline would benefit from a more structured approach. • Corporate responsibility committee: given the broad range of ESG activities, respondents felt the committee should focus on the areas where it could add greater value to the debate and more feedback should be sought from the board on the committee's activities.
Individual directors	IAL reviewed the responses from the questionnaires completed by each director assessing their own effectiveness and that of the evaluation of the Chairman. The meeting witnessed by IAL observed good interaction and participation by directors, supporting the view from directors and the board that each director continues to contribute effectively.

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2019/20 evaluation recommendations

More focus was needed on longer term business priorities such as climate change, technology and innovation, resilience and people development.

Nomination committee: continuing the focus on succession planning for executive and non-executive board positions.

Audit committee: the authors of committee papers to focus on the key issues to be brought to the attention of the committee, particularly in relation to the risk management systems and controls.

Corporate responsibility committee: the priorities over the next 18 months should be identified.

Actions taken during 2020/21

In addition to the strategy day held in November 2020, the board have received a number of 'deep dive' sessions on topics including: leakage, digital strategy, people, diversity and inclusion and 'next ways of working'.

During the year nomination committee conducted selection processes for two new non-executive directors, appointing Kath Cates and Doug Webb.

Audit committee papers have focused on key issues, with greater use of appendices for the explanation of detail.

The corporate responsibility committee has reviewed and focused the matters within its remit.

EXTERNALLY FACILITATED SELF-ASSESSMENT EVALUATION PROCESS

Part 1

A brief for the board effectiveness evaluation was first discussed between the Chairman and the company secretary. Thereafter a further session was held with IAL who drafted self-assessment questionnaires, which were then shared with the Chairman, committee chairs and company secretary for feedback. Final versions were then issued to board members and the regular committee attendees via IAL's bespoke online platform, Thinking Board®, in December 2020. The respondents' views were analysed and the reports shared with the Chairman, committee chairs and company secretary and then formally presented at the February 2021 board meeting and respective committee meetings. IAL attended the board strategy day held virtually in November 2020 to observe the board in action. They reviewed the papers for the strategy day along with a more standard set of board papers to assess the quality of materials being provided to the board.

Part 2

The evaluation of the effectiveness of individual directors followed in January 2021. Following discussion with the Chairman and company secretary, IAL drafted questionnaires to enable individual director self-assessment. The senior independent director (SID) agreed the form of the questionnaire to assess the effectiveness of the Chairman and a copy of the questionnaire was shared with the Chairman. Questionnaires were again distributed via IAL's online platform, Thinking Board®, and the results analysed by IAL. A report based on responses to the questionnaire on the effectiveness of the Chairman was sent to the SID, who then discussed the outcome with the other non-executive directors and provided feedback to the Chairman. IAL's report based on the responses from the individual directors was provided to the Chairman who subsequently provided feedback to each of the individual directors.

Ongoing board development and training

Board directors regularly receive updates to improve their understanding and knowledge about the business and, in particular, its regulatory environment. As part of the individual director's element of the board evaluation exercise, directors are asked to identify any skills or knowledge gaps they would like to address. Directors made a number of suggestions, as set out above.

Consideration of ESG issues are fundamental to the way in which we operate as a responsible business at United Utilities; such matters are central to board discussions (see the summary of board activity on pages 121 to 123 and the report of the corporate responsibility committee on pages 156 to 159). The board's approach to these matters is reflected in our strategic themes, and our corporate culture of behaving in a responsible manner as reflected throughout the strategic report. Through presentations and discussions with representatives of YourVoice, the independent customer challenge group, whose role is predicated on protecting customer interests in how the group goes about its business, the board is kept informed of customer, in-region environmental affairs and social matters.

In addition to this less formal approach to board development, during the year the board received briefings from both Slaughter and May (legal and governance matters) and KPMG (governance changes relating to reporting requirements), along with a number of other advisers. Non-executive directors completed in-house online training courses on the Competition Act and the Bribery Act. A number of board members attended events organised by Ofwat for non-executive directors.

Our non-executive directors are conscious of the need to keep themselves properly briefed and informed about current issues and to deepen their understanding of the

business. During the year, Alison Goligher has again chaired the Employee Voice panel as part of the ongoing work to ensure the board has a direct link to understand the views of employees (see page 126) of the business. Paulette Rowe has contributed to the work on diversity and inclusion (see page 138).

Induction of new non-executive directors

An induction programme is arranged for new non-executive directors. The programme for Kath Cates and Doug Webb is set out on page 134. In addition, virtual one-to-one meetings with the Chairman and each of the existing non-executive directors were held. Furthermore, one-to-one meetings were held with the CEO. Ordinarily, on joining the board, non-executive directors would meet members of the operational teams and visit some of the key operational sites and capital projects to ensure they get a first-hand understanding of the water and wastewater business. New directors receive a briefing on the key duties of being a director of a regulated water company, including the role of the regulated company's holding company. They are required to meet with representatives of Ofwat prior to appointment.

Wider succession pipeline and talent management

For a number of years, we have had a written succession plan for our executive directors and other members of the executive team, which includes outline timescales. The plan identifies an interim internal successor to fill a role in the short term should the need arise, and the longer-term development needs of potential successors to be able to fulfil a role on a more permanent basis. As with all our board appointments, we would always aim to appoint the best person to fulfil a role. It would be common, when recruiting for a senior role, for an external search to be conducted alongside an internal candidate recruitment process.

Any changes that are required to the profile of the management team to reflect the changing needs of the business are considered by the board in the executive succession plan. Succession and development initiatives for senior executives include executive mentoring and coaching and/or participating in an executive business school programme, as appropriate. Leadership development centres have been delivered to identify and validate potential for future director and senior leader positions and develop a number of role-ready diverse candidates to provide the group with leadership capacity in an increasingly complex environment. Senior managers are encouraged to take



on a non-executive directorship role as part of their personal development, but it is recognised that this is very much a personal commitment for each individual. Along with the wider employee population, we continue to work towards improving the diversity of our succession pipeline as part of our ongoing diversity and inclusion plans.

Fifty per cent of our executive team (excluding the CEO and CFO) is made up of women, and as yet there is no ethnic diversity among the team. The gender balance of the direct reports of the executive team is 65 per cent male and 35 per cent female, BAME representation is 1.5 per cent. We are keen to develop our succession pipeline of female senior managers so that, over time, they can be considered for executive board appointments or as potential candidates for non-executive directorships in other companies. Our current talent programme at a senior level is well embedded and we believe a non-executive appointment for senior managers provides an excellent

opportunity for both personal and career development. It is a way of gaining valuable experience that may be applied at United Utilities so long as no conflicts of interest occur. Our graduate and apprentice programmes are thriving and we are focusing more effectively on middle/junior management succession. Our gender pay data can be found on page 139. Historically, our industry has been male dominated, but we have measures in place to increase diversity in broad terms, including gender among our employees. During the year, board directors have a number of opportunities to meet with members of the executive team, both formally when senior managers are required to present at board meetings on matters related to their responsibilities, and on more informal occasions. From time to time, board members have the opportunity to attend events and meet with members of the apprentice and graduate population and other employees identified as potential talent within the business.

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Diversity and inclusion in 2020/21

What have we done to improve diversity and inclusion in 2020/21

We are committed to providing a diverse and inclusive workforce that is representative of the communities we serve. Our stakeholders would expect this and it is more relevant than ever before. We need fantastic people to enable us to deliver a great public service now and into the future, so we are determined to make sure we are reaching and recruiting from every community and supporting employees to achieve their full potential and feel valued and included.

Our inclusion plan

Working with a specialist inclusion partner, The Clear Company, we have focused our approach in 2020/21 on five key programmes:

- Leadership development, ensuring managers understand and embrace our inclusion strategy;
- Encouraging openness to enable us to understand more about our employees to improve the support and services we offer to them;
- Enhancing our processes and policies to attract and develop diverse talent and remove bias throughout our employee population;

- Increasing awareness of diversity and inclusion through education, debate and discussion; and
- Facilitating inclusion through encouraging and supporting our active employee networks.

Louise Beardmore, our customer services and people director, sponsors the overall diversity and inclusion plan and tracks its progress against activity-based targets with the executive team. A further maturity audit will be completed in the next 12 months to independently assess progress and inform representation targets.

In 2021 we were the highest placed water company for our diversity efforts in the Diversity Leaders ranking.

Ethnicity

With 2.5 per cent of our workforce identifying as BAME (15 per cent choose not to disclose ethnicity), attracting a future pipeline of talent from across multi-cultural backgrounds remains a priority.

In the North West where we operate, BAME representation is 9.2 per cent* (*Office for National Statistics, Regional Ethnic Diversity, August 2020) and there is considerable variability area by area. Fifty-five per cent of permanent roles recruited during 2020/21 were at our biggest employment hub in Warrington in Cheshire, where BAME representation in the area is 2.7 per cent.

In 2020, we trialled a bespoke approach as part of our apprentice campaign with a specialist diversity recruitment provider. By ring fencing a number of the roles, we were able to target under-represented groups and successfully increase the 2020 intake to include 18 per cent ethnic minority, a 12 per cent increase since the 2019 programme. We adapted our selection processes for this year's graduate programme and increased ethnic minority representation to 21 per cent, a 15 per cent increase since 2019.

We have become a patron member of the BAME Apprentice Alliance and have an active Multicultural Network which supports colleagues and educates the wider workforce on cultural differences by providing insight and stories from a range of cultural backgrounds.

Gender

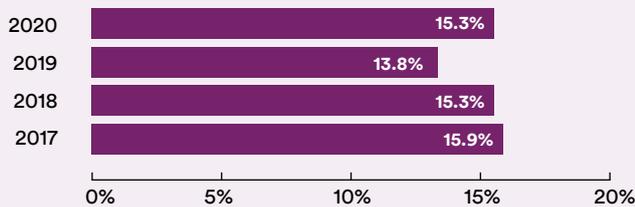
Throughout 2020/21, our workforce profile remained quite static at 66 per cent male and 34 per cent female. This is primarily driven by the limited number of females with the relevant skills available in the market and the legacy of a traditional male-orientated bias in science, technology, engineering and maths (STEM) careers. Women made up circa 24 per cent of the UK workforce employed in core STEM-related jobs in 2020 (WISE campaign summary of Office for National Statistics Labour Force Survey Data).

We have focused on creating a strong pipeline of female candidates for future roles, forming strategic recruitment partnerships to source external talent alongside a range of internal programmes. A new Female Pipeline Talent programme was launched in 2020, supporting progression through cross-company mentoring schemes and targeted future progression. We actively encourage all employees to join our award-winning GENEq gender equality network which continues to provide insight, education and support for female colleagues.

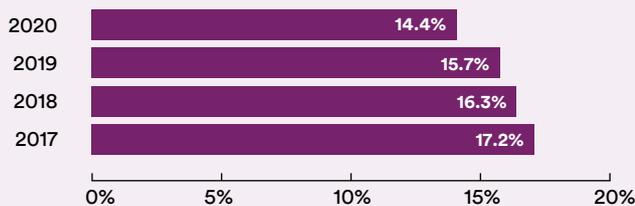
Against a backdrop of low attrition levels, variable geographical demographics and male-orientated STEM roles, we have seen progress with our targeted diversity and inclusion approach:

- In the last year around 42 per cent of all promotions were achieved by women and 60 per cent of our senior leader external hires were female.
- Our Aspiring Manager Programme continues to support female progression with 71 per cent of female participants being promoted or moved to a new role.

Our median gender pay gap over time



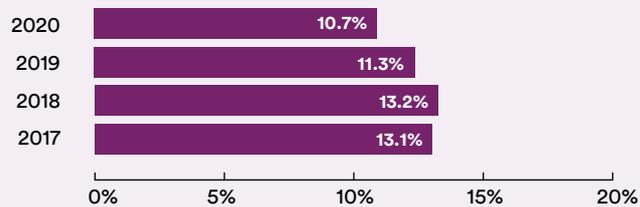
Our median gender bonus gap over time



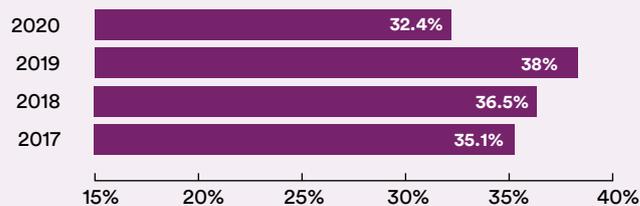
Proportion of women and men receiving a bonus

Female 94.7% **Male 93.2%**

Our mean gender pay gap over time



Our mean gender bonus gap over time



Note: To be eligible for our bonus scheme, employees need to have completed a minimum level of service. This means that some people who start working for us during the year may not be eligible.

- Our graduate intake for 2020 was 64 per cent female, a 25 per cent increase since 2019.
- Our apprentice programme has seen 31 per cent females joining us, an 18 per cent increase compared to 2019. This is against a backdrop of females accounting for only 7 per cent of apprentices in the UK engineering, manufacturing and technology sector (Institute for Apprenticeships and Technical Education).

We have been recognised externally and named on Bloomberg’s 2021 Gender Quality Index, an accepted standard for gender quality transparency. In 2020, United Utilities was named as finalists in both the Northern Power Women Awards and in the ‘Women in Water’ category at the Water Industry Awards.

Gender pay reporting

Since our reporting began in 2017, our median gender pay gap is lower than the national average. In 2020, the national median gender pay gap was 15.5 per cent (ONS, November 2020). Our median gender pay gap has increased slightly since our last report in 2019. This is mainly because we needed to recruit people for a number of operational roles that receive extra payments due to the nature of their working patterns and, at the moment, it is mainly men working in these roles.

We are pleased to report that our mean gender pay gap has reduced. This is partly due to changes in the organisation, which have meant we have had more women progressing into senior roles and more men in lower-paid roles.

Having challenged our thinking and assessed ourselves against external practices, we are confident that action we are already taking or have planned should result in us being able to reduce our gender pay gap in a way that can be maintained.

LGBT+

Our LGBT+ network, Identity+ with over 350 members provides a social and support network for LGBT+ staff and those who are LGBT+ friendly. Its work has continued throughout the pandemic to support virtual events both in the company and externally, including celebrating Pride Month in June 2020.

We are pleased to have partnered with The Proud Trust, a north west-based LGBT+ youth charity. We have sponsored a group youth workers to work with LGBT+ young people in Oldham, a ‘cold spot’ as

defined by the social mobility index. We have funded LGBT+ inclusive educational resources, linked to the English national curriculum.

In 2020, over 200 people participated in Pride in the Workplace training, to help break down barriers and improve confidence to talk about LGBT+ in the workplace. We remain committed to being a Stonewall Diversity Champion. Stonewall are supporting us with a review of our people policies to ensure they are progressive and reflective of societal changes.

Disability

Our ability network with over 100 members aims to support employees with, or those who support people with, a disability or long-term health conditions. Having gained Disability Confident status, we have



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continued to offer guaranteed interviews and make reasonable adjustments for people who are registered with a disability and we are seeing the positive impact of this with 4 per cent of our 2020 apprentice group having a long-term health condition or a disability.

We have continued to deliver disability awareness training to our people managers and were proud to be finalists at the 2020 Recruitment Industry Disability Initiative awards.

Young people

Research indicates that there continues to be significantly fewer females than males studying STEM subjects in secondary schools and universities, which means that females continue to be under-represented in jobs requiring such skills.

In 2020, we sponsored the first STEM Centre of Excellence of its kind at one of our partner schools in Warrington. We provide a range of activities at schools and in our communities to inspire girls to study STEM subjects. Our 50 STEM ambassadors

have together volunteered over 100 hours this year. We are working in partnership with Northern Power Futures, supporting school students across our region, with a specific focus on women.

We have committed to supporting the Government's Kickstart Scheme by providing 250 placements to young unemployed people in 2021. We have welcomed our first cohort of new recruits into their placements and our supply chain partners are supporting us in our aim to provide opportunities for young people.

➔ Read more about [Kickstarting careers in the North West](#) on page 54.

Social mobility

In 2020, we hosted our first Social Mobility Summit with over 150 employers from the North West. We are keen to play our part, alongside other north west businesses, organisations and agencies, in tackling the challenge of social mobility, contributing to boosting opportunities and social mobility as part of our national recovery.

We invited Rt Hon Justine Greening, founder of the Social Mobility Pledge, to co-host a live virtual event with Louise Beardmore, which officially launched our Opportunity Action Plan – the first of its kind in the North West.

We continue to play our part in driving improvements sector-wide, with partners and external stakeholders. We are active members of the Energy and Utility skills diversity and inclusion forum and have signed the sector pledge. As a member of Water UK, we have led on the creation of a water sector apprenticeship scheme that aims to raise awareness of the sector as an employer and are leading in raising awareness of the importance of social mobility inside and outside of the industry. In 2020, our targeted approach for increasing diversity resulted in 49 per cent of our apprentices coming from areas of low social mobility.

