

Our business model

OUR KEY RESOURCES

Natural resources

We rely on natural resources to supply water and take back wastewater after treatment, as well as to generate renewable energy. We own and manage large areas of land.

People

We rely on skilled and engaged employees and suppliers to deliver our services, and must ensure skills are maintained across the generations through training and development.

Assets

We invest significantly to maintain and enhance our assets and build long-term resilience, and we use telemetry across the network to monitor and control many assets remotely.

Financing

Financing allows us to preserve intergenerational equity for customers while funding long-term capital investment, and we maintain access to a range of markets to seek good value.

➔ Read more about **our key resources** on pages 34 and 35

To provide great water and more for the North West

Our strategy and core values

Our strategy sets out how we deliver our purpose, and is broken down into three strategic themes, which govern everything we do.

Our core values – to be customer-focused, innovative and trustworthy – provide the cultural framework within which we operate.



The best service to customers



At the lowest sustainable cost



In a responsible manner

➔ Read more about **our strategy and core values** on pages 16 to 17

Our planning horizons

We undertake long, medium, and short-term planning, taking into account our external drivers and what matters to stakeholders.

➔ Read more about **our approach to planning** on pages 48 to 49

Our business is very long term by nature and we must build resilience to ensure we can continue to provide this essential service.

Medium-term planning reflects our five-year regulatory periods, and aims to help us work towards our long-term plans.

We set annual targets but retain flexibility in these short-term targets to respond to challenges and meet our five-year goals in the most effective and efficient way possible.

1 year 5 years 25+ years

OUR EXTERNAL DRIVERS AND RELATIONSHIPS

Natural environment

We must be resilient to changes such as climate change and population growth, and ensure our impact on the natural environment is positive.

Stakeholders

Our work and the huge areas of land we manage impacts a wide variety of stakeholders and we consult them to help develop and execute our plans.

Technology and innovation

New technology and innovations create opportunities for improvements in service and efficiency, but can also create risks such as cyber security.

Economic environment

The economy impacts our financing, through market rate movements such as interest rates and inflation, and our customers' ability to pay their bills.

Regulatory environment

Regulators' priorities drive our five-year commitments, and we must actively engage to influence and prepare for future market reforms in the industry.

Political environment

This includes regional and national politicians as well as policy makers, and we must understand the key policy issues affecting our industry.

➔ Read more about **external drivers and relationships** on pages 36 to 37

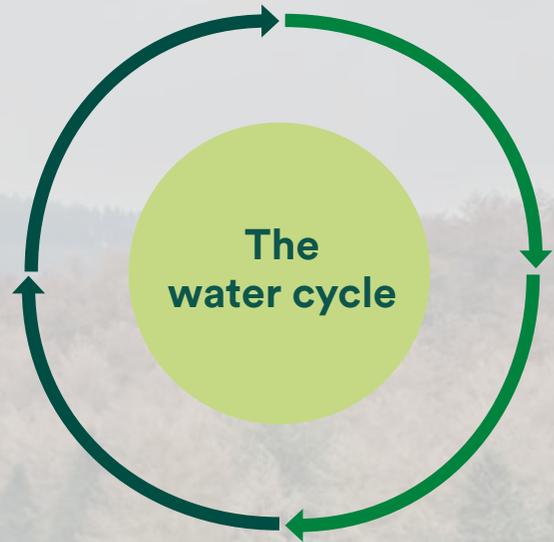
WHAT WE DO

Our core activities are to deliver essential water and wastewater services for household and business customers across the North West.

We maintain and operate thousands of kilometres of pipes and hundreds of treatment works, as well as renewable energy facilities that use our land and bioresources from wastewater treatment to generate clean electricity to help power our operations.

Our customers

We deliver a reliable service to over seven million people, with over three million household customers and over 200,000 businesses. We supply clean, great-tasting water and remove wastewater 24 hours a day.



→ Read more about [our water cycle](#) on pages 18 to 19

HOW WE DO IT

To deliver these essential services in the most effective way, we take an integrated approach that considers what is most material to our stakeholders and to our ability to create value; our risk management; our commitment to environmental, social and governance matters; and our pioneering Systems Thinking approach to operating our network and assets.

→ Read more about [our approach](#) on page 46

Our prioritisation of issues

We engage with our stakeholders to understand their priorities and balance their different and often conflicting views.

Our commitment to ESG matters

We operate in an environmentally and socially conscious manner and uphold the highest standards of corporate governance.

Our risk management

We manage a wide variety of risks to enable us to focus on delivering a sustainable and resilient service for the long term.

Systems Thinking

We operate our network as a system rather than discrete assets, and we have a backbone of sensors that enable remote monitoring and control.

The value we generate



Communities

We build partnerships to help create better places and support communities to be stronger. We work with schools and young people to develop skills and help people get back to work. Our land is open to the public and we encourage people to use it responsibly.

How we measure this

- KPI – Community investment
- Other metrics, including partnership leverage, provision of education and visitor satisfaction



Customers

We put customers at the heart of everything we do. Through responding to customers' needs we provide a continually improving service at an efficient, low cost, and we support thousands of vulnerable customers through a wide range of assistance schemes.

How we measure this

- KPI – C-MeX
- Other metrics, including D-MeX, managing complaints, vulnerability support and customer awareness



Employees

We focus on attracting, developing and retaining a diverse workforce, and ensuring we look after their health, safety and wellbeing. We run graduate and apprenticeship programmes, and wider training schemes, to develop skilled employees. We pay the Living Wage and have a secure pension provision.

How we measure this

- KPI – Employee engagement
- Other metrics, including diversity and inclusion, learning and development, and accident frequency rate



Environment

We protect and enhance reservoirs, catchments, rivers and bathing waters that provide a home for wildlife, areas for recreation, and a major pull for tourism. We aim to reduce our impact and generate renewable energy to protect the environment for years to come.

How we measure this

- KPI – EA performance assessment
- Other metrics, including leakage reduction, clean air, carbon footprint and natural capital value added



Investors

Many of our investors are pension funds and charities and the income we provide is relied on by millions. We manage risk prudently and provide an appropriate return, investing in our assets for growth and resilience. Regulatory incentives help align shareholder value with what matters to customers and the environment.

How we measure this

- KPI – RoRE
- Other metrics, including performance across investor indices, gearing and Fair Tax Mark



Suppliers

We invest in the North West's infrastructure and generate jobs, skills and income across the region through our capital programme that supports the supply chain and the local economy. We act fairly and transparently with all our suppliers and are a signatory to the Prompt Payment Code.

How we measure this

- KPI – percentage of invoices paid within 60 days
- Other metrics, including average time taken to pay invoices and suppliers signed up to our United Supply Chain

➔ Read more about [how we deliver value for our stakeholders](#) on pages 52 to 72

← Open the page to see how we deliver our purpose and create value for all our stakeholders

To provide great water...

and more...



for the North West



Our business model

Our key resources

NATURAL RESOURCES

Link to risks **1** **2** **7**

We rely on natural sources of water, such as reservoirs, rivers and boreholes, from which abstraction licences permit us to take water in a safe and sustainable way to be treated and supplied to customers. We rely on natural watercourses to take wastewater back into the environment after extensive cleaning. We generate renewable energy from the sun and wind, and extract bioresources from wastewater that we break down into biogas (which is used to generate renewable energy) and biosolids (which are treated to provide a high-quality fertiliser for farmers).

Coping with severe dry periods requires action in relation to supply (ensuring we have resilient water resources and infrastructure to move water efficiently around the region) and demand (encouraging and supporting customers to use water more efficiently). In periods of heavy rainfall we need to deal with excess surface water drainage and minimise the risk of sewer flooding, pollution and spills.

How we manage this key resource

Much of the water we abstract originates on land before running off into the bodies of water. We own and manage large areas of this land, much of which is managed by tenant farmers, or in partnership with other organisations, such as the RSPB and Wildlife Trusts, and we focus on ensuring it is well managed to improve water quality and help protect habitats and species that live there.

Our Systems Thinking approach is central to how we manage water supply. We have an integrated supply zone covering most of our region, our West-East Link Main allows us to transfer water between Manchester and Liverpool, and where there is a potential shortfall we can bring more supplies online to meet demand. Forty-six per cent of households in our region now have water meters installed, and we encourage customers to save water by raising awareness, sharing tips, and providing free water-saving devices.

Traditional interventions to flooding, such as storage tanks and enlarging sewers, are costly and subject to space constraints. We are innovating with new sustainable drainage solutions by working with partners to transform hard grey areas into living planted places. We use integrated catchment solutions, working with others to improve the lakes, rivers and coastal waters in our region, and often using the natural environment as part of the solution. We manage our own woodland in a sustainable way to protect water quality, conservation, access, recreation and timber.

Our activities produce various wastes, including sludges, which we manage in a sustainable way with more than 97 per cent going to beneficial uses such as recycling and application to land as a fertiliser. We use recycled products where practical, and are working to reduce our use of plastics and raw materials to minimise our environmental impact.

PEOPLE

Link to risks **5** **7**

Our people are the face of our company and are essential in delivering our purpose. We believe the most effective decision-making comes from a diverse range of people who feel encouraged to share their views, and that having a skilled, engaged and motivated team of employees, suppliers and contractors is fundamental to the performance we deliver.

Rewarding employees well has been shown to enhance quality of work, increase employee retention, and reduce absenteeism, as well as providing societal benefits. Employee retention helps ensure efficient and effective training and higher levels of performance.

How we manage this key resource

We support thousands of jobs in the North West, including graduate and apprenticeship programmes, helping to secure a legacy for the future in our region. We are an accredited Living Wage Foundation employer, providing our employees with competitive salaries and benefits, an attractive pension offering, and the opportunity to join the employee healthcare scheme and our share incentive plan.

We provide comprehensive training and development opportunities, including digital skills to help with our Systems Thinking approach and enable remote working where practical, which has been more important than ever this year with restrictions as a result of the COVID-19 pandemic.

We promote diversity and equal opportunity to drive a comprehensive and balanced skill set, and we recruit and promote employees on the basis of merit. We are committed to being an inclusive workplace, supporting employees to reach their full potential whilst feeling valued and included. Employee networks, representing certain groups of employees that may face specific challenges, are overseen by an executive sponsor and support employees through their career progression.

➔ Read more about **diversity and inclusion** on pages 60 to 62 and 138 to 140

We are committed to protecting the health, safety and wellbeing of our people, and have been awarded the workplace wellbeing charter.

We measure employee engagement through an annual survey, and regularly achieve results higher than the UK norm.

We monitor and measure employee performance through annual reviews, and employees at all levels of the company participate in the bonus scheme, so they benefit from company success. The bonus performance measures are the same for all employees as those for the executive directors, and can be found on page 168.

ASSETS

Link to risks 1 2 5

Our network assets and treatment works are essential to delivering our services for customers and protecting public health, and our energy assets enable us to generate renewable energy, which helps reduce costs and minimise our environmental impact. It is important we have the right systems and procedures in place to monitor and control our assets efficiently and effectively.

Many of our assets are very long term in nature, such as our impounding reservoirs that can last hundreds of years. We must invest to maintain these assets in good condition so they can continue to provide for customers in the long term. We need to make improvements to ensure we can meet the needs of a growing population, and increasingly high quality standards and tighter environmental consents driven by our quality and environmental regulators.

How we manage this key resource

Since privatisation, the significant investment we have made in our assets has provided substantial benefits to customers, including reduced supply interruptions, reduced sewer flooding incidents, and improved water quality, and we expect to continue with a substantial investment programme for the foreseeable future as

current environmental legislation requires continued investment. We plan for the long term to help us understand where and when we need to invest in our assets, and we monitor the condition, performance and health of our assets.

We manage our assets in a holistic way that seeks to minimise whole-life costs, and we embrace new technology and innovation, which is at the heart of our Systems Thinking approach. This helps us deliver efficient total expenditure (totex) without compromising on quality of service or long-term resilience, saving future operating costs and reducing future customer bills.

We saw in AMP6 the benefit of accelerating our investment to deliver improvements sooner, and we are taking the same approach in AMP7, bringing forward £500 million of our capital expenditure into the first three years of the five-year period.

Our assets and infrastructure projects can affect people who live nearby. We consult with these communities in the planning stage and work hard to minimise odours from our wastewater treatment works and other impacts.

OUR PRINCIPAL RISKS

- 1 Water service
- 2 Wastewater service
- 3 Retail and commercial
- 4 Supply chain and programme delivery
- 5 Resource
- 6 Finance
- 7 Health, safety and environmental
- 8 Security
- 9 Conduct and compliance
- 10 Political and regulatory

RISK EXPOSURE

An indication of the current exposure of each principal risk relative to the prior year.

-  Decreased
-  Stable
-  Increased

FINANCING

Link to risks 6

As a result of the long-term nature of our assets and the need to spread the cost between the generations of customers that benefit from them, it is necessary to raise financing to fund investment in building, maintaining and improving our assets, networks and services.

It is important that we are able to raise finance when needed to preserve adequate liquidity, and that we manage financial risks such as our exposure to movements in interest rates and inflation, to ensure we maintain long-term financial resilience.

How we manage this key resource

We maintain a robust capital structure, with a responsible mix of equity and debt financing. We monitor our performance against required thresholds for key credit ratios to help us maintain strong and stable investment grade credit ratings. This gives us efficient access to debt capital markets across the economic cycle.

We maintain relationships with a diverse range of banks and access to a broad and diverse range of sources of financing in a number of markets, across which we seek the best relative value when issuing new debt. We periodically refresh our euro medium-term note (EMTN) programme to

enable efficient debt issuance under pre-agreed contractual terms, and the board delegates authority to the CFO, allowing us to respond quickly to attractive financing opportunities. This helps us to consistently raise efficient financing at a cost cheaper than many of our peers. This year we published our new sustainable finance framework, allowing us to raise debt based on our strong ESG credentials.

➔ Read more about [our sustainable finance framework](#) on page 70

We aim to avoid a concentration of refinancing in any one year, and fund long term where possible. Our debt portfolio has a very long average life, and we monitor liquidity forecasts with a policy of having resources available to cover the next 15–24 months of projected cash flows to ensure forward funding needs are met. We have clear and transparent hedging policies covering credit, liquidity, interest rate, inflation and currency risk, and these are aligned with the regulatory model.

Our business model

Our external drivers and relationships

STAKEHOLDERS

One of the key external drivers is what matters to our stakeholders, as our plans and the way we operate are influenced by their views.

→ Read more on pages 24 to 26

HOW WE RESPOND TO CHALLENGES

External factors present challenges to how we operate our business. It is important that we are able to identify these challenges and develop plans to respond to them.

→ Read more on pages 38 to 42

The way we work is impacted by a number of factors external to our business that we must consider and manage.

NATURAL ENVIRONMENT

The natural environment is constantly changing, and we must adapt and prepare for future impacts such as climate change and population growth. We can help mitigate climate change by minimising our own environmental impact. Our use and return of water to the environment is a continuous cycle, and returning water cleanly and safely, as well as managing our catchment land effectively, allows this cycle to begin again from the best starting point.

Link to challenges

- Protecting and enhancing the natural environment
- Adapting to a changing climate

STAKEHOLDERS

The nature of our work means we are at the heart of communities in our region, and have an impact on a large variety of stakeholders. We own and manage huge areas of land in areas of natural beauty that are valued by locals and tourists alike. It is important, therefore, that we give consideration to what matters to those stakeholders, and we build relationships and consult with them in developing and executing our plans.

Link to challenges

- Securing long-term operational resilience

TECHNOLOGY AND INNOVATION

New technologies and innovative ideas present opportunities for us to make things faster, better, safer and cheaper. These can come from a variety of places – across different industries and countries as well as from within our business. We encourage innovation externally and internally at all levels of our business, from our Innovation Lab to our annual CEO Challenge. Technology can also create risks, which is why our approach to cyber security is so crucial.

Link to challenges

- Delivering a reliable service in a changing world

ECONOMIC ENVIRONMENT

We are impacted by market rate movements, such as interest rates and inflation, but we seek to manage these prudently to reduce risk as far as practical. As well as these direct impacts on the company, the economic climate impacts our customers and their ability to pay their bills. We operate in an area with high levels of extreme deprivation, so helping vulnerable customers is particularly important for us.

Link to challenges

- Protecting corporate and financial resilience
- Helping customers with affordability and vulnerability

REGULATORY ENVIRONMENT

Sustainable business means preparing for future market reforms as well as meeting current regulatory commitments. We place great value on our relationships with economic, quality and environmental regulators. We engage actively and regularly, both on our ongoing plans, and on consultations for future reforms where we offer our views and influence where we can.

Link to challenges

- Securing long-term operational resilience
- Maintaining trust and confidence

POLITICAL ENVIRONMENT

Political decisions have the potential to significantly impact on our operations. As a responsible business, we ensure that we abide by the directions set by government, and stay flexible to adapt to developments. We engage closely with politicians and other policymakers to understand developments which will affect our business, and to communicate the value that United Utilities delivers in the North West, and the UK as a whole.

Link to challenges

- Maintaining trust and confidence

To provide great water and more for the North West, we must first consider our economic, quality and environmental regulation, and the particular characteristics of our region.

Our industry and market

Customers in England and Wales are served by 10 large licensed water and wastewater companies and smaller companies providing water-only services.

Our regulated entity, United Utilities Water Limited, is the second largest, based on the size of our Regulatory Capital Value (RCV), which represents the value of accumulated investment in the company’s asset base. We serve over seven million people, with over three million household customers making up around two-thirds of our revenue, and over 200,000 businesses. In the non-domestic marketplace, we provide wholesale services to water retailers. As a monopoly provider of essential services, we are regulated by various bodies as set out below.

Our economic regulator (Ofwat) sets the price, service and incentive package that companies must deliver in five-year periods, known as Asset Management Plan periods (AMPs). These packages are based on Ofwat’s methodology and priorities, and consideration and scrutiny of company business plans. We must therefore engage constructively with Ofwat on its future priorities and methodology consultations, and submit high-quality plans to help ensure we receive a determination that targets the best outcomes for us to continue creating value for customers and all our stakeholders, and effectively incentivises us to continue improving performance.

To ensure our plan is robust and balanced, we consult with customers and other

stakeholders (including quality and environmental regulators) and factor in long-term planning and resilience needs.

This was the first year of AMP7, covering the 2020–25 period, and our focus has been on delivering and trying to outperform our final determination through:

- delivering higher customer satisfaction than the other companies in our industry;
- beating the outcome delivery incentive (ODI) targets for operational performance;
- delivering our AMP7 scope within our final determination total expenditure (totex) allowance; and
- raising debt finance at a cost below the industry allowed cost of debt.

Since privatisation, the water industry has invested a significant amount, contributing to improvements in public health and environmental standards, better quality of services, and superior quality drinking water. In its final determinations for AMP7, Ofwat allowed a further £51 billion across the industry to deliver even more improvements.

Our regulators assess our comparative operating performance against the other water and wastewater companies in England and Wales, with the Drinking Water Inspectorate (DWI) assessing performance in water, the Environment Agency (EA) assessing performance in wastewater, and Ofwat assessing customer

10

large licensed water and wastewater companies

2nd

largest waste and wastewater company in England and Wales

£51bn

allowance across the industry to deliver further improvements over the 2020–25 period

satisfaction. The latter two are included in our operational key performance indicators (KPIs).

Our vision is to be the best UK water and wastewater company, so we regularly benchmark our performance against these peers. As well as assessment against our water peers, we benchmark our customer service performance against other leading service providers in our region.

Our regulators

We are subject to regulation of our price and performance by economic, quality and environmental regulators, as shown in the diagram.

These bodies exist to help protect the interests of customers and the environment, but they can have competing interests. For example, in agreeing environmental improvements and over what timeframe these will be delivered, we must consider how much it will cost and the need to protect customers from bill shocks. Balancing these interests requires open and continuous dialogue.

The regulatory framework can change significantly in the long term and we have seen substantial tightening of laws and regulations since privatisation.

While much is outside our direct control, maintaining good relationships enables us to engage positively with regulators to influence future policy, aiming to achieve the best outcome for all our stakeholders.



➔ Read more about [our stakeholder engagement](#) on pages 22 to 26

Our business model

How we respond to challenges

Managing short, medium and long-term challenges facing our business.

Overview

Addressing the challenges we face is key to delivering a resilient service. How we respond to these can be seen in the material issues and risks identified below.

Delivering a reliable service in a changing world

Link to material issue

- Resilience
- Innovation
- Customer service and operational performance

Link to risks

- 1 2 3

→ Read more on page 39

Securing long-term operational resilience

Link to material issue

- Political and regulatory environment
- Resilience
- Customer service and operational performance

Link to risks

- 4 5

→ Read more on page 39

Protecting and enhancing the natural environment

Link to material issue

- Natural resources
- Environmental impacts
- Land management and access

Link to risks

- 7 10

→ Read more on page 40

Helping customers with affordability and vulnerability

Link to material issue

- North west regional economy
- COVID-19
- Affordability and vulnerability

Link to risks

- 3

→ Read more on page 40

Adapting to a changing climate

Link to material issue

- Climate change
- Resilience
- Leakage and water efficiency

Link to risks

- 1 2

→ Read more on page 41

Maintaining trust and confidence

Link to material issue

- Cyber security
- Corporate governance and business conduct
- Trust, transparency and legitimacy

Link to risks

- 8 9

→ Read more on page 41

Protecting corporate and financial resilience

Link to material issue

- Financial risk management
- Corporate governance and business conduct
- Diverse and skilled workforce

Link to risks

- 5 6 9

→ Read more on page 42

Responding to the COVID-19 pandemic

Link to material issue

- North west regional economy
- Health, safety and wellbeing
- Affordability and vulnerability

Link to risks

- 5 7 10

→ Read more on page 44 to 45

OUR PRINCIPAL RISKS

- 1 Water service
- 2 Wastewater service
- 3 Retail and commercial
- 4 Supply chain and programme delivery
- 5 Resource
- 6 Finance
- 7 Health, safety and environmental
- 8 Security
- 9 Conduct and compliance
- 10 Political and regulatory

→ Read more about [our material issues](#) on pages 26 to 27

→ Read more about [our approach to risk management](#) on page 100

→ Read more about [our emerging risks](#) on page 109

CHALLENGE: DELIVERING A RELIABLE SERVICE IN A CHANGING WORLD

In an increasingly digitised and instant economy, customers expect more from services now than ever before. This includes the water sector, with high expectations for the reliability of services, the water we supply and the assets we operate.

Many of our assets are ageing compared to other utilities. To meet the expectations of customers and regulators, it is critical that we combine modern technology into our networks and management of customer service. Quick response to issues raised by stakeholders, often through digital means such as social media, is part of this growing expectation.

Ensuring a reliable service in the face of a growing population, changing climate and increasing expectations of service requires integrated long-term thinking and targeting investment to ensure both short and longer-term reliability.

How we respond

Our culture of innovation and Systems Thinking approach drive us to adapt our assets and the way we operate to use modern technology and the best new ways of working. Examples include sensors across our network that allow remote monitoring and control from our integrated control centre, and our fleet of alternative supply vehicles (ASVs) that can inject treated water directly into supply while we undertake repairs. We have a substantially enhanced social media presence to respond quickly to stakeholders.

Over one million customers now engage with us digitally, whether this is through our website, our mobile app or on social media. Customers rate us 4.7 out of 5 on the App Store and 4.2 out of 5 on Google reviews.

We monitor the performance and health of our assets, with the help of sensors across the network, and this allows us to be proactive. For example, by monitoring pressure in the water network we can spot issues and fix them before we get a burst, saving costs and sparing customers the impact.

Link to strategic themes



We are installing over 100,000 sensors across our networks to proactively manage issues and sort them before customers are impacted.



We balance our capital and maintenance expenditure to ensure affordability and reliability over the short, medium and long term.



We are targeting a 15 per cent reduction in leakage over the 2020–25 period to further protect the reliability of service and water resources.

Our future plans

We have a number of challenging targets for the 2020–25 period that will help improve the reliability of our service, including helping and encouraging customers to use less water. Wider deployment of Systems Thinking will deliver further improvements in the reliability of services.

CHALLENGE: SECURING LONG-TERM OPERATIONAL RESILIENCE

It is vital to our operational resilience that we have plans in place to manage future challenges and maintain the provision of our essential services to customers. Our assets must be prepared to cope with a growing population, and comply with increasingly challenging environmental constraints in areas such as water abstraction and wastewater treatment levels. We must build increased resilience to cope with the anticipated impacts of a changing climate in the long term, including reducing the risk of sewer flooding.

Balancing the risk of service interruptions against investment for the future is a constant challenge for water companies. Understanding what matters to stakeholders to plan our investment programme requires in-depth engagement and analysis, especially in the context of longer-term challenges that span more than five years.

How we respond

It can take many years and require substantial investment to increase the resilience of existing assets or build new ones, which is why our long-term planning is so important. We have detailed plans in place to anticipate future challenges and understand what we need to do to address these, and we build these needs into our business plans for each five-year regulatory period to ensure we can agree the funding we need to act at the right time. We invested an additional £250 million over 2015–20, from the outperformance we earned over that period, to improve our operational resilience further.

Where possible, we design our assets to work in tandem with the natural environment, which provides more sustainable and efficient solutions, such as our innovative Catchment Systems Thinking approach.

Link to strategic themes



Through innovative approaches we are improving the reliability and resilience of our assets, helping to reduce unplanned service interruptions, and enabling us to be more proactive.



By monitoring the health and performance of our assets we can ensure we invest at the right time in solutions that offer the lowest whole-life cost.



We invest in training centres to build technical skills and promote future skills through our education programmes.

Our future plans

Systems Thinking provides opportunities for us to increase our resilience further. Our Haweswater Aqueduct Resilience Programme (HARP) will be progressed through direct procurement for customers in AMP7 and AMP8, addressing our biggest operational risk in a critical pipeline that transports water from the Lake District to Greater Manchester.

Our business model

How we respond to challenges

CHALLENGE: PROTECTING AND ENHANCING THE NATURAL ENVIRONMENT

The UK Government's current goal is to be the first generation to leave the environment in a better state than we found it. Water management is a key part of this and our industry has a leading role to play. However, the cost of solutions has an impact on customer bills and so we need to balance this goal with the need to maintain affordability and avoid bill shocks.

Environmental regulators set stringent consents for our activities to ensure the environment is protected. We take these obligations seriously and work hard to maintain compliance. This requires striking a balance with environmental impacts, such as the use of natural resources and emissions of greenhouse gases.

Our region is fortunate to have some of England's finest countryside and wildlife, much of it legally protected being designated as National Parks and Sites of Special Scientific Interest. There is growing realisation, brought further to the fore by the COVID-19 pandemic, of the physical and mental health benefits that access to green space has for people and communities.

How we respond

The EA assesses water companies' performance across a basket of measures, and we are one of the best-performing companies over the last five years.

Our regulatory framework shapes the way we manage natural resources and our interaction with the environment, and we work with our environmental regulators to agree long-term plans.

A phased, long-term approach to address all of the concerns and interests of our many stakeholders, including environmental regulators, ensures that the necessary work can be delivered without placing too much pressure on customer bills by spreading some of the spend over several years. We work with partners to improve the quality of rivers and bathing waters in our region, providing access to the recreational benefits of the natural environment and boosting the local tourism industry.

Our catchment land is open to the public with millions of visits a year. National lockdowns have increased the popularity of many of our sites and made managing visitor numbers at certain sites difficult. We have worked with local interest groups and local MPs to manage these issues when they arise.

Link to strategic themes



Customer engagement tells us that they value the natural environment in our region and want us to protect and enhance it, while maintaining affordable bills.



We use pioneering catchment projects that combine multiple partners and access to other sources of funding to achieve more together for less.



We provide free public access to our land, much of which is in areas of outstanding beauty, with over nine million visits every year.

Our future plans

We are expanding our Catchment Systems Thinking approach, using more natural solutions to create more value for the environment, and we are reviewing our approach to land management to enable multiple benefits from a targeted approach.

CHALLENGE: HELPING CUSTOMERS WITH AFFORDABILITY AND VULNERABILITY

The socioeconomic situation in the UK is still very challenging and water poverty is an important issue. The COVID-19 pandemic, national lockdowns and slowdown of the economy will only make this more difficult for many customers. How we respond will be crucial to securing and maintaining customers' trust and confidence in the sector in the years ahead.

Our region suffers high levels of extreme deprivation. Eighteen per cent of households in the North West are affected by water poverty, higher than the national average, and research indicates that many customers who are behind on water charges are behind on other bills and many have a pay-day loan. Our stakeholders are interested in how we provide support for customers in vulnerable circumstances beyond just financial distress, such as disability, first language not being English, or temporary vulnerability brought on by illness or a life event.

How we respond

We have a leading approach to affordability and vulnerability, with the sector's widest range of assistance schemes. We are helping over 200,000 customers through our affordability schemes, and through our assistance schemes 71,000 customers became water debt free this year.

Customer support has been at the forefront of our activities throughout COVID-19, such as increasing the number of customers eligible for our social tariff, 'Back on Track', and providing the option to request a three-month payment holiday without affecting credit scores.

We led the sector in establishing our Priority Services scheme, with dedicated teams providing additional support to customers with physical, mental health, or financial difficulties during an incident. This scheme is now accredited by the British Standards Institute (BSI), and over 128,000 customers are now registered for this support, with more joining every day.

Link to strategic themes



We have a wide range of schemes that help customers struggling with affordability concerns and other vulnerable circumstances.



Initiatives such as our affordability schemes help us manage our household bad debt expense.



Through the charity FareShare we have provided support that has enabled 600,000 meals for struggling families in the North West.

Our future plans

Through bill reductions and financial support we will help over 300,000 customers out of water poverty by 2025 whilst extending our Priority Services offering to over 210,000 customers, and improving the quality and scale of the support we provide.

CHALLENGE: ADAPTING TO A CHANGING CLIMATE

The biggest anticipated impact on our natural environment comes from climate change. We must plan well into the future to understand what changes we are likely to experience in our region as a result of climate change, and continually adapt to meet the risks and opportunities this presents.

One of the main opportunities is the potential for water sharing, as our region typically receives more rainfall than the comparatively drier south.

The main risks from climate change are the impact of prolonged severe dry periods, which constrain water resources, and intense periods of heavy rainfall, which increase the risk of flooding and pollution incidents. We need to ensure we have access to resilient water resources, reduce leakage, and encourage less water use in the future to protect this critical resource. We need to ensure our infrastructure can cope with increased surface water to reduce the risk of flooding.

How we respond

Our response to climate change risk involves mitigation (minimising our greenhouse gas emissions) and adaptation (ensuring our services are resilient to a changing climate). Where practical, we generate renewable energy on our sites through solar panels, wind turbines, and the use of bioresources at wastewater treatment works, helping to reduce our emissions. We have reduced our carbon footprint considerably since 2005/06 and have set ambitious science-based targets as part of our continued efforts to reduce emissions. We have committed to six pledges to help us achieve significant further reductions in emissions.

➔ Read more about [our approach to climate change](#) on pages 86 to 99.

We have detailed plans that set out how we will adapt to meet the challenges of climate change, and we are targeting a 15 per cent reduction in leakage over AMP7.

We work with third parties to encourage sustainable drainage solutions to help cope with surface water in periods of heavy rain and are finalising a Drainage and Wastewater Management Plan with key authorities across the region.

Link to strategic themes



We help customers use less water, with advice and free water saving gadgets, saving them money as well as this precious resource.



Our renewable energy generation helps to reduce our reliance on purchasing energy and therefore save costs.



We have reduced our carbon footprint significantly over recent years and are committed to further reducing our emissions.

Our future plans

We have a detailed 25-year Water Resources Management Plan, a Drought Plan, and we plan to publish our third adaptation report in 2021 setting out how we aim to adapt to meet the challenges of climate change.



Read more at unitedutilities.com/corporate/about-us/our-future-plans

CHALLENGE: MAINTAINING TRUST AND CONFIDENCE

Strong relationships are based on trust. Being open, honest and transparent is key to building and maintaining trust and legitimacy. As well as reporting openly this means setting out commitments and delivering on them. Our stakeholders want to know that we are treating employees fairly, protecting customer data, and paying our fair amount of tax.

The increasing pace of globalisation means many customers feel disconnected from many large businesses. This has led to growing calls for companies to demonstrate how they are contributing to society as a whole and operating in the public interest.

In recent years the UK water sector has faced challenges to its legitimacy, amplified by some specific issues at a small number of companies. Consequently, trust has been eroded and questions raised about the ownership structure of the sector, and Ofwat has called for further transparency and disclosure around board leadership and decision-making processes, as well as starting discussion on companies' contribution to public value.

How we respond

We have open and transparent reporting around all of our equity and debt financing arrangements, do not use offshore financing vehicles, and we have secured the Fair Tax Mark independent certification for the past two years.

We have updated our human rights policy which can be found on our website, with links to other related policies, including our modern slavery policy and whistleblowing policy.

Cybercrime has been on the increase and, as the holder of customer information, it is a threat we take very seriously through our policies and dedicated data protection team.

We work with suppliers and contractors whose principles, conduct and standards align with our own. Our key suppliers have committed to United Supply Chain. We are a signatory to the Prompt Payment Code, and fully comply with rules on reporting payments to suppliers.

Link to strategic themes



We engage on a continual basis with customers to understand their expectations in relation to service and behaviour, through activities like our quarterly brand tracker.



We maintain stable credit ratings with key agencies which helps us to retain efficient access to the debt capital markets.



We set qualitative and quantitative performance targets across all of our stakeholders to evidence how we are delivering on our purpose.

Our future plans

Operating in a responsible manner is a key driver of trust with our stakeholders. Our continued compliance with the corporate governance requirements of a listed company helps ensure the transparency of our reporting and behaviour.

Our business model

How we respond to challenges

CHALLENGE: PROTECTING CORPORATE AND FINANCIAL RESILIENCE

We believe the most resilient and effective companies have a diverse, engaged and motivated workforce, who can bring their different ideas and perspectives to help us find solutions.

The availability of skilled engineers depends on economic and social conditions, and we need to ensure an appropriate pipeline of skills in younger generations too, especially in the areas of science, technology, engineering and mathematics (STEM). As the world becomes increasingly digital, we need to have the right people and skills to manage our business in the modern world.

Long-term financial resilience starts with a robust balance sheet and management of financial risks. Companies have to be aware of their own financial situation and make sure that they understand the financial resilience of others, such as suppliers and former employees.

How we respond

We support employees to achieve their full potential and feel valued and included, regardless of their gender, age, race, disability, sexual orientation or social background.

We build skills resilience internally through training and development, including digital skills.

We have graduate and apprentice schemes, and ambassadors that work with schools and education institutes to encourage the younger generation to pursue STEM careers.

We maintain good relationships with employees, and employee representatives, to ensure an engaged and motivated workforce, and we continually strive to build diversity across all types of role and all levels within our business. We have a Gender Equality Network that helps by providing role models, mentoring and opportunities. Women are represented at all levels of our company, and 38 per cent of our combined board and executive team is female.

As a public listed company, we consistently adhere to the highest levels of governance, accountability and assurance.

We have a strong balance sheet, a secure pension position, and take a prudent approach to financial risk management, which delivers long-term predictability and resilience to financial shocks.

Our clearly articulated policies, covering a variety of market risks, help us reduce our exposure to the economic and regulatory environment, providing more predictable returns.

Link to strategic themes

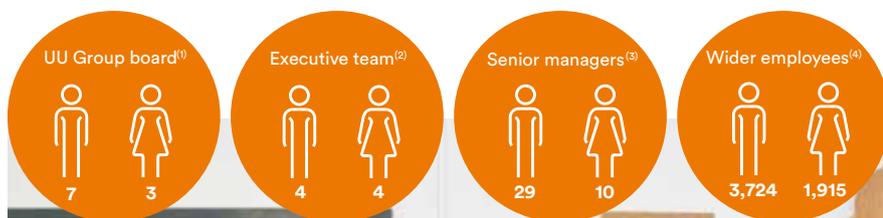
 As we did in AMP6, we are accelerating our capital programme into the early years of AMP7 to deliver service improvements for customers earlier.

 Our robust capital structure, relatively low gearing and strong pensions position provide long-term financial resilience and future financial flexibility.

 We have award-winning training centres, the only ones in the water industry approved to run Ofsted-accredited programmes.

Our future plans

Creating strong relationships with employees and suppliers will help build a resilient value chain, and our focus on good corporate governance and prudent financial management ensures we have a basis for long-term success.



- (1) Group board as at 31 March 2021
- (2) Executive team excludes CEO and CFO, who are included in group board figures
- (3) As at 31 March 2021, there were eight male and three female employees appointed as statutory directors of subsidiary group companies but who do not fulfil the Companies Act 2006 definition of 'senior managers'
- (4) Wider employees as at 31 March 2021



FareShare donations support communities in need

In shaping our response to COVID-19, understanding the impact on our stakeholders has influenced the measures we adopted.

North west communities, already home to some of the country's most social and economically deprived areas, have suffered as a result of the economic stress and job losses caused by the pandemic. As a consequence, more people have turned to food banks to ensure there is food on their tables. Through our work helping vulnerable customers across the region and tackling affordability issues, we have a better understanding of the challenges faced by some of our communities and we wanted to help in some way.

Through a combination of director salary sacrifice, matched by the company, and employee donations, we have donated £240,000 to food distribution charity FareShare. The charity helps redistribute surplus food, which would otherwise go to waste, to 250 charities and community groups which provide meals to people in need – including children's breakfast clubs, domestic violence refuges, homeless shelters and drug and alcohol rehab units. Lockdown has been particularly challenging and FareShare has been especially busy dealing with increased demand. At the peak of the COVID-19 crisis, FareShare Greater Manchester was distributing enough food for around 200,000 meals each week. Two thirds of people accessing FareShare food are children and families.

Our donation helps FareShare meet this increased demand and will provide families with 600,000 meals. Our funds have given FareShare much needed financial support and the money has been used to purchase a brand new long-wheel Mercedes Sprinter delivery van. This will deliver over six tonnes of food per week to frontline charities, schools and foodbanks across Greater Manchester.

➔ More details on [our response to COVID-19](#) can be found on pages 44 to 45

Generating value for:



Volunteers needed: fares



At the peak of the COVID-19 crisis, FareShare Greater Manchester was distributing enough food for around 200,000 meals each week.

Our business model

How we respond to challenges

How our responsible approach has helped us make a difference during the COVID-19 pandemic

How we responded

We serve some of England's most socioeconomically deprived communities, many of which have been severely impacted by COVID-19. We have prioritised supporting customers, the wider communities and our colleagues during this difficult time. Recognising the importance of water for public health and sanitation, especially with the emphasis placed on washing hands, we have maintained water supplies and wastewater services throughout the pandemic, keeping our employees safe while they carried out their duties.

Our communication with stakeholders during this time has been more important than ever, whether that has been encouraging customers to get in touch if they have been impacted financially by the pandemic or issuing guidance reinforcing government guidelines to protect employees, suppliers and customers. Our consultation for the Haweswater Aqueduct Resilience Programme (HARP) was stopped in its tracks by COVID-19. We changed approach, developed a virtual consultation, and as a result we have seen better engagement than our traditional approach.

Board oversight

COVID-19 has changed ways of working for everyone and our board has been no exception. We have continued to hold scheduled board meetings in a virtual format to ensure that the board's oversight has remained effective. We were able to hold a number of events during the year, including a board strategy day, conducting external board evaluation and providing our major shareholders with the opportunity to virtually meet with the Chairman.

Outlook

Lessons we have learnt from the pandemic will shape how we deliver for stakeholders in the future. We now have an even better understanding of our customers and how we can support them. We have been challenged to think more creatively about how we engage with our stakeholders. The pandemic has accelerated our digital strategy and changed our ways of working in such a way that we do not see a return to how we worked before.

Although there remains a degree of uncertainty as to how the UK and the economy will continue to recover after the pandemic, it has taught us that our sustainable and responsible approach to business means we can tackle future challenges as they emerge.

Our response at a glance

600,000

meals funded via local foodbanks

7,300

pupils supported via Home Learning Hub during school closures

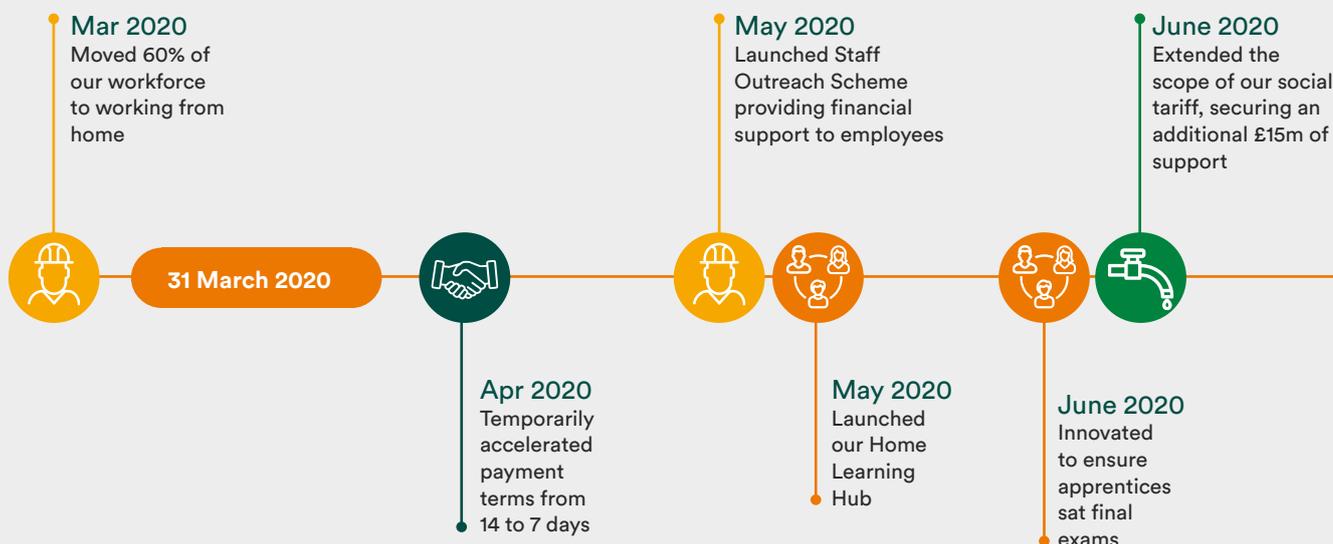
67

apprentices and graduates recruited

Staff Outreach Scheme

supporting colleagues' struggling families

United Utilities response timeline





Communities

How we responded

We have continued to support young people in our region throughout the pandemic. Recruitment of apprentices and graduates has continued uninterrupted and we are supporting the Kickstart Scheme, offering training and meaningful work placements, with the support of our supply chain partners, to an initial 250 young people.

This year, as part of our ongoing charitable donations, we supported the FareShare charity in delivering 600,000 meals to struggling families via local foodbanks and replaced one of the charity's delivery vans, helping to ensure meals get to families in need over the next eight years.

During school closures our education team created a Home Learning Hub, providing teachers and children with home schooling material.



Customers

How we responded

Recognising affordability has been even more important during the pandemic, we took swift action and were the first company to secure support and regulatory approval for an extension to our social tariff, with an additional £15 million available to help customers keep out of debt.

We are committed to providing over £71 million of financial support over AMP7, and we have accelerated payments this year to provide much needed assistance to struggling households.

We have increased the extensive financial assistance we already provide, for instance by widening eligibility for our 'Back on Track' social tariff.



Employees

How we responded

We facilitated home working for over 3,000 of our employees with the remainder of our workforce continuing to work at COVID-secure facilities.

A huge focus has been on the wellbeing needs of our colleagues, in particular mental health support. We have delivered initiatives to help build resilience across our workforce, including e-learning and bitesize webinars.

We have not furloughed any employees, but, recognising that our employees and their families have not been immune to the hardships as a result of changing circumstances, we created a Staff Outreach Scheme to provide one-off grants through a confidential application process.



Environment

How we responded

As we emerge from the pandemic, we are determined to play our part in supporting a green recovery in the North West. We have accelerated investment plans, spending more over the early years of AMP7 than our original business plan. This will support recovery to build a greener, more sustainable future, all while helping the region to recover from the economic impact of the COVID-19 pandemic.

Our new investment plans include delivering environmental improvements in rivers, protecting habitats, combating invasive species, enhancing water quality, drainage and reducing pollution. This investment will generate lasting benefits for the environment, for customers and for communities.



Investors

How we responded

Throughout the pandemic we have maintained regular contact through calls and video calls with both existing and new investors. This year we offered our major shareholders the opportunity to meet, albeit virtually, with the Chairman as part of our active investor relations programme.

We hosted our first virtual capital markets day in March, allowing us to share updates with our investor community on developments within our business. This year focused on key areas of value creation – innovation and Systems Thinking, customer service, totex and financing.



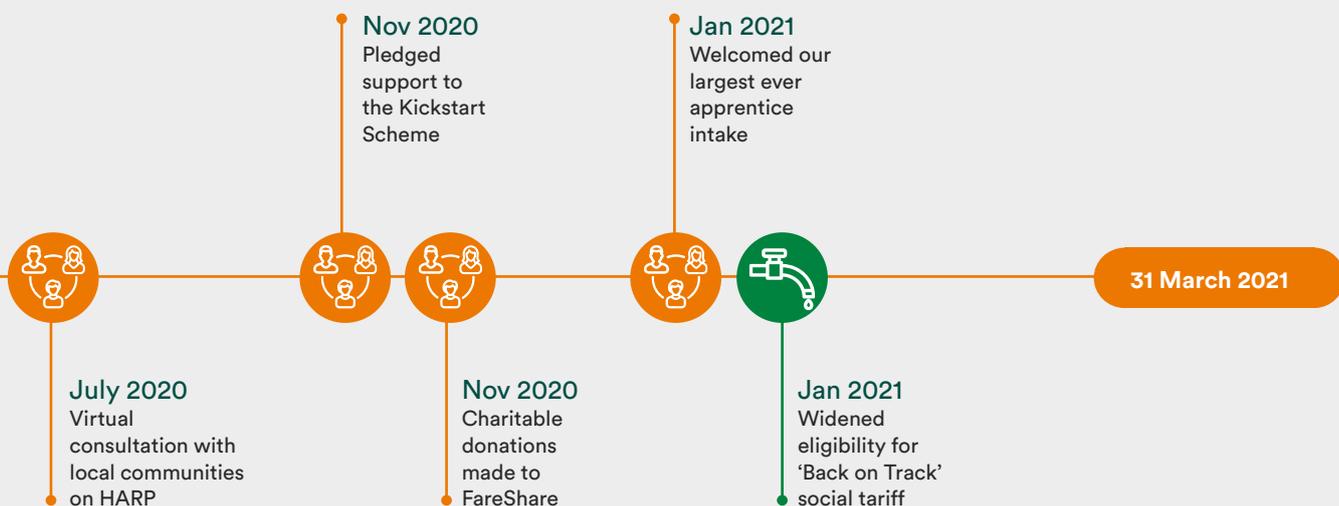
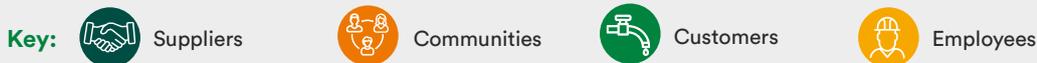
Suppliers

How we responded

We have continued to work closely and actively engage with our supply chain during the pandemic. Looking out for the health, safety and wellbeing of our suppliers has been as important to us as that of our employees.

We continued with the majority of our construction programme throughout the national lockdowns, supporting our supply chain partners.

We acted swiftly at the beginning of the pandemic to accelerate payments from 14 days down to seven days to help with cash flow and offered a range of payment options.



Our business model

How we plan for the future

MATERIALITY AND RISK ASSESSMENT

Our plans take into account the issues that have been identified as material, and our assessment of principal risks and uncertainties.

→ Read more about **our material issues** on page 27 and **our risk management** on pages 100 to 109

MONITORING PERFORMANCE

We continuously assess our performance against our plans using key performance indicators (KPIs) and other performance metrics of interest to our stakeholders.

→ Read more about **how we measure our performance** on pages 50 to 51

Our approach to long, medium and short-term planning horizons helps us continue fulfilling our purpose in a sustainable and resilient way.

Our approach to planning

We take an integrated approach to everything we do. To help us create and prioritise our plans, we consider:

- what the material issues are, to stakeholders and to our ability to create value;
- our assessment of principal risks and uncertainties;
- our environmental, social and governance (ESG) commitments; and
- how our plans will fit with our Systems Thinking approach.

We undertake planning for long, medium and short-term horizons.

Long-term (25+ years) planning helps us identify what we need to do to address challenges and opportunities that may arise, so we can ensure that we are able to provide our essential service to customers far into the future.

These long-term plans influence our medium-term (five to ten years) planning, which sets out how we will deliver the commitments of our final determination for each regulatory period, as well as our non-regulatory activities, such as renewable energy.

Short-term (one year) planning enables us to monitor and measure progress against our five-year plans and regulatory targets. We retain flexibility in our one-year plans to meet our five-year targets in the most effective and efficient way as circumstances change.

Our planning horizons

Our business is very long term by nature and we must build resilience to ensure we can continue to provide this essential service.

Medium-term planning reflects our five-year regulatory periods, and aims to help us work towards our long-term plans.

We set annual targets but retain flexibility in these short-term targets to respond to challenges and meet our five-year goals in the most effective and efficient way possible.

1 year

5 years

25+ years



We will extend our integrated water supply network into West Cumbria



We will publish our Water Resources Management Plan and Drainage and Wastewater Management Plan



We aim to have 210,000 customers registered for our Priority Services scheme



We will work to enable future national water trading



We aim to improve water quality in 1,315 kilometres of rivers across the North West



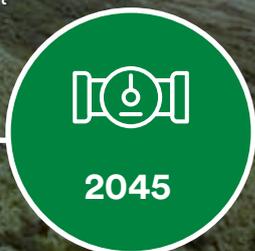
We will make bills affordable for all customers in line with the industry's Public Interest Commitment



We will work with others to achieve 'Blue Flag' beaches along our coastlines



We commit to reducing our scope 1 and 2 greenhouse gas (GHG) emissions by 42 per cent in line with our ambitious science-based target



We will install additional water meters to achieve coverage of around 75 per cent of households



We will deliver our service using natural capital in a sustainable, efficient and resilient way



We will have reduced water demand to 110 litres per person per day



We aim to have reduced leakage by 50 per cent



We aim to achieve our long-term science-based target for net zero GHG emissions aligned to the Paris Agreement's ambition to limit global warming to 1.5°C

Our business model

How we plan for the future



25+
years

Long-term planning

Our approach to long-term planning ensures we are responding to long-term challenges and opportunities.

To maintain a reliable, high-quality service for customers far into the future, we have to look a long way ahead to anticipate and plan for the changes and core issues that are likely to impact on our activities.

This involves looking at a lot of current and predictive data from various sources, such as economic forecasts, expectations for population growth in certain areas, climate and weather predictions, legal and regulatory consultations and changes, as well as the age and condition of our assets, and keeping track of innovations and technological advancements. We review this information as part of our long-term planning and our risk management processes.

Over the next 25+ years we have identified many challenges and opportunities that we are likely to be faced with, including:

- Climate change;
- Population growth;
- A more open, competitive market;
- Water trading;
- More stringent environmental regulations;
- Developments in technology; and
- Combining affordable bills with a modern, responsive service.

There is a section of our website dealing with our future plans, where we examine the challenges ahead and how we will focus our resources and talents so we can meet them.



Read more at unitedutilities.com/corporate/about-us/our-future-plans

This includes our 25-year Water Resources Management Plan (WRMP) covering the 2020–45 period, which was developed and published in 2019 following consultation with stakeholders, and our Drought Plan, which was published in 2018 with an amendment appendix in 2018/19. These long-term plans set out the investment needed to ensure we have sufficient water to continue supplying our customers, taking into account the potential impact of climate change, and the actions we will take to manage the risk of a drought. In 2023 we will publish an update to our WRMP and, for the first time, publish a Drainage and Wastewater Management Plan (DWMP).

We create long-term value for stakeholders by:

- Systems Thinking and innovation;
- long-term planning and responding to challenges and opportunities, including management of water resources;
- sustainable catchment management;
- disciplined investment, based on a sustainable whole-life cost modelling approach, to ensure the resilience of our assets and network;
- investing in our employees to maintain a skilled, healthy and motivated workforce;
- close collaboration with suppliers; and
- maintaining a robust and appropriate mix of debt and equity financing.



5–10
years

Medium-term

Our medium-term planning aligns with delivery of our plans as set out in Ofwat's final determination.

The majority of the group's activities sit within our regulated water and wastewater business, therefore our medium-term planning predominantly sets out how we will deliver against the final determination (FD) we receive from Ofwat for each five-year period. The business plans we submit focus mainly on the subsequent five-year AMP period whilst providing a high-level view of the following AMP. This provides medium-term planning visibility of between five and ten years at any one point in time.

It is important that our ambitions align with those of our regulator, therefore we carefully evaluate all consultation and methodology publications from Ofwat and engage with them to put forward our views and help ensure a balanced approach that creates value for all stakeholders.

Our business plans are designed to help us work towards our long-term plans, build and maintain resilience, and ultimately fulfil our purpose. We engage in extensive research to ensure the plans we put forward are robust and balanced, targeting the best overall outcomes for all our stakeholders.

Following scrutiny and challenge from Ofwat, we receive the FD, which sets the price (in terms of total expenditure and customer bills), level of service, and incentive package that we must deliver over the five-year period, and an allowed return we can earn (expressed as a percentage of Regulatory Capital Value).



planning

When we receive the FD, we refine our company business plan for any changes, such as in allowed expenditure or performance level targets, and we must decide whether to accept the FD.

Our business plan submission for 2020–25 was awarded fast-track status by Ofwat and we were given one of the lowest cost challenges in the sector, reflecting the efficient totex proposals we put forward.

We made a flying start to our 2020–25 plans by investing an additional £130 million in 2019/20, helping us deliver a strong start to this new period. The acceleration of our capital programme during the 2015–20 period helped us deliver improvements early and we are adopting the same strategy in this regulatory period with around £500 million of total expenditure brought forward over years one to three of the five-year period. Our total expenditure for this period will be extended by £300 million, with this expenditure extending our environmental programme.

Our strategy of delivering the best service to customers at the lowest sustainable cost in a responsible manner helps us create value for our stakeholders by delivering or outperforming the FD. Since 2015 we have published an Annual Performance Report (APR), which reports our regulatory performance in a format that helps customers and other stakeholders understand it and compare it with other companies in the sector. This includes reporting of Return on Regulated Equity (RoRE), which is made up of the base allowed return and any outperformance/underperformance, on an annual and cumulative basis for each five-year period.

 Our APRs are published in July each year at [unitedutilities.com/corporate/about-us/performance](https://www.unitedutilities.com/corporate/about-us/performance)



1
year

Short-term planning

In the short term we set annual, measurable targets but we retain flexibility to enable us to respond to challenges that may arise.

Short-term planning helps us work towards our medium and long-term goals and provides us with measurable targets so that we can continually monitor and assess our progress, which helps us ensure the long-term resilience and sustainability of our business.

Before the start of each financial year, we develop a business plan for that year, which is reviewed and approved by the board. This sets our annual targets, designed to help deliver further improvements in service delivery and efficiency, and to help move us towards achievement of our five-year goals. Performance against these annual targets determines annual bonuses for executive directors and employees right through the organisation, who are remunerated against the same bonus targets as the executive team.

To avoid short-term decision-making and ensure management is focused on the long-term performance of the company, as well as these annual targets, executive directors are remunerated through long-term incentive plans that assess three-year performance, measured during the current period through Return on Regulated Equity and a customer basket of measures.

 See details of [the 2020/21 annual bonus and vested long-term incentive plans for our executive directors](#) on pages 168 to 170

The executive directors hold quarterly business review meetings with senior managers across the business to monitor and assess our performance against our annual targets, helping to ensure that we are on track to deliver our targets for the year, and longer term.

It is vital that we retain flexibility within this short-term planning so we can adapt to meet challenges that may arise during each year, and deliver high quality and resilient services to customers in the most effective and cost-efficient way possible. This may involve bringing enhancements forward to deliver improvements for customers early, investing further into the business to maintain service, or delaying projects to occur later in the regulatory period in order to prioritise expenditure and allow our people to spend their time dealing with any unexpected challenges that arise.

The challenges presented by COVID-19 are a clear example of why this flexibility is crucial. We enacted our robust contingency plans, enabling us to quickly and efficiently move thousands of our people to home working and introduce additional safeguarding measures for those that remained on sites or in the field, while maintaining reliable water and wastewater services that are critical for public health at this time.

 Read more about [our response to the challenges of COVID-19](#) on pages 44 to 45

 Information on companies' regulatory performance can be found at [discoverwater.co.uk](https://www.discoverwater.co.uk)