

Our business model

Internal environment

Governance

Good governance lies at the heart of all successful organisations and leads to better management decisions as well as helping to avoid exposure to potential risks.

We strive to operate in a manner that reflects the highest standards of corporate governance. Our company structure and governance standards are designed to ensure that our board continues to observe sound and prudent governance in compliance with the principles of the UK Corporate Governance Code.

Prudent risk management

As would be expected of the provider of an essential service, we adopt a prudent approach to managing risks to our business. That being said, accepting some level of risk is a normal consequence for a commercial organisation.

Given the complex legal and regulatory environment within which we operate, we are exposed to a range of risks. Risks can be in the form of possible non-compliance with existing laws or regulations, or failure to meet the terms of our current 2015-20 regulatory contract, and we face risks in relation to potential future changes in legislation or regulation, as well as from environmental impacts such as climate change.

An important risk to our business is ensuring that we get the constituent elements of our five-yearly business plans correct to ensure our financeability, and that they are agreed by Ofwat as we are bound by these plans for the following five-year period with limited opportunity to change them.

See pages 46 to 49 for more details on what we consider to be our principal risks and uncertainties.

Identifying and then being able to act upon potential opportunities can be a key determinant for adding value. Every quarter, senior management across each main area of the group routinely undertakes business reviews, including the identification and evaluation of potential opportunities.

We are committed to delivering our services in a responsible way and our approach to responsible business practice is outlined in our Business Principles document available on our website at: corporate.unitedutilities.com/united-utilities-business-principles



Read more about our [Governance](#) on pages 52 to 110

Values and culture

Our culture is embodied in our three core values of customer focus, integrity and innovation, and we operate under these three core values at all levels of our business.

These core values are interrelated, as innovating to improve our services and acting with integrity in the way we carry out our activities all help us to continue to improve customer service.

Customer focus

Everything we do will be about our customers, not us.

Over recent years, we have instilled a more customer-centric approach right across our organisation, and this evolving culture has been a key driver in the major improvements in customer service we have been able to deliver.

Putting customers right at the heart of what we do has also helped deliver benefits for shareholders and wider stakeholders.

Integrity

We will make promises knowingly and keep them.

Acting with integrity, both at board level and as a company, underpins our approach to responsible business and building trust. We actively encourage our employees to express their opinions and ideas through various engagement and social channels, such as our annual 'Your Opinion Survey', through news articles on our intranet, and on our social media collaboration tool Yammer.

Innovation

We will innovate to make our services better, safer, faster and cheaper for our customers.

Innovation is a critical enabler in creating value, helping us to be ahead of our competitors, and we welcome ideas on how we can innovate across all levels of our business.

Our employees are given the opportunity to develop and present their ideas to senior management, facilitating and encouraging an innovative environment.

Utilising innovation from our suppliers is part of our supply chain approach, which provides another avenue to benefit from new ideas and technologies.



Read more about our [Values and culture](#) on page 65

Business insight

Challenging our graduates to innovate

The annual CEO Challenge, open to first and second year graduates, aims to find practical, innovative solutions to real business problems.

Our graduates are our thought leaders of the future and it is this population that participates in the challenge. The programme provides graduates with a unique, exciting experience and the opportunity to manage and implement their own live projects. They have to secure financial backing, work with internal and external stakeholders, control budgets, manage a project and get to grips with the technical details, in a short period of time.

The programme provides a safe learning environment for graduates in which they can thrive and deliver great solutions for the company. Graduates get exposure to senior leaders and to parts of the company they would not normally encounter. Past participants agree that the CEO Challenge is excellent for their personal development.

Our innovation team is on hand to offer guidance and support throughout the activity to ensure projects align to our business strategy and that the solutions provide a viable benefit to the business and to our customers.

The teams present their findings to a judging panel including the CEO and the Head of Innovation. A winning team is selected

and there are also individual awards and incentives to recognise high performance. For example, one 'rising star' award-winning graduate, from last year's CEO Challenge, is now working directly for our CEO.

Any team that develops a successful project has the opportunity to implement this into the business. There have been a number of projects that have delivered proven business benefits and are now rolled out across the organisation. Some examples are:

TechTool – used to determine appropriate options for performing rising main condition assessment and likelihood of failure. This has enabled the business to better inform maintenance investments and interventions regarding rising mains. It is now being utilised on an ongoing basis by the business.

Odowatch (the electronic nose) – a tool used to help us detect potential for odour problems early on, allowing us to act before our customers are affected.

Domestic Fats, Oils and Greases (FOG) campaign – with the help of FOG funnels distributed to employees and, in collaboration with Sainsbury's, to our customers we were able to collect around 3,000 litres of FOG.

Pictured: Steve Mogford (centre) presents the CEO Challenge Award to this year's winning team of graduates.

