

How we measure performance

Operational KPIs

These operational KPIs feed through from our three strategic themes to deliver the best service to customers, at the lowest sustainable cost, in a responsible manner.

KPI	Target	Performance	Status	Linked to bonus/LTP
The best service to customers				
Wholesale outcome delivery incentive (ODI) composite Net reward/(penalty) accrued across United Utilities' 19 wholesale financial ODIs	Range of +£30 million to -£50 million over 2015-20	2016/17: £6.7 million net reward 2015/16: £2.5 million net reward		Bonus – direct LTP – indirect
Service incentive mechanism – qualitative Ofwat-derived index based on quarterly customer satisfaction surveys, measuring the absolute and relative performance of the 18 water companies. Each company receives a score in the range of zero to five, with five being the highest attainable score	To move towards the upper quartile in the medium-term			Bonus – direct LTP – direct
Service incentive mechanism – quantitative Ofwat-derived composite index based on the number of customer contacts, assessed by type, measuring the absolute and relative performance of the 18 water companies. Each company receives a SIM point total, where the lowest score represents the best performance	To move towards the upper quartile in the medium-term			Bonus – direct LTP – direct
At the lowest sustainable cost				
Totex outperformance Progress to date on delivering our promises to customers within the cumulative 2015-20 wholesale totex final determination allowance	To meet Ofwat's final determination totex allowance	2015-20: On track to meet the final determination allowance Totex new measure for 2015-20 period, hence no prior years' comparators		Bonus – indirect LTP – indirect
Financing outperformance Progress to date on financing expenditure outperformance secured versus Ofwat's industry allowed cost of debt of 2.59 per cent real over the 2015-20 period	To beat Ofwat's industry allowed cost of debt	2015-20: On track to beat Ofwat allowance 2010-15: Exceeded £300 million target		LTP – indirect
Household retail cost to serve Cost to serve in our household retail business compared with Ofwat's revenue allowance	To minimise costs compared with Ofwat's revenue allowance	2016/17: £14 million outperformance 2015/16: £10 million outperformance		Bonus – indirect LTP – indirect
In a responsible manner				
Leakage – average annual leakage Average annual water leakage from our network quantified in megalitres per day	To meet our regulatory leakage target, as set by Ofwat	2016/17: 441MI/d – Met target 2015/16: 463MI/d – Met target 2014/15: 454MI/d – Met target 2013/14: 452MI/d – Met target 2012/13: 457MI/d – Met target		Bonus – indirect
Environment Agency performance assessment Composite assessment produced by the Environment Agency, measuring the absolute and relative performance of the 10 water and wastewater companies across a broad range of areas, including pollution	To be a first quartile performer on a consistent basis			Bonus – indirect
Dow Jones Sustainability Index rating Independent rating awarded using sustainability metrics covering economic, environmental, social and governance performance	To retain 'World Class' rating each year	2016/17: 'World Class' 2015/16: 'World Class' 2014/15: 'World Class' 2013/14: 'World Class' 2012/13: 'World Class'		Bonus – direct

Note 1: Sector best and worst on quantitative SIM based on datashare of 13/18 water companies (using 12 month actuals).

Financial KPIs

In respect of our financial KPIs, we use underlying profit measures as these enable more meaningful comparisons of the year-on-year performance of our business.

KPI	Performance	Status	Feeds into bonus / LTP										
<p>Revenue £1,704 million -1.5 per cent</p> <p>A definition of revenue is included within the 'Accounting policies' note on page 165</p>	<table border="1"> <tr> <td>16/17</td> <td>£1,704m</td> </tr> <tr> <td>15/16</td> <td>£1,730m</td> </tr> <tr> <td>14/15</td> <td>£1,720m</td> </tr> <tr> <td>13/14</td> <td>£1,689m</td> </tr> <tr> <td>12/13</td> <td>£1,636m</td> </tr> </table>	16/17	£1,704m	15/16	£1,730m	14/15	£1,720m	13/14	£1,689m	12/13	£1,636m		Bonus – indirect LTP – indirect
16/17	£1,704m												
15/16	£1,730m												
14/15	£1,720m												
13/14	£1,689m												
12/13	£1,636m												
<p>Underlying operating profit £623 million +3.1 per cent</p> <p>The underlying operating profit measure excludes from the reported operating profit any restructuring costs and other significant non-recurring items. The group determines adjusted items in the calculation of its underlying operating profit measure against a framework which considers significance by reference to profit before tax, in addition to other qualitative factors such as whether the item is deemed to be within the normal course of business, its assessed frequency of reoccurrence and its volatility which is either outside the control of management and/or not representative of the current year performance. A reconciliation is shown on pages 44 to 45</p>	<table border="1"> <tr> <td>16/17</td> <td>£623m</td> </tr> <tr> <td>15/16</td> <td>£604m</td> </tr> <tr> <td>14/15</td> <td>£664m</td> </tr> <tr> <td>13/14</td> <td>£635m</td> </tr> <tr> <td>12/13</td> <td>£604m</td> </tr> </table>	16/17	£623m	15/16	£604m	14/15	£664m	13/14	£635m	12/13	£604m		Bonus – direct LTP – indirect
16/17	£623m												
15/16	£604m												
14/15	£664m												
13/14	£635m												
12/13	£604m												
<p>Underlying earnings per share 46.0 pence -3.6 per cent</p> <p>This measure deducts underlying net finance expense and underlying taxation from underlying operating profit to calculate underlying profit after tax and then divides this by the average number of shares in issuance during the year. Underlying net finance expense makes adjustments to the reported net finance expense, including the stripping out of fair value movements. Underlying taxation strips out any prior year adjustments, exceptional tax or any deferred tax credits or debits arising from changes in the tax rate from reported taxation. Reconciliations to the underlying measures above are shown on pages 44 to 45</p>	<table border="1"> <tr> <td>16/17</td> <td>46.0p</td> </tr> <tr> <td>15/16</td> <td>47.7p</td> </tr> <tr> <td>14/15</td> <td>51.9p</td> </tr> <tr> <td>13/14</td> <td>44.7p</td> </tr> <tr> <td>12/13</td> <td>38.7p</td> </tr> </table>	16/17	46.0p	15/16	47.7p	14/15	51.9p	13/14	44.7p	12/13	38.7p		LTP – indirect
16/17	46.0p												
15/16	47.7p												
14/15	51.9p												
13/14	44.7p												
12/13	38.7p												
<p>Dividend per share 38.87 pence +1.1 per cent</p> <p>This measure divides total dividends declared by the average number of shares in issuance during the year</p>	<table border="1"> <tr> <td>16/17</td> <td>38.87p</td> </tr> <tr> <td>15/16</td> <td>38.45p</td> </tr> <tr> <td>14/15</td> <td>37.7p</td> </tr> <tr> <td>13/14</td> <td>36.04p</td> </tr> <tr> <td>12/13</td> <td>34.32p</td> </tr> </table>	16/17	38.87p	15/16	38.45p	14/15	37.7p	13/14	36.04p	12/13	34.32p		LTP – direct
16/17	38.87p												
15/16	38.45p												
14/15	37.7p												
13/14	36.04p												
12/13	34.32p												
<p>Gearing: net debt to RCV 61 per cent +1.0 per cent</p> <p>Group net debt (including derivatives) divided by UUW's regulatory capital value (for 2016/17 this uses shadow RCV, adjusted for actual spend, whilst prior years used Ofwat's published RCV in outturn prices as per previous methodology). Our target range is 55 per cent to 65 per cent</p>	<table border="1"> <tr> <td>16/17</td> <td>61%</td> </tr> <tr> <td>15/16</td> <td>61%</td> </tr> <tr> <td>14/15</td> <td>59%</td> </tr> <tr> <td>13/14</td> <td>58%</td> </tr> <tr> <td>12/13</td> <td>60%</td> </tr> </table>	16/17	61%	15/16	61%	14/15	59%	13/14	58%	12/13	60%		
16/17	61%												
15/16	61%												
14/15	59%												
13/14	58%												
12/13	60%												

Note 2: For both our Operational and Financial KPIs, where we have declared external targets we assess our performance against these targets. Where there are no externally declared targets we assess our performance against our internal budget, however our internal budget is not disclosed.

Note 3: In some instances the remuneration committee has used metrics with similar names but calculation methodologies which they consider more appropriate for executive remuneration, as set out in the remuneration report on pages 98 to 109.