

Assurance

Independent Assurance Statement

Scope and objectives

Two Tomorrows (Europe) Limited has undertaken independent assurance of the online version of the United Utilities Corporate Responsibility Performance Report 2009 (the Report).

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide Type 2 assurance, which covers

- evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles) and
- the reliability of specified sustainability performance information.

The performance information included in scope was all data and key claims in the report.

International operations were not included within the scope of the assurance process, although some data from international operations were included in our review of corporate data collation.

Regulatory data reported through the June Return were reviewed only at final collation stage; Two Tomorrows did not repeat or assess the work of the Reporter appointed by United Utilities to check and report on the accuracy and confidence levels of the data submitted to the regulator. Any financial information contained within the Report is excluded from the scope of this assurance process, as are any case studies and links leading beyond the 2009 Corporate Responsibility Performance Report section of the United Utilities website.

We used the Global Reporting Initiative (GRI) Quality of Information Principles as Criteria for evaluating performance information.

Responsibilities of the directors of United Utilities and of the assurance providers

The directors of United Utilities have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of United Utilities, however our statement represents our independent opinion and is intended to inform all of United Utilities' stakeholders. We adopt a balanced approach towards all United Utilities' stakeholders.

We were not involved in the preparation of any part of the Report and this is the second year that we have provided assurance. During the year we had one other contract with United Utilities to facilitate a workshop on materiality.

Our team comprised Jon Woodhead, Louise Hawson, Elvin Ozensoy and Rachell Evans. Further information, including individual competencies relating to the team can be found at: <http://www.twotomorrows.com/>

Basis of our opinion

Our work was designed to gather evidence with the objective of providing moderate assurance as defined in AA1000AS (2008). We undertook the following activities:

- Review of the current sustainability issues that could affect United Utilities and are of interest to stakeholders
- Interviews with selected directors and senior managers responsible for management of sustainability issues and review of evidence to support issues discussed. Interviewees were selected through discussion with the sustainability team.
- Review of United Utilities' approach to stakeholder engagement
- Each year we select a different business area for our site visit through discussion with the sustainability team. This year we went to the Whitehaven Customer Services Centre to review process and systems for collecting and reporting sustainability data. We choose customers services as it was linked to a number of the company's highest materiality issues.
- Review of information provided to us by United Utilities on its reporting and management processes relating to the Principles
- Review of supporting evidence for key claims in the report
- Review of the processes for gathering, checking and consolidating data and, for a sample, checking the data consolidation

Findings

We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe United Utilities' adherence to the Principles or its performance.

Observations

Without affecting our assurance opinion we also provide the following observations.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

A variety of engagement efforts underpin the company's understanding of stakeholder concerns, and its ability to integrate them into its decision making processes. United Utilities has also been particularly active in its sector during the last year on the further development of standards and new approaches to corporate responsibility issues.

The mechanisms in place within United Utilities are helpful in identifying key stakeholder issues and concerns and highlighting problems. However, with the exception of customer and employee surveys, the procedures for obtaining and aggregating stakeholder feedback for consideration at the corporate level would benefit from further integration and systemisation. We recommend that United Utilities consider creating a panel of external stakeholder representatives, linked to existing governance structures, to provide regular high level views and input on the company's approach to specific issues.

Material issues are those which are necessary for stakeholders to make informed judgments concerning United Utilities and its impacts.

The Report currently describes its performance on a wide range of areas across the business. In our opinion, the Report covers all material issues. United Utilities undertook a comprehensive process to determine the relative materiality of corporate responsibility issues earlier this year. We recommend that for future reports United Utilities should consider how best to communicate the outputs of this process, how the relative priority of issues changes during the year, and whether this influences the contents of the report. For example, we anticipate that the recent move by United Utilities into contracts to manage waste on behalf of others should be reflected in material issues for reporting in future years.

We also recommend that future reports should establish a clearly visible link between the outputs of the materiality process and the 'key performance indicators' included in the report. In our statement for last year's report, we recommended that future reports should make available additional commentary and data to cover the broad range of sustainability indicators that are common to the

UK Water Industry, including those relating to resource use, vulnerable customers and carbon intensity of operations. This year's report does include these types of data and commentary, which is a positive step forwards.

It is encouraging to see included in the report an overview of the environmental and social priorities agreed with suppliers. We recommend future reports include more detailed information on the targets that have been set, how performance is monitored, and the results of the programme to date.

In our statement for last year's report, we recommended that future reports should provide further disclosure in relation to attraction and retention of skilled employees. We re-state this recommendation. This could be achieved for example through provision and analysis of data relating to recruitment and turnover of specific types of employees, and the significance to the business going forwards of annual performance in this area.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues

The report identifies issues raised by various stakeholder groups, together with actions taken during 2008 in response to issues identified. Good examples of this include information on issues such as site area charging, the work undertaken by the company in response to dialogue with the Consumer Council for Water, and activities to engage with employees. In future the company should consider expanding this discussion, to include observations and direct quotes from representatives of stakeholder groups or independent experts. This would more clearly describe the outputs of dialogue between the company and its stakeholders during the year.

Performance Information

Commentary on performance data has improved significantly in this year's report. Data collection and reporting arrangements for occupational health and safety performance have also improved, with data now being provided by all businesses in a common format. In addition, the collection of environmental performance data has been streamlined this year and better aligned with other reporting requirements. To further enhance internal controls, visibility and efficiency, we recommend that United Utilities should consider moving to a database system for collating and analysing corporate responsibility data.

In our statement for last year's report we recommended that to increase clarity, future reporting would benefit from a section setting out the scope of reported data and text, in particular in relation to coverage of the non-regulated Group businesses such as UUOL, joint ventures such as 4D, and international divisions. We re-state this recommendation.

Two Tomorrows (Europe) Limited London June 2009

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Two Tomorrows (Europe) Limited trading as Two Tomorrows was formed from the merger of Csrnetwork and Sd3 in January 2009, Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way.
<http://www.twotomorrow.com/>