



Our key performance indicators (KPIs) 2015–20

To help measure our progress on how well we are adding value for our stakeholders and delivering the outcomes described on page 26, we focus on a range of financial and operational KPIs, as defined below. These KPIs are set for the five-year period of our short-term planning horizon and encompass the important areas of customer service and environmental performance, as well as financial indicators, taking into consideration the interests of all of our stakeholders. Strong performance across these KPIs would indicate that our strategy is delivering on our targeted outcomes, helping us on our path to reaching our long-term strategic goals.

Our operational KPIs have evolved to reflect the move to a totex price control for the 2015–20 regulatory period, with a totex outperformance measure replacing the previous separate opex outperformance and capex outperformance measures. We now include an outcome delivery incentive (ODI) KPI in our

wholesale business to monitor our performance against these important new operational measures. This replaces the previous serviceability KPI which is incorporated within the ODI measures. With the retail household price control now being separated, we have introduced a new KPI to measure our costs in this area. In the business retail price control, with the expansion of competition, we have included a new KPI measuring the impact of customer gains and losses.

Our financial KPIs are the same as for the previous year except that we will no longer be including capital investment specifically due to Ofwat's move away from opex and capex and into the new totex based price control for 2015–20.

Our executive bonuses and long-term incentives are intrinsically linked to our financial and operational performance KPIs as highlighted in the remuneration report on pages 82 to 101.

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	Definition	Performance										
Revenue	A definition of revenue is included within the 'Accounting policies' note on page 155	£1,730m +0.6% <table border="1"> <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> <tr><td>11/12</td><td>£1,565m</td></tr> </table>	15/16	£1,730m	14/15	£1,720m	13/14	£1,689m	12/13	£1,636m	11/12	£1,565m
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Underlying operating profit	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 page 44	£604m -9.1% <table border="1"> <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> <tr><td>11/12</td><td>£594m</td></tr> </table>	15/16	£604m	14/15	£664m	13/14	£635m	12/13	£604m	11/12	£594m
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Underlying earnings per share	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 page 44	47.7p -8.1% <table border="1"> <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> <tr><td>11/12</td><td>35.3p</td></tr> </table>	15/16	47.7p	14/15	51.9p	13/14	44.7p	12/13	38.7p	11/12	35.3p
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Dividend per share	This measure divides total dividends declared by the average number of shares in issuance during the year	38.45p +2.0% <table border="1"> <tr><td>15/16</td><td>38.45p</td></tr> <tr><td>14/15</td><td>37.70p</td></tr> <tr><td>13/14</td><td>36.04p</td></tr> <tr><td>12/13</td><td>34.32p</td></tr> <tr><td>11/12</td><td>32.01p</td></tr> </table>	15/16	38.45p	14/15	37.70p	13/14	36.04p	12/13	34.32p	11/12	32.01p
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Gearing: net debt to regulatory capital value	Group net debt (including derivatives) divided by UUW's regulatory capital value (Ofwat's published RCV in out-turn prices) Our target range is 55% to 65%	61% +2.0% <table border="1"> <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> <tr><td>11/12</td><td>59%</td></tr> </table>	15/16	61%	14/15	59%	13/14	58%	12/13	60%	11/12	59%
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Operational KPIs

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

Company objective/KPI	Definition	Target	Performance
Best service to customers			
Wholesale outcome delivery incentive (ODI) composite	Net reward/(penalty) accrued across United Utilities' 19 wholesale financial ODIs	Range of +£30m to -£70m over 2015–20	2015/16: £2.5m net reward ODIs only introduced in 2015/16 so no prior year comparators
Service incentive mechanism – qualitative	Ofwat derived index based on quarterly customer satisfaction surveys, measuring the absolute and relative performance of the 18 water companies (previously 19 in 2014/15). 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	15/16 4.27 14/15 4.24 New methodology for 2014/15, hence no prior year comparators
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 (previously 19 in 2014/15). 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	15/16 95 14/15 99 New methodology for 2014/15, hence no prior year comparators
Business retail customer growth	Amount of additional annualised revenue from winning customers from other water retail providers less the amount of revenue lost from losing customers to other water retail providers	See note 1 below	15/16 £18m 14/15 £15m 13/14 £10m 12/13* £0m *Scottish licence granted in 2012/13
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
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 £300m target
Domestic retail cost to serve	Cost to serve in our domestic retail business compared with Ofwat's revenue allowance	To minimise costs compared with Ofwat's revenue allowance	2015/16: £10m outperformance Domestic retail allowance first introduced by Ofwat for 2015-20 period hence no prior years' comparators
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	2015/16: 463MI/d - Met target 2014/15: 454MI/d – Met target 2013/14: 452MI/d – Met target 2012/13: 457MI/d – Met target 2011/12: 453MI/d – Met target
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	14/15* 2nd 13/14 2nd 12/13 2nd 11/12 3rd 10/11 7th *2014/15 latest available assessment
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	2015/16: 'World Class' 2014/15: 'World Class' 2013/14: 'World Class' 2012/13: 'World Class' 2011/12: 'World Class'

Our performance and the progress we have made against our objectives and their associated KPIs are included within the business performance section on pages 30 to 45.

Note 1: No target set due to the proposed joint venture of United Utilities' and Severn Trent's non-household retail businesses.

Note 2: Sector best and worst on quantitative SIM based on datashare of 10/19 water companies for 2014/15 and 13/18 water companies for 2015/16 (based on nine months of actuals).