

United Utilities Pension Scheme

Environmental, Social and Governance Issues: Our Policy

Introduction



The Trustees believe that the Scheme and its investments should be managed responsibly. Our Environmental, Social and Governance (ESG) Policy sets out how we consider these issues, and the Policy is summarised here.

Our beliefs



ESG factors can affect the **returns** on our investments and the **risks** the Scheme is exposed to. These factors should therefore be taken into account in how we operate, including within our investment approach.



Being good stewards of the investments can help to create and preserve value for companies we invest in, and for financial markets as a whole - hence having the potential to **benefit our members** in the long run.



Climate change poses a key risk, and so the Trustee will consider the potential financial impacts of both the transition to a low-carbon economy and the physical effect of different possible climate outcomes.



ESG factors will affect more than just the Scheme's investments. As such, the Trustee views ESG factors through a broader lens, including investment, funding, and sponsor covenant considerations.

Our Approach

The Trustee Board embeds ESG considerations within Scheme management through a four pillar approach summarised below.





- The beliefs set out on the left guide the Scheme's policy.
- To arrive at these beliefs, and to keep them up-to-date, the Trustee Board undertakes in-depth ESG training, including climate change. We also carry out beliefs reviews with independent input from advisers.

Policy





Process

- Alongside our ESG investment policy (set out in the <u>Statement of Investment</u> <u>Principles</u>), the Trustee Board has established a dedicated ESG policy.
- We also consider ESG factors when we select and review our investment managers, advisers, and other providers.

The "process" part of our approach is where we move from beliefs and policy to practice. Some of the steps we take include:

- Climate scenario testing to assess climate risks and how to mitigate these.
- Meeting our investment managers to discuss their ESG approach.
- Putting in place exclusions for certain funds to screen out unsustainable investments.
- Reviewing annually how our voting rights have been used, in particular for significant votes on ESG issues.
- Provision of sustainably themed funds for members with DC and AVC benefits.
- Company covenant monitoring.
- Liability risks and the impact of climate change on the funding position.
- Setting targets (see right).

Governance



- The Trustee has put in place robust monitoring to help us govern ESG risks.
- For example, we track the ESG ratings of our investment managers and monitor the Scheme's carbon footprint.



Climate Change

We believe that limiting global average temperature increases this century to well below 2°C, as per the 2015 Paris Agreement, is aligned with good outcomes for the Scheme.

Climate change is expected to cause physical damage, and also carries risks (and opportunities) associated with the transition to a low-carbon economy.

Our approach to managing & mitigating climate-related risks and opportunities is consistent with the Taskforce on Climate-Related Financial Disclosures (TCFD) framework, and we look forward to publishing our first Climate Change report under the TCFD framework later this year.

Net Zero

In 2022, the Trustee committed to aim for the Scheme's investments to have net zero carbon emissions by no later than 2050

Want to find out more?

Key Resources

The pensions website: unitedutilities.com/pensions contains lots of useful references, including:

The <u>Statement of Investment Principles</u> (this sets out all of our investment policies – Section 11 documents our Responsible Investment Policy).

Our <u>Implementation Statement</u> (this annual statement confirms how we have implemented our policy, and includes voting records for the investments where we hold voting rights).

For DC members, you can view your investment fund options, including sustainable funds, at https://lwp.aegon.co.uk/targetplanUl/login