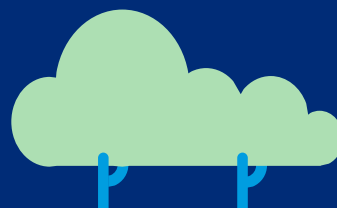


# United Utilities Plc Group (the “Group”) of the Electricity Supply Pension Scheme (“ESPS”)

Climate Change Report 2023



## The Group’s Targets

We have a firm ambition for the Group’s listed investments to have **net zero carbon emissions** (Scope 1 & 2) by no later than 2050.

The rationale is that this target is needed to reduce greenhouse gas emissions and keep global warming to 1.5°C, meeting the goals of the Paris Agreement. A target allows us to objectively follow up against this goal with the investment managers and the insurer.

**We will be reporting our progress to members annually.**

*\*Scope 1: Emissions from a company’s direct activity (e.g. running company vehicles). Scope 2: Emissions a company causes indirectly (e.g. electricity bought for heating and cooling buildings).*



## What’s next? Key Actions for 2024



**Transition to net zero:** We are working with our investment managers, insurance provider, and advisers to map our journey to net zero, and to implement a plan to achieve our targets.



**Data:** The availability of climate data is improving all the time. We will be preparing metrics again as at 31 March 2024 to measure the Group’s progress. This includes expanding our report to cover “Scope 3” (indirect) emissions.



**Governance and risk:** Every year, we formally review our investment beliefs (including those on climate change), the Group’s risk register (which has a dedicated section on environmental, social, and governance (ESG) risks) and our ESG Policy.



**Training:** We have an ongoing training programme to ensure the Trustee Board is well equipped with knowledge of developments around climate change risk and regulatory changes.



## Group Metrics

We use measurable metrics to allow us to:

### Identify issues

For example, by highlighting investments with a relatively high carbon footprint

### Track progress

To chart the progress of the Group over time, seeking ongoing improvements

### What metrics does the report show?

#### 1. Total Emissions

The amount of carbon dioxide and other greenhouse gases the Group is responsible for financing.

#### 2. Carbon Footprint

The amount of carbon dioxide and other greenhouse gases emitted, normalised to allow for the investment size, so we can compare different portfolios / funds easily.

#### 3. Implied Temperature Rise (ITR)

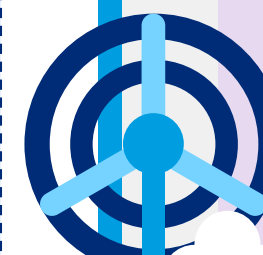
A measure of how aligned the Group’s investments are relative to the Paris Climate Agreement’s 1.5 C target.

#### 4. Data Quality

The proportion of the our investments for which there is high-quality climate-related data.

### What have we learnt from our metrics?

- ✓ Obtaining high quality data is a work in progress for all companies and investment managers. We are pleased that we were able to obtain information for the majority of our portfolio.
- ✓ For investments in securities issued by companies (corporate bonds), our carbon footprint was lower than the benchmark for this investment type. The implied temperature rise was also lower than the benchmark.
- ✓ Our investment managers, and the insurance company that provides our “buy-in” policy, have all set net zero targets for their own businesses, showing good alignment with the Group.



## Our first Climate Change report

This year, as part of the wider ESPS report, we published our first [Climate Change Report](#). While this is now a regulatory requirement for ESPS, the Trustee believes climate risk management is about much more than “compliance”. We view climate change as a risk to society, the economy, and the Group. We also recognise that the transition to a low carbon world presents investment opportunities.

## What does the report cover?



**Governance:** How we include climate change considerations in our decision-making, and the roles played by our sub-committees, advisers, and investment managers.



**Strategy:** How climate risks and opportunities impact the Group’s financial position and strategy. This includes details of how different scenarios for global warming may impact us.



**Risk Management:** How we identify and mitigate climate-related risks, and how we aim to access opportunities.



**Metrics and Targets:** How we measure climate related metrics, such as the carbon footprint of the Group’s investments. We also detail our targets to drive improvements over time (see detail on the right of this summary).

## Why take action?

“Any scheme that does not consider climate change is ignoring a major risk to pension savings and missing out on investment opportunities.” *The Pensions Regulator*