United Utilities Pension Scheme (the “Scheme”)

Climate Change Report

Reporting period: 12 months to 31 March 2025

September 2025

Contents

Executive Summary

Dear Members,

Welcome to our annual climate change report. While this report is a regulatory requirement, the Trustee believes that climate risk management is about more than "compliance". The Trustee views climate change as a risk to society, the economy and the financial system, and we recognise that the transition to a lower carbon world presents investment opportunities. With these risks and opportunities in mind, the Trustee is pleased to present the report. We summarise below some highlights.

Managing Climate Risks and Opportunities – Governance and Risk Management Highlights

The Trustee has a robust framework for managing climate related risks and opportunities. Key elements of this activity are summarised below. You can find more on these topics in the Governance and Risk Management Sections of this report.

Climate-related risks and opportunities are reviewed regularly at Trustee Board and relevant Sub-Committee meetings, and feature as a substantive part of the agenda in meetings with our advisers, investment managers, and with the insurance company that provides the Scheme's "buy-in" policy.

The Scheme has implemented guidelines within a number of investment mandates that integrate climate risk considerations explicitly within how our investments are managed. This helps improve the resilience of the Scheme to long-term climate risks, as well as offering access to growth opportunities, such as in new technology and renewable energy.

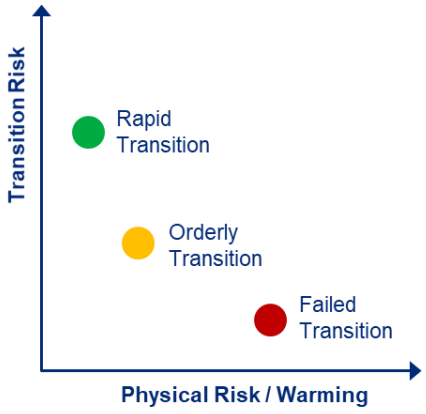
Whenever a new investment fund, investment manager, or insurance investment policy is selected, a thorough assessment of how the provider integrates consideration of environmental, social, and governance ("ESG") factors into their approach is made, including receipt of professional, independent advice on this matter.

The Trustee expects, and encourages, its investment managers to use stewardship (voting and engagement) to engage with investee companies on climate change and ESG topics. We report on this annually in the Implementation Statement, including details of significant votes on climate change.

Future Climate Scenarios – Potential Impact on the Scheme

Climate change is uncertain and complex. Government policies, technological developments, and the actions of companies and consumers will all influence future scenarios. To ensure that the Scheme is resilient to plausible scenarios, the Trustee has assessed three possible outcomes:

- **Rapid Transition:** Average temperature increase of 1.5°C by 2100 (relative to pre-industrial average). This could be driven by an acceleration of government policy changes, or unexpected developments in technology.
- **Orderly Transition:** Average temperature increase of less than 2.0°C by 2100. This assumes governments and wider society act in a co-ordinated way to decarbonise.
- **Failed Transition:** Average temperature increase above 4°C by 2100, as the world fails to co-ordinate a transition to a low carbon economy. Physical impacts significantly reduce economic growth and have increasingly negative impacts. For our Scheme, this is the most negative and damaging scenario over the long-term.



As there were no material changes to the overall risk and return objectives of the Scheme's investment strategy during the year, the Scheme's scenario analysis (detailed in our previous reports) has not been repeated during the year. However, the conclusions from the prior analysis remain relevant and a summary has been included in this report for reference, in the Strategy Section.

Climate Metrics

Climate metrics have two important roles.

- Firstly, by considering metrics for individual investment mandates and funds, they can help to identify climate risks and opportunities. For example, by highlighting funds that have a relatively high carbon footprint.
- Secondly, metrics are useful in charting the progress of the Scheme's investments over time.

The Trustee has selected the metrics in the table below.

Over the year to 31 March 2025, there has been positive progress across many of the metrics. Scope 1 and 2 carbon footprint measures fell across both sections of the Scheme vs last year and the % of portfolio with targets approved by the Science Based Targets initiative increased. Whilst absolute emissions increased slightly, for the DC section this can largely be explained by an increase in total assets.

The Trustee also holds a buy-in policy in respect to a portion of DB section liabilities. The insurer, L&G, publishes metrics at a different date and therefore the metrics for the buy-in policy are not included in the table below, but are included throughout the body of the report where relevant. L&G has committed to achieving net zero across its annuities book of business in aggregate by 2050 to align with the Paris Agreement on Climate Change. There is also an interim target to halve the portfolio carbon emission intensity by 2030, from a baseline date of 2019.

Note that for the DC section, there were two popular arrangements noted in the 2024 report. From 2025, there was only one popular arrangement, the default arrangement, Retirement Flexible Income Lifestyle, and therefore 2024 figures in the table below have been re-stated to reflect the default arrangement only so that 2025 and 2024 figures are comparable.

Metric category	Metric	What does this represent?	Emissions Scope[1]	DB Section at 31 March 2025 (at 31 March 2024)	DC Section at 31 March 2025 (at 31 March 2024)
Absolute emissions	Total Greenhouse Gas Emissions	The tonnes of carbon dioxide and equivalents that the Scheme is responsible for financing.	1 and 2 (corporates)	10,091 tCO2e (9,000 tCO2e)	13,272 tCO2e (14,288 tCO2e)
			3 (corporates)	86,538 tCO2e (73,456 tCO2e)	87,859 tCO2e (128,006 tCO2e)
			Production emissions (sovereigns)	Incl LULUCF[2]: 91,046 tCO2e Excl LULUCF[2]: 87,511 tCO2e	Incl LULUCF[2]: 8,004 tCO2e Excl LULUCF[2]: 7,806 tCO2e
			Consumption emissions (sovereigns)	122,700 tCO2e	8,285 tCO2e
Emissions intensity	Carbon Footprint	The amount of carbon dioxide and equivalents (tCO2e) emitted per million US dollars of Scheme investments.	1 and 2	26.8 tCO2e/$m Invested (32.0 tCO2e/$m Invested)	37.0 tCO2e/$m Invested) (40.9 tCO2e/$m Invested)
			3	255.0 tCO2e/$m Invested (253.0 tCO2e/$m Invested)	250.1 tCO2e/$m Invested (366.7 tCO2e/$m Invested)
		Sovereign assets are issued by governments. This metric divides a	Production (scope 1)	Incl LULUCF[2]: 103.0 tCO2e	Incl LULUCF[2]: 208.2 tCO2e

Metric category	Metric	What does this represent?	Emissions Scope[1]	DB Section at 31 March 2025 (at 31 March 2024)	DC Section at 31 March 2025 (at 31 March 2024)
	Sovereign carbon intensity	country's greenhouse gas emissions by its "purchasing power parity"-adjusted gross domestic product, to take into account the size of a country's economy.		/$m PPP-adjusted GDP Excl LULUCF[2]: 99.0 tCO2e /$m PPP-adjusted GDP	/$m PPP-adjusted GDP Excl LULUCF[2]: 202.5 tCO2e /$m PPP-adjusted GDP
		Sovereign assets are issued by governments. This metric divides a country's emissions by the average number of people.	Consumption (scopes 1,2 and 3 minus exported emissions)	8.1 tCO2e/capita[3]	10.8 tCO2e/capita[3]
Portfolio Alignment	% of portfolio with targets approved by the Science Based Targets initiative (SBTi)	Assessment of the proportion of portfolio companies / issuers of securities with net-zero targets validated by the SBTi	Not applicable	43.4% (40.4%)	47.8% (41.6%)
	Implied Temperature Rise (ITR)	A measure of how aligned the assets are relative to the goal of the Paris Agreement to limit the global temperature increase to 1.5°C. This is estimated based on the activities and targets of issuers, relative to what is needed to achieve 1.5°C.	Not applicable	1.8°C (1.8°C)	2.1°C – 2.9°C (2.1°C – 2.7°C)
Additional	Data Quality	The proportion of the assets for which there is high quality data.	1 and 2	82.0% reported, 9.4% estimated (74.0% reported, 11.0% estimated)	(86.0% reported, 11.0% estimated) (77.7% reported, 7.8% estimated)
			3	100.0% estimated (88.0% estimated)	100.0% estimated (25.6% reported, 59.6% estimated)

[1] Emissions are categorised into 3 "scopes". Broadly speaking, scope 1 emissions are direct emissions arising from sources owned or controlled by a company. Scope 2 emissions are indirect emissions caused by the generation of energy bought by a company. Finally, scope 3 emission are also "indirect", and represent emissions that occur in the value chain of the reporting company. More details can be found in the Metrics and Targets Section.
[2] land use, land use change and forestry
[3] Consumption emissions data excludes land use, land use change and forestry

The metrics used all have their pros and cons, and data standards (and availability) are still developing. It is important to note that the metrics are limited by the available data. However, the Trustee has set out in the Metrics and Targets Section details of these metrics and actions being taken in this regard.

The Scheme's Climate Target

The Trustee has set a firm ambition given the significance of climate change risks, and with this in mind has set a "net zero" emissions target by 2050 for listed equity and credit assets. The Trustee has also set an interim target of achieving a 50% reduction in scope 1 and 2 emissions for listed equity and credit assets by 2030, as measured by the carbon footprint metric, relative to a baseline date of 31 March 2023. The rationale for this is:

Grounded in science

This target is considered necessary to reduce greenhouse gas emissions and keep global warming to 1.5°C, meeting the goals of the Paris Climate Agreement.

Clear plan with investment managers

The Scheme's investment managers are committed to net zero by 2050. Therefore, the assets are expected to get to net zero and the Trustee can objectively follow up against this goal with their managers.

Alignment with the sponsoring employer

United Utilities has also set a net zero target. While recognising that pension schemes and companies have different legal and financial duties, a joined-up approach can be an enabler of success.

Over the year to 31 March 2025, the Scheme has achieved a c.19% reduction in carbon footprint in the DB Section and a c.11% reduction in the DC Section's default investment strategy (the Retirement Flexible Income Lifestyle). You can read more about the target, the reduction achieved over time, and steps being taken to achieve the target, in the Metrics and Targets Section.

What's Next?

This report is prepared annually and published in the public domain. The Trustee welcomes feedback from members and looks forward to sharing ongoing reporting on climate risks and opportunities, alongside the range of other communications material available to members.

Section 1

Introduction

Dear Members,

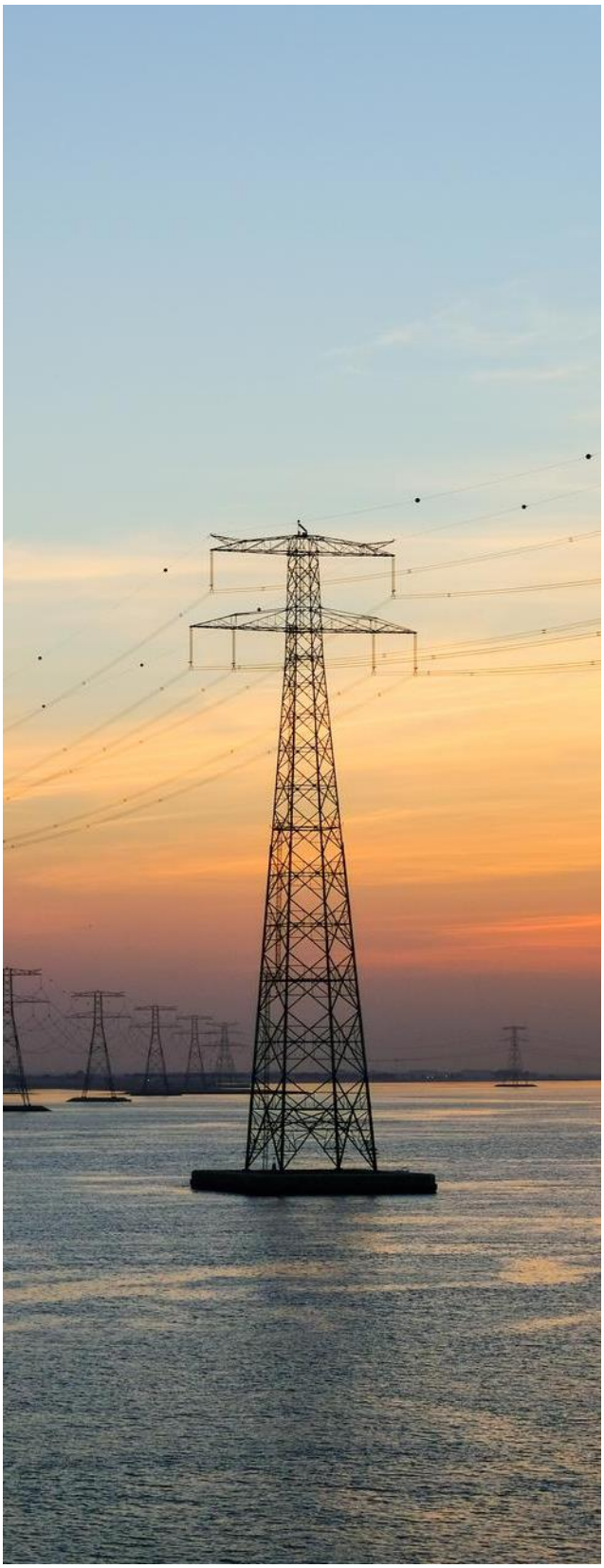
Welcome to the Scheme's third climate change report, which has been prepared in line with the statutory requirements prescribed by the Department of Work and Pensions[1].

The Trustee has a fiduciary duty to invest the Scheme's assets appropriately. As part of this duty, the Trustee recognises climate change as a risk that could impact the security of members' benefits if it is not properly measured and managed. The Trustee also recognises that climate change presents opportunities to invest in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.

Climate change may also affect the Scheme's liabilities (for example, through how changes to the climate could impact how long we all live), and on the sponsoring employer. The Trustee looks to manage these risks through an integrated lens.

The Trustee's assessment of climate-related risks and opportunities has been carried out based on information that is currently available, both in terms of data, the assumptions made in the analysis, and in consideration of the different potential global warming outcomes. The Trustee keeps up-to-date on developments in this area through training and use of specialist advisers, in order to ensure that the Scheme's approach evolves over time.

Climate change is one risk among many that the Trustee measures, monitors and manages. Therefore, it is considered alongside other risks in a balanced way. The Scheme will therefore continue to invest in companies where there is a sufficiently attractive investment case and the investment manager believes there is an opportunity to engage and influence change in the behaviour and actions of a company.



[1] The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021

This report has been split into several sections:

Governance: How the Trustee incorporates climate change into its decision making.

Strategy: How potential climate warming scenarios could impact the Scheme, and how assessment of climate change has influenced Scheme strategy and policy.

Risk Management: How the Trustee incorporates climate-related risk in its risk management processes.

Metrics and Targets: How the Trustee measures and monitors progress against different climate-related indicators known as metrics.

The final section sets out the methodology and assumptions used to produce the information contained in this report.

The Scheme is a hybrid scheme consisting of Defined Benefit (DB) and Defined Contribution (DC) benefits. Both Sections of the Scheme are covered in this report.

Members are encouraged to contact us if there are comments you wish to raise. You can contact the Scheme administrator through a range of channels:

DB (including hybrid) members:

Email uups@wtwco.com

Telephone 0113 394 9309

Online: https://epa.towerswatson.com/accounts/uup/

DC members, including members with Additional Voluntary Contributions (AVCs):

Email mypensions@aegon.co.uk

Telephone 01733 353481

Online: https://lwp.aegon.co.uk/targetplanUI/login

Chair, United Utilities Pension Scheme

Section 2

Governance

Introduction

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee maintains an Environmental, Social, and Governance (ESG) Policy which sets out our approach to climate change, along with other ESG considerations.

The Trustee's key beliefs on climate change, as stated in the ESG Policy, are:

- That a sustainable investment approach is more likely to create and preserve long-term value and, specifically, that climate change can have a material impact on long-term risk and return outcomes and should be integrated into the investment process and strategy.
- Good stewardship (voting and engagement) can create and preserve value for companies and markets, hence having the potential to benefit members in the long term.
- Climate change poses a systemic risk, and accordingly the Trustee will consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate outcomes.
- Climate change, and other ESG matters, will affect more than just the Scheme's assets. As such, the Trustee views these factors through an integrated risk management lens, including investment, funding, and covenant considerations.

The ESG Policy was reviewed in October 2024. There were no changes to the beliefs stated above.

The Trustee maintains a Statement of Investment Principles ("SIP"), which details the Scheme's investment objectives, policies, and our approach to risk management. The SIP also sets out how the Trustee considers ESG factors, including climate change, as part of its investment decision making. The SIP is reviewed annually or following a significant change in investment policy.

Roles of those undertaking Scheme governance activities

The Trustee

The Trustee maintains oversight of climate-related risks and opportunities by:

- Ensuring that the Trustee Board has sufficient knowledge and understanding of climate change to fulfil its statutory and fiduciary obligations and keeps this knowledge and understanding up to date.
- Putting in place climate governance arrangements and ensuring they remain appropriate and effective. This includes the maintenance of the ESG Policy.
- Identifying and assessing climate-related risks and incorporating these in the Scheme's Risk Register, along with appropriate controls.
- In respect of the DB Section, considering how climate-related risks and opportunities might affect the Scheme's funding position over the short, medium and long term, and ensuring that climate factors are taken into account in any strategic decisions relating to the funding arrangements.
- Ensuring that the investment, actuarial, covenant, and legal advisers, and the bulk annuity insurer, have clearly defined responsibilities in respect of climate change, and that they have adequate expertise and resources, including time and staff, to carry these out.
- Setting strategic objectives for the investment adviser, and reviewing annually performance against these objectives. This activity takes place primarily through the Investment Sub-Committee and DC Sub-Committee (see below) but is also considered by the Trustee Board annually.
- Communicating with Scheme members and other stakeholders on climate change, including public reporting (for example, the publication of the Chair's Statement, Implementation Statement, and SIP).

The Trustee also considers the roles of others undertaking Scheme governance activities, in particular the Sub-Committees to the Trustee, and the advisers.

Investment Sub-Committee (ISC)

The ISC oversees the Scheme's DB investments. Its role includes the following in relation to climate change:

- Incorporating climate-related considerations into strategic decisions relating to the investments. This includes considering climate scenario analysis for the DB Section.
- Ensuring that the investment managers are managing climate-related risks and opportunities in relation to the Scheme's investments, and have appropriate processes, expertise and resources to do this effectively. This includes meeting at least annually with each investment manager to discuss the Scheme's investments. These meetings include discussions regarding the integration of climate change considerations in the investment manager's process and portfolio.
- Selecting and regularly reviewing metrics for the DB Section to inform the identification, assessment and management of climate-related risks and opportunities, and monitoring targets to track and seek to improve these metrics over time where appropriate (target setting responsibility sits with the full Trustee Board, supported by the Investment Sub-Committee).
- Working with advisers to identify new and emerging risks and opportunities in relation to climate change.

While the ISC is investment-focused, its work is undertaken within an integrated risk management framework where funding and covenant issues are also considered. The funding adviser inputs to ISC meetings as appropriate, to ensure a joined-up approach is taken.

DC Sub-Committee (DCSC)

The DCSC oversees all aspects of the Scheme's DC arrangements. Its role includes the following in relation to climate change:

- Incorporating climate-related considerations into strategic decisions relating to the investments, including both within the default investment option and the self-select fund range. This includes considering climate scenario analysis for relevant funds of the DC Section.
- Ensuring that the Scheme's investment managers are managing climate-related risks and opportunities in relation to the Scheme's investments, and have appropriate processes, expertise and resources to do this effectively. This includes meeting as deemed appropriate with each investment manager to discuss the Scheme's investments. These meetings include discussions regarding the integration of climate change considerations in the investment manager's process and portfolio.
- Selecting and regularly reviewing metrics for the DC Section to inform the identification, assessment and management of climate-related risks and opportunities, and monitoring targets to track and seek to improve these metrics over time where appropriate (target setting responsibility sits with the full Trustee Board, supported by the ISC and DCSC).
- Identifying and implementing the member communication and engagement strategy for the DC Section, including sustainability issues. This recognises that DC members have more choices to make regarding their investments and benefits, and therefore that a focused and engaging communication approach is necessary.
- Working with advisers to identify new and emerging risks and opportunities in relation to climate change.

Governance, Risk and Audit Sub-Committee (GRASC)

The GRASC's role in the context of climate change includes (but is not limited to):

- Reviewing the Trustee's annual report and financial statements prior to their approval by the Trustee Board, including consideration of the various statements included in the report and financial statements, such as the Implementation Statement (covering climate change and other ESG topics).
- Reporting to the Trustee on a quarterly basis on key risks and the internal controls in place, highlighting any areas for discussion or action. The Scheme's risk register is used to support this reporting and risk management (see later disclosures in the Risk Management Section).
- Reviewing the training plan for Trustee Directors and making recommendations to the Trustee Board in this regard. This helps the Trustee ensure that training needs in relation to climate change are met.

Joint Working Group (JWG)

The primary role of the JWG is to facilitate collaboration and discussion between the Trustee and the sponsoring employer on strategic matters. While typically climate risk and opportunity management will sit with the ISC, the DCSC, and the Trustee Board, the JWG is a forum that plays a role in assisting with two-way communication between the Trustee and the sponsoring employer on climate matters.

The JWG will also identify and make recommendations on means of managing the Scheme's strategic position dynamically and proactively, by a structured consideration of risk and reward, market related issues, and any other relevant information, including climate change considerations.

ESG Sub-Group

During the year, the Trustee maintained an ESG Sub-Group to assist the Board and its Sub-Committees in fulfilling its oversight duties relating to ESG matters, including climate change. Decision-making continues to sit with the Trustee Board and the relevant Sub-Committees. The ESG Sub-Group's remit includes:

- Overseeing the timeline and deadlines associated with climate change reporting.
- Co-ordinating the four strands of climate change reporting (governance, strategy, risk management, metrics & targets) to ensure that each aspect is addressed by the appropriate Sub-Committee or the Board.
- Ensuring consistency, where appropriate, in the approach taken on ESG matters across various pension arrangements within the United Utilities Group.
- Maintaining a training and development programme relating to climate change and other ESG issues.
- Identifying risks, issues, opportunities, agenda points, training needs, and opportunities to be addressed by the Scheme's Sub-Committees or the Board.

For the avoidance of doubt, the ESG Sub-Group is not expected to make decisions on Scheme policies, investment strategy, or governance arrangements but will make recommendations to the appropriate executive committee from time to time.

Other Governance Bodies

From time to time, the Trustee establishes other working groups or project teams with a specific area of focus such as the triennial actuarial valuation. These are not permanent bodies but when operational, climate change issues may feature in the work of these groups.

In-house Pensions Team

The Trustee is supported in running the Scheme by the United Utilities in-house Pensions Team. This team provides secretarial, management, and governance services to the Trustee. The team's roles in relation to climate change are to:

- Ensure that meeting agendas and annual business plans are well structured to ensure that appropriate time and focus is given to climate matters.
- Undertake Scheme governance activities on behalf of the Trustee, such as assisting with the publication of required public disclosures.
- Maintain and monitor action logs, the risk register, Trustee training plans, and relevant project plans relating to ESG matters, including climate change, with support from the advisers as appropriate.

Roles of advisers and investment managers

The Trustee has appointed advisers to support the effective running of the Scheme. The advisers cover investment, funding, governance, legal, covenant, and communications matters. Most relevant in the context of climate change is the role of the investment adviser, details of which are summarised below.

Investment Adviser

The Trustee has appointed specialist investment advisers to cover the DB and DC Sections of the Scheme. In respect of both Sections, the DB Section and DC Section adviser:

- Advises on investment arrangements, taking into account climate risk, supported through the provision of climate scenario analysis.
- Advises on the choice of climate-related metrics and targets.
- Advises on investment manager selection, taking into account the Trustee's objectives, responsible investment beliefs, and climate-related considerations.
- Supports the Trustee with stewardship activities, which may be related to climate change, such as monitoring and reporting on voting and engagement activities of the invested assets, and assisting with the preparation of the annual Implementation Statement.
- Advises on the preparation of the SIP, including the policies that relate to climate change.
- Monitors investment managers through the use of ESG ratings provided by the investment adviser and relevant climate-related targets.
- Liaises with investment managers, the bulk annuity insurer, and other professional advisers to provide training to the Trustee and Sub-Committees on climate change, as appropriate.
- Assists the Trustee in producing the annual climate change report.
- Supports the Trustee in the development of a climate transition plan.

In respect of the DB Section, the investment adviser also provides advice on whether to invest in insurance policies, and will provide input to the selection of insurers, where appropriate. This includes the consideration of climate change matters, such as the insurer's policies in this regard.

In respect of the DC Section, the investment adviser advises on both the default investment strategy and the self-select fund range, taking into account climate change considerations, and will assist with investment related member communications.

Investment Managers

The Trustee has delegated day-to-day management of the assets to investment managers, who operate under guidelines agreed with the Trustee (in the case of segregated mandates), or under pooled fund terms that have been considered by the Trustee (in the case of pooled funds). The managers have discretion, within the mandate terms, to evaluate climate change, and to exercise stewardship obligations attached to the assets. The Trustee expects its investment managers to undertake the following activities:

- Identify, assess, and manage climate-related risks and opportunities in relation to Scheme assets.
- Exercise rights (including any voting rights) attached to the investments, and to undertake engagement activities in respect of those investments, in relation to climate-related risks and opportunities that seeks to improve long-term financial outcomes.
- Report on stewardship activities and outcomes in relation to the investments.

- Provide information to the Trustee, the relevant Sub-Committees, and the Trustee's advisers on climate-related metrics, as agreed from time to time, and use its influence with investee companies and other parties to improve the quality and availability of these metrics over time.

Funding Adviser (DB Section)

- Advises on the funding position including an understanding of the potential funding impact resulting from changes to financial or demographic assumptions driven by climate change.
- Advises on the funding strategy's robustness to climate risk and provides input to enable strategic asset allocation decisions to be made considering the impact of risks.
- Provides input into scenario analysis and advises on funding implications, where appropriate.

Covenant Adviser

The covenant adviser assesses the sponsoring employer's ability and willingness to continue to support the Scheme. Climate-related exposures are considered alongside other factors that could have a positive or negative impact on the strength of the covenant.

Assessment of Advisers and Investment Managers

The Trustee expects its advisers, investment managers, the bulk annuity provider, and the in-house pensions team to act with integrity and diligence in fulfilling their objectives, and uses meetings with these parties to assess and challenge them. Where relevant, this includes discussion of steps taken to identify and assess any climate-related risks and opportunities.

How the investment adviser to both the DB Section and the DC Section approaches climate change, and how it is integrated into its advice and services, is assessed explicitly as part of the annual adviser monitoring process.

The Trustee sets specific DB and DC strategic objectives for the investment adviser to each Section, including objectives related to climate change. Performance is formally assessed against the objectives annually, and the objectives themselves are also reviewed each year.

The Trustee's investment adviser, Mercer, is a founding member of the Investment Consultants Sustainability Working Group (ICSWG), which aims to improve sustainable investment practices across the investment industry. Mercer have undertaken assessments of their "climate competency" using the ICSWG framework which covers:

Firm-wide climate expertise and commitment | Individual consultant climate expertise | Tools and software | Thought leadership & policy advocacy | Asset manager assessment & engagement

In respect of other advisers, the Trustee formally reviews the performance of each adviser no less frequently than triennially. Where relevant, this includes a review of the adviser's performance in relation to climate risks and opportunities.

When tendering for new advisers, asset managers, or bulk annuity insurance policy providers, climate change knowledge, experience, and competency will be an explicit consideration in assessing potential providers.

The Trustee takes a proactive and inquisitive approach to working with its advisers and investment managers, and will challenge views presented in order to ensure that the advice provided to the Trustee and its Sub-Committees will facilitate effective and efficient decision-making.

Time and resources spent on climate change-related matters

The Chair of the Trustee Board, with support from the Chairs of the Sub-Committees, is responsible for ensuring that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisers. The Trustee Board and its Sub-Committees and working groups, as part of the regular meeting schedule, allocate agenda time to climate change topics, amongst other ESG matters.

Climate change forms an explicit agenda item at least annually for the Trustee and each relevant Sub-Committee when the Trustee's annual climate change report is discussed. It is also covered as part of other agenda items and in wider discussions on strategy, or as part of investment manager selection and review discussions. The Trustee is satisfied that the amount of time spent is reasonable and will allocate more time at future meetings if any analysis or wider industry research requires additional consideration.

A number of activities are completed regularly in order for the Trustee to fulfil its responsibility for managing climate risks and opportunities. Many of these cover wider ESG and investment risks as well as climate change risk, as the Trustee does not consider climate risks in isolation but holistically alongside the other risks the Scheme faces. The activities are listed below:

- Climate change training session (minimum frequency = annual)
- Scenario analysis (minimum frequency = first year of climate change reporting; every 3 years thereafter. While this is the minimum, this work may also be carried out if the Trustee is considering significant strategy changes. The Trustee will also review the appropriateness of undertaking scenario analysis in light of material data availability changes and improvements in modelling)
- Metrics data collection (minimum frequency = annual)
- Climate-related target setting / target appropriateness review (minimum frequency = annual)
- Progress against climate-related target assessment (minimum frequency = annual)
- ESG beliefs (including climate change) update / review (minimum frequency = triennial)
- Review of investment manager research ratings, which include ESG assessments, provided by the investment adviser (minimum frequency = quarterly)
- Stewardship, as part of the annual Implementation Statement (minimum frequency = annual)
- Risk register review (minimum frequency = annual full review, quarterly monitoring of existing risks)
- Climate covenant assessment, within regular covenant review (minimum frequency = annual)
- Drafting annual climate change report (minimum frequency = annual)

Spotlight on training

Alongside an element of training at every meeting whenever new topics are discussed, the Trustee sets aside a full day annually for training. At the 3 October 2024 training day, the Trustee completed training on ESG matters including climate change. The training was provided by the Trustee's legal advisers and the topics covered included the regulations regarding ESG issues, and fiduciary duty and its application to ESG considerations. The Trustee Directors discussed a new paper on fiduciary duties from the Financial Markets Law Committee (FMLC) which provides further clarity on the role of climate and related sustainability risks for investors.

The Trustee maintains a Training Policy which requires that Trustee Directors complete the Pensions Regulator's Trustee Toolkit training within six months of appointment. The United Utilities Pensions Team also completes an annual review of the Trustee Toolkit and will notify the Trustee of any new modules to be completed. Additionally, Trustee Directors undertake other training as identified in the annual Training Plan.

Governance activities carried out during the Scheme year

During the year, the Trustee continued to integrate consideration of climate change-related matters within the Scheme's governance arrangements, strategy, and in its approach to risk management. A summary of this work is provided in the following table.

Issue	Timing
ESG Sub-Group Meetings, including various policy / risk reviews: The ESG Sub-Group met four times during the year. Agenda items included: - Meeting with the sponsoring employer's Chief Financial Officer and a member of the employer's sustainability team to discuss how the employer is measuring, monitoring, and mitigating climate change related risks. - A review of the Trustee's ESG policy and the ESG Sub-Group Statement of Purpose. - Discussion of the non-investment related risks associated with climate change, such as the impact on longevity and the employer covenant. - ESG Sub-Group training, for example on transition planning, and research from the Institute and Faculty of Actuaries on "planetary solvency" risks. - A review of the custodian and liability driven investment (LDI) bank counterparty ESG policies / exposure to fossil fuels.	8 April 2024 26 July 2024 10 October 2024 18 Feb 2025
Review of the Scheme's Climate Change report: This review by the full Trustee Board followed extensive work by the ISC, DCSC, and the ESG Sub-Group in relation to scenario analysis, metrics, targets, and stewardship.	24 September 2024
Stewardship: During the third quarter of 2024, the ESG Sub-Group, ISC, DCSC, and Trustee Board reviewed the annual Implementation Statement covering the period to 31 March 2024 and considered the stewardship (voting and engagement) activities that had been carried out by the investment managers on the Trustee's behalf. The Trustee was satisfied that the stewardship activities were consistent with our policies in this area. As part of this activity, the three stewardship priorities of the Trustee (climate change, labour practices and standards, and corporate governance) were formally reviewed. No changes were considered necessary.	Q3 2024
DB Section Investment Manager meetings: The Trustee met with the two investment managers appointed to manage the DB Section assets, across four meetings (one ESG Sub-Group meeting, two ISC meetings, and one full Trustee Board meeting). During the meetings the following topics were discussed, alongside broader investment updates: • For the **Liability Driven Investment (LDI)** portfolio, which invests primarily in UK Government bonds (gilts) and derivatives, the manager outlined how they consider climate change risk management in relation to gilts, and for counterparty banks in respect of derivatives. This included details of how the manager engages with the Government on climate change issues (notably, in relation to the "green gilts" framework, dialogue on policy issues, and collaboration with industry groups to maximise the impact of engagement), as well as counterparty bank engagement. • In respect of **Buy & Maintain corporate bonds**, the manager discussed how they manage climate change risks and opportunities within their investment process, including within credit research analysis and portfolio construction. Case studies and examples of where ESG factors had influenced investment decisions were discussed. • For **Senior Private Debt**, the manager was open about the challenges in accessing good quality data in this asset class, where a detailed understanding of the underlying investment manager, borrowers, and loan structures is required. However, the manager discussed developments including the fact that financing charges could vary depending on various ESG characteristics (for example, if emissions reduction targets were missed then a higher interest rate may be levied). Such terms were becoming more established as a reflection of progress on ESG integration within the portfolio. The managers also discussed the metrics used to identify and manage ESG risks, as well as reviewing opportunities, which the managers have the freedom to invest in.	8 April 2024 21 May 2024 19 November 2024 22 January 2025

Issue	Timing
Insurer meeting: The ISC met L&G, the bulk annuity insurer. Climate change related discussions included: • Key climate metrics for the asset portfolio backing L&G's bulk annuity business, including evidence of good progress on reaching net zero. • L&G's investments of over £1bn in clean energy projects, and investments in technology firms that accelerate progress to net zero such as a ground source heat pump manufacturer, and a company that is pioneering the decarbonisation of the cement industry.	22 January 2025
DC Section Investment Manager meetings: The DCSC met one of the managers used within the range of funds available to members, and one potential future manager. • HSBC presented on their **Islamic Global Equity Index Fund**. This Fund has a objective to comply with with Islamic finance principles, including exclusions on sectors such as financial services, pork-related products, and tobacco. Discussions included details of the manager's voting and engagement practices. Climate change, water, and natural resources were cited as some of the top themes for company engagement. • Partners Group provided training on **private markets opportunities for DC schemes**. The DCSC considered attractive opportunities in clean power, water sustainability, and social infrastructure. These opportunities are being considered by the DCSC in the triennial investment strategy review that will be completed in 2025. As for the meetings with the DB Section managers, the investment managers also discussed the metrics used to identify and manage ESG risks.	25 September 2024 3 December 2024
ESG and engagement monitoring: The Scheme's investment reports are reviewed by the Trustee each quarter. These include research ratings from the investment adviser, for each manager / mandate. The ratings include consideration of ESG capabilities of the managers. Any deterioration in ESG research views would be considered as a prompt to review an investment mandate. No such deterioration was experienced during the year. The Trustee's quarterly strategy reports include case studies of significant engagements carried out by the investment managers, aligned to the Trustee's three stewardship priorities (climate change, labour practices and standards, and corporate governance). This reporting allows the Trustee to monitor and assess how the investment managers are exercising their delegated responsibilities in relation to stewardship.	Quarterly throughout the year

The Trustee continues to take an inquisitive approach to meetings with its advisers, investment managers, and the bulk annuity insurer. Individuals on the Trustee Board are able and willing to question and challenge these parties. Specific examples during the year included:

- Questioning the policies of the Scheme custodian and counterparty banks used by the LDI manager as regards ESG matters, and whether these banks are financing new fossil fuel activities. When answers were unclear, these were investigated further. The Trustee saw this as important firstly to make these parties aware that their end investors are interested and engaged, and secondly to informs the Trustee on the policies and risks across their third-party providers.
- Challenging the advisers on how climate change scenario modelling is developing, and whether existing models properly take into account the extent of the risks and impacts of climate change. As an example, the Chair of the ISC highlighted the Planetary Solvency report published by the Institute and Faculty of Actuaries in January 2025 which notes "The severity and frequency of extreme events are unprecedented and beyond model projections". While the Trustee did not conduct new scenario analysis during the year, this will be a key area of discussion when we complete our next analysis.

More detail on the regular monitoring of climate-related risks and opportunities for the Scheme is included in the Risk Management Section.

Section 3

Strategy

Introduction

As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. In relation to climate-related risks, the Trustee believes it is important to understand how the Scheme's exposure to these risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material.

To help with this assessment, the Trustee has defined short, medium, and long-term time horizons for the Scheme as set out below.

Short Term	Medium Term	Long Term
Both Sections: 3 years	DB Section: 7 years DC Section: 10 years	DB Section: 15 years DC Section: 20 years
DB Section: Consistent with the length of the actuarial valuation cycle. **DC Section:** Consistent with the length of the triennial investment strategy review cycle.	**DB Section:** Aligned with expected changes in climate change data quality and climate regulations. **DC Section:** 10 years is the length of the default strategy's derisking phase.	**DB Section:** The Scheme is closed to new entrants, so a very long horizon would not be suitable. 15 years is broadly in line with the term to retirement of the average age non-pensioner, and not dissimilar to the duration of the overall liabilities. **DC Section:** Broadly in line with the term to retirement for the average age DC member.

The Trustee acknowledges that climate change risks include both **transition risks** (such as those relating to changes in government policies, and technology developments. These factors bring risks of investment market re-pricing) and **physical risks** (for example risks arising from both gradual changes in climate conditions and extreme weather events).

The Trustee has considered the following drivers of risk in relation to climate change:

Over the short term (out to 3 years), risks may present themselves through rapid investment market re-pricing relating to climate transition as:

- Market awareness grows. For example, the cost and impacts of the transition to a lower carbon economy suddenly influence market pricing.
- Scenario pathways become clearer, such as a change in the likelihood of a well below 2°C warming scenario (which would be expected to increase transition risk).
- Policy changes unexpectedly surprise markets. For example, if a carbon price or significant regulatory requirement was introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.
- Market sentiment is shocked. For example, falls in markets could create a downward spiral where economic sentiment worsens and asset values fall.
- Perceived or real increased pricing of greenhouse gas emissions/carbon.
- Substitution of existing products and services with lower emission alternatives, which may impact part of investment portfolios.
- Litigation risk relating to dangerous warming becoming more prevalent.
- Increases in the energy / heat efficiency of buildings and infrastructure.

To the extent that this market re-pricing affects the market value of the investments, there could be a funding impact on the DB Section, and an impact on retirement outcomes for members with DC benefits. Demographic and longevity risks are not expected to dominate in the short term. The employer covenant could be impacted if shareholder support for the company wanes / the price of the Company's shares declines, and this has an eventual impact on the business.

However, in addition to the risks noted above, there could also be opportunities. For example, investing in climate solutions as policy support strengthens. The Trustee's ability to understand these short-term changes can position the Scheme favourably, for example taking advantage of the climate transition by avoiding or reducing investment in high-emitting entities, or those that do not have a business plan that supports the transition to a low carbon economy.

Over the medium term (out to 7 years for the DB Section, and 10 years for the DC Section), risks will likely start to reflect an increasing share of physical risk.

Over this period the transition pathway will unfold and the level of anticipated physical damage may become much clearer. While the full extent of the physical damage is unlikely to have occurred, markets are likely to be allowing for it to a large degree in asset pricing.

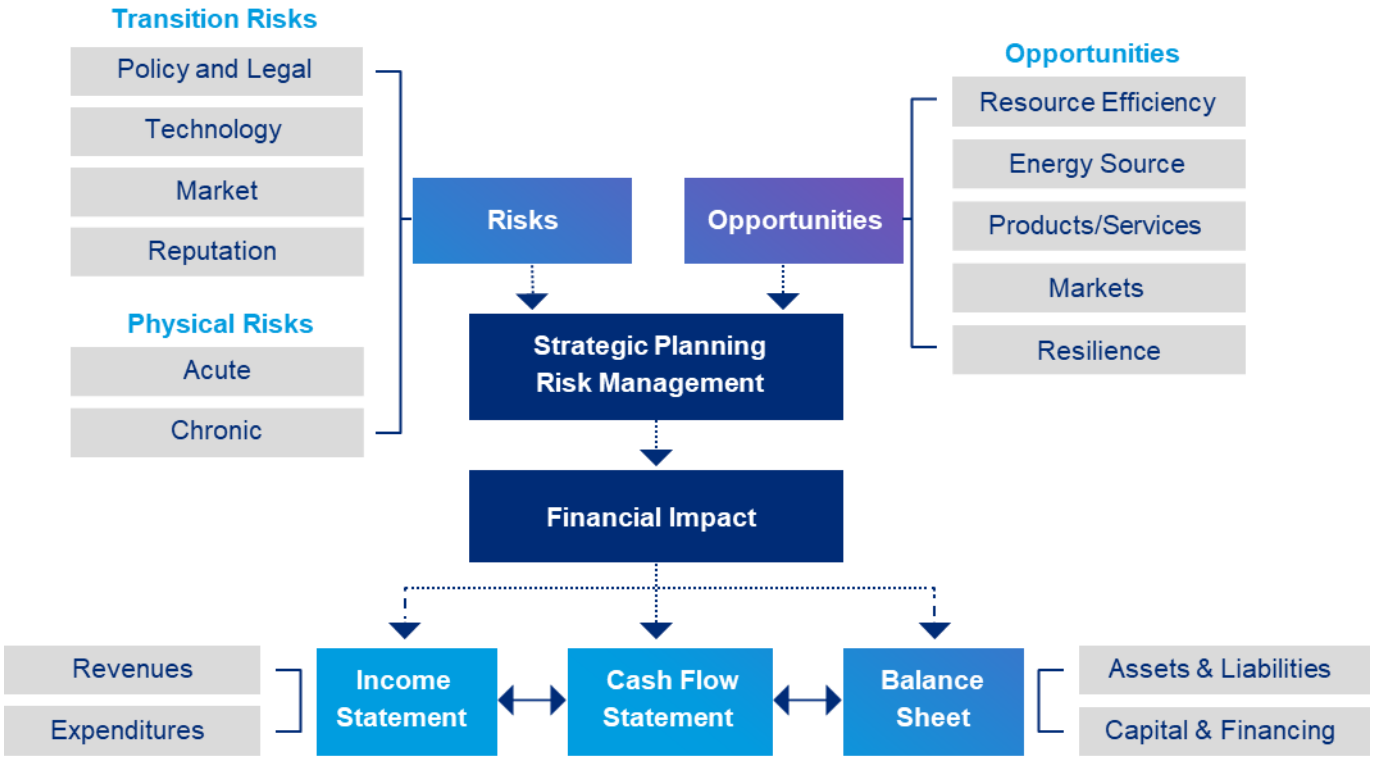
The Trustee's ability to understand these changes and evolve its approach as the pathway develops should help to control risk and could potentially enhance returns. The Trustee seeks to work with investment managers and have the flexibility to choose investments that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors, where this is consistent with the overall risk and return appetite.

Over the long term (out to 15 years for the DB Section, and 20 years for the DC Section), physical risks are expected to come to the fore. This includes the impact of natural catastrophes leading to physical damages through extreme weather events.

Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature, rainfall) affect the availability of natural resources such as water.

The impact of global heating on productivity, particularly in areas closer to the equator, will also be a key driver**.**

Summary of Climate Risk Types and Opportunities



Source: TCFD Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021

Climate-related risks and opportunities relevant to the Scheme

Having taken into account the strategic asset allocation, the funding strategy (DB Section) and the Scheme's investments in "popular arrangements", as set out in the appendix (DC Section), the following risks and opportunities have been identified:

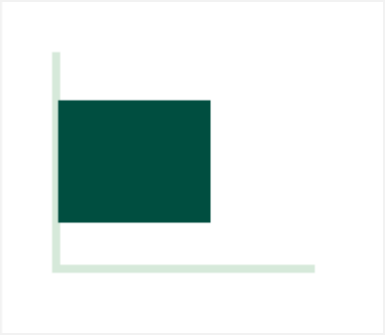
- Over the short term, the Trustee has identified the inter-related risk of climate transition risk and asset repricing risk as being most relevant. Opportunities within this time period are most likely to occur in transition-related investment such as climate solutions.
- Over the medium term, the Trustee has concluded that both transition risk and physical risk (particularly in the form of asset repricing to allow for future physical damage) could be material.
- Over the long term, the Trustee has identified physical risk as the key driver of climate-related risk. Demographic impacts could come into play here, and the company covenant could be affected. For the Scheme, the investments of the younger members of the DC Section are most likely to be impacted – this was borne out in the scenario analysis conducted (see Appendix).

DB Section – Covenant Impacts

Climate change is expected to affect all companies in some way. For the Scheme, the impacts are particularly relevant given the nature of United Utilities PLC's business.

Therefore, the Trustee ensures that the covenant adviser, Penfida, sets out in its reporting to the Trustee the risks associated with climate change that may impact the sponsoring employer, alongside the controls in place. An excerpt from this reporting is provided below which has been updated for the 2025 annual report which is now available. In 2025, Penfida considers the potential impact from climate change risks on the covenant to be low due to the Scheme's funding levels and the scale of the sponsoring employer, United Utilities.

Penfida have set out the three risks with the highest estimated financial impact. The Company no longer provides a figure for the financial impact over a 40-year period by risk but has stated that the most significant impact is £550m (failure of the wastewater network); the bars provided in the annual report provide a sense of the scale of the other two most significant risks relative to the above.

Risk	Description	Controls / Mitigation	Financial impact per 2025 annual report (net present value)[1]
Failure of wastewater network (sewer flooding)	• More frequent and intense storms can overload the wastewater network and lead to severe sewer flooding. • Urbanisation makes this worse due to quick runoff from hard surfaces.	• Preventative maintenance and inspection regimes, customer campaigns, sewer rehabilitation programme and Better Rivers programme.	
Recycling biosolids to agriculture	• Waterlogging resulting from more persistent rainfall will limit options for recycling biosolids to land for a greater part of the year. • Uncovered sludge stores and stockpiles will be more vulnerable in persistent wet, winter weather, increasing the risk of environmental pollution from runoff.	• Treatment, sampling and testing regimes to ensure that sludge meets acceptable standards for application with formal service level agreements between wastewater and bioresources. • Work closely with farmers, land-owners and contractors to ensure regulations such as Farming Rules for Water and the standard operating procedures are met.	
Water availability	• Changing seasonal rainfall patterns impact water availability and warmer temperatures intensify supply challenges in dry periods because of evapo-transpiration.	• Produce a Water Resources Management Plan every five years which forecasts future demand and water availability under repeats of historic droughts, adjusted for climate change. • A Statutory Drought Plan is also developed every five years, setting out the actions UU will take in a drought situation.	

Source: Penfida, September 2025.

Note (1): Financial impact is estimated for a 40-year period (2025–2065) and the valuation includes impacts on income, capex, opex, interest, tax, penalties, and fines and incorporates inflation.

Testing the resilience of the Scheme – Scenario Analysis

The Trustee has investigated the potential impacts of climate related risks and opportunities using scenario analysis. In our previous reports, the Trustee set out the results of the quantitative climate scenario analysis considered during the year to 31 March 2023. This analysis helped to assess the potential implications of climate change under different scenarios for the Scheme. Further details of the analysis are included in the Appendix. The Trustee has reviewed the analysis and agreed not to conduct a further analysis in this reporting year. This is because:

- **There have been no material changes to the investment strategy for either the DB or DC Section during the year**. The Trustee has focused on its forward-looking assessment of the investment manager and insurer approaches to managing climate change, based on policy alignment, stewardship, and climate-related targets.
- **The Trustee is aware that climate scenario pathways, and modelling tools, are evolving quickly.** The Trustee therefore wants to consider the scenarios to be tested and the modelling tools that will be used in advance of completing new analysis.

Scenario analysis will be carried out triennially (next in 2026), or sooner should there be a significant change to the investment and / or funding strategy, or significant developments in modelling practices.

The analysis undertaken, as well as broader discussions with the Trustee's advisers, the sponsoring employer, the investment managers, and the bulk annuity insurer, has led to the following key findings and actions being taken forward:

1. **Over the long term, a successful transition is imperative:** a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes. This is largely driven by lower physical damages. Accordingly, the Trustee will seek to align the investment strategy for both the DB Section and the DC Section to position for a successful transition to a lower carbon world.
2. **Sustainable investment allocations can protect against transition risks:** this reinforces the steps the Trustee has taken to integrate consideration of climate risk and opportunity management in the investment arrangements – for example, implementing exclusions on certain sectors and companies in a number of our DB and DC investment mandates, using lower carbon global equity funds and other sustainable funds within the DC default strategy and self-select range, and by considering the ESG ratings provided by the investment adviser when selecting and reviewing investment managers. The Trustee will continue to seek opportunities in this area, taking into account overall risk and return issues, and suitability for the Scheme's liabilities and membership.
3. **Sector exposure is important:** differences in return impact are most visible at an industry-sector level, with significant divergence between scenarios. Oil and gas, certain utilities, and renewable energy sectors are most impacted by the transition. This forms a useful discussion point for the Trustee when meeting with investment managers.
4. **Awareness of future shocks:** As markets react to new information because of the changing physical environment and government policies, investors may be vulnerable to short, sharp shocks. Understanding the potential impact that such repricing events can have ahead of time helps the Trustee to understand and manage this risk. Mindful of this risk, and other long term risks, the Trustee has taken further steps to provide benefit security for our members through the purchase of a bulk annuity insurance policy in respect of a portion of the DB Section liabilities. Further, the Trustee intends to continue to conduct scenario analysis at least triennially in order to ensure that the evolving nature of climate risks are understood and that a mitigation strategy can be maintained.

Section 4

Risk Management

Introduction

A key part of the Trustee's role is to understand and manage risks that could have a financially material impact on the Scheme. Climate change is one of the risks that the Trustee considers alongside other financially material risks that may impact outcomes for members.

This section summarises the primary climate-related risk management processes and activities of the Trustee. These help the Trustee to understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Scheme is exposed to. The Trustee prioritises the management of risks based on their potential impact on members' benefit outcomes.

Risk Governance

- The Trustee maintains a risk register which includes sustainability risks, with explicit consideration of climate risks, in order to monitor and mitigate financially material risks. The GRASC carries out an annual detailed review of the risk register, and the Board and Sub-Committees review the relevant risks at quarterly meetings.
- Within the GRASC's annual review of the risk register, there is an assessment of the coverage and resilience of the Scheme's controls. The results of the review are presented to the full Trustee Board and any updates to the risk register are incorporated.
- The Trustee has put in place an addendum to the risk register entirely focused on ESG and Climate Change, in order to ensure appropriate risk identification, monitoring, and management is in place.
- The Trustee's SIP is reviewed annually and sets out how investment climate-related risks are managed and monitored.
- As outlined in the Governance Section, the Trustee receives regular training on climate-related issues. The training allows the Trustee to challenge whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, and to be able to challenge

its advisers to ensure the governance support and advice adequately covers the consideration of climate matters. This process also affords the Trustee an opportunity to identify new and emerging risks related to climate change.

- Analysis of the extent to which ESG factors are integrated into investment decision making at the portfolio level is undertaken by the Trustee by monitoring the ESG ratings provided by the investment adviser. This monitoring takes place on a quarterly basis, with more extensive annual reviews when each of the investment managers meets with the ISC (DB Section) or DCSC (DC Section), supported by briefing papers from the adviser.

Risk and Strategy

Advice and Tools

- The Scheme's investment adviser will take climate-related risks and opportunities into account as part of the wider strategic advice provided to the Trustee and its Sub-Committees. This includes highlighting any expected change in climate-risk exposure when asset allocation or investment manager changes are proposed, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics and consideration of ESG ratings provided by the investment adviser, along with the provision of advice on ESG related guidelines that are appropriate for the Scheme's objectives).
- Recognising that for the DB Section, risks go beyond just investments, the Scheme's funding adviser will take climate-related risks into account within the advice provided to the Trustee and its Sub-Committees. For example, the triennial actuarial valuation reports highlight climate change risks as potentially material financial risks, and comments on the potential impact that climate change may have on the assumptions used in the actuarial valuation.
- Given the nature of United Utilities PLC's business, climate change is integral to how company management considers its strategy. The potential impact of climate change on the sponsor covenant is therefore considered by the Trustee, and the Trustee's covenant adviser explicitly comments on these risks. As a practical example, in the company's public disclosures, some of the top climate related risks highlighted include water availability, treatment and transportation of wastewater, and the recycling of biosolids, along with controls the company has implemented to address these risks. This allows the Trustee to ensure that climate risks associated with the support received from the company can be incorporated into our integrated risk management approach.
- The Trustee believes that good stewardship and ESG issues may have a material impact on risk and return outcomes and will therefore be considered as part of the Scheme's investment process. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration. When setting investment strategy, ESG factors, including climate change, are considered alongside a number of other factors that can influence investment strategy.
- Climate scenario analysis will be reviewed at least triennially, or sooner should material changes be considered for the investment and funding strategy, or should there be material changes in the climate modelling tools available. Scenario analysis is the primary tool to help the Trustee to understand the materiality of climate-related risks that could impact the Scheme over time.

Risk management activity during the year to 31 March 2025 – spotlight on the DB Section

Climate change matters were considered as a key component of the following activities:

The ESG Sub-Group and the ISC carried out an assessment of the degree of alignment of the Scheme's mandates with the Trustee's net zero target. While the Scheme's buy and maintain credit manager has a net zero by 2050 target (aligned with the Scheme), this was not formally embedded in the investment guidelines of the portfolio. The Trustee took the opportunity to enhance the degree of alignment by **updating the investment guidelines to incorporate a more explicit reference to the Trustee's climate related targets**, whilst maintaining the portfolio's financial objectives. The new guidelines were implemented in July 2024.

As referenced in the governance section of this report, a review was carried out of the policies of the Scheme custodian and counterparty banks used by the LDI manager in relation to whether these banks are **financing new fossil fuel activities**. Understanding these policies and practices serves as a useful risk management tool, as the information gathered helped to inform an understanding of the Scheme's exposures.

Activity during the year to 31 March 2025 – spotlight on the DC Section

Unlike the DB Section, where the investments are in liability matching assets, the DC Section's investment strategy includes global equities and other "growth" assets, in order to provide long term return opportunities for DC savers. This means there is more scope for accessing equity-based opportunities and alternative investments.

Over a series of strategy reviews, the Trustee, via the DCSC, has put in place allocations to sustainable investment opportunities, taking appropriate investment advice throughout. During the year, the DCSC's activity focused on member engagement, monitoring and stewardship, as well as progressing work on the self-select fund range. Activity during the year included:

Completion of a **member survey** in August 2024 which sought views from the Scheme's members on a number of issues, including climate change. The results of the survey highlighted that a wide range of views exists within the membership, which helps the DCSC to ensure that the investment arrangements allow members to tailor their fund choices to their personal objectives and beliefs.

In relation to the self-select fund range, the Trustee progressed work to explore whether more of these funds could be replaced by versions that have a more explicit ESG focus. Notably, **a money market fund was identified that embeds consideration of environmental risks and opportunities within its investment process**. Subsequent to the Scheme year end, the Trustee agreed to switch the existing cash fund to the more environmentally-aware option. Members will receive communications on this change during the second half of 2025.

The role of Stewardship in Managing Risks and Opportunities

While stewardship (voting and engagement) activities in respect of individual securities are delegated to the investment managers, the Trustee expects the investment managers to engage with investee companies on climate-related (and other) matters, and to use the voting rights attached to the investments in order to manage climate-related risks and opportunities.

The Trustee has selected priority themes to provide a focus for stewardship activities. The Trustee reviews these priorities at least annually, as part of the preparation of the Implementation Statement. No changes were made during the year. The Trustee's current stewardship priorities are:

Climate Change

Labour Practices and Standards

Corporate Governance

The Trustee has communicated these priorities to the investment managers, who have acknowledged the Trustee's expectations. The Trustee uses these priorities to hep focus engagement activity, for example when meeting with the investment managers, and in our reporting.

During the year, the Trustee reviewed the voting and engagement records of the investment managers. This allowed the Trustee to identify significant votes that are aligned with the Scheme's priorities, and to disclose these in the annual Implementation Statement. Two case studies of climate change-related significant votes are included here. Note that voting rights do not typically arise in respect of the DB Section's investments, as the Scheme does not invest in equities within this portfolio.

Fund	LGIM Diversified (used in the DC Section's default investment strategy
Company / Issue	Shell - Approval of the Shell Energy Transition Strategy, 21 May 2024
Rationale	LGIM voted against Shell's proposed Energy Transition Strategy. LGIM also voted against management on this topic in 2023, and we highlight the vote as an example of how an investment manager will be persistent in raising concerns over time. LGIM acknowledge the progress Shell has made in respect of climate disclosures in recent years, and views positively the commitments made to reduce emissions from operated assets and oil products, the strong position on tackling methane emissions, and a pledge to not pursue frontier exploration activities beyond 2025. However, in light of revisions made to Shell's climate-related targets, and taking into account Shell's ambition to grow its gas and liquefied natural gas business, LGIM expect Shell to better demonstrate how the plans are consistent with a transition to net-zero by 2050. LGIM would like clarity on the expected lifespan of the assets Shell plans to develop, the level of flexibility in revising production levels, and actions to deliver de-carbonisation. Additionally, LGIM want more transparency around lobbying activities. While Shell's proposed strategy still passed on a majority vote, voting against management is an important tool used by the investment managers to signal concerns and to serve as a means of further engagement with the company.

Fund	HSBC Islamic Global Equity Index
Company / issue	Amazon, Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines, 22 May 2024
Rationale	At Amazon's Annual General Meeting in 2024, shareholders filed a resolution requesting that Amazon should prepare a report disclosing how the company is addressing the impact of its climate change strategy on stakeholders, including employees, workers in its supply chain, and communities in which it operates. The request was for this report to be consistent with the "Just Transition" guidelines of the International Labor Organization and indicators of the World Benchmarking Alliance. A "just transition" refers to a process of shifting to a low-carbon, environmentally sustainable economy while ensuring that workers and communities are supported and not left behind. HSBC voted for the proposal as they believe that such a report would contribute to the better management of climate issues. While the shareholder proposal did not pass the vote, the level of support for it highlights to Amazon's management the level of investor concern on this topic, thus helping the manager to engage further with the company.

Risk Reporting

- The Trustee receives annual reports of climate-related metrics and monitors progress against targets established for the Scheme. The ISC and DCSC also use this information to engage with the investment managers and other relevant providers, such as the insurer for the DB-Section's buy-in policy.
- The Trustee receives a voting and engagement activity summary on an annual basis as part of the preparation of the Implementation Statement. The Statement summarises how the investment managers vote and engage on climate-related issues (among other key engagement priorities), referencing the Trustee's stewardship priorities. The Statement is available on the Scheme's website.

Investment Manager Risk, Selection and Retention

- The Trustee, with advice from Mercer in its role as investment adviser, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager's appointment, or as a factor when considering the termination of a manager's appointment.
- Mercer rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level. The ratings are presented in quarterly investment performance reports and are reviewed by the Trustee.

Section 5

Metrics and Targets

Metrics – Introduction

The Trustee has chosen to present metrics across four categories, as summarised below. Metrics to understand the Scheme's climate-related risk exposures and opportunities, and to identify areas for further risk management.

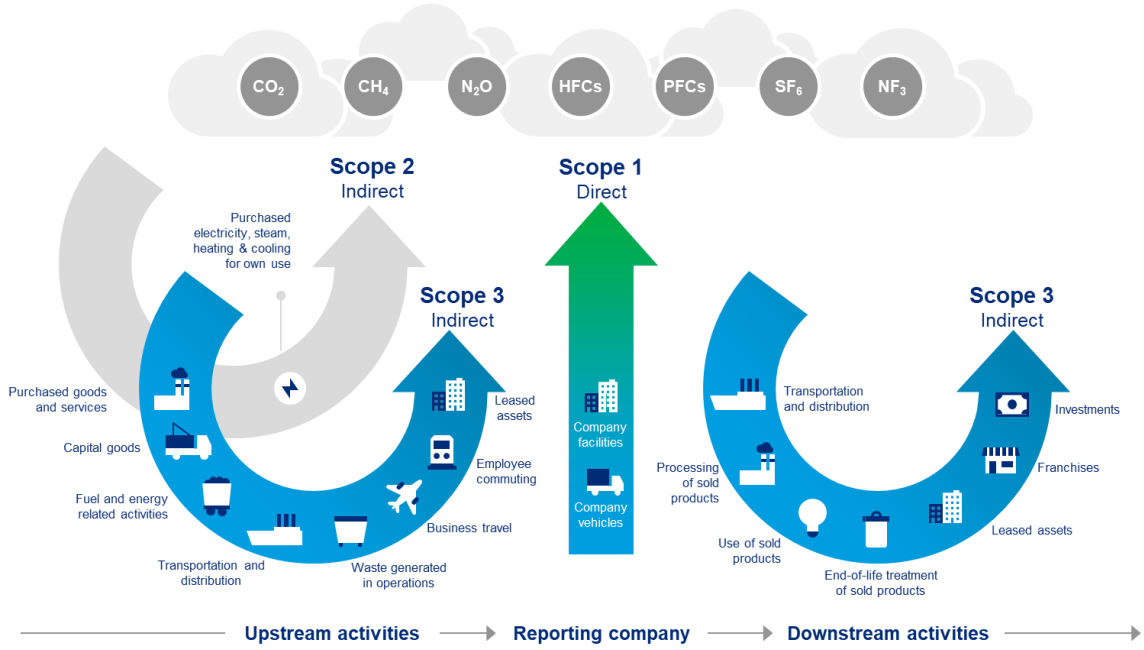
Metric category	Selected metric	Further detail
Absolute emissions	Total Greenhouse Gas Emissions	Tonnes of carbon dioxide and equivalents (tCO2e) that the Scheme is responsible for financing.
Emissions intensity	Carbon Footprint	The amount of carbon dioxide and equivalents (tCO2e) emitted per million US dollars of Scheme investments.
	Sovereign Carbon Intensity	Measures how carbon intensive the countries that issue bonds held in the portfolio are. Production emissions are normalised by Purchasing Power Parity (PPP)-adjusted Gross Domestic Product (GDP) to allow for the size of a country's economy. Consumption emissions are shown on a per capita basis.
Portfolio Alignment	% of portfolio companies with targets approved by the Science Based Targets initiative (SBTi)	Assessment of the proportion of portfolio companies/issuers that have set net-zero targets that have been validated by SBTi.
	Implied Temperature Rise (ITR)	A forward-looking assessment of how aligned the Scheme's portfolios are relative to the Paris Agreement's 1.5°C target. This is estimated based on the activities and decarbonisation targets of portfolio companies / issuers, relative to what global decarbonisation needs to be to achieve 1.5°C.
Additional	Data Quality	The proportions of a portfolio for which there is high quality data.

In the year to 31 March 2025, there has been a change to the methodology for the calculation of metrics. Unless otherwise stated, data for years ending 31 March 2023 and 31 March 2024 was sourced from the investment managers and aggregated by Mercer. Data for the year to 31 March 2025 is calculated by Mercer using data sourced from MSCI based on stocklists as at the year-end date and data feeds as at 27 June 2025, or the latest available. For all years, data for the buy-in is provided by L&G.

The metrics in this report relate to the Scheme's financed emissions and exclude those associated with the operation of the Scheme. They are based on the actual asset allocations at the relevant dates, taking into account the quality of data that is available (for example, there are some asset classes where there is limited coverage, such as certain bond investments).

Where metrics relate to corporate emissions, these cover scope 1, 2 and 3, defined as follows:

- **Scope 1 "direct" emissions**: those from sources owned or controlled by the Company (e.g. direct combustion of fuel from vehicles); and
- **Scope 2 "indirect" emissions**: those caused by the generation of energy (e.g. electricity) purchased by the Company.
- **Scope 3 "indirect" emissions**: In this category go all the emissions associated, not with the company itself, but that occur in the value chain of the reporting company.



Source: GHG Protocol

For sovereign emissions, the emissions are defined in line with the PCAF guidance. They include:

- **Production emissions:** those attributable to emissions produced domestically and include domestic consumption and exports; and
- **Consumption emissions:** these include production emissions, minus exported emissions, plus imported emissions (emissions related to energy and non-energy imports from goods or services from outside the country territory as a result of activities taken place in the country territory).

Metrics – Important Limitations and Context

The Trustee notes that the availability of accurate data for some asset classes is an industry-wide issue and standards are still developing. The following points should also be noted:

- **Absolute emissions** are a function of a fund's total asset value. Therefore, for the Scheme, portfolios and funds with relatively high levels of assets invested in them will generally have higher absolute emissions than smaller mandates.

- **Carbon Footprint** "normalises" emissions by size of the investment, so a fall in market prices can make the denominator lower and therefore carbon footprint may be "pushed up". However, it still provides a better idea of the carbon intensity of a portfolio (versus absolute emissions).

- For some funds, the **data coverage** has improved over the year. This means that reported emissions and related measures such as carbon footprint may increase simply as there is more of the portfolio where emissions are reported.

- There can be a **time lag** in the provision of climate data from individual companies to data providers, and then from data providers to investment managers. For example, for the 2022 reporting year, investment managers may have received climate data at different times, some of which may be based on disclosures at the company level over the course of past periods. With a reporting date of 31 March 2025, this means that the metrics presented in this report are likely to be subject to time lags. The Trustee recognises that this leads to a certain amount of uncertainty regarding the drivers of changes in carbon emissions from year-to-year.

The Trustee recognises the challenges associated with various metrics used to assess climate change risks. The Trustee works with its investment adviser and investment managers to improve the approach to assessing and managing risks over time as more data becomes available.

Metrics – Definitions

Total Greenhouse Gas Emissions

This metric takes an ownership approach to answer what proportion of a company's or asset's emissions an investor owns and is therefore responsible for financing. It includes seven types of greenhouse gas ("GHG") (as defined in the Kyoto Protocol), across the three scopes of emissions. The seven GHGs have different impacts on climate change. To simplify reporting, each GHG is calibrated relative to carbon dioxide and reported as carbon dioxide equivalent emissions (CO_2e). In this way the Trustee can compare companies that emit different amounts of different gases consistently. The Trustee has chosen this metric to understand the absolute amount of emissions financed by the Scheme's investments.

Carbon Footprint

Carbon Footprint is an intensity measure of emissions that takes the Scheme's total GHG Emissions figure and normalises it to take account of the size of the investment. Analysing Carbon Footprint assists the Trustee in identifying carbon-intense assets.

The Trustee has therefore chosen this metric to assist in prioritising carbon intense parts of the assets for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

Sovereign Carbon Intensity

Sovereign Carbon Intensity is a measure of emissions for an investment issued by a sovereign entity, such as a government, which takes total GHG emissions and normalises the figure to take account of the size of the investment.

Due to the different nature of sovereign entities, sovereign carbon intensity normalises production emissions by Purchasing Power Parity-adjusted Gross Domestic Product to take into account the size of the country's or municipality's economy. Consumption emissions are normalised per capita. Sovereign carbon intensity and carbon footprint cannot be compared due to the different derivation of each metric.

Science Based Targets Initiative Metric

The Science Based Target initiative (SBTi) has established an industry standard methodology for companies setting long-term carbon emission reduction targets that are in line with climate science. Companies submit their plans to SBTi, who then act as an independent assessor of their validity.

SBTi uses either a sector decarbonisation approach (SDA) or an absolute contraction approach (ACA). Under the SDA approach, SBTi allocate the 2°C carbon budget to different sectors, taking into account differences between sectors today and mitigation potential going forwards (e.g. this takes into account the fact that power generation will likely be able to decarbonise faster than cement production). The ACA approach is a broad assumption that assumes all companies should decarbonise at the same rate. The ACA approach is the most popular target that companies who submit their targets to the SBTi choose.

The Trustee has chosen this metric because it provides a measure of alignment with the goals of the Paris Agreement and is independently verified. Portfolios with a low percentage of companies with SBTi-approved targets could indicate investment in companies or issuers that are not setting targets to align their businesses or activities with net zero, which is a forward-looking indication of climate transition risk.

The Trustee recognises that the SBTi does not currently cover every sector, however is cognisant that the Initiative's coverage across additional companies and sectors is expanding rapidly.

Implied Temperature Rise

This is a forward-looking metric that considers the pledges, commitments and business strategy changes that underlying investee companies/issuers have made. It provides a prediction of the potential temperature rise over the rest of the century based on the activities of those companies and issuers. The metric illustrates the degree of portfolio alignment with the goals of the Paris Agreement. The calculation of the level of warming is determined by mapping a given company's/issuer's level of over/undershoot (relative to its carbon budget) to a temperature outcome.

The Trustee has chosen this metric because of its simplicity in presentation and a useful way to see, at a glance, the positioning of a fund relative to 1.5°C economy. This is also a measure of climate transition risk with greater transition risk highlighted in asset allocations with a higher Implied Temperature Rise.

Data Quality

Data Quality aims to represent the proportions of the portfolio for which the Trustee has high quality data. The Trustee has considered whether the underlying emissions data has been verified by a third party, reported by the company, estimated by the data provider, or unavailable to determine the how representative the analysis is of the actual portfolio.

Data Quality also assists with monitoring the quality of reporting over time, as companies are expected to continually improve their reporting on climate-related metrics. As the quality of data improves, the decision usefulness of the climate metrics reported on the Scheme's portfolio increases.

DB Section Metrics

As well as traditional investments, the Trustee invests in a buy-in policy which covers a portion of the DB Section's liabilities. The insurer is responsible for the management of the underlying investment portfolio backing the policy. The Trustee therefore uses the insurer's reporting of climate metrics which does not fully align with the Scheme's reporting date and the reporting provided by the managers of the DB

Section's other investment portfolios. The insurance policy metrics are only available at 31 December and published in a different format to the Scheme's metrics on the broader asset portfolio. For completeness, these metrics are also detailed in this section where applicable. While they are not directly comparable with metrics on the main asset portfolio, they are useful in shaping the discussions the Trustee has with the insurer on climate change risk management, including the path to net zero.

Data Availability

In relation to assets outside of the Scheme's buy-in insurance policy, the Trustee can provide climate metrics for its Buy and Maintain corporate bond portfolios, as well as its LDI portfolio. Metrics are not currently available for cash in the Trustee bank account, or for private debt and derivatives.

DB Section	Is data available?	31 March 2023		31 March 2024		31 March 2025	
		£m	%	£m	%	£m	%
Insight Buy and Maintain	Yes	644.9	*25.3*	261.7	*28.7*	296.6	*35.7*
Insight Interest Rate Hedge	No	30.9	*1.2*	2.9	*0.3*	0.9	*0.1*
LGIM Buy and Maintain	Yes	406.4	*16.0*				
Insight LDI and Collateral	Yes	961.7	*37.8*	427.5	*46.9*	373.9	*45.0*
Insight Secured Finance	No	262.3	*10.3*				
Mercer Senior Private Debt	No	216.4	*8.5*	206.0	*22.6*	148.3	*17.8*
Cash	No	24.8	*1.0*	12.5	*1.4*	12.0	*1.4*
Total with available data		**2,013.0**	***79.0***	**689.2**	***75.7***	***670.5***	***80.6***
Total with unavailable data		**534.5**	***21.0***	**221.4**	***24.3***	***161.2***	***19.4***

Source: Investment Managers and Mercer. Insight and LGIM values are priced at bid. Mercer Senior Private Debt valuation is estimated by Mercer using latest unaudited valuations and capital calls and distributions. Cash denotes money held in the Trustee bank account and by the custodian. The table excludes assets held in the Scheme's buy-in policy as metrics for this policy were available to 31 December only. As at 31 March 2025, the estimated value in the buy-in policy was £1.3bn.

Although the Trustee is only able to report on certain portfolios, it is able to cover the majority of DB Section residual assets at all reporting dates (c. 79% of DB Section assets at 31 March 2023, c. 76% of residual assets at 31 March 2024 and c.81% of residual assets at 31 March 2025). Further information on this is provided in the Data Quality Section and in the appendix.

Total Greenhouse Gas Emissions

The following tables show the total greenhouse gas emissions (scopes 1 and 2) for the portfolios. The Buy and Maintain Credit total shows the aggregated greenhouse gas emissions for the two Buy and Maintain portfolios in 2023. Insight managed the only remaining Buy and Maintain Credit portfolio in 2024 and 2025.

Over the reporting period, scope 1 and 2 total greenhouse gas emissions have increased for the Buy and Maintain Credit portfolio. This was primarily driven by the increase in the asset value.

Total Greenhouse Gas Emissions: tons CO2e (scopes 1 & 2)			
Mandate	**2023**	**2024**	**2025**
Buy and Maintain Credit Total	**66,661**	**9,000**	**10,091**
Insight Buy and Maintain Credit	32,477	9,000	10,091
LGIM Buy and Maintain Credit	34,184	N/a – mandate terminated	
Buy-In Policy (31 December)	n/a	n/a	25,932

** Absolute emissions calculated by multiplying the carbon footprint by the corresponding eligible amount of assets.*

Total emissions for the Insight LDI portfolio relate to sovereign assets and have therefore been derived using a methodology that differs from the Buy and Maintain Credit emissions. Whereas direct and indirect company emissions are reported for the Buy and Maintain Credit portfolio, the LDI portfolio emissions encompass production and consumption emissions at a state level. Due to changes in methodology for 2025, previous total emissions data is not directly comparable. Data for the year to 31 March 2025 is shown below, and year-on-year reporting will be available from next year.

Mandate	**Total Greenhouse Gas Emissions**		
	Production emissions incl. LULUCF (tCO2e)	**Production emissions excl. LULUCF (tCO2e)**	**Consumption emissions (tCO2e)**
Insight LDI	91,046	87,511	122,700

Production sovereign emissions data shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data are presented including and excluding land use, land-use change and forestry (LULUCF). Consumption emissions are consistent with the PCAF definition, equivalent to production emissions, less exported emissions, plus imported emissions. Emissions data exclude land use, land-use change and forestry.

Scope 3 emissions for the Insight Buy and Maintain mandate are shown in the table below. For the year to 31 March 2025, data has been received to allow total emissions to be split into upstream and downstream emissions, which can be tracked going forward. Whilst scope 3 emissions increased between 2024 and 2025, the Trustee noted that there are a number of estimations still required to calculate these figures due to availability and quality of data and that they are likely to change over time. The increase is also likely due to improvement in coverage over the year.

Total Greenhouse Gas Emissions: tons CO2e (scope 3)				
Mandate	**2024**	**2025**		
	Total	**Upstream**	**Downstream**	**Total**
Insight Buy and Maintain Credit	73,456	34,815	51,723	86,538

Carbon footprint

The carbon footprint metric normalises absolute emissions by the amount invested in each portfolio and it therefore allows for better comparison of the actual carbon intensity per unit of investment held between different portfolios. In line with guidance the LDI carbon footprint measure has been removed this year and replaced by a measure of sovereign carbon intensity in the next section.

The table shows that the carbon footprint of the Buy and Maintain portfolio has decreased over time, partly due to the disinvestment from the LGIM mandate in 2023. This was driven by factors including companies generally decarbonising, sectoral allocation changes, and a higher allocation to green bonds. In addition, as at 2024, 13.4% of issuers in the portfolio had not committed to net zero, this year the figure fell to 9.9%.

Data for the buy-in policy, (to 31 December 2024) has now also become available. The Trustee will be able to track this year on year going forward.

Carbon Footprint: tons CO2e / $m invested (scopes 1 & 2)			
	2023	2024	2025
Buy and Maintain Credit Average	**51.4**	**32.0**	**26.8**
Insight Buy and Maintain Credit	41.0	32.0	26.8
LGIM Buy and Maintain Credit	67.9	N/a mandate terminated	
Buy-In Policy (31 December)	n/a	n/a	35.6

Note: an aggregated carbon footprint is shown for the Buy & Maintain portfolios in 2023 as both invested in corporate bonds.

For the year to 31 March 2025, data has been received to allow total emissions to be split into upstream and downstream emissions, which can be tracked going forward. Total scope 3 emissions remained broadly the same as the year to 31 March 2024.

Carbon Footprint: tons CO2e / $m invested (scope 3)				
Mandate	2024	2025		
	Total	Upstream	Downstream	Total
Insight Buy and Maintain Credit	253.0	99.9	155.1	255.0

Sovereign Carbon Intensity

The carbon footprint metric above provides a sense of the carbon emissions intensity of the corporate assets. Below we show sovereign carbon intensity for 2025. A year-on-year comparison will be available from the next report.

Mandate	Sovereign Carbon Intensity		
	Production emissions incl. LULUCF (tCO2e / $M PPP-Adjusted GDP)	Production emissions excl. LULUCF (tCO2e / $M PPP-Adjusted GDP)	Consumption emissions (tCO2e / capita)
Insight LDI	103.0	99.0	8.1

Production emissions shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data are presented including and excluding land use, land-use change and forestry (LULUCF). Consumption emissions data shown is consistent with PCAF definition, equivalent to production emissions, less exported emissions, plus imported emissions, which is shown above. Emissions data exclude land use, land-use change and forestry.

Share of investments with approved Science-based Targets (SBTs)

This metric is only available for the corporate credit assets as only companies may sign up to the SBTi, as opposed to governments issuing bonds. Holdings within the Insight Buy and Maintain portfolio have increased their share of targets approved by the SBTi over the year to 31 March 2025 by 7%.

Share of investments with approved SBTs (%)			
Mandate	**2023**	**2024**	**2025**
Buy and Maintain Credit Average	**26.9**	**40.4**	**43.4**
Insight Buy and Maintain Credit	29.6	40.4	43.4
LGIM Buy and Maintain Credit	22.6	N/a mandate terminated	
Buy-In Policy (31 December)	n/a	n/a	65.0

Implied Temperature Rise

The Implied Temperature Rise ("ITR") figures for portfolios with available ITR metrics are shown below. Note that Insight provide ITR ranges for the LDI portfolio. The Paris Agreement's specified goal is to limit global warming by "well below 2°C above preindustrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels".

The ITR of the Insight LDI largely depends on the aggregate decarbonisation efforts of the UK. The Insight Buy and Maintain ITR was unchanged between 2024 and 2025, and falls into the range envisaged by the Paris Agreement, although achieving an ITR of 1.5°C or lower would be most beneficial. The L&G Buy-In is currently behind this target, though it did show improvement over the year.

Implied Temperature Rise (°C)			
Mandate	**2023**	**2024**	**2025**
Insight Buy and Maintain Credit	2.2	1.8	1.8
LGIM Buy and Maintain Credit	2.7	N/a mandate terminated	
Insight LDI	1.5 - 2.0	1.5 - 2.0	1.5 - 2.0
Buy-In Policy (31 December)	n/a	2.5	2.4

The ITR provided by L&G includes sovereigns and traded credit items. Insight LDI data sourced directly from the manager.

Data Quality

It is difficult to measure climate metrics equally across all portfolios. The proportion of assets that climate metrics cover may differ by the type of portfolio, and some estimation may be involved. The table below shows the data quality for scopes 1 and 2 corporate metrics. For the Insight LDI mandate, the table shows data quality for emissions derived following the PCAF metric for sovereign assets.

LGIM were unable to differentiate between reported and estimated data in 2023 for the Buy and Maintain Credit mandate, therefore data is laid out in a different format.

Data quality for the Insight Buy and Maintain Credit mandate has increased year on year. The 100% reported coverage for the Insight LDI portfolio is explained by the fact that it only invests in UK gilts, reflecting the reporting of greenhouse gas emissions at a national level.

	Data quality (scope 1 and 2 emissions)			
	% reported	% estimated	% not reported	% cash and other assets
Insight Buy and Maintain Credit				
2023	55.0	6.0	34.7	4.3
2024	74.0	11.0	13.1	1.9
2025	82.0	9.4	4.7	3.9
LGIM Buy and Maintain Credit				
2023	67.7 (incl reported and estimated)		32.3	0.0
2024 and 2025	N/a mandate terminated			
Insight LDI				
2023	100.0	0.0	0.0	0.0
2024	100.0	0.0	0.0	0.0
2025	100.0	0.0	0.0	0.0
Buy-In Policy (at 31 December)				
2023	n/a	n/a	n/a	n/a
2024	39.0	61.0	0.0	0.0
2025	42.0	58.0	0.0	0.0

In relation to scope 3 emissions, in 2024, Insight confirmed that they were able to report on 88% of the Buy and Maintain Credit mandate at 31 March 2024 and all of this data was estimated. For the year to 31 March 2025, climate metric methodology changed and data was sourced from MSCI using stocklists. Due to lack of availability and poor quality data, all scope 3 data was estimated.

DC Section Metrics

Popular Arrangements and Lifestyle Strategies

The Scheme has DC investment strategies qualifying as "popular arrangements." Such arrangements are defined in the statutory guidance as a fund or lifestyle strategy in which £100m or more of the Scheme's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits. The Scheme's default, the Retirement Flexible Income Lifestyle qualifies as a popular arrangement. A table with asset values for the popular arrangements is available in the appendix.

The Scheme's popular arrangement covers between 67% and 80% of all DC Section assets at the reporting dates. Hence, while some assets are excluded, the metrics shown in this section provide a good representation of the DC Section's carbon emissions exposures overall.

The Trustee notes that in the year to 31 March 2025, there has been a change to the methodology for the calculation of metrics. Unless otherwise stated, 2023 and 2024 data was sourced from the investment managers, with Mercer calculating aggregated metrics where applicable. For 2025, data was calculated by Mercer using data from MSCI and data is based on stocklists as at 31 March 2025, using metric calculations and data feeds as at 3 July 2025, or latest available. Metrics for BlackRock DC Cash were sourced directly from the investment manager for all years.

Total Greenhouse Gas Emissions

The following table shows the total greenhouse gas emissions for the popular arrangements at 31 March 2023, 31 March 2024 and 31 March 2025 for scope 1 & 2.

The investment value of the default strategy increased over the year, from c.£279.6m to c.£341.6m. Despite this, the total scope 1 & 2 emissions have decreased by 7% over the year to 31 March 2025 for the Retirement Flexible Income Lifestyle. Whilst difficult to fully pinpoint, it is expected that this was caused by the equity holdings in the Medium Growth Fund seeing a degree of decarbonisation.

Absolute emissions – listed equity and corporate bonds (Scope 1 & 2)	2023	2024	2025
Retirement Flexible Income Lifestyle	12,066	14,288	13,272

Note: In 2023 and 2024, absolute emissions were approximated by multiplying the carbon footprint (in tons CO2e / $m invested) of the lifestyle's underlying investment funds with their respective investment values at each reporting date (in $m, converted from £m at the following exchange rates:, 1.2365 USD/GBP at 31 March 2023, 1.2633 USD/GBP at 31 March 2024). For 2025 absolute emissions are derived by multiplying the fund's carbon footprint by the corresponding amount of eligible assets.

The metrics shown below relate to the underlying sovereign assets, which are provided on a production and consumption emissions basis. Please note that only c.8.8% of assets in the default Retirement Flexible Income Lifestyle are sovereign assets as at 31 March 2025.

Absolute emissions – sovereign bonds	Production emissions incl. LULUCF (tCO2e)	Production emissions excl. LULUCF (tCO2e)	Consumption emissions (tCO2e)
Retirement Flexible Income Lifestyle	8,004	7,806	8,285

Production sovereign emissions data shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data are presented including and excluding land use, land-use change and forestry (LULUCF).
Consumption sovereign emissions data shown are consistent with the PCAF definition of consumption emissions, equivalent to production emissions, less exported emissions, plus imported emissions. Emissions data exclude land use, land-use change and forestry.

From 31 March 2025, it has been possible to split total absolute emissions between upstream and downstream sources. Year on year comparisons of these will be available from next year.

Absolute emissions (Scope 3)	2024	2025		
	Total	Upstream	Downstream	Total
Retirement Flexible Income Lifestyle	128,006	31,485	56,374	87,859

Note: Absolute emissions are derived by multiplying the fund's carbon footprint by the corresponding amount of eligible assets. For 2025 BlackRock was only able to provide total Scope 3 figures without distinguishing between upstream and downstream emissions. As a result, BlackRock DC Cash metrics were not aggregated at the total Retirement Flexible Income Lifestyle – Default level in the table above. The total absolute emissions for the DC Cash Fund in the year to 31 March 2025 was 95.0.

Carbon footprint

The Retirement Flexible Income Lifestyle has different climate metric exposures at different points of the savings journey. For example, a member is 100% invested in the Medium Growth Fund up to 10 years before their target retirement date. This allocation would gradually de-risk over the 10 years prior to retirement, towards a flexible allocation.

Following feedback from the Pensions Regulator regarding the length of many schemes' climate change reports, the Trustee has decided to show only "point in time" comparisons in this section as required by the guidance. The table below sets out this assessment.

There has been a steady reduction in carbon footprint over time. Progress reflects both the decarbonisation pathway that many companies are on, as well as specific actions taken by the investment managers of the sustainable mandates within the strategy (notably Schroders and BlackRock). The carbon footprint for the default has decreased by 10% between 31 March 2024 and 31 March 2025.

Carbon footprint (Scope 1 & 2)	2023	2024	2025
Retirement Flexible Income Lifestyle	42.8	40.9	37.0

Note: No carbon footprint data is available for the BlackRock Up to 5 years Index Linked Gilt Index which is a part of the lifestyle arrangement shown. BlackRock disclose sovereign carbon intensity metrics for this fund which are shown in the following section.

The carbon footprint relating to scope 3 emissions is detailed in the table below. From 31 March 2025, it has been possible to split total absolute emissions between upstream and downstream sources.

Carbon footprint (Scope 3)	2024	2025		
	Total	Upstream	Downstream	Total
Retirement Flexible Income Lifestyle	366.7	91.7	158.4	250.1

Note: For 2025 BlackRock was only able to provide total Scope 3 figures without distinguishing between upstream and downstream emissions. As a result, BlackRock DC Cash metrics were not aggregated in the table above. The carbon footprint for the DC Cash Fund in the year to 31 March 2025 was 76.6.

Sovereign Carbon Intensity

In the DC Section, the carbon footprint metric provides a sense of the carbon emissions intensity of the corporate assets the popular arrangement. To supplement this data with a sense of the carbon emissions intensity from underlying sovereign assets, the Trustee has also included sovereign carbon intensity. The metrics are shown in the table below. Please note that only c. 9% of assets in the default Retirement Flexible Income Lifestyle are sovereign assets as at 31 March 2025.

Sovereign carbon intensity is not relevant in relation to the Trustee's interim climate target which is set in reference to listed credit and equity investments. Nevertheless, sovereign carbon intensity helps the Trustee to understand the decarbonisation of the investment portfolio from different angles and is therefore a useful additional metric in the same way as Implied Temperature Rise, the share of assets with climate-related targets approved by the SBTi and data quality.

Popular Arrangement	Sovereign Carbon Intensity		
	Production emissions incl. LULUCF (tCO2e / $M PPP-Adjusted GDP)	Production emissions excl. LULUCF (tCO2e / $M PPP-Adjusted GDP)	Consumption emissions (tCO2e / capita)
Retirement Flexible Income Lifestyle	208.2	202.5	10.8

Note: Sovereign emissions shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Production emissions data are presented including and excluding land use, land-use change and forestry (LULUCF). BlackRock has provided a single sovereign intensity figure, without differentiating between inclusion or exclusion of LULUCF. This figure is incorporated into the excluded LULUCF portion of the table above. Please note that the included LULUCF figures in the table above are calculated excluding BlackRock DC Cash.
Consumption emissions data shown is consistent with the PCAF definition, equivalent to production emissions, less exported emissions, plus imported emissions, which is shown above. Emissions data exclude land use, land-use change and forestry.

Share of investments with approved Science-based Targets (SBTs)

This metric is only available for the corporate portfolios as only companies may sign up to the Science-based Targets Initiative, as opposed to governments issuing sovereign bonds. The default strategy has increased its share of science-based targets both between 2023 and 2024 and between 2024 and 2025.

% Share of assets with climate-related targets approved by the SBTi	2023	2024	2025
Retirement Flexible Income Lifestyle	32.9%	41.6%	47.8%

Note: SBT data is only available for corporate assets, so the SBTi proportion for all underlying sovereign asset funds is 0%. Underlying allocations for all funds used in the lifestyle arrangements are shown in the appendix.

Implied Temperature Rise

The Implied Temperature Rise ("ITR") data for the Retirement Flexible Income Fund is improving gradually. As at 31 March 2023 and 31 March 2024, the metric was only available for some of the underlying funds of the Medium Growth Fund managed by LGIM and Schroder. As at 31 March 2025, BlackRock data was also available. Over the year, all ITR figures (with prior data) had remained the same or decreased although all were above the global temperature rise aim of the Paris Agreement.

The ITR figures in the table below are for the funds underlying the lifestyle strategies, *where data is available*, and have been provided by the investment managers.

Underlying Fund	31 March 2023	31 March 2024	31 March 2025
LGIM Future World Global Equity Fund (GBP Hedged)	2.8	2.7	2.3
LGIM Future World Global Equity Fund	2.8	2.7	2.3
Schroder Sustainable Future Multi-Asset	2.3	2.1	2.1
LGIM Diversified Fund	2.9	2.7	2.4
BlackRock ESG Strategic Growth	N/a – either only recently added to strategy or not available		2.2
BlackRock Emerging Markets Equity			2.9
BlackRock Global Minimum Volatility			2.3
BlackRock Corporate Bonds All Stocks			1.9

Data Quality

In the following table, the movement of data quality for the Retirement Flexible Income Lifestyle is presented between the reporting dates.

Retirement Flexible Income Lifestyle	Data quality (scope 1 and 2)			
	% reported	% estimate	% not covered	% cash and other assets
2023	71.9	10.5	7.9	9.8
2024	77.7	7.8	3.8	10.6
2025	86.0	11.0	4.0	0.0

Note: For 2023 and 2024 the metric is a weighted average of the underlying fund metrics and the funds' relative allocations. For 2025, data quality figures for mixed mandates are presented based on 100% of the listed portion of those mandates.

Retirement Flexible Income Lifestyle	Data quality (scope 3)			
	% reported	% estimate	% not covered	% cash and other assets
2024	27.9	57.3	3.9	10.9
2025	0.0	100.0	0.0	0.0

Note: For 2024 data the metric shown was a weighted average of the underlying fund metrics and the funds' relative allocations. For 2025, scope 3 emissions for listed equities and corporate bonds are calculated using estimated data due to the lack of availability or poor quality of reported data. Even when reported data is available for scope 3 emissions, there is no guarantee of consistency between the reported figures across different companies, as companies often only report on a subset of the 15 categories of scope 3 emissions. MSCI estimates emissions across each of the 15 categories using a combination of revenue estimates and production data. Using MSCI estimated scope 3 data only ensures that data is consistent for all companies across similar sectors, providing a more robust understanding of where the risks lie and a better intertemporal understanding of how portfolios have evolved.

Targets

The Scheme invests with a number of investment managers, through both “segregated” (Scheme-specific) mandates and “pooled” funds (where the Scheme invests alongside other schemes in a shared investment vehicle). Additionally, in the DC Section members can choose their individual investments. As such, the Trustee does not directly control the climate-related metrics at the Scheme level.

However, the Trustee has set a firm ambition given the significance of climate change risks, and with this in mind has set a “net zero” carbon emissions target by 2050 for listed equity and credit assets, scopes 1 and 2.

The Trustee has also set an interim target of achieving a 50% reduction in scope 1 and 2 emissions for listed equity and credit assets by 2030 as measured by the carbon footprint metric, relative to a baseline date of 31 March 2023. Information for the year ending 2022 has been included in this report again to provide additional context around how metrics can change over time. Carbon footprint is used for the 2030 target metric rather than absolute emissions as the absolute emissions figures will be impacted by market movements and changes in the value of the asset portfolios.

The rationale for the Scheme’s target is:

Grounded in science

This target is considered necessary to reduce greenhouse gas emissions and keep global warming to 1.5°C, meeting the goals of the Paris Climate Agreement.

Clear plan with investment managers

The Scheme’s investment managers are committed to net zero by 2050. Therefore, the assets are expected to get to net zero and the Trustee can objectively follow up against this goal with their managers.

Alignment with the sponsoring employer

United Utilities has also set a net zero target. While recognising that pension schemes and companies have different legal and financial duties, a joined-up approach can be an enabler of success.

Between 31 March 2024 and 31 March 2025, the decrease in carbon emissions intensity was 19% for the DB Section and 11% for the DC Section popular arrangement (the Retirement Flexible Income Lifestyle). Since the baseline date of 31 March 2023, the reduction for the DB Section was 48%, and for the DC Section Popular arrangement the reduction was 14%.

There were no significant investment changes for either section over the year.

For the DB section, reduction in carbon footprint has been driven by a number of factors including companies generally decarbonising, sectoral allocation changes and a higher allocation to green bonds. Total assets in the section also decreased over the year by 9% which may explain part of the decrease in carbon footprint.

For the DC section, all underlying funds with the exception of the BlackRock ESG Strategic Growth Fund saw a reduction in carbon footprint over the year. It should be noted that the composition of the popular arrangement is subject to constant change as members move through their retirement savings journey, make changes to their investments, retire or transfer out.

The Trustee will continue to work closely with its investment managers to monitor and track progress over time. Discussions with each investment manager will take place at least annually.

Post Scheme year end the Trustee also commissioned and completed some transition plan analysis.

A wide range of factors will affect whether the Scheme achieves its targets, and the Trustee has varying degrees of control over these factors. Ultimately achieving the desired level of decarbonisation will depend on global economies overall successfully decarbonising. Notwithstanding that there are factors outside of the Trustee’s control, the intention is to meet the target set.

Appendix

Climate scenario modelling approach

The results of the climate scenarios represented in this appendix are relative to a "baseline", which represents what it is assumed that the market is already pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

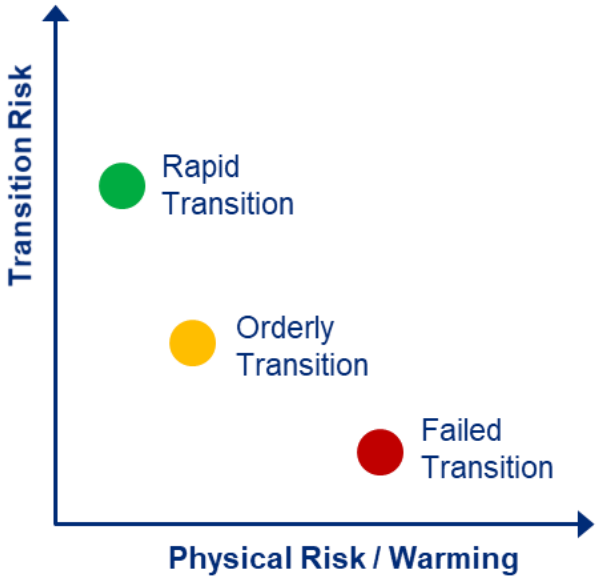
Climate scenario narratives and assumptions

	Rapid Transition	Orderly Transition	Failed Transition
Summary	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organisations act quickly and predictably to implement the Paris Agreement goals to limit global warming to below 2°C above pre-industrial levels by 2100.	The world fails to meet the Paris Agreement goals and warming reaches 4.3°C above pre-industrial levels by 2100. Physical impacts cause large reductions in economic productivity and increasing impacts from extreme weather.
Cumulative emissions to 2100	416 GtCO2e	810 GtCO2e	5,127 GtCO2e
Key policy and technology assumptions	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy. This leads to higher carbon prices, larger investments in energy efficiency and faster phase out of coal-fired power generation (particularly under a Rapid transition).		Existing policy regimes are continued with the same level of ambition.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within a year in 2025. As a result of a market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks until 2050 takes place over the first 4 years.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		
Physical risk impact on inflation	Gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +2% in 2100.	No explicit modelling of physical risk impact on inflation (supply-side shocks). Impact on inflation follows historical relationship between GDP and CPI.	Severe gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +15% in 2100.

Source: Mercer and Ortec. Climate scenario analysis for the Scheme conducted as at 31 December 2022.

Summary of Scenarios Considered (temperature rises expressed relative to pre-industrial average)

- **Rapid Transition:** Average temperature increase of 1.5°C by 2100. This assumes sudden downward re-pricing across assets by 2025. This could be driven by a change in policy, consideration of stranded assets or expected costs. The shock is partially sentiment-driven and so is followed by a partial recovery. Physical damages are most limited in this scenario.
- **Orderly Transition:** Average temperature increase of less than 2.0°C by 2100. Governments and wider society act in a co-ordinated way. As such, transition impacts do occur but are relatively muted.
- **Failed Transition:** Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy. Physical climate impacts significantly reduce economic productivity and have increasingly negative impacts including from extreme weather. These are reflected in re-pricing events in the late 2020s and late 2030s.



In designing scenario analysis a key decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a "climate-informed" baseline; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today.

Scenario Analysis Results

In our report for the year to 31 March 2023, the Trustee set out the results of the quantitative climate scenario analysis considered during the year. This analysis helped to assess the potential implications of climate change under different scenarios for the Scheme. The Trustee has reviewed the analysis and agreed not to undertake updated analysis this year, for the reasons described in the Strategy Section of this report. However, the analysis carried out in the prior year remains relevant and is summarised here.

The Trustee carried out quantitative climate scenario analysis to test the resilience of the investment strategy of both the DB Section and the DC Section, and the funding strategy of the DB Section.

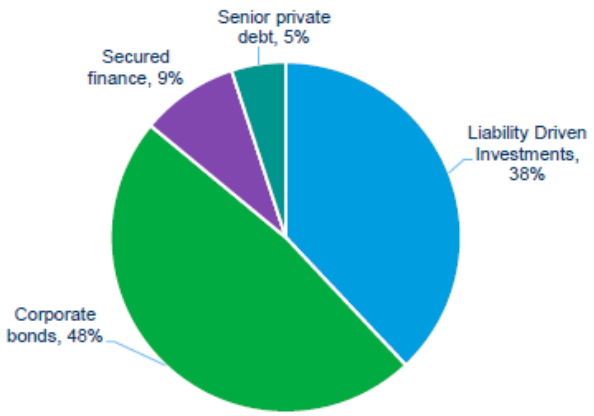
Quantitative scenario analysis was undertaken in order to assess the potential implications of climate change under three possible scenarios; a Rapid Transition to a lower carbon world, an Orderly Transition, and a Failed Transition. The analysis is based on scenarios developed by Mercer working with Ortec Finance.

DB Section Introduction

The following charts show projections of the estimated impact on future investment returns, from an analysis date of 31 March 2021 (to be consistent with the date of the Scheme's last triennial actuarial valuation at the time of the analysis), under the different possible climate scenarios. The analysis assumed a static asset allocation in line with

the low risk investment strategy that was in place at the time of the analysis. The chart shows the “climate impact” which represents the difference in returns relative to the baseline position, under the various scenarios.

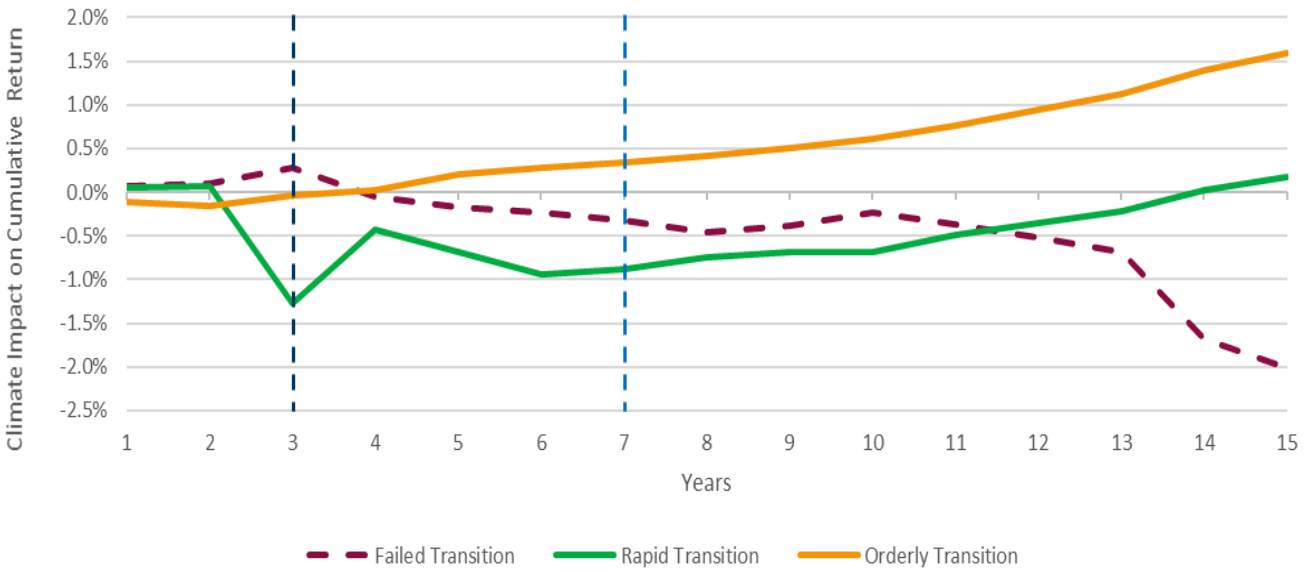
DB Section asset allocation modelled in analysis considered in 2023



Each asset class was modelled based on the typical portfolio of underlying holdings. In some cases, approximations are made where there is no widely acceptable “perfect match” for a portfolio. For example, secured finance is assumed to behave in a similar way to high yield bonds, as there is no secured finance category in climate models. Further, a portion of the corporate bond allocation is assumed to be in “green” bonds, to reflect the fact that the Scheme has implemented ESG based exclusions.

Note that since the last analysis, the Scheme’s investment portfolio has changed – but it is the allocation shown to the left that is relevant to the results of the analysis that follows.

DB Section Results – Investment Strategy and Returns (results expressed relative to baseline)



Key points at different time frames

3 **Short term – 3 years:** Transition risk dominates. A rapid transition is the most impactful scenario, and drives a short term shock to returns followed by a recovery. The failed transition is very marginally positive due to transition costs that are currently assumed to be priced in to markets for example, those associated with businesses changing the way they operate) not materialising to the same extent.

7 **Medium term – 7 years:** Transition risks are still the most significant. However, the failed transition has started to become more negative as future physical damages start to be priced in. The orderly transition to a lower carbon world is the most positive scenario.

15 **Long term – 15 years:** The failed transition is the most negative, reducing returns when compared with the orderly or rapid transitions. This is because the economic cost of more extreme weather events and physical damage start to impinge on companies and governments, and hence the price of the securities they issue. The orderly transition is positive on the basis that transition costs and impacts are smaller and largely priced in, and long term physical impacts are expected to be more modest.

Why does the impact seem relatively small?

While there are clear differences in estimated projected returns under the different scenarios, one reason why effect on returns may seem small (though still impactful) is that the Scheme's low risk investment approach protects the Scheme from some of the more damaging market impacts that would apply to equities, infrastructure, and other growth assets.

That said, even on a low risk strategy, at much longer term periods, the failed transition becomes increasingly negative.

DB Section Results – Funding and Longevity Impacts

The Trustee has also considered the potential impact on Scheme funding of different climate change scenarios. This was carried out using Scheme funding information (including liability cashflows) as at 31 March 2021 (consistent with the triennial valuation date), rolled forward for market conditions and updated assumptions for capital market returns, and based on the investment and funding strategy that was in place at the time of the analysis, which involved:

- Investing in a low risk portfolio of corporate bonds, liability driven investments, and a small allocation to private market debt.
- Fully hedging inflation and interest rate risk.
- Adopting a low risk, prudent funding strategy, with a stable and strong funding position.

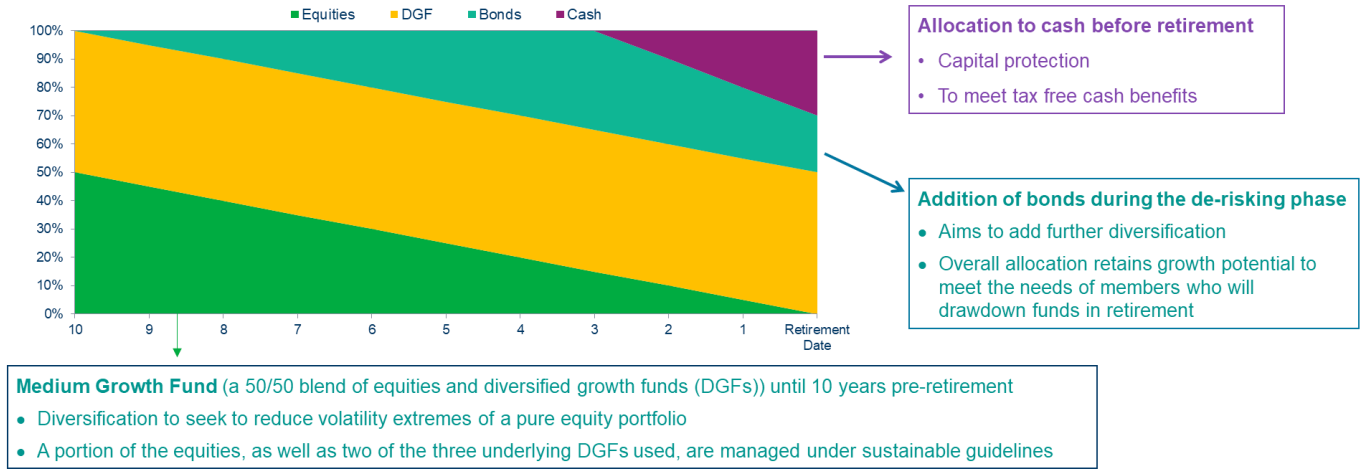
As noted elsewhere in this report, the Trustee has now carried out further de-risking, securing a bulk annuity policy that covers a significant proportion of the liabilities. Clearly, this marks a key milestone for the Scheme's DB Section de-risking journey. As such, the Trustee and its advisers consider that relying on funding level projections based on older information may be less relevant. However, within the Strategy Section, and later in this Appendix, we set out the key conclusions from the analysis, and how these have been integrated in the Trustee's approach to climate risk and opportunity management whilst also recognising the bulk annuity transaction.

DC Section Introduction

DC Section asset allocation modelled in analysis considered in 2023

The Scheme has DC investment strategies qualifying as "popular arrangements." Such arrangements are defined in the statutory guidance as a fund or lifestyle strategy in which £100m or more of the DC Section assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits. At the time of the last scenario analysis, the Scheme's default option, the Retirement Flexible Income Lifestyle, qualified as a popular arrangement. The default investment strategy is a "lifestyle" approach whereby assets are gradually de-risked as each member approaches their target retirement date.

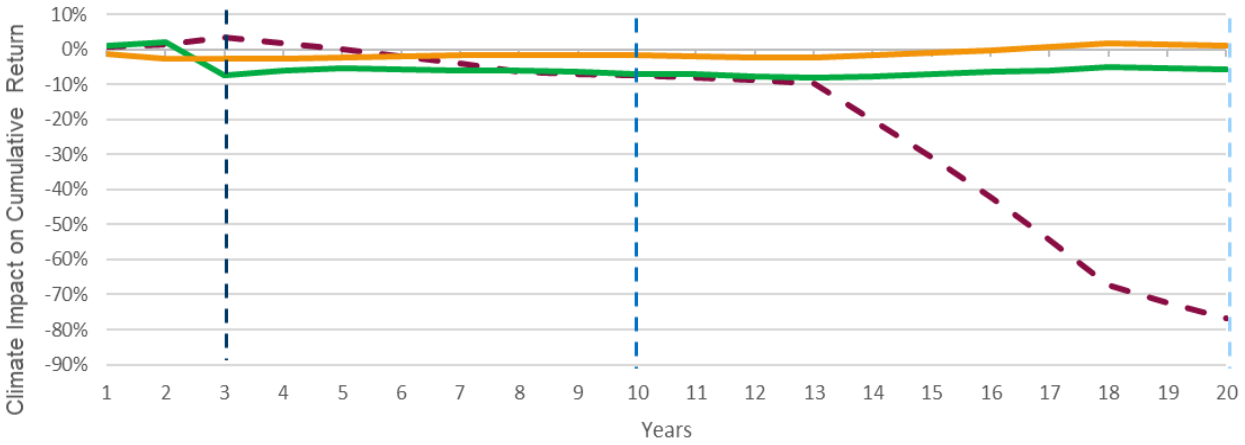
The analysis on the following pages considers climate scenarios for a member in the Scheme's default lifestyle strategy, the "Retirement Flexible Income" option. Before setting out the results we summarise the lifestyle strategy for ease of reference.



Subsequent to the end of the reporting period, Scheme data highlighted that the Cash Lifestyle strategy also qualified as a popular arrangement. This lifestyle strategy has an identical "growth phase" to the Retirement Flexible Income Lifestyle, up until 10 years before retirement, and there is relatively high overlap in the asset allocation through the de-risking phase (see later tables for details).

DC Section Default Strategy – Retirement Flexible Income Lifestyle

The chart shows the estimated impact on cumulative investment returns of different climate scenarios, relative to the baseline.



Key points at different time frames

3 **Short term – 3 years:** Transition risk dominates. A rapid transition is the most impactful (and negative) scenario, leading to a shock to returns as the market prices in the cost of transition to a lower carbon world. This is however followed by a partial recovery. A failed transition is perhaps surprisingly marginally positive due to transition costs to economies not materialising. While we estimate that a rapid transition would impact materially in year 3, in practice there is likely to be a window around this.

10 **Medium term - 10 Years:** The impact of an orderly transition is small relatively to the baseline axis on the basis that transition costs / impacts are smaller and largely priced in. The failed transition starts to become more negative, as investment markets price in the financial impact of future physical damages.

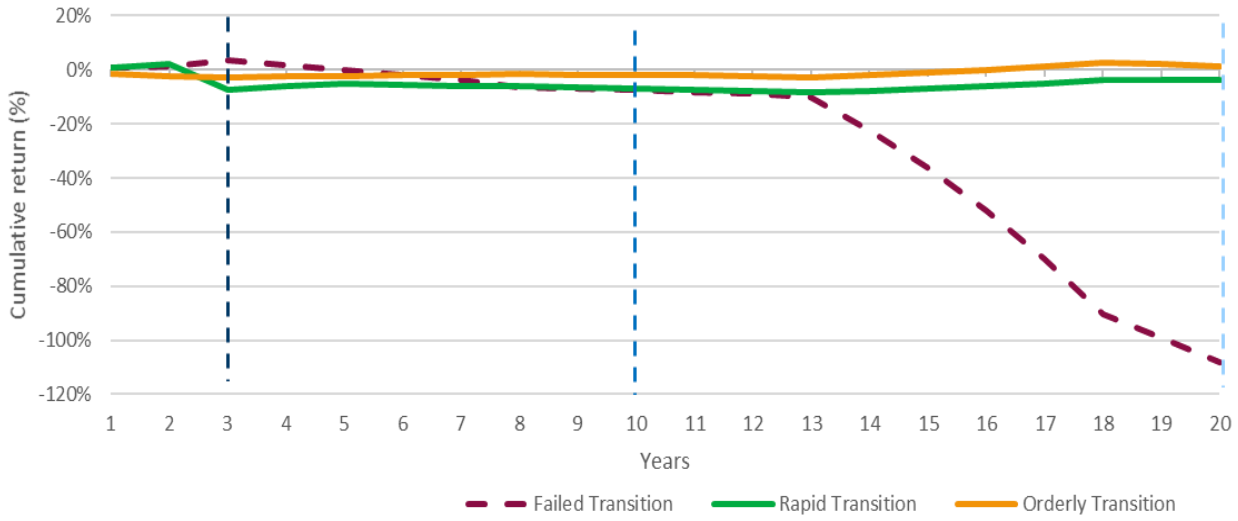
20 **Long term – 20 years:** Physical damage impacts become much more negative, highlighting that a failure of the world to move to a lower carbon future will have a material negative effect on economies and investment markets.

In respect of the Cash Lifestyle, which also qualifies as a popular arrangement, the impacts are identical for the first 10 years. Closer to retirement, the impacts are expected to be smaller due to the higher allocation to cash in this strategy. The most significant impacts for both Lifestyles comes through the investment in the Medium Growth Fund during the growth phase. Whilst the Medium Growth Fund is not in itself a “popular arrangement” as defined in the regulations, investment levels in this fund are high (albeit via the default Lifestyle strategy), and the Trustee has therefore considered scenario analysis for this fund on a stand-alone basis, as shown overleaf.

Medium Growth Fund

The Medium Growth Fund is the "growth" phase of the Scheme's default investment strategy and the two other lifestyle strategies (Cash Lifestyle and Annuity Lifestyle), and approximately 75% of the assets of the DC Section are invested in this fund.

The chart below is presented in a similar format as that shown for the default strategy as a whole. It shows the estimated impact on cumulative investment returns of different climate scenarios, relative to the baseline.



Key points at different time frames

3 **Short term – 3 years:** We see a similar pattern to that seen for the default lifestyle strategy. Transition risk dominates, and again a rapid transition is the most impactful, followed by a partial recovery the following year. The similarity to the lifestyle strategy is as expected given that in the early lifestyle de-risking phase, a member is nearly fully invested in the Medium Growth Fund.

10 **Medium term - 10 Years:** The orderly transition is the most positive scenario, albeit the impact is relatively small on the basis that transition costs and impacts are largely priced in.

20 **Long term – 20 years:** The failed transition is by far the most negative scenario, and is estimated to cause a material reduction in cumulative returns. This is larger than for the lifestyle strategy on the previous page as the Medium Growth Fund is more exposed to equities, where sectoral risks are higher, relative to the lifestyle strategy which includes cash and bonds as the allocation de-risks.

Scenario Analysis Findings

In light of the above quantitative analysis, the Trustee notes the following findings:

Short Term	In the short term, transition risk dominates with a Rapid Transition having the biggest impact. An initial fall in asset returns (relative to baseline) and the funding level for the DB Section is driven by a transition shock impacting the economy and investment markets. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering. The actual timing of any shock or recovery is uncertain. **DB Section:** While short term risk is "visible" mainly in investment returns, market data also feeds into the valuation of the liabilities (in particular, through bond yields and inflation metrics). Therefore the market impact has the potential to affect both the assets and the liabilities. The Scheme has taken a number of steps to de-risk the investment strategy over time, and has a prudent funding approach. As such, the level of exposure to higher risk assets such as equities (which tend to be more at risk of the impact of climate change, particularly over short periods) is nil. The Trustee has also engaged with the covenant adviser and the company to understand and mitigate risks to the covenant – primarily through putting in place a very low risk investment strategy and prudent funding basis. **DC Section:** Given the short term nature of transition risks, members closer to retirement and intending to divest their Scheme savings may be expected to be more exposed to these risks than those further from retirement.
Medium Term	Over the medium term, transition risk and physical risk are both factors. The impact of transition risks under a Rapid Transition and physical risks under a Failed Transition are broadly similar. **DB Section:** The impact on both asset returns and the estimated funding level is relatively modest under all scenarios (and positive in the case of an Orderly Transition), given the low risk investment strategy adopted. However, the failed transition scenario becomes more impactful as future long term physical damages start to be priced in to financial markets. Under the failed transition the funding level was estimated to reduce by c.0.3% over this period, all else being equal. The timing of any shock or recovery is uncertain. It is worth noting that the transition shock impacts credit markets via a widening of credit spreads followed by a rebound as these spreads normalise without a material increase in downgrades or defaults. It is possible that additional downgrades and defaults could limit the rebound. Given the Scheme's bond-based investment strategy, it is credit defaults that represent one of the more significant financial risks. **DC Section:** Members in the de-risking phase may be particularly affected by these risks, given the 10 year de-risking phase aligns with the medium term time horizon of the analysis. This is why the Trustee has sought to integrate climate change risk and opportunity management within the default strategy, to improve the resilience of the arrangements.
Long Term	Over the long term, physical impacts become significant, with a Failed Transition being the most impactful. **DB Section:** The most negative outcome is the Failed Transition, representing a risk to the future funding position. Over the long term, there may also be impacts on longevity and other demographic features of our membership. Mindful of this risk, and other long term risks, the Trustee has taken further steps to provide benefit security for our members through the purchase of an insurance policy. **DC Section:** Members who are further from retirement, with a longer investment horizon, are expected to be the most exposed to these risks, along with being potentially able to benefit from the long term investment opportunities associated with technology developments, new climate solutions, and renewable energy.

Limitations associated with climate modelling

Climate scenario modelling is a complex process. The Trustee is aware of its limitations. In particular:

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Climate metric analysis approach

Data sources

2023 and 2024 data

Data for the climate metric analysis has been obtained from the investment managers. These managers may use third parties for the metrics, as summarised below. Note that some of these managers / mandates are now legacy arrangements but are still included in metric information for historical periods.

Fund Manager	Data Provider
BlackRock	MSCI
Insight	Insight (in-house) and MSCI for corporate bond metrics; Insight (in-house), UK Government, DMO, IMF, Germanwatch CCPI, Climate Action Tracker for sovereign bond metrics
LGIM	Institutional Shareholder Services (ISS)
Schroder	MSCI

2025

Data for the year to 31 March 2025 is sourced from MSCI based on stocklists as at the year-end date and data feeds as at 27 June 2025, or the latest available. The exception to this is the L&G buy-in data and data for the BlackRock DC Cash Fund, which was sourced directly from the providers.

Scope of emissions

Scope 1, 2 and 3 emissions data has been included in this report, except where noted. For 2025, all scope 3 data has been estimated. Scope 1, 2 and 3 emissions are as defined by the GHG protocol.

Data coverage

Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity and debt can also be challenging due to general disclosure and transparency challenges.
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds.

- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
- Short-term instruments, such as secured finance assets, have limited data available due to the short-term nature of the individual assets.
- For property, the occupiers of the buildings in a portfolio have full operational control and there are no Scope 1 or 2 emissions associated with the assets. The relevant investment managers are looking to improve the collection of Scope 3 data – this includes occupier activities where they have direct utility supplier contracts.

The Trustee has used a pro rata approach to scale up each metric in order to present the data as if full coverage was available for each asset. This assumes that the part of an investment fund that does not have data available has the same climate metrics as the part where there is data.

DB Section

DB Portfolio	Data Coverage (Sum of Reported and Estimated Data) in % (Scope 1 and 2)		
	31 March 2023	31 March 2024	31 March 2025
Insight Buy and Maintain	61.0	85.0	91.4
LGIM Buy and Maintain	67.7	n/a	n/a
Insight LDI	100.0	100.0	100.0
L&G Buy-in	n/a	100.0	100.0

Buy-In Metrics provided directly from the insurer, with effective dates 31 December 2023 and 31 December 2024.
Please note: LGIM are unable to break down data quality in the same way as Insight for the Buy and Maintain mandate. L

DC Section

DC Portfolio	Data Coverage (Sum of Reported and Estimated Data) in % (Scope 1 and 2)		
	31 March 2023	31 March 2024	31 March 2025
Retirement Flexible Income Fund (Default)	82.4	85.5	97.0

Note: For 2023 and 2024 the metric is a weighted average of the underlying fund metrics and the funds' relative allocations. For 2025, data quality figures for mixed mandates are presented based on 100% of the listed portion of those mandates.

Additional Disclaimers – Implied Temperature Rise

2023 and 2024 data

Data for 2023 and 2024 was sourced directly from managers where available. Relevant notes around methodology for each provider is shown below.

Insight

In relation to the LDI portfolio, Insight's ITR assumption is based on analysis conducted by Germanwatch and the Climate Action Tracker. For corporate assets, such as the Scheme's Insight Buy and Maintain portfolio, Insight use MSCI's methodology to derive ITR. This method calculates the ITR (in the year 2100 or later), "if the whole

economy had the same over-/undershoot level of greenhouse gas emissions to the company analysed, based on its most recent Scope 1, 2 and 3 projected emissions."

LGIM

ITR is calculated by projecting forward expected emissions intensity/absolute emissions (dependent on sector) of an issuer to 2030 and comparing this projection to temperature-aligned sectoral decarbonisation pathways. The projection integrates backward-looking trend analysis and probability-adjusted forward-looking targets. The scenarios used to calibrate the sectoral decarbonisation pathways are all 'orderly' scenarios which require smooth and coordinated action towards decarbonisation. The carbon intensity used includes all GHGs adjusted to tonnes of carbon dioxide equivalents using the IPCC AR4 GWP (Global Warming Potential) factors in line with GHG protocol guidance.

Implied temperature alignment is a function of two mappings: first, global emissions onto global temperatures, and second, a company's projected emissions onto global emissions pathways. In aggregate, a company is then mapped to a temperature. For more details, please refer to Net zero - A practical guide.

Schroder

The Implied Temperature score is calculated using the SBTi method for companies based on valid targets set for scope 1 and scope 2 carbon emissions reductions over the mid-term horizon (5 -15 years).

2025 data

Data for the year to 31 March 2025 is sourced from MSCI based on stocklists as at the year-end date and data feeds as at 27 June 2025, or the latest available. The exceptions to this are:

- Insight LDI portfolio, where ITR was sourced direct from Insight and the notes above regarding methodology remain relevant
- L&G buy-in data, sourced from L&G. The ITR figure provided by L&G includes sovereigns and traded credit items in the analysis.
- BlackRock DC Cash Fund data, sourced from BlackRock

Asset Allocations Modelled

DC Section Popular Arrangements and Lifestyle Allocations

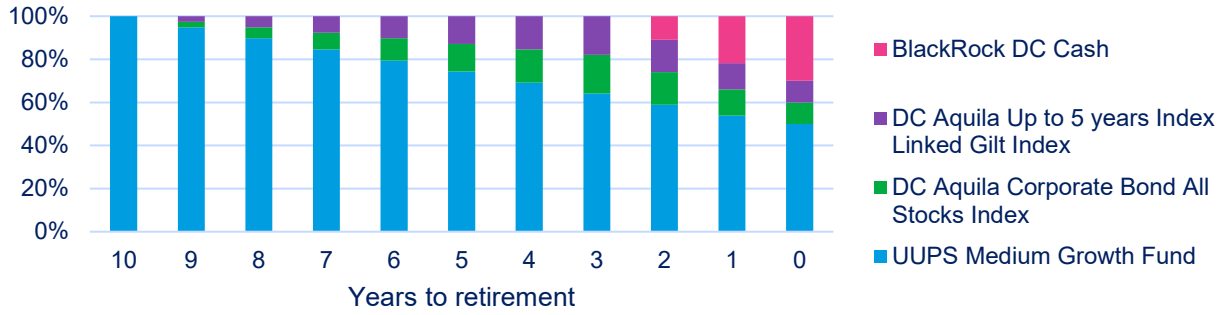
A popular arrangement is defined in the statutory guidance as a fund or lifestyle strategy which £100m or more of Scheme assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding assets solely attributable to Additional Voluntary Contributions). For the purpose of identifying popular arrangements, lifestyle strategies are regarded as one unit. This means that any assets held by lifestyle members are attributed to the relevant lifestyle arrangements rather than the underlying funds. In practice, this means that a popular underlying fund may not count as a popular arrangement. This is because once the assets invested in the fund that pertain to lifestyle arrangements are accounted for, the remaining self-select assets may not exceed the threshold test.

The following strategy is defined as a popular arrangement.

1. Asset Values (*and Percentage Shares of Total DC Assets*)

	31 March 2023		31 March 2024		31 March 2025	
DC Section Total	£342.1m	*100.0%*	£351.4m	*100.0%*	£483.9m	*100%*
Retirement Flexible Income Lifestyle	£230.4m	*67.3%*	£279.6m	*79.6%*	£341.6m	*70.6%*

2. Retirement Flexible Income Lifestyle (default arrangement)



The underlying allocations for the Medium Growth Fund and the Diversified Growth Fund are shown below.

Medium Growth (default growth phase fund)	16% LGIM Future World Global Equity Fund (GBP Hedged)
	16% LGIM Future World Global Equity Fund
	16% BlackRock Global Minimum Volatility Index
	2% BlackRock Emerging Markets Equity Index
	50% United Utilities Diversified Growth Fund

United Utilities Diversified Growth Fund	33.3% Schroder Sustainable Future Multi-Asset
	33.3% LGIM Diversified
	33.4% BlackRock ESG Strategic Growth

Climate metrics for the funds underlying the popular arrangement

31 March 2023

All data is shown as provided by the underlying managers at the reporting date. An “n/a” insertion indicates where data is not available.

Funds used in the popular lifestyle arrangement

Type of Metric	Metric	UUPS Medium Growth	BlackRock ESG Strategic Growth	DC Aquila Corporate Bond All Stocks Index	DC Aquila Up to 5 years Index Linked Gilt Index	BlackRock DC Cash
Intensity	Carbon footprint	42.8	30.1	40.5	n/a	0.5
Data Quality[1]	Reported (%)	71.9	56.9	63.5	0.0	81.6
	Estimated (%)	10.3	7.0	25.8	0.0	3.3
	Not covered (%)	7.9	28.3	10.5	100.0	15.0
	Cash and other asset classes (%)	9.9	7.8	0.2	0.0	0.0
Portfolio Alignment	Implied Temperature Rise (°C)	n/a	n/a	n/a	n/a	n/a
	Proportion with SBT (%)	33.0	21.8	24.3	0.0	1.3

[1] *Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.*

Underlying funds of the UUPS Medium Growth Fund

Type of Metric	Metric	LGIM Future World Global Equity (GBP Hedged)	LGIM Future World Global Equity	BlackRock Global Minimum Volatility Index	UUPS Diversified Growth	BlackRock Emerging Markets Equity Index
Intensity	Carbon footprint	24.1	24.0	56.9	47.7	133.4
Data Quality[1]	Reported (%)	89.0	90.9	84.0	52.0	78.8
	Estimated (%)	7.8	8.0	15.5	9.7	20.5
	Not covered (%)	0.8	0.7	0.1	17.1	0.6
	Cash and other asset classes (%)	2.4	0.4	0.4	21.1	0.1
Portfolio Alignment	Implied Temperature Rise (°C)	2.8	2.8	n/a	n/a	n/a
	Proportion with SBT (%)	41.6	42.6	42.8	22.8	8.0

[1] *Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.*

Underlying funds of the UUPS Diversified Growth Fund

Type of Metric	Metric	Schroder Sustainable Future Multi Asset	LGIM Diversified	BlackRock ESG Strategic Growth
Intensity	Carbon footprint	38.6	78.6	30.1
Data Quality[1]	Reported (%)	37.4	57.5	56.9
	Estimated (%)	17.0	7.3	7.0
	Not covered (%)	6.9	10.7	28.3
	Cash and other asset classes (%)	38.7	24.6	7.8
Portfolio Alignment	Implied Temperature Rise (°C)	2.3	2.9	n/a
	Proportion with SBT (%)	27.0	20.8	21.8

[1] *Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.*

31 March 2024

All data is shown as provided by the underlying managers at the reporting date. An “n/a” insertion indicates where data is not available.

Funds used in the popular lifestyle arrangement

Type of Metric	Metric	UUPS Medium Growth	BlackRock ESG Strategic Growth	DC Aquila Corporate Bond All Stocks Index	DC Aquila Up to 5 years Index Linked Gilt Index	BlackRock DC Cash
Intensity	Carbon footprint (1 and 2)	41.1	25.1	33.1	n/a	0.9
	Carbon footprint (3)	368.4	220.8	275.0	n/a	96.7
	Sovereign Carbon Intensity	n/a	380.3	n/a	138.9	90.6
Data Quality (Scopes 1 and 2) [1]	Reported (%)	77.8	66.9	69.7	n/a	0.3
	Estimated (%)	7.7	5.4	22.4	n/a	9.1
	Not covered (%)	3.8	5.4	5.5	n/a	0.0
	Cash and other asset classes (%)	10.8	22.4	2.4	n/a	0.0
Data Quality (Scope 3) [1]	Reported (%)	28.3	0.0	0.0	n/a	92.5
	Estimated (%)	56.8	72.4	90.8	n/a	7.6
	Not covered (%)	3.8	5.2	6.8	n/a	0.0
	Cash and other asset classes (%)	11.0	22.4	2.4	n/a	n/a
Data Quality (Sovereign carbon intensity) [1]	Reported (%)	n/a	66.9	n/a	100.0	n/a
	Estimated (%)	n/a	5.4	n/a	0.0	n/a
	Not covered (%)	n/a	27.8	n/a	0.0	n/a
	Cash and other asset classes (%)	n/a	0.0	n/a	0.0	n/a
Portfolio Alignment	ITR (°C)	not aggregated	not provided	not provided	not provided	not provided
	Proportion with SBT (%)	41.9	26.7	27.0	n/a	6.0

[1] *Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.*

Underlying funds of the UUPS Medium Growth Fund

Type of Metric	Metric	LGIM Future World Global Equity (GBP Hedged)	LGIM Future World Global Equity	BlackRock Global Minimum Volatility Index	UUPS Diversified Growth	BlackRock Emerging Markets Equity Index
Intensity	Carbon footprint (1 and 2)	24.0	24.0	54.4	44.1	148.7
	Carbon footprint (3)	435.4	435.7	234.9	359.0	552.2
	Sovereign Carbon Intensity	n/a	n/a	n/a	327.1	n/a
Data Quality (Scopes 1 and 2) [1]	Reported (%)	89.7	89.9	90.7	61.8	86.4
	Estimated (%)	8.6	8.6	8.9	6.2	12.4
	Not covered (%)	0.7	0.6	0.4	7.9	1.0
	Cash and other asset classes (%)	1.0	0.9	0.0	24.0	0.2
Data Quality (Scope 3) [1]	Reported (%)	63.8	64.1	0.0	12.1	0.0
	Estimated (%)	34.4	34.4	99.6	55.3	98.6
	Not covered (%)	0.7	0.6	0.4	8.1	1.2
	Cash and other asset classes (%)	1.1	0.9	0.0	24.6	0.2
Data Quality (Sovereign carbon intensity) [1]	Reported (%)	n/a	n/a	n/a	30.2	n/a
	Estimated (%)	n/a	n/a	n/a	4.2	n/a
	Not covered (%)	n/a	n/a	n/a	11.2	n/a
	Cash and other asset classes (%)	n/a	n/a	n/a	26.4	n/a
Portfolio Alignment	Implied Temperature Rise (°C)	2.7	2.7	not provided	not aggregated	not provided
	Proportion with SBT (%)	47.4	47.7	50.1	35.0	16.4

[1] *Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.*

Underlying funds of the UUPS Diversified Growth Fund

Type of Metric	Metric	Schroder Sustainable Future Multi Asset	LGIM Diversified	BlackRock ESG Strategic Growth
Intensity	Carbon footprint (1 and 2)	34.8	76.7	25.1
	Carbon footprint (3)	205.8	672.0	220.8
	Sovereign Carbon Intensity	n/a	258.9	380.3
Data Quality (Scopes 1 and 2) [1]	Reported (%)	55.9	60.6	66.9
	Estimated (%)	8.5	5.3	5.4
	Not covered (%)	6.7	12.3	5.4
	Cash and other asset classes (%)	28.9	21.8	22.4
Data Quality (Scope 3) [1]	Reported (%)	0.0	38.2	0.0
	Estimated (%)	61.9	27.6	72.4
	Not covered (%)	7.4	12.3	5.2
	Cash and other asset classes (%)	30.7	21.9	22.4
Data Quality (Sovereign carbon intensity) [1]	Reported (%)	n/a	10.0	66.9
	Estimated (%)	n/a	6.5	5.4
	Not covered (%)	n/a	0.0	27.8
	Cash and other asset classes (%)	n/a	83.5	0.0
Portfolio Alignment	Implied Temperature Rise (°C)	2.1	2.7	not provided
	Proportion with SBT (%)	57.8	25.4	26.7

[1] *Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.*

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Data is sourced from MSCI using stock lists as at the reporting date and data stream as at July 2025, or the latest available. The exception is the BlackRock DC Fund, which was sorted from the manager. An "n/a" insertion indicates where data is not available.

Funds used in the popular lifestyle arrangement

Type of Metric	Metric	UUPS Medium Growth	BlackRock ESG Strategic Growth	DC Aquila Corporate Bond All Stocks Index	DC Aquila Up to 5 years Index Linked Gilt Index	BlackRock DC Cash
Intensity	Carbon footprint (1 and 2)	37.3	29.8	27.0	n/a	0.4
	Carbon footprint (3) - Upstream	91.9	99.0	79.2	n/a	76.6 (upstream & downstream)
	Carbon footprint (3) - Downstream	158.5	142.5	146.8	n/a	See above
	Sovereign Carbon Intensity-production (incl/excl LULUCF)	229.2 / 223.1	205.9 / 163.9	166.5 / 163.9	103.0 / 99.0	187.4 (no breakdown available)
	Sovereign Carbon Intensity-consumption	11.4	15.6	7.9	8.1	10.2
Data Quality (Scopes 1 and 2) [1]	Reported (%)	86.0	n/a	85.2	n/a	100.0
	Estimated (%)	11.0	n/a	9.7	n/a	0.0
	Not covered (%)	4.0	n/a	5.1	n/a	0.0
	Cash & other asset classes (%)	0.0	n/a	0.0	n/a	0.0
Data Quality (Scope 3) [2]	Reported (%)	0.0	0.0	0.0	0.0	0.0
	Estimated (%)	100.0	100.0	100.0	100.0	100.0
	Not covered (%)	0.0	0.0	0.0	0.0	0.0
	Cash & other asset classes (%)	0.0	0.0	0.0	0.0	0.0
Portfolio Alignment	Implied Temperature Rise (°C)	2.3	2.2	1.9	n/a	n/a
	Proportion with SBT (%)	48.1	33.8	35.5	n/a	3.9

[1] *Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.*

[2] *Scope 3 emissions for 2025 are purely estimated due to lack of reliable data.*

Note that in 2023 and 2024, sovereign data quality was reported separately. For 2025, sovereigns are included in the 'cash and other assets' figures in data quality.

Underlying funds of the UUPS Medium Growth Fund

Type of Metric	Metric	LGIM Future World Global Equity (GBP Hedged)	LGIM Future World Global Equity	BlackRock Global Minimum Volatility Index	UUPS Diversified Growth	BlackRock Emerging Markets Equity Index
Intensity	Carbon footprint (1 and 2)	19.3	19.1	46.2	45.2	121.2
	Carbon footprint (3) - upstream	69.1	68.7	109.2	103.8	122.6
	Carbon footprint (3) - downstream	126.1	125.1	141.6	188.9	316.6
	Sovereign Carbon Intensity-production (incl/excl LULUCF)	n/a	n/a	n/a	229.2 / 191.9	n/a
	Sovereign Carbon Intensity-consumption	n/a	n/a	n/a	11.4	n/a
Data Quality (Scopes 1 and 2) [1]	Reported (%)	88.8	90.7	86.0	80.8	89.3
	Estimated (%)	8.1	8.3	13.8	11.3	9.7
	Not covered (%)	0.8	0.8	0.1	7.9	1.0
	Cash and other asset classes (%)	2.3	0.2	0.0	0.0	0.0
Data Quality (Scope 3) [2]	Reported (%)	0.0	0.0	0.0	0.0	0.0
	Estimated (%)	100.0	100.0	100.0	100.0	100.0
	Not covered (%)	0.0	0.0	0.0	0.0	0.0
	Cash and other asset classes (%)	0.0	0.0	0.0	0.0	0.0
Portfolio Alignment	Implied Temperature Rise (°C)	2.3	2.3	2.3	2.3	2.9
	Proportion with SBT (%)	51.1	51.1	56.8	42.6	20.1

[1] Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.

[2] Scope 3 emissions for 2025 are purely estimated due to lack of reliable data.

Note that in 2023 and 2024, sovereign data quality was reported separately. For 2025, sovereigns are included in the 'cash and other assets' figures in data quality.

Underlying funds of the UUPS Diversified Growth Fund

Type of Metric	Metric	Schroder Sustainable Future Multi Asset	LGIM Diversified	BlackRock ESG Strategic Growth
Intensity	Carbon footprint (1 and 2)	32.4	69.2	29.8
	Carbon footprint (3) - upstream	106.3	112.2	90.0
	Carbon footprint (3) – downstream	149.6	261.8	142.5
	Sovereign Carbon Intensity- production (incl/excl LULUCF)	196.1/191.9	265.0/248.2	205.9/212.6
	Sovereign Carbon Intensity- consumption	8.9	9.6	15.6
Data Quality (Scopes 1 and 2) [1]	Reported (%)	83.2	79.6	79.5
	Estimated (%)	11.1	12.7	9.7
	Not covered (%)	5.7	7.7	10.7
	Cash and other asset classes (%)	0.0	0.0	0.0
Data Quality (Scope 3) [2]	Reported (%)	0.0	0.0	0.0
	Estimated (%)	100.0	100.0	100.0
	Not covered (%)	0.0	0.0	0.0
	Cash and other asset classes (%)	0.0	0.0	0.0
Portfolio Alignment	Implied Temperature Rise (°C)	2.1	2.4	2.2
	Proportion with SBT (%)	46.0	49.4	44.8

[1] *Please note that the sum of reported and estimated data equals data coverage, i.e. the portion of the fund data emissions data is available for.*

[2] *Scope 3 emissions for 2025 are purely estimated due to lack of reliable data.*

Note that in 2023 and 2024, sovereign data quality was reported separately. For 2025, sovereigns are included in the 'cash and other assets' figures in data quality.

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Mercer

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Penfida

Financial impact is valued in £m, estimated for a 40-year period (2024–2064). The valuation includes impacts on income, capex, opex, interest, tax, penalties, and fines and incorporates inflation. Sourced from Company reports.

Insight (2023 and 2024 data unless otherwise indicated)

UK gilts carbon calculation methodology – Key considerations, assumptions and sources:

• Production emissions data used (DWP guidance defines production emissions as Scope 1 and 2, and consumption emissions as Scope 3. PCAF defines production emissions as Scope 1, and consumption emissions as Scope 2 (emissions imported relating to electricity) and Scope 3 (other imported emissions).
• Figures cannot be sensibly aggregated across different asset classes (e.g. due to the use of different denominators for normalised metrics).
• There is a risk of 'double counting' emissions, as it is difficult to obtain sovereign emissions data that excludes corporate emissions.
• Little consideration for 'exported' emissions in raw data
– exporting countries retain carbon responsibility for production, even if the good is used elsewhere, for example:
  ▪ China, Thailand, South Africa: considered higher emitters, as exporters of CO2-intensive goods
  ▪ France, Switzerland, Sweden: considered lower emitters, as importers of CO2-intensive goods
• Purchasing power parity (PPP) adjusted GDP is used for certain metrics, to achieve consistency across all sovereigns
• Carbon values include land use, land use change, and forestry (LULUCF)
• Germanwatch Climate Change Performance methodology provides more sophisticated (but less measurable) output and is a recommended alignment tool by Paris Aligned Investment Initiative (includes IIGCC).

Corporate bond carbon calculation methodology – Key considerations, assumptions and sources:

• Enterprise value (EVIC) is enterprise value including cash.
• To determine book value for the Carbon Footprint and the GHG emissions calculations, notional values are being used.
• Any calculation for non-base currency denominated data use current FX rates.
• We use the most recent data available from the vendor each quarter which may result in aggregating underlying information from different reporting periods.
• We obtain carbon emissions data from MSCI or for a small number of issuers it is manually sourced from the issuer reporting.
• Where a denominator (or a component of a denominator) is not available, we use internal credit analysis processes to create an estimate which can be used in its place. For EVIC this will include at the very least the issuer's total debt.

LGIM (2023 and 2024 data unless otherwise indicated)

Carbon dioxide equivalent (CO2e) is a standard unit to compare the emissions of different greenhouse gases.

LGIM have previously set a quality threshold for reportable funds such that 1) the assets eligible for coverage (eligible ratio) needed to be greater than or equal to 50% and 2) the carbon coverage of the eligible assets (eligible coverage) needed to be

greater than or equal to 60%. Under the FCA ESG sourcebook regulations and the recommendations of TCFD, there are no thresholds currently applied. As a result, and for TCFD reporting purposes, the LGIM thresholds have been removed meaning that in some cases the funds will show low coverage.

Eligibility % represents the % of the securities in the benchmark which are eligible for reporting including equity, bonds, ETFs, and sovereigns (real assets, private debt, and derivatives are currently not included for carbon reporting). The Coverage % represents the coverage of those assets with carbon scores.

Derivatives including repos are not presently included and the methodology is subject to change. Leveraged positions are not currently supported. In the instance a leveraged position distorts the coverage ratio over 100%, then the coverage ratio will not be shown.

LGIM define 'Sovereigns' as Agency, Government, Municipals, Strips, and Treasury Bills and is calculated by using: the CO2e/GDP, Carbon Emissions Footprint uses: CO2e/Total Capital Stock.

Total carbon emissions are a way of attributing the absolute emissions to a fund position based on the proportion of its market value compared to the issuer's EVIC.

Sovereign carbon data available to LGIM does not separate Scope 1 and Scope 2.

LGIM's temperature alignment methodology computes the contribution of a company's activities towards climate change. It delivers a specific temperature value that signifies which climate scenario (e.g. 3°C, 1.5°C, etc.) the company's activities are currently aligned with. The implied temperature alignment is computed as a weighted aggregate of the company-level warming potential.

Where the Information includes scope 3 greenhouse gas emissions data (as defined in the Final Report on the Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017) ("Scope 3 Data")), please note that: Legal & General relies on third-party sourced model-based estimates for Scope 3 Data, as most within-scope companies do not publish Scope 3 Data; and Legal & General makes no representation and/or warranty that Scope 3 Data provided to you may be utilized to satisfy any requirements you may have under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

BlackRock (2023 and 2024 data unless otherwise indicated)

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MSCI

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