United Utilities PLC Group of the Electricity Supply Pension Scheme (the "Group")

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 31 March 2026.

This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by The Pensions Regulator.

Investment Objectives of the Group

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. An excerpt from the SIP describing the objectives is provided below:

The Trustee's objective is to invest the Group's assets in the best interest of the members and beneficiaries and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework, the Trustee has agreed a number of objectives to help guide the strategic management of the assets and control of the various risks to which the Group is exposed. The Trustee's primary objectives are set out below:

- *To maintain a Group funding level of at least 100% on a Technical Provisions basis. The Technical Provisions funding target broadly represents a reasonably cautious calculation of the value of the Group's liabilities;*

- *To ensure the Group's obligations to its beneficiaries can be met;*

- *To achieve an asset return above the return from gilts over the longer term, whilst recognising the need to balance risk control and return generation;*

- *To ensure consistency between the Group's investment strategy and the return assumptions used by the Group Actuary;*

- *To pay due regard to the Company's interests in the size and incidence of employer contribution payments, and to avoid volatility in the contribution rate;*

- *To maintain a 100% interest rate and inflation hedge (as measured on a Gilts + 0.02% p.a. basis) on the residual liabilities not covered by the Group's bulk annuity insurance contract. Gilts + 0.02% p.a. is aligned with the "reinvestment rate" used in the dynamic discount rate as per the 2024 valuation assumptions and was derived based on the long-term expected return on the Group assets as at the valuation date.*

Statement of Investment Principles (SIP)

The SIP in place during the year was the SIP dated March 2025. While no amendments to the SIP were required during the year, following the end of the year covered by this statement the SIP was reviewed and updated, and a revised SIP was signed on 15 June 2026. The SIP can be found at https://www.unitedutilities.com/corporate/careers/pensions/information-library/). While the changes to the SIP took place after the Group year-end, for completeness we note that the revisions to the SIP made in June 2026 related to a change to the strategic asset allocation, moving from a target allocation of 50% Buy and Maintain Credit / 50% Liability Driven Investments (LDI), to 35% Buy and Maintain Credit / 65% LDI. There were no other changes to the policies in the SIP.

Responsible Investment Policy

The SIP includes the Trustee's overarching policy on environmental, social, and governance (ESG) considerations including climate change, and stewardship. The policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

To establish these beliefs and produce this policy, the Trustee undertakes regular training which covers ESG factors, stewardship and climate change. Additionally, the Trustee completes beliefs surveys on a triennial basis (or sooner, should there be material changes in the Trustee Board or the Group's circumstances). The last beliefs survey was carried out in April 2024, and included consideration of emerging themes such as biodiversity. While the survey results did not lead to any changes to the Trustee's broad policy, the review allowed the Trustee Board to shape the future training plan and ensured that our policies and processes remain up-to-date.

The Trustee keeps the ESG policies in the SIP under regular review (as a minimum triennially) and will continue to undertake a beliefs survey at least every three years to ensure the policies remain appropriate.

Historically, the Group maintained an ESG Sub-Group to assist the Trustee in fulfilling its oversight responsibilities with regard to ESG matters. During 2025, the Trustee took the decision to incorporate activities previously carried out by the ESG Sub-Group into the work of the Group's other sub-committees and the Trustee Board. This was to ensure that all Trustee Directors were able to maintain their knowledge in this area, and to participate in ESG-related discussions.

ESG Policy and Engagement Activity During the Year

The following work was undertaken during the year to 31 March 2026 relating to the Trustee's activity on ESG matters, engagement, and broader stewardship. This summary also documents how the Trustee's engagement policies were followed and implemented.

Activity	Date	Details
Member engagement	16 June 2025	The Trustee is committed to communicating with members regarding ESG matters, with a particular focus on climate change. To support this, an infographic summarising the Group's annual Climate Change report was approved at a meeting held on 16 June 2025 and shared with members, to ensure that those seeking information on this topic can view an accessible summary. Articles were also featured in the member newsletter.
Employer engagement	9 July 2025	ESG matters are important in relation to the sponsoring employer, as these issues can impact the overall covenant strength, and may also highlight specific risks for the Trustee to be aware of. The Trustee met with the Chief Financial Officer of the sponsoring employer to discuss business performance across a range of areas. This included environmental issues (notably pollution reduction, wastewater management, and peatland restoration activities), social considerations such as diversity and inclusion, and governance matters including the company's high ranking in external measures of governance (for example, the Dow Jones Best-in-Class World Index, where United Utilities was one of only four companies in the Utilities sector to make the list).

United Utilities PLC Group of the Electricity Supply Pension Scheme (the "Group")

Activity	Date	Details
Climate metrics	Q3 2025	A sub-set of the Trustee Board reviewed the Group's climate change metrics and the progress of the Group against the targets set (see details in the Climate Change Report) at a meeting held on 16 August 2025. Progress was subsequently reviewed by the full Board as part of producing the annual accounts and related disclosures. Reviewing the metrics allows the Trustee to ensure that progress is being made, and we are pleased to report that the Group remains comfortably ahead of its interim target and on track to reach its net zero ambitions.
Climate Change reporting	Q3 2025	The Trustee reviewed the Group's Climate Change report, produced under the Taskforce on Climate Related Financial Disclosures framework during the third quarter. This included reviewing and documenting the following: - Trustee governance of climate related issues - The Group's strategy around managing climate related risks and opportunities, including consideration of scenario analysis - Climate-related risk management practices - Metrics and targets, such as absolute greenhouse gas emissions, carbon footprint, portfolio temperature alignment, and data quality. Further information can be found in the annual climate change report, available at https://www.unitedutilities.com/corporate/careers/pensions/information-library/
Engagement Review	24 September 2025	The Trustee discussed the engagement activities of the Group's investment managers as part of reviewing the annual Engagement Policy Implementation Statement.
Investment manager meeting	22 January 2026	The Trustee, via the Investment Sub-Committee, met with the Group's investment manager in January. ESG risks and opportunities formed a substantive part of the agenda, including consideration of: - ESG integration within the Group's LDI portfolio. The investment manager does this by engaging with counterparty banks on ESG topics, and by making allocations to green gilts where appropriate for the Group's liability matching requirements. - Engagement with the companies and governments who issue the securities in which the Group invests. Detailed examples were provided that are aligned with the Trustee's stewardship priorities. - The investment manager's pathway to achieving net zero greenhouse gas emissions, and their positive progress to date. - The approach taken to public policy advocacy, at national, multi-lateral, and non-Governmental levels. Examples include engagement with the UK Financial Conduct Authority, the European Commission, the United Nations, and the Glasgow Financial Alliance for Net Zero. The Trustee articulated to the investment manager its objectives as regards stewardship as part of these meetings.
Insurer engagement	22 January 2026	The Trustee purchased a bulk annuity insurance policy (a "buy-in") with L&G in July 2023, insuring a portion of the Group's liabilities. The insurer's management of ESG risks formed a key part of the decision-making criteria and has remained a focus in the Trustee's continued engagement with the insurer. At the annual meeting with the insurer, topics discussed included: - L&G becoming a founding signatory to the Accounting for Sustainability Principles Charter for the bulk annuity process.

Activity	Date	Details
		Launched by Accounting for Sustainability (A4S), this charter standardises ESG reporting for pension risk transfer transactions. - How the insurer is aligning the asset portfolio backing the liabilities with the goals of the Paris Agreement. - In relation to social factors, the insurer discussed its partnership with charities that support people to achieve a fulfilling retirement. This includes working with Age Concern to provide training to the insurer's customer support teams.
ESG and engagement monitoring	Quarterly throughout the year	The Group's investment performance report is reviewed by the Trustee each quarter and includes research ratings from the investment adviser that take into account ESG capabilities of the manager. Any deterioration in ratings would be considered as a prompt to review a mandate. No such deterioration was experienced during the year. Additionally, the report includes a section regarding significant engagements carried out by the investment manager on the Trustee's behalf, aligned to the Trustee's priority stewardship themes (climate change, labour practices and standards, and corporate governance). This allows the Trustee to review each quarter that the priorities of the Group are aligned with the investment manager's activities. The Trustee also maintains a risk register which includes ESG risks. An annual detailed review of the risk register is completed (during the year, the annual review took place during Q4 2025), and the Board and Sub-Committees review the relevant risks at quarterly meetings. 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.

Voting Activity During the Year

The Trustee has delegated any voting rights to the investment manager and does not use the direct services of a proxy voter. However, in practice, as the Group's investment strategy includes investment in only liability driven investments and fixed income assets, with no equity exposure, it is extremely rare for voting rights to be held. As such there has been no notable voting activity during the period.

Engagement Activities

The Group does not invest in equities or similar assets that have voting rights attached. However, the Trustee expects its investment manager and bulk annuity insurance provider to engage with issuers of bonds and other counterparties, where the Group has exposure to these parties in the investment portfolio.

The Trustee has set its stewardship priorities as follows:

- Climate change
- Labour practices and standards
- Corporate governance, for example board quality and shareholder / bondholder rights.

These priorities have been set based on their financial materiality as regards long-term returns and risks.

The following disclosures provide examples of engagement activities undertaken by Legal & General (L&G), the Group's investment manager and bulk annuity insurance provider, on these priorities.

United Utilities PLC Group of the Electricity Supply Pension Scheme (the "Group")

Stewardship Priority	Climate change
Company / entity	European Commission
Issue	The European Union Methane Regulation (EUMR) requires energy sector operators to measure, monitor, report and verify their methane emissions – and to take concrete steps to reduce them. L&G believe action on methane emissions is essential to mitigate climate risk. It is also considered one of the most cost-effective ways to curb global warming. Regulatory certainty on methane disclosure and reduction helps investors to price emissions risk more accurately, and with a growing number of oil and gas firms already moving in this direction, regulatory clarity strengthens the business case and provides a clear pathway. In June 2025, there was an indication that the EUMR may be included in the EU Energy Omnibus, potentially putting it at risk of repeal, delay, or dilution. Weakening the rules would, in L&G's view, jeopardise a key pillar of global efforts to reduce methane emissions and hence total greenhouse gas reduction efforts.
Engagement Undertaken	L&G wrote to around a dozen European Commission members ahead of a key council meeting in June 2025, emphasising the importance of maintaining the EUMR as adopted – including its timeline and core provisions. In L&G's letter, they encouraged the European Commission and co-legislators to avoid re-opening the regulation and to resist any potential legislative delays to the timeline. L&G felt that delays and changes would introduce unpredictability and undermine companies and investors that are actively working toward compliance, when what is needed now is coordination and clarity.
Outcome / next steps	L&G received close to a 70% response rate to the letters sent, including acknowledgement of the concerns, and reiteration of member countries' commitment to climate and the green transition. While L&G note that the geo-political landscape on these issues is complex, they were pleased with the outcome that no firm call was made for the European Commission to include the EUMR in another piece of regulation that was being considered, thus avoiding the requirement – for now – to reopen the file; issues will instead be addressed in existing technical dialogues. Overall L&G consider this a positive outcome in the current context. While there is still a possibility that the regulation will reopen, it has not moved for now and key EU policymakers have reiterated their support for implementation without reopening the legislation. L&G will seek to embrace future opportunities to continue engagement with European Commission members.

United Utilities PLC Group of the Electricity Supply Pension Scheme (the “Group”)

Stewardship Priority	Labour practices and standards
Company / entity	UN member states and various individual companies
Issue	In 2023, L&G initiated a campaign on the living wage, selecting some of the largest food retailers globally with the aim of encouraging them to pay the living wage to employees in their own operations and supply chain. The living wage is seen as being important because it reduces systemic economic inequality, and is a key part of corporate responsibility. During the year, L&G built on this campaign as outlined below.
Engagement Undertaken	Following individual company engagement, in 2025 L&G co-signed a “call to action” letter to UN member states, requesting that they prioritise the issue of the living wage at the Second World Summit for Social Development in 2025. The letter called on governments to recognise the shared responsibility of states and businesses in ensuring that all workers receive a living wage. To maximise the impact of this activity, L&G worked collaboratively with other members of the ShareAction Good Work Coalition and the Platform for Living Wage Financials, as well as the Interfaith Center for Corporate Responsibility and The Shareholder Commons.
Outcome / next steps	As one example of success, Sainsbury's had been selected by the Platform for Living Wage Financials (PLWF) to be assessed in its engagement program. The PLWF is an alliance of international investors representing over €7 trillion of assets under management. L&G is a member of the PLWF. L&G led engagement with Sainsbury’s on behalf of the PLWF. When their disclosures were assessed in 2025, Sainsbury's was deemed to be meeting expectations under L&G’s Income Inequality campaign. The engagement may have contributed to improved disclosure by the company because when their disclosures were assessed by the PLWF, the outcome was that not only were they placed in the ‘advanced’ category, but they were also the best performing company within the eight food retail companies that were assessed. Their disclosure of their supply chain companies were considered as best practice.

Stewardship Priority	Corporate governance
Company / entity	Global governments
Issue	Throughout the year, L&G engaged with policymakers on a number of critical corporate governance reforms being introduced across the world. In particular, in the UK L&G have been waiting for the long-anticipated Modernisation of Corporate Reporting Review, a cross departmental review of corporate reporting requirements aimed at ensuring annual reporting disclosures remain fit for purpose for the 21st century and a digital economy.
Engagement Undertaken	Engagement took place with key collaborative initiatives in preparation for the above-mentioned review to be published, including liaising with the Investor Forum, International Corporate Governance Network and the UK Investor Association. Discussions focused on how to use corporate reporting for L&G stewardship activities, and what is important for investors as the regulators develop their thinking on this topic. In the US, L&G note that there continue to be major governance reforms at federal and state level, which collectively is a material change of long-standing investor rights in the market. L&G fed directly into the US Council of Institutional Investors on their work on a number of governance topics.
Outcome / next steps	This is an ongoing engagement.