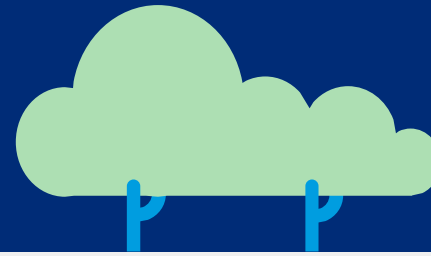


United Utilities Pension Scheme

Defined Benefit (DB) Section
Climate Change Report 2023



The Scheme's Targets

We have a firm ambition to reach a “net zero” emissions target by 2050 for listed equity and credit assets.

To give us a milestone along the way, we have set an interim target of achieving a 50% reduction in scope 1 & 2 emissions* for listed equity and credit assets by 2030, as measured by carbon footprint, relative to the position at 31 March 2023.

We will be reporting our progress to members annually.

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

Emissions in the real world

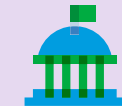
Achieving a 50% reduction in our total DB Section emissions is broadly equivalent to:

4,201 homes' energy use for one year

What's next? Key Actions for 2024



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



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



Governance and risk: We review our investment beliefs (including on climate change), the Scheme's risk register (which has a dedicated section on environmental, social, and governance (ESG) risks) and our ESG Policy annually.



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



Scheme Metrics

We use measurable metrics to allow us to:

Identify issues

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

Track progress

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

What metrics does the report show?

1. Total Emissions

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

2. Carbon Footprint

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

3. Science Based Targets (SBT)

The % of companies / issuers of securities in our investment funds that have set net zero targets validated by an independent body, the SBT initiative.

4. Implied Temperature Rise (ITR)

A measure of how aligned the Scheme investments are relative to the Paris Agreement's 1.5°C target.

5. Data Quality

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

How are we doing? DB Section Update (year to 31 March 2023)

- ✓ 48% reduction in Total Emissions
- ✓ 21% reduction in Carbon Footprint
- ✓ 20% improvement in Science Based Target reporting
- ✓ ITR is calculated as a range, and we saw an encouraging reduction at the upper end, from 2.9°C to 2.7°C.
- Data quality was broadly static.

Our first Climate Change report

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

What does the report cover?



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



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



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



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

Why take action?

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

