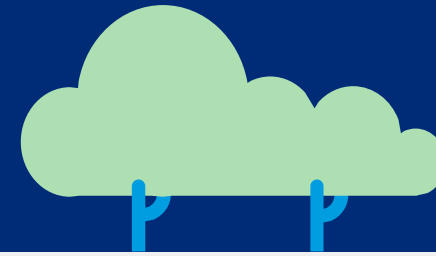


United Utilities Pension Scheme

Defined Contribution (DC) 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 DC Section emissions from the popular arrangements is broadly equivalent to:

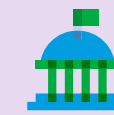
885 homes' energy use for one year



What's next? Key Actions for 2024



Transition to net zero: We are working with our investment managers and advisers to map our journey to net zero, and to implement a plan to meet our targets. For the DC Section this includes incorporating funds with stronger policies on environmental, social, and governance matters, and investigating attractive new opportunities.



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 plan to ensure the Trustee Board is well equipped with knowledge of developments around climate change 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 the our investments for which there is high-quality climate-related data.

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

For the Scheme's “popular” investment arrangements, including the default fund where most of our members are invested, we are pleased to report that during the year:

- ✓ Total Emissions reduced by 37%
- ✓ Carbon Footprint fell by 39%
- ✓ Companies with Science Based Targets improved from 8% to 32%.
- ✓ We saw a reduction in ITR, from 3.1°C to a range of 2.3°C - 2.9°C.
- Data quality was broadly static, with good data being either reported or available as an estimate for over 80% of these funds.

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 and its strategy. This includes details of how different scenarios for global warming may impact the DC funds.



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*

