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

Climate Change Report 2024

## Our second Climate Change report

Last year, as part of the wider ESPS report, we published our second Climate Change Report. The Trustee believes that managing the risks relating to climate change is important, as these risks could have a significant impact on the Group. The transition to a low-carbon world also presents attractive investment opportunities.

## What does the report cover?

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

**Strategy:** How climate risks and opportunities impact the Group, including details of how different scenarios for global warming may impact the funding position.

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

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

The report also sets out the specific actions and activities carried out during the year, and what we have planned for 2025 and beyond.

## *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… essentially failing to act prudently in a world facing a climate emergency."*
*The Pensions Regulator.*

## Group 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 Group over time, seeking ongoing improvements

### What metrics does the report show?

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

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

**3. 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 Group investments are relative to the Paris Agreement's 1.5°C target.

**5. Data Quality**
The proportion of the Group's investments for which there is high-quality climate-related data.

### How are we doing? Update for the year to 31 March 2024

- ✓ We made substantial progress on reducing the Carbon Footprint of the Group's invested assets. As we have a specific target for this metric, a full update is provided on the right of this infographic.
- ✓ In 2023, our investment managers were unable to confirm the number of companies in our portfolio with Science Based Targets. We were pleased to see data availability improve, and this metric stands at 22%.
- ✓ ITR fell from 2.8°C to 1.9°C, bringing us closer to the goal of the Paris Agreement.
- ➢ Data quality improved, with good data reported or estimated for 78% of the assets, up from 65% for the mandates this was reported for the prior year.
- ➢ The points above cover our invested assets. We also hold an insurance "buy-in" policy with L&G. The metrics for this policy are making good progress, and L&G are committed to net zero by 2050.

## The Group's Targets

We have a firm ambition to **reach a "net zero" emissions target by 2050** for listed equity and credit assets, as we believe this is in the best interests of our members, our communities, and society.

As 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..

****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).*

Over the year to 31 March 2024, the Group achieved a **50%** reduction in Carbon Footprint, **meaning we met our interim target early**. The Trustee is now focused on the ultimate goal of reaching net zero.

## Emissions in the real world**

The reduction in total emissions for the invested assets over the year to 31 March 2024, is broadly equivalent to:

**7,106** homes' energy use for one year, or

**12,342** petrol-powered cars driven for a year

***Please note: These figures exclude the L&G insurance "buy-in" policy.*
*Source: Greenhouse Gas Equivalencies Calculator (November 2024), United States Environmental Protection Agency.*

## What's next? Key Actions for 2025

**Transition to net zero:** We are mapping out our journey to net zero and analysing our investments to look at where we can make the biggest improvements to the risks we face.

**Stewardship:** The Trustee is working closely with its investment manager and insurance buy-in provider to use engagement (dialogue with companies and governments) on priority topics, including climate change, to drive improvements over time.

**Governance:** We have an ongoing programme of risk management, governance, and training to ensure the Group is managing its risks, keeping policies up-to-date, and maintaining knowledge of developments around climate change.