

Second-Party Opinion

United Utilities Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the United Utilities Sustainable Finance Framework is credible and impactful and aligns with the Green Bond Principles 2018, Social Bond Principles 2020, Sustainability Bond Guidelines 2018 and Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Clean Transportation and Access to Essential Services – are aligned with those recognized by the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG goals 6, 7, 11, 14 and 15.



PROJECT EVALUATION / SELECTION United Utilities' Sustainable Finance Committee, comprised of representatives from the Company's Treasury, Sustainability, Finance and Regulated Business will oversee the project evaluation and selection process. The Committee will meet semi-annually to review proposed allocations, while the Company's Treasury function will be responsible for final approval. This is in line with market practice.



MANAGEMENT OF PROCEEDS United Utilities' Treasury will be responsible for managing the net proceeds of all issuances under the Framework. The Company applies a three-year look-back period for refinancing. Pending allocation, net proceeds will be invested on a temporary basis in accordance with the Company's relevant internal policies, in cash, cash equivalents or similar instruments. This is in line with market practice.



REPORTING United Utilities intends to provide reporting within one-year of issuance and until full allocation. Allocation reporting will include total amount of proceeds allocated to eligible projects, the proportion of proceeds allocated to refinancing of existing eligible projects and unallocated proceeds, while impact reporting will draw on several quantitative and qualitative impact indicators. Sustainalytics views United Utilities' allocation and impact reporting as aligned with market practice.

Evaluation date	November 9, 2020
Issuer Location	Warrington, United Kingdom

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Introduction

Headquartered in Warrington, United Kingdom, United Utilities (“United Utilities”, or the “Company”) provides water and wastewater services and other services to customers in the North West of England. The Company delivers 1.8 billion litres of water every day to more than 7.3 million customers. United Utilities was founded in 1995 and, as of March 31, 2020, had 5,302 employees.¹

United Utilities has developed the United Utilities Sustainable Finance Framework (the “Framework”) under which it intends to issue bonds, private placements, loans or other forms of debt instruments (collectively referred to as “Sustainable Financing Instruments”) and use the proceeds to finance and/or refinance, in whole or in part, projects (“Eligible Projects”) that will enhance the Company’s ability to provide water and wastewater services in an environmentally sustainable, economically beneficial and socially responsible manner. The Framework defines eligibility criteria in eight areas:

1. Sustainable Water and Wastewater Managements
2. Renewable Energy
3. Energy Efficiency
4. Pollution Prevention and Control
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Terrestrial and Aquatic Biodiversity Conservation
7. Clean Transportation
8. Access to Essential Services

United Utilities engaged Sustainalytics to review the United Utilities Sustainable Finance Framework, dated November 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018,² Social Bond Principles 2020,³ Sustainability Bond Guidelines 2018,⁴ and Green Loan Principles 2020.⁵ This Framework has been published in a separate document.⁶

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA, and Green Loan Principles 2020, as administered by LMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

¹ This is the average number of employees during the full year ending March 31st 2020. See more at: <http://unitedutilities.annualreport2020.com/site-essentials/downloads/annual-report-2020>

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/greensocial-and-sustainability-bonds/green-bond-principles-gbp/>

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/greensocial-and-sustainability-bonds/social-bond-principles-sbp/>

⁴ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁵ The Green Loan Principles are administered by the Loan Market Association and are available at https://www.lma.eu.com/application/files/1815/8866/8537/Green_Loan_Principles_V03.pdf

⁶ The United Utilities Sustainable Finance Framework is available on United Utilities’ website at: <https://www.unitedutilities.com/corporate/investors/credit-investors/>

⁷ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of United Utilities' management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. United Utilities representatives have confirmed (1) they understand it is the sole responsibility of United Utilities to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and United Utilities.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that United Utilities has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the United Utilities Sustainable Finance Framework

Sustainalytics is of the opinion that the United Utilities Sustainable Finance Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP) and Green Loan Principles (2020). Sustainalytics highlights the following elements of United Utilities' Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Clean Transportation and Access to Essential Services – are aligned with those recognized by the GBP, and SBP and GLP.
 - Within the Sustainable Water and Wastewater Management category, United Utilities intends to allocate funds to projects that reduce pollution and impacts of water abstraction, improve water quality, and reduce water losses from the system. Funds will also be allocated to flooding mitigation projects.
 - Sustainalytics acknowledges the role of water loss management systems in reducing the greenhouse gas (GHG) emissions from the water supply systems, and views positively the enablement of energy and water savings through these investments.
 - The Renewable Energy category includes investments in wind power and solar photovoltaic projects. The category also includes investments and/or expenditures related to the construction and operation of biogas-powered Combined Heat & Power (CHP) Plant.
 - Sustainalytics notes that the Framework excludes CHP plants primarily powered by fossil fuels. This is in line with market expectations.
 - Under the Energy Efficiency category, proceeds will be used to finance the establishment of renewable energy storage capacity as well as investments and/or expenditures related to

improving the energy efficiency of water systems. These projects include the refurbishment of pumps to improve efficiencies, such as new impellor technologies and motor upgrades, the installation of variable speed drives and control to improve efficiencies on pumping systems as well as system optimization and/or reconfiguration to remove unnecessary restrictions, such as throttling.

- Sustainalytics notes that the Framework excludes energy-efficiency equipment primarily powered by fossil fuels. This is in line with market expectations.
- Within the Pollution Prevention and Control category, United Utilities is considering projects which reduce waste and increase the proportion of waste recycled and/or to recover energy from waste materials. United Utilities has confirmed that it applies a waste hierarchy to its waste management processes and that majority of its waste (water and wastewater sludge), is recycled to land through the appropriate scheme.
 - Sustainalytics notes that United Utilities' Bioresources program is focused on the treatment and recycling of sewage sludge and that as part of this process there is pre-screening to remove plastics and debris. The Company has also confirmed that the waste utilized in Anaerobic Digestion facilities is only organic matter. Sustainalytics views this to be in line with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category the Company can finance investments and/or expenditures related to projects which aim to deliver an increase in natural capital value⁸ as well as projects which contribute to the avoidance of designated area deterioration.
 - United Utilities has confirmed that the activities in this category that apply to land are FSC-certified. Please see Appendix 1 for an overview of the certification scheme.
 - Projects to be financed in this category include wetland creation, sustainable drainage systems, catchment management and moorland restoration.
- Within the Terrestrial and Aquatic Biodiversity Conservation category, United Utilities will invest in projects which are aimed at improving conservation outcomes as well as river quality improvements. This includes Site of Special Scientific Interest (SSSI) Protection Schemes.⁹
 - Sustainalytics has assessed this program and views it to be impactful in the context of land conservation in the United Kingdom.¹⁰
- The Clean Transportation category includes investments related to the acquisition and/or deployment of battery electric vehicles as well as associated charging infrastructure.
 - Sustainalytics views positively investments into zero-carbon transportation and improvements in transportation infrastructure.
- The Framework's social category, Access to Essential Services, includes investments in programs which aim to provide financial support to enable vulnerable customers to maintain access to water supplies and other services. The Framework defines eligibility criteria for the Company's following programs: UU Trust Fund ("UUTF"); Priority Services Program; Hardship Hub; Not in Education, Employment or Training ("NEET") Youth Program. Sustainalytics has assessed the criteria outlined in the Framework, and notes the following:
 - The UUTF intends to support specific vulnerable customer groups including the unemployed and those on low incomes. United Utilities has confirmed that this program will also be leveraged to support customers who have been impacted as a result of the Covid-19 pandemic. The Company has confirmed that customers who apply to the UUTF tend to fall within at least one of the target population categories defined in the SBP.
 - While the UUTF program does not use a formal income threshold to determine eligibility for awards, the company has confirmed to Sustainalytics that the large majority of the program's past successful recipients fall within the

⁸ United Utilities defines Natural Capital value as the sum of the multiple benefits delivered by a scheme, beyond those associated with a conventional engineering-led approach. The Company confirms they calculate the added value of these benefits using an independently assured Natural Capital Accounting methodology. The method assesses six Ecosystem Services (ESS) valued by customers; water quality, climate mitigation, flooding, biodiversity, amenity & recreation and health & wellbeing. Natural Capital enhancement measures may include afforestation and/or reforestation projects.

⁹ In Great Britain, a Site of Special Scientific Interest (SSSI) is a conservation designation denoting a protected area.

¹⁰ UK Government, Land Management, 'Sites of specific interest: managing your land', available at: <https://www.gov.uk/guidance/protected-areas-sites-of-special-scientific-interest#check-if-your-land-is-within-a-sssi>

- definition of low income as per the UK's Minimum Income Standard calculation.¹¹
- As part of the selection process, UUTF has confirmed to Sustainalytics evidence is sought that the applicant is experiencing financial hardship by considering (among other things) the following factors: where families live, how many children they have, employment status, whether anyone in the household suffers a disability, whether income is sufficient to cover living expenses, water bill arrears, whether a significant amount of income is spent on debt, whether they receive state benefits, etc.
 - The Priority Services Program intends to support vulnerable members of society in maintaining their access to water supply.¹²
 - The Hardship Hub (the "Hub") was developed as a tool to help financial advisors working on a non-profit basis to better identify the resources needed in order to support their customers' needs. Specifically, the Hub targets individuals and organizations who provide advice to individuals struggling with debt.
 - The NEET Youth Program is directed at youth who are unemployed and/or not currently part of any education program.
 - The selected programs intend to support specific vulnerable customer groups including the unemployed and those on low incomes, as described above. Sustainalytics has assessed the criteria outlined in the Framework views positively the targeted nature of these programs.
 - The Framework's exclusionary criteria include financing of any fossil-fuel, nuclear or large hydropower generation projects, and any activities involving tobacco, alcohol, gambling or defense. Sustainalytics is of the opinion that these exclusions strengthen the Framework.
 - Project Evaluation and Selection:
 - United Utilities has established a Sustainable Finance Committee, comprised of representatives from the Company's Treasury, Sustainability, Finance and Regulated Business functions to oversee the project evaluation and selection process. In addition to ensuring alignment with the eligibility criteria, the committee will be responsible for approving any proposed changes to the register of Eligible Projects in the event that the projects no longer meet the eligible criteria.
 - The Committee will meet on at least a semi-annual basis to review proposed allocations, while the Company's Treasury function will be responsible for providing final approval on all allocation decisions.
 - Based on the clear delegation of responsibility and sign-off from senior management, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - United Utilities' Treasury function will be responsible for managing the net proceeds of all sustainable financing instruments issued under the Framework. The proceeds will be wholly allocated to finance, refinance or invest in Eligible Projects.
 - The Treasury team will be responsible for ensuring, on a best effort basis, that the portfolio of projects exceeds, or at least is equal to, the amount of Sustainability Financing Instruments raised under the Framework.
 - United Utilities applies a three-year look-back period for refinancing, which Sustainalytics considers to be aligned with market practice.
 - Pending allocation, net proceeds will be invested on a temporary basis in accordance with the Company's relevant internal policies, in cash, cash equivalents or similar instruments.
 - Based on the implementation of formal tracking and disclosure of temporary investments, Sustainalytics considers this process to be in line with market practice.
 - Reporting:

¹¹ According to Unison, one of the UK's largest trade unions, low pay has been defined in relation to the cost of living by the UK's Minimum Income Standard Project. By their calculations, anything less than GBP 15,000 a year, before tax, constitutes as low pay. See more, at: <https://www.unison.org.uk/get-help/knowledge/pay/low-pay/#:~:text=The%20government's%20department%20of%20work,living%20in%20low%2Dincome%20households.&text=By%20their%20calculations%2C%20anything%20less,tax%2C%20counts%20as%20low%20pay.>

¹² This includes, but is not limited to, those suffering from chronic/serious illness (including mental health conditions), restricted movement, the elderly (pensionable age), blind or partially sighted, hearing impaired, language or speech difficulties, financially vulnerable, and young adult householders in temporary accommodation.

- United Utilities intends to publish an External Report within one-year of issuance, and annually thereafter until full allocation of the Sustainable Financing Instrument net proceeds.
 - The allocation portion of the Company's reporting will include total amount of proceeds allocated to Eligible Projects (by category); the proportion of the proceeds allocated to refinancing of existing Eligible Projects; and unallocated proceeds. The impact report will draw on both quantitative and qualitative impact metrics as outlined in the Framework's eligibility criteria. This includes, but is not limited to, avoided emissions from renewable electricity generated (tCO_{2e}), MWh of storage capacity added and number of beneficiaries in target population. This is in line with market practice.
 - United Utilities is committed to obtaining an independent review by an external auditor within one year of issuance of any Sustainable Financing Instrument, and annually thereafter until full allocation to ensure alignment with the criteria outlined in the Framework.
- Based on the commitments described above, Sustainalytics considers United Utilities reporting commitments to be in line with market practice and highlights in particular the granularity of the identified impact metrics.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the United Utilities Sustainable Finance Framework aligns to the four core components of the GBP, SBP and GLP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of United Utilities

Contribution of Framework to United Utilities' sustainability strategy

Sustainalytics is of the opinion that United Utilities demonstrates a strong commitment to integrating sustainable practices into its business strategy and operations. In line with its mission to deliver its services in an "environmentally sustainable, economically beneficial and socially responsible manner",¹³ the Company has defined its overarching strategy under three pillars: 1) The best service to customers; 2) At the lowest sustainable cost; 3) In a responsible manner.¹⁴ In order to realize its mission, United Utilities has developed a comprehensive business plan for 2020-2025 that outlines a series of social and environmental commitments.¹⁵ In addition, in 2020, the Company set six company-specific carbon pledges (described below) in order to limit the impact of its operations on climate change.¹⁶ In this context, Sustainalytics believes that the activities outlined in the Framework are aligned with the Company's ongoing initiatives and commitments.

In order to minimize its impact on the environment while fulfilling its enterprise-wide goals, United Utilities focuses on two key environmental areas: mitigation and adaption.¹⁷ Mitigation efforts are focused on reducing carbon emissions to minimize the Company's contribution to climate change, while adaption efforts are focused on improving the resilience in the Company's water and wastewater business. Having reduced its carbon footprint by 73%, from its 05/06 baseline, the Company has set six overarching carbon pledges to reduce its footprint: 1) Commitment to meet its science-based emissions targets (Scope 1&2), with a further 42% reduction by 2030, and 100% reduction by 2050; 2) 100% renewable electricity by 2021; 3) 100% Green Fleet by 2028; 4) 1,000 hectares of peat restoration by 2030; 5) Planting one million trees to create 550 hectares of woodland by 2030; 6) Commitment to set science-based scope 3 emissions target by 2021. To date, the Company has reduced its carbon footprint by 73% since 2005/06 and has over 90 MW of installed renewable generation capacity with a mix of generation from wind, hydro, solar photovoltaics and energy recovery from bioresources.¹⁸ In order to further its adaption efforts, the Company has planned a leakage reduction of 15% between 2020 and 2025.¹⁹ The Company set the goal to have 95% of its total waste diverted

¹³ United Utilities, CR reporting, available at: <https://www.unitedutilities.com/corporate/responsibility/our-approach/cr-reporting/>

¹⁴ United Utilities Group PLC, Annual Report and Financial Statements for the year ended 31 March 2019, available at: <http://unitedutilities.annualreport2020.com/>

¹⁵ United Utilities, 'Our business plan highlights 2020-2025', available at: https://www.unitedutilities.com/globalassets/z_corporate-site/pr19/c0008_pr19_customer_facing_document.pdf

¹⁶ United Utilities Group PLC, Annual Report and Financial Statements for the year ended 31 March 2019, available at: <http://unitedutilities.annualreport2020.com/>

¹⁷ United Utilities, Climate Change, available at: <https://www.unitedutilities.com/corporate/responsibility/environment/climate-change/#:~:text=We%20are%20pleased%20to%20report,we%20use%20having%20zero%20emissions.>

¹⁸ United Utilities, Environment performance, available at: <https://www.unitedutilities.com/corporate/responsibility/environment/environment-performance/>

¹⁹ United Utilities, 'Our business plan highlights 2020-2025', available at: https://www.unitedutilities.com/globalassets/z_corporate-site/pr19/c0008_pr19_customer_facing_document.pdf

to beneficial uses such as reuse or recycling. In 2019/2020, United Utilities exceeded its goal, with only 2% of the Company's waste ending up in landfills and approximately 98% being reused and/or recycled.²⁰

As outlined in its 2020-2025 business plan,²¹ United Utilities aims to provide more help to those in need and to safeguard water supplies for generations to come. Some of the ways the Company intends to achieve the former goal is to increase the value of financial support it provides for customers and to deliver a five-fold increase in the number of customers registered for its Priority Services program from 2015 to 2025.²² To date, the Company has seen a 34% increase in value of financial support, helping 250,000 customers out of water poverty. The Company has also implemented new 'Payment Breaks' and 'Lowest Bill Guarantee' schemes to help customers.²³ In light of the Covid-19 pandemic, the Company is further leveraging these programs to support customers who were, and continue to be, negatively impacted as a result of crisis.

Considering the above, Sustainalytics is of the opinion that the United Utilities Sustainable Finance Framework is aligned with the Company's overall sustainability strategy and ongoing efforts and will further the Company's action on its key environmental and social priorities.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the projects funded under the Framework will generate overall positive environmental and social impacts; however, as with any large-scale utility projects, acknowledges there may be risks associated. Environmental risks may include land-use changes, biodiversity loss as well as water and air pollution, while social risks may include occupational health and safety.

Sustainalytics is of the opinion that United Utilities is able to manage and mitigate these risks through the following policies and procedures, and the context in which the Company operates:

- The Company conducts a quantitative project risk assessment prior to selecting projects for financing. As part of this process, United Utilities aligns to ISO 31000 and links to the Company's broader Wholesale Risk and Asset Planning approach which is aligned with ISO 55000. United Utilities has created several financial approval gateways to ensure there is appropriate oversight throughout the project lifecycle. This includes approval by the Programme Approval Committee (PAC) who are responsible for approving the release of allocated funding for each stage of a project.
- United Utilities updated its Environmental Policy²⁴ (the "Policy") in 2018 to ensure ongoing accountability for its environmental risk mitigation efforts. Within its policy, the Company states its commitment to "protect, and, where appropriate, enhance the natural environment and the value of services it provides, particularly with regard to areas of biodiversity and the spread of invasive species". The Policy is reviewed every three years and is overseen by the Company's Corporate Responsibility Panel and Board Corporate Responsibility Committee (the "Committee"). In addition, the Company is committed to using the Policy to review its objectives and targets by monitoring its environmental performance regularly publishing externally audited information about its performance.
- The Committee is responsible for managing the Company's economic, environmental and social impacts as well as setting targets and reviewing measurable objectives and improvement targets.²⁵ As part of this process, the Committee ensures that the Company is compliant with the UK Corporate Governance Code and that the Company is operating in line with international recognized management standards such as ISO 9001 and ISO 14001.²⁶ The Company's most recent external audit²⁷ which covered ISO 9001 and ISO 14001 raised no corrective actions.
- In regards to pollution control, United Utilities is regulated by the UK government's Environment Agency department,²⁸ who closely monitor what the Company can and cannot discharge back into the water environment.²⁹ In the event that there is a blockage, burst or power failure, the Company's systems will detect the error and report the pollution incident to the Environment Agency in order to

²⁰ United Utilities, Resource efficiency, available at: <https://www.unitedutilities.com/corporate/responsibility/environment/resource-efficiency/>

²¹ United Utilities, 'Our business plan highlights 2020-2025', available at: https://www.unitedutilities.com/globalassets/z_corporate-site/pr19/c0008_pr19_customer_facing_document.pdf

²² United Utilities, 'Our business plan highlights 2020-2025', available at: https://www.unitedutilities.com/globalassets/z_corporate-site/pr19/c0008_pr19_customer_facing_document.pdf

²³ United Utilities, 'Our business plan highlights 2020-2025', available at: https://www.unitedutilities.com/globalassets/z_corporate-site/pr19/c0008_pr19_customer_facing_document.pdf

²⁴ United Utilities, Environmental Policy, available at: https://www.unitedutilities.com/globalassets/z_corporate-site/responsibility-pdfs/environmental-policy-2018.pdf

²⁵ United Utilities, CR Governance, available at: <https://www.unitedutilities.com/corporate/responsibility/our-approach/cr-governance/>

²⁶ United Utilities, CR Governance, available at: <https://www.unitedutilities.com/corporate/responsibility/our-approach/cr-governance/>

²⁷ The Company confirms this was conducted in May 2020.

²⁸ UK Government, Environment Agency, available at: <https://www.gov.uk/government/organisations/environment-agency>

²⁹ United Utilities, Reducing pollution, available at: <https://www.unitedutilities.com/corporate/responsibility/environment/Reducing-pollution/>

minimize the impact in a timely manner.³⁰ In order to further mitigate negative environmental impacts, United Utilities developed a Pollution Incident Reduction Plan in 2020,³¹ outlining its goal of achieving zero-pollution incidents by 2025.

- In order to continue managing natural resources, while reducing leakages and enhancing quality of the drinking water it supplies, the Company developed a Water Resources Management Plan (WRMP) for 2019-2045.³² The WRMP plan was developed in consultation with relevant stakeholders, including the Secretary of State for Environment and Food and Rural Affairs.
- United Utilities is subject to the Environmental Information Regulations (EIR) 2004,^{33,34} requiring the Company to make environmental information available proactively and publicly.
- United Utilities manages occupational health and safety risks through the support of strong governance and management systems certified to OHSAS 18001.³⁵ The Company also applies a Health, Safety & Wellbeing Policy, through which it outlines its commitments to promoting a safe work environment.³⁶

Based on these procedures and policies, Sustainalytics is of the opinion that United Utilities has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

The importance of sustainable water and wastewater management in the United Kingdom

According to a study conducted by the University of Cambridge, the total amount of annual long-term renewable freshwater resources in the UK is estimated to be 164,300 million cubic meters.³⁷ However, research shows that the geographic distribution of water resource availability across the UK is considered highly variable, as some regions experience rainfall year-round, while others undergo periods of resource scarcity as a result of minimal rainfall levels.³⁸ The Northern UK, while having comparatively lower population density and thus lower public water demand, experiences higher rainfall than the South, which is relatively drier and is also highly populated with higher public water demand.³⁹ These dynamics of demand vs. natural availability have informed policies in the UK such as the water abstraction licensing regime, whereby companies engaging in abstractions must obtain a license from the UK Environment Agency.⁴⁰ Water abstraction for public supply is the highest amongst all major licensed abstractors, constituting approximately 45% of all freshwater abstractions in England and Wales.⁴¹ In this context, United Utilities investments in projects which aim to reduce pollution and adverse impacts of water abstraction are expected to yield positive environmental outcomes.

The impact of climate change uncertainties, coupled with the ongoing growth in the UK's population, has led to the development of long-term national water resource strategies across the nation. These include the Water

³⁰ United Utilities had no category 1 (major effect on water quality) or category 2 (significant effect on water quality) incidents in 2019.

³¹ United Utilities, Pollution Incident Reduction Plan, available at: https://www.unitedutilities.com/globalassets/documents/pdf/pollution-incident-reduction-plan_september-2020.pdf

³² United Utilities, Water Resources Management Plan, available at: <https://www.unitedutilities.com/corporate/about-us/our-future-plans/water-resources/water-resources-management-plan/>

³³ Information Commissioner's Office, What are the Environmental Information Regulations?, available at: <https://ico.org.uk/for-organisations/guide-to-the-environmental-information-regulations/what-are-the-eir/>

³⁴ United Utilities, Environmental Information Regulations (EIR) 2004, available at: <https://www.unitedutilities.com/corporate/responsibility/environment/environmental-information-regulations-eir-2004/>

³⁵ United Utilities, CR Governance, available at: <https://www.unitedutilities.com/corporate/responsibility/our-approach/cr-governance/>

³⁶ United Utilities, Health, Safety and Wellbeing Policy, available at: https://www.unitedutilities.com/globalassets/z_corporate-site/responsibility-pdfs/hsw-policy-2019-v2.pdf

³⁷ The Whole System Energy Modelling Consortium, 'UK water-energy nexus under climate change: Key Issues and Priorities', available at: <https://www-csd.eng.cam.ac.uk/news/wholesem-report-uk-water-energy-report>

³⁸ The Whole System Energy Modelling Consortium, 'UK water-energy nexus under climate change: Key Issues and Priorities', available at: <https://www-csd.eng.cam.ac.uk/news/wholesem-report-uk-water-energy-report>

³⁹ The Whole System Energy Modelling Consortium, 'UK water-energy nexus under climate change: Key Issues and Priorities', available at: <https://www-csd.eng.cam.ac.uk/news/wholesem-report-uk-water-energy-report>

⁴⁰ The Whole System Energy Modelling Consortium, 'UK water-energy nexus under climate change: Key Issues and Priorities', available at: <https://www-csd.eng.cam.ac.uk/news/wholesem-report-uk-water-energy-report>

⁴¹ The Whole System Energy Modelling Consortium, 'UK water-energy nexus under climate change: Key Issues and Priorities', available at: <https://www-csd.eng.cam.ac.uk/news/wholesem-report-uk-water-energy-report>

Strategy for England⁴² and the Water Strategy for Wales,⁴³ which seek to address and respond to potential impact of climate change on water resources, particularly hydro-meteorological events such as floods and droughts. These plans are aimed at “improving the ecological status of surface water resources for people, wildlife and recreation; providing fair, affordable and cost-reflective charges for customers; and reducing GHG emissions from the water industry”⁴⁴ as a whole. In this context, Sustainalytics expects United Utilities investments in the areas of flooding mitigation to positively contribute to the nation’s ongoing efforts and climate change mitigation policies.

Importance of increasing energy generation from renewable energy sources

According to the International Energy Agency (IEA), annual global energy demand rose by 0.9% in 2019.⁴⁵ The Intergovernmental Panel on Climate Change (IPCC)⁴⁶ issued a report in 2020 that outlined that as global energy demand rises at increasingly rapid rates due to population growth,⁴⁷ shifting towards clean energy plays an important role in mitigating climate change and meeting global climate and sustainable energy goals, including the Paris Agreement’s long term goal of limiting temperature increases to well below 2°C, and ideally to 1.5°C. Although the share of renewable energy in global energy production increased by 17% in 2019,⁴⁸ fossil fuel energy still meets 70% of the global energy demand.⁴⁹ The International Renewable Energy Agency (IRENA) states that the total share of renewable energy must rise to approximately 66% of the total primary energy supply by 2050 in order to meet the 2°C target.⁵⁰

In 2016 the UK outlined its goal to reduce CO₂ by 57% by 2030 (1990 baseline) and in 2019 established a legally binding target of net zero emissions by 2050,⁵¹ in line with the country’s commitments under the Paris Agreement. While energy consumption in the UK has followed the global upward trend, increasing by 1.1% over 2018,⁵² electricity generation from renewables has simultaneously increased, making up approximately 40% of output in the third quarter of 2019.⁵³ The UK power and utilities sector has seen record-investments in renewable technologies, and is positioned to become the UK’s largest source of renewable energy.⁵⁴ By 2030, generation from renewables, including solar and wind, are expected to grow from 33% to above 50%, more than in any other country.⁵⁵ In this context, Sustainalytics believes that United Utilities’ projects in the area of renewable energy will aid the UK in meeting its long-term climate commitments.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

⁴² Government of the United Kingdom, ‘Future water: The government’s water strategy for England’, available at:

<https://www.gov.uk/government/publications/future-water-the-government-s-water-strategy-for-england#:~:text=This%20includes%3A%20sustainable%20delivery%20of,effective%20management%20of%20surface%20water.>

⁴³ Natural Resources Wales, Water Management, available at: <https://naturalresources.wales/about-us/what-we-do/water/resources/water-management/?lang=en#:~:text=The%20Water%20Strategy%20for%20Wales.to%20Wales%20and%20its%20citizens.>

⁴⁴ The Whole System Energy Modelling Consortium, ‘UK water-energy nexus under climate change: Key Issues and Priorities’, available at: <https://www.csd.eng.cam.ac.uk/news/wholesem-report-uk-water-energy-report>

⁴⁵ International Energy Agency, ‘Global energy demand rose by 2.3% in 2018, its fastest pace in the last decade’, available at:

<https://www.iea.org/newsroom/news/2019/march/global-energy-demand-rose-by-23-in-2018-its-fastest-pace-in-the-last-decade.html>

⁴⁶ IPCC, ‘Energy is at the heart of the solution to the climate challenge’ available at: <https://www.ipcc.ch/2020/07/31/energy-climatechallenge/>

⁴⁷ OECD, Green Growth Studies, Energy’, available at: <https://www.oecd.org/greengrowth/greening-energy/49157219.pdf>

⁴⁸ U.S. Energy Information Administration (EIA), ‘Short-Term Energy Outlook’, available at:

<https://www.eia.gov/outlooks/steo/report/electricity.php#:~:text=Electricity%20generation%20from%20renewable%20energy.wind%20and%20solar%20generating%20capacity>

⁴⁹ International Energy Association, ‘Global Energy & CO₂ Status Report 2019’, available at: <https://www.iea.org/reports/global-energy-co2-status-report-2019>

⁵⁰ IRENA, ‘Global Energy Transformation’: A Roadmap to 2050’, available at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Apr/IRENA_Report_GET_2018.pdf

⁵¹ UK Government, UK becomes first major economy to pass net zero emissions law, available at: <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

⁵² Energy Consumption in the UK, available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820843/Energy_Consumption_in_the_UK_ECUC_MASTER_COPY.pdf

⁵³ Carbon Brief, Analysis: UK renewables generate more electricity than fossil fuels for first time, available at: <https://www.carbonbrief.org/analysis-uk-renewables-generate-more-electricity-than-fossil-fuels-for-first-time#:~:text=In%20the%20third%20quarter%20of,biomass%20and%206%25%20from%20solar>

⁵⁴ Carbon Brief, Analysis: UK renewables generate more electricity than fossil fuels for first time, available at: <https://www.carbonbrief.org/analysis-uk-renewables-generate-more-electricity-than-fossil-fuels-for-first-time#:~:text=In%20the%20third%20quarter%20of,biomass%20and%206%25%20from%20solar>

⁵⁵ International Environmental Agency, Energy Policies of IEA Countries: UK 2019 Review, available at: <https://www.iea.org/reports/energy-policies-of-iea-countries-united-kingdom-2019-review>

Use of Proceeds Category	SDG	SDG target
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	11. Sustainable cities and communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Terrestrial and Aquatic Biodiversity Conservation	14. Life below Water	14. 2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Access to Essential Services	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all

Conclusion

United Utilities has developed the United Utilities Sustainable Finance Framework under which it intends to issue sustainability bonds and loans and use the proceeds to finance and/or refinance projects that will enhance the Company's ability to provide water and wastewater services in an environmentally sustainable, economically beneficial and socially responsible manner. Sustainalytics expects that the projects funded by the Sustainable Financing Instruments proceeds will provide positive environmental and social impact.

The United Utilities Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Sustainalytics believes that United Utilities Sustainable Finance Framework is aligned with

the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11, 14 and 15. Additionally, Sustainalytics is of the opinion that United Utilities has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that United Utilities is well-positioned to issue sustainability bonds and loans and that that United Utilities Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018), Social Bond Principles (2020) and Green Loan Principles (2020).

Appendices

Appendix 1: An Overview and Analysis of FSC Certification

	Forest Stewardship Council (FSC)⁵⁶
Background	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations
Types of standards/benchmarks	<ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)
Governance	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.

⁵⁶ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: https://ca.fsc.org/preview_principles-criteria-v5.a-1112.pdf

<p>Scope</p>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>
<p>Chain-of-Custody</p>	<ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards • CoC standard includes procedures for tracking wood origin • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC
<p>Non-certified wood sources</p>	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted.
<p>Accreditation/verification</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>
<p>Qualitative Considerations</p>	<p>Sustainalytics views FSC as being a robust, credible standard that is based on comprehensive principles and criteria that are aligned with ISO. The scheme has received praise for its contribution to sustainable forest management practices⁵⁷ and has also faced criticism from civil society actors.^{58,59} In certain instances, this standard goes above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standard is similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>

⁵⁷ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁵⁸ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁵⁹ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	United Utilities
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	United Utilities Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 4, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds, Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Clean Transportation and Access to Essential Services are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG goals 6, 7, 11, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

United Utilities' Sustainable Finance Committee, comprised of representatives from the Company's Treasury, Sustainability, Finance and Regulated Business will oversee the project evaluation and selection process. The Committee will meet semi-annually to review proposed allocations, while the Company's Treasury function will be responsible for final approval. This is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

United Utilities' Treasury function will be responsible for managing the net proceeds of all sustainability bonds issued under the Framework. The Company applies a 3-year look-back period for refinancing. Pending allocation, net proceeds will be invested on a temporary basis in accordance with the Company's relevant internal policies, in cash, cash equivalents or similar instruments. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |

- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

United Utilities intends to provide reporting within one- year of issuance and until full allocation. Allocation reporting will include total amount of proceeds allocated to eligible projects, the proportion of proceeds allocated to refinancing of existing eligible projects and unallocated proceeds, while impact reporting will draw on several quantitative and qualitative impact indicators. Sustainalytics views United Utilities' allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Number of beneficiaries
- Target populations
- Other ESG indicators (please specify): See 'Example impact metrics' in Framework for more details.

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Company website. |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

www.unitedutilities.com

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance

data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

