

Our approach to Task Force on Nature-related Financial Disclosures (TNFD)

Launching in 2023, the Task Force on Nature-related Financial Disclosure (TNFD) aims to provide a risk and disclosure framework for organisations interacting with the natural environment. It will adopt a four-pillar approach similar to that of TCFD covering governance, strategy, risk management, metrics and targets.

Overview

We are dependent upon, and impact, the natural environment from the quality and quantity of water we abstract for treatment and supply of drinking water, through to treated wastewater we return to rivers and biosolids we recycle to land. We are responsible for over 56,000 hectares of water catchment land.

Given the pressures from climate change and population growth on the natural environment, we do not underestimate the contribution we can make in restoring healthy and resilient ecosystems. We need to work collaboratively with like-minded organisations to deliver nature-based solutions as these offer many benefits including carbon sequestration, cleaner water and improved biodiversity. This is at the heart of our Catchment Systems Thinking Approach (CaST).

We've joined the TNFD forum as a contributing member to help us as we become an early adopter of TNFD reporting.

Governance

Our interactions with the natural environment are broad and complex. Overall accountability rests with executive management who strive to comply with the legal and regulatory requirements as set out in our environmental policy. Matters are regularly reviewed at the board's corporate responsibility committee. The environmental advisory group is a management group with a remit to ensure the delivery of the environmental policy commitments including nature-related strategies (e.g. land, catchment, clean air, plastics, waste, water quality, water resources, and natural capital). Governance for these strategies is through cross-departmental working groups comprised of subject matter experts and decision makers to drive implementation. Governance around investment in nature-related risks and opportunities is applied as part of our Internal Control Manual.

Strategy

Protecting and enhancing the natural environment is a key part of the 'and more' of our purpose. We protect the environment through maintaining compliance and meeting regulatory requirements. We enhance by driving performance, adopting best asset management practices, and investing in nature-based and other environmental solutions. Our environmental policy is underpinned by a framework of strategies and long term plans in response to nature-related risks and opportunities. Some of these plans are statutory requirements, such as the Water Resources Management Plan, and are reviewed every five years as part of the price review process. Our company business plan details the delivery plans for the five years up to 2025.

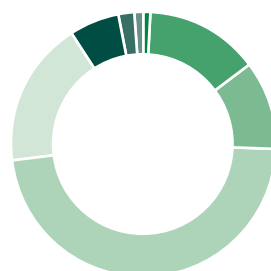
Our CaST approach enables individual project decisions to be made in the context of the catchment, or system, in which they are situated. This encourages goals to be set in a collaborative way, maximising the benefits that can be achieved and delivering ecosystem resilience through improvements to water quality, flood risk reduction, access to green space, nature recovery, and carbon sequestration.

Read more at unitedutilities.com/corporate/responsibility/stakeholders/catchment-systems-thinking

Much of the land that we own is designated as Sites of Special Scientific Interest (SSSI), which indicates the importance of the habitat for biodiversity. Ninety-four per cent of SSSIs on our land now meet favourable or unfavourable recovering condition status, in part because we pioneered the use of nature-based solutions to address raw water quality when we started our SCaMP programme in 2005. Designated habitats include blanket bog, moorland and

heath and are home to many important species. We recognise our role as a steward of our land and make decisions based on the benefits and impacts our operations have on the natural environment. The land we own is made up of different land cover types, such as grassland and woodland.

Land cover types across our land holding



Arable	1%
Bog	14%
Woodland	11%
Grassland	48%
Mountain, moorland and heath	18%
Fresh water	6%
Urban area	2%
Other	0%

Innovation is embedded in our approach to solving environmental challenges. By understanding and engaging in relevant research we can integrate new technologies and practices to drive environmental enhancements.

Risk management

Many key risks in our risk management assessments are linked to the natural environment. The risk breakdown structure that underpins our operational risk assessment framework includes consequences related to biodiversity, flooding, drought, water quality, recreational access, carbon storage, air quality and waste. Through our longer-term planning processes, we model a range of environmental risks such as a one in 100-year storm or drought and take appropriate action to include mitigation options in the plans. Read more about our risk and resilience framework on pages 100 to 102.

There is a close link between nature and climate change with many pressures on the natural environment becoming more acute as the climate changes. Our climate change adaptation report highlights key physical risks related to the natural environment. Two of our carbon pledges – on tree planting and peatland restoration – are intrinsically linked to the natural environment.

In 2022, we published a discussion document jointly with The Rivers Trust on barriers to nature-based solutions, entitled PR24: Unlocking nature-based solutions to deliver greater value. This identifies some of the key risks associated with the transition to a nature-positive economy and recommendations for collaborative working with the Government and others to address these barriers. We are working with regulators, other water companies and non-governmental organisations to take forward proposals to address these risks.

Read more at unitedutilities.com/globalassets/documents/pdf/pr24---unlocking-nature-based-solutions-to-deliver-greater-value.pdf

Metrics and targets

To measure our performance we demonstrate delivery against contributing targets from a number of statutory requirements such as the condition of protected sites, biodiversity net gain, environmental performance and supporting strategies. Our long-term nature-based targets align with government expectations such as achieving 75 per cent favourable condition for SSSI locations by 2042. We are committed to improving surface, groundwater and bathing water quality in the immediate term and beyond. We will input to the consultation on the Environment Act water targets in

2022 as these will be an important mechanism to drive environmental improvement and meet the objectives for the water environment in the Government's 25-year environment plan.

We are the only water company to set a natural capital outcome delivery incentive in our business plan for 2020–25. This is measured by demonstrating additional value created through ecosystem services for customers and the environment. We achieve this by implementing nature-based solutions where they offer best value compared against a hard-engineered solution (e.g. to improve water quality). Read more about our environmental performance on pages 64 to 67.

We were a key contributor to the North West's first natural capital account developed in collaboration with many regional organisations. By considering this baseline value, we can benchmark the impact of future changes to our natural assets and quantify improvements. It is helping to understand how valuable the region's natural capital assets are. In 2022, we will update our own corporate natural capital account as part of a five-yearly review cycle and we will report on this next year.

Next steps

In March 2022, the TNFD unveiled the first version of its nature-related risk-management and disclosure framework. The framework, which will be modified over the next 18 months, is designed to align with the International Sustainability Standards Board, which was officially unveiled at COP26. Working with the Taskforce we will continue to develop how we disclose nature-related information.

