



SAY ON CLIMATE assessment

UK



2024

Transparency rating

35%

alignment with FIR
recommendations



PERFORMANCE SCORE NARRATIVE SCORE TREND SCORE

8 / 20

AB C DE



Although Pennon has announced its ambition to be carbon neutral by 2030, this only relates to scopes 1 & 2 and concerns only part of its business. Similarly, most of scope 3 is not included in the medium-term emissions reduction targets. In addition, more than 90% of emissions are excluded from the short-term targets (2025), which calls into question the ambition of the targets before 2032. At the same time, the company is announcing an ambition of carbon neutrality by 2045 for its subsidiary South West Water (45% of the business), including all scopes. The company does not disclose any information on investments after 2025, which does not allow investors to fully assess the company's determination to achieve its objectives. Finally, at the level of its action plan, we encourage the company to provide more information on the decarbonisation levers identified, specifying the associated investment expenditure and the contribution of each of them to the decarbonisation objectives.

Since 2021, the **French Forum for Responsible Investment (FIR)** has called for the widespread adoption of stringent Say on Climate (SOC). In March 2023, the FIR signed again [an agreement with 48 French and European signatories](#), encouraging the development of SOC. Meanwhile, in 2022, FIR began analyzing the climate plans of French companies that submit them to shareholder vote. After joining forces last year, **FIR and ADEME** are extending their partnership by joining forces this year with **Ethos and the World Benchmarking Alliance**, to analyze the climate plans of European companies submitted to a consultative shareholder vote at their annual general meetings in 2024.

In 2022, FIR had published [analysis reports](#) assessing the extent to which French companies' climate strategies were in line with its recommendations. In 2023, as part of the partnership with ADEME, these analysis reports has been enriched with the [ACT assessment tool](#), to measure the contribution of corporate strategies and actions to the mitigation objectives of the Paris Agreement.

In 2024, the scope of our analysis has been extended to include European companies which have submitted a SOC. Assessments will be published progressively ahead of their annual general meetings.

As in 2022 and 2023, the FIR wishes to salute the efforts of companies that contribute to improving shareholder dialogue, and encourages them to reiterate the Say on Climate exercise annually.

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In partnership with :



World
Benchmarking
Alliance



With the contribution of the European
Union LIFE program

35 %

alignment with FIR
recommendations

PENNON

Ambition Net Zero 2050

Ambition of carbon neutrality on scopes 1 and 2 by 2030 for two sites: South West Water (45% of business)* & Bristol Water (26% of business)*.

Ambition of carbon neutrality on scopes 1, 2 and 3 by 2045 announced only for South West Water

Offset of 17,700 tCO₂e over the next 30 years and 650,000 tCO₂e over the next 50 years

▷ The breakdown by year between reduction and compensation is not detailed

▷ 30% of the business* is not included in the net zero commitment to 2030, 55% of the business* is not included in the net zero commitment to 2045; the scope 3 is not included in the carbon neutrality ambition by 2030 and only on a part of its businesses by 2045

Reference scenario(s) used

Commitment to a warming trajectory limited to 1.5°C until 2032 for the objectives of scopes 1, 2 and 3, validated by SBTi

▷ The 1.5°C targets for scope 3 concern only 15% of scope 3

▷ For the moment, the Bristol Water subsidiary acquired in 2021 (26% of the business)* is not included in the 2050 projection (in progress).

▷ After 2032, the commitments are identified as "withdrawn commitments" by SBTi.

Current GHG emissions** (2023/24 vs 2022/23)

SCOPE 1	SCOPE 2 (market based)	SCOPE 3
26,737 tCO ₂ e (vs. 28,773) 7%	25,662 tCO ₂ e (vs. 31,321) 7%	315,867 tCO ₂ e (vs. 239,653) 86%

Increase in Scope 3 emissions (in absolute terms) compared with 2022 (+36% on capital goods, +26% on business travel, +17% on purchased goods, +6% downstream transport); Bristol Water's Scope 3 has been reported for the 1st time.

Short-term GHG emissions reduction target

70% reduction in scope 2 (market-based) by 2025 compared with 2021/2022

These targets have already been achieved, with a current reduction of 71.9% in Scopes 1 and 2 by 2023.

▷ No target set for Scope 1 and Scope 3 (93% of emissions)

Medium-term GHG emissions reduction target

68% reduction in absolute Scopes 1 and 2 emissions by 2032/2033 vs. 2021/2022

30% reduction in absolute Scope 3 emissions (15%) by 2032/33 vs. 2021/22 from well to tank' electricity and fuels, the delivery of electricity, emissions from waste, and business travel and commuting

▷ Absence of reduction target for 85% of scope 3 (capital goods and purchased goods)

Long-term GHG emissions reduction target

▷ Long-term objectives are not made explicit

Action plan measures

Scope 1 and 2: Decarbonisation of sites

-Electricity: By 2025, up to 50% of electricity from renewable sources, 100% by 2030.

-Energy: 13% renewable energy by 2025 and 50% by 2030. (7.5% in 2023-2024 for a target set at 8%)

through onsite Solar PV, floating Solar PV, grid connected Solar PV, wind power, hydroelectricity and making more use of our bioresources for generating energy).

Scope 3

-Commitment that 60% of suppliers will have targets validated by SBTi by 2027/28 and will reduce their emissions from purchased goods and services, capital goods and upstream transport and distribution.

▷ No information on the contribution of each action to the reduction targets

▷ The action plan could be clearer and more detailed by scope

CAPEX / OPEX investment alignment

Investment in renewable energies to acquire and develop photovoltaic sites: £160 million in 2023, and £160 million in 2024.

Additional investment to improve resilience and environmental performance: £120 million in 2023, £145 million in 2024

"These costs can be revised upwards to achieve carbon neutrality by 2030".

▷ No information on quantified investments after 2025

▷ No information on alignment or eligibility of CAPEX with taxonomy

Remuneration

Variable annual remuneration 2023

Criterion of 18.5% based on 5 criteria, including one on the objective of reducing Scope 2 emissions: 68%, finally achieved this year at 71.9%.

▷ criterion diluted

▷ No details on the breakdown of remuneration criteria for 2024

Long-term executive remuneration

▷ absence of carbon criteria

Annual consultative vote on implementation

No annual vote on strategy

*calculation based on the quantity of drinking water per day (litres) at 31 March 2023

Consultative vote on strategy every three years

No vote on strategy every three years

**These emissions do not include those of SES Water, acquired in 2024, whose total emissions amount to 2299 tCO₂e.

Caption:

- Indicates that all the criteria for obtaining all the points have been met, but suggests improvements in terms of transparency
- ▷ Failure to obtain full points

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PENNON



PERFORMANCE SCORING

8 / 20

NARRATIVE SCORING

A B **C** D E

TREND SCORING



Module	Score	%	Assessment's elements
Targets	4/20	15%	<ul style="list-style-type: none">• Pennon has set near-term SBTi targets to reduce its GHG emissions for its scopes 1 and 2 and for some of its scope 3 emissions by 2032. However, reduction targets for scope 3 only covers some of the categories that do not represent the largest part of the company's scope 3 emissions. In addition, the company states that it commits to achieve net zero by 2030 but this commitment is not validated by SBTi.• Pennon has not set long term targets after 2032.• Pennon does not disclose its CAPEX invested in Low-Carbon & Mitigation technologies.• Pennon provides information over some measures taken to encourage clients to save water but it does not consider categories 8 through 15 of its scope 3 to be relevant. However, more information on categories 8 through 13, that are often relevant for companies in this sector, would be welcomed.• Pennon has an ESG committee at board level which has the responsibility, among others, for climate governance and climate change management but members do not have sufficient specific climate change expertise.• The company does not have yet a transition plan but plans to publish one.• Pennon has set the target to have 60% of its suppliers included in 3 categories of scope 3 (purchased goods and services, capital goods and upstream transportation and distribution) with a science-based targets by FY27/28. Details of implementation of the commitment and reporting on the progress would be welcomed.• Pennon has conducted campaigns by customer to reduce non-essential water consumption but does not seem to have a strategy to influence its clients behaviour.• Even if the company shows its commitment to climate policies such as Science-Based Targets, it does not have any specific policy, review process or action plan on engagement with associations, alliances, thinktanks and lobbying practices.• Pennon is developing a subsidiary, Pennon Power, to support the company's energy needs with renewable sources, which represents a minor share of total revenue and the company does not plan to develop that activity.
Material investment	10/20	15%	
Sold product performance	13/20	20%	
Management	8.5/20	10%	
Supplier engagement	7.5/20	15%	
Client engagement	12.5/20	5%	
Policy engagement	1/20	5%	
Business model	2.5/20	15%	

Consistency of the plan:

Pennon has not yet published a transition plan. Nevertheless, the company states that it will prepare one. In addition, measures taken show that the company has ambition for its scope 1 and 2 emissions. However, there is no reduction targets on scope 3 categories 1, 2 and 4 that represent an important share of its total emissions. However, Pennon has set the target to have 60% of its suppliers with SBTi validated targets by FY27/28.

Identified areas for improvement:

Further details about measures and their contribution in reaching the Pennon's targets would be welcomed.
The company should provide further insights about its plans once the 2032 targets are reached.
Pennon could better formalize its engagement with clients to influence them in saving water.

SAY ON CLIMATE 2023 evaluation grid

based on follow-up to FIR recommendations

	●	●	●
Ambition net zero 2050	If the ambition of contributing to carbon neutrality by 2050 is declared and clear explanations are given on how to achieve this neutrality The level of negative emissions is limited	The ambition to contribute to carbon neutrality by 2050 is declared and the explanations on how to achieve this neutrality are clear. The level of negative emissions is high	A declared ambition, but very little clarity on how the company intends to achieve carbon neutrality (no long-term reduction targets, targets set are not very credible, heavy reliance on offsetting, etc.) or no declared ambition to be carbon neutral by 2050
Reference scenarios used	The company positions its climate strategy in relation to a 1.5°C warming scenario for all scopes	The company uses a reference scenario limiting warming to between 2°C and 1.5°C, or 1.5°C for only part of its scope.	No reference scenario explicitly mentioned or scenario(s) not used to define the strategy
Current GHG emissions	Disclosure of greenhouse gas emissions in absolute terms; breakdown by scope	Insufficiently detailed publication	No public data
Short-term GHG emissions reduction target	If the quantified emission reduction targets before 2030, expressed at least in absolute terms, cover the 3 scopes and are set in relation to the company's 1.5°C alignment trajectory. This trajectory has been scientifically validated.	If the quantified emission reduction targets before 2030 do not cover the majority of the company's activities, or if these targets cover all activities but are on a trajectory of between 2°C and 1.5°C	No quantified target for reducing emissions in the short term, or targets that are not very ambitious in the short term (reference year too far in the past, no absolute reduction, not scientifically validated, etc.)
Medium-term GHG emissions reduction target	If the quantified emission reduction targets for 2030, expressed at least in absolute terms, cover the 3 scopes and respect the alignment with a 1.5°C scenario. This trajectory has been scientifically validated	If the quantified emissions reduction targets for 2030 do not cover the majority of the company's activities, or if these targets cover all activities but are on a trajectory of between 2°C and 1.5°C	No quantified target for reducing emissions in the medium term, or targets that are not very ambitious in the medium term (reference year too far in the past, no absolute reduction, not scientifically validated, etc.)
Long-term GHG emissions reduction target	If the quantified emission reduction targets in 2050 or earlier, expressed at least in absolute terms, cover the 3 scopes and are set in relation to the company's 1.5°C alignment trajectory. This trajectory has been scientifically validated	If the quantified emission reduction targets for 2050 or earlier do not cover the majority of the company's activities, or if these targets cover all activities but are on a trajectory of between 2°C and 1.5°C	No quantified target for reducing emissions in the long term, or targets that are not very ambitious in the long term (reference year too far in the past, no absolute reduction, not scientifically validated, etc.)
Action plan measures	Detailed measures for each scope of the company with a sufficient level of detail, including short- and medium-term figures, to enable the alignment of this plan with the objectives set to be assessed.	Detailed measures for each scope of the company, but insufficient detail to assess the level of alignment with the objectives set (lack of quantified measures in particular)	Measures with little or no detail
Investment alignment (OPEX / CAPEX)	Details the proportion of investments (OPEX and CAPEX) that contribute to meeting short- and medium-term targets, and explains how these investments enable the targets to be met	The information provided on the contribution of investments to the achievement of objectives does not allow an understanding of how the company achieves the objectives set	No investments contributing to the achievement of explicit objectives
Remuneration	All variable parts of the remuneration of corporate officers include at least one criterion that assesses the achievement of greenhouse gas emission reduction targets. The % of remuneration determined by this criterion is published; it represents a significant proportion (10% or more)	At least part of the variable part of the remuneration of corporate officers is covered by a non-diluted criterion for reducing greenhouse gas emissions in line with the reduction trajectory defined by the company	The criterion included in the remuneration of corporate officers relating to the reduction in greenhouse gas emissions is diluted, or does not follow the reduction trajectory defined by the company. or No criteria relating to the reduction of greenhouse gas emissions are included in executive remuneration
Annual consultation on implementation	The company undertakes to consult shareholders annually on the implementation of its climate change strategy	The company is committed to consult shareholders on the implementation of its climate strategy over the coming years	The company does not undertake to consult shareholders on the implementation of its climate strategy
Consultation on strategy every three years	The company undertakes to consult shareholders on its climate strategy at least every three years	The company undertakes to consult shareholders on its climate strategy over the coming years	The company makes no commitment to consult shareholders on its climate strategy

→ IT'S TIME TO ACT

WHAT IS ACT ?

A joint voluntary initiative of the UNFCCC secretariat Global Climate Agenda.

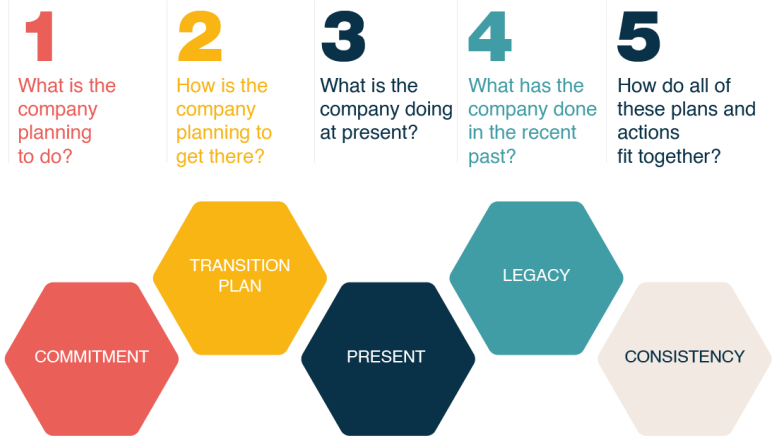
WHY ACT ?

Drive climate action by companies and align their strategies with low-carbon pathways.

HOW DOES ACT WORK ?

ACT provides sectoral methodologies as an accountability framework to assess how companies' strategies and actions contribute to the Paris mitigation goals.

FRAMEWORK



INNOVATIVE : ACT is an integrated, long-term approach.

QUANTITATIVE : it measures past, present and future performance

TARGETED: on the main sources of emissions in the value chain

SECTORAL: addressing issues specific to the transition of each sector

TRANSPARENT: through third-party evaluation

ACT ASSESSMENT

For what purpose?

Credibly measure the contribution to the net-zero objective in relation to sectoral low-carbon trajectories.

For whom?

Companies with science-based objectives and/or a transition plan ready for assessment

20



PERFORMANCE SCORE

Transition alignment metrics

1 - 20

A



NARRATIVE SCORE

Analysis of overall consistency

A - E

+



TREND SCORE

Forecast of future changes

+ = -

ACT Methodology

Generic

The full ACT methodology for the Generic sector can be found on [our website](#). The detailed assessment is summarized in a score based on three criteria: performance, overall consistency and trend. It takes the following form:

- **Performance:** number between 1 and 20
- **Evaluation (consistency):** letter between A and E
- **Trend:** + (improvement), - (deterioration), = (stable)

Module	Indicateur
1. Targets	1.1 Alignment of scope 1+2 emissions reduction targets
	1.2 Alignment of upstream scope 3 emissions reduction targets
	1.3 Alignment of downstream scope 3 emissions reduction targets
	1.4 Time horizon of targets
	1.5 Achievement of previous and current targets
2. Material investment	2.1 Trend in past emissions intensity from material investment
	2.2 Trend in future emissions intensity from material investment
	2.3 Share of Low Carbon CAPEX
	2.4 Locked-in emissions from own fleet and buildings
3. Intangible investment	3.1 R&D spending in low-carbon technologies
	3.2 Company climate change mitigation patenting activity
4. Sold product performance	4.1 Product-specific interventions
	4.2 Trend in past product / service specific performance
	4.3 Locked-in emissions from sold products
	4.4 Sub-contracted transport service performance
5. Management	5.1 Oversight of climate change issues
	5.2 Climate change oversight capability
	5.3 Low-carbon transition plan
	5.4 Climate change management incentives
	5.5 Climate change scenario testing
6. Supplier engagement	6.1 Strategy to influence suppliers to reduce their GHG emissions
	6.2 Activities to influence suppliers to reduce their GHG emissions
7. Client engagement	7.1 Strategy to influence client behaviour to reduce their GHG emissions
	7.2 Activities to influence customer behaviour to reduce their ghg emissions
8. Policy engagement	8.1 Company policy on engagement with associations, alliances, coalitions or thinktanks
	8.2 Associations, alliances, coalitions and thinktanks supported do not have climate-negative activities or positions
	8.3 Position on significant climate policies
	8.4 Collaboration with local public authorities
9. Business model	9.1 Revenue from low-carbon products and/or services
	9.2 Changes to business models
	9.3 Share of product/service sales used in client low-carbon products/services

Narrative scoring

1. Business model and strategy
2. Consistency and credibility
3. Reputation
4. Risks

Trend scoring

1. Probability of emissions' evolution
2. Evolution of business model and strategy

Disclaimer:

The information and assessments disclosed here do not constitute investment or voting advice. Each organisation individually determines the most appropriate way to use this information. In addition, the information and assessments contained in this document reflect a judgement at the time these assessments were made and do not guarantee that the most recent information on the company has been taken into account, as this information may have been published between the assessment and the publication of this document.

In collaboration with:

