FORUM POUR L'INVESTISSEMENT RESPONSABLE

RÉPUBLIQUE FRANÇAISE
Liberté
Égalité
Fraternité

ADEME
AGENCE DE LA TRANSITION ÉCOLOGIQUE

SAY ON CLIMATE ASSESSMENT

Pennon

Country

France

Year

2026

Transparency rating
Alignment with FIR recommendations

43% ↑

Pennon has clarified its Net Zero 2050 ambition, **which now covers all three emission scopes**, with a more detailed transition plan expected in 2026/27. **Its medium-term targets (2032/33), revalidated by the SBTi in April 2026, remain incomplete**, particularly for Scope 3, with only 17% of emissions covered. **The company has reduced its Scope 1 and 2 emissions since 2021, while Scope 3 emissions have stagnated—or even increased for the categories covered by its targets—compared with the baseline year**. In addition, the 2030 and 2032/33 emissions reduction targets have been revised downward following a recalculation of the GHG inventory and the integration of SES Water, without detailed justification. The action plan covers a broad range of initiatives but lacks quantified measures and a clear link to the targets. Lastly, **investments dedicated to decarbonisation are now clearly identified but remain limited** (2% of total CAPEX), while the climate-related remuneration criterion remains weakly incentivising and diluted, although it now applies to all Pennon entities rather than only South West Water (SWW).

SUMMARY

As early as 2021, the **Forum for Responsible Investment (FIR)** called for the widespread adoption of robust Say on Climate (SOC) measures. Following an initial initiative in 2022, it co-signed an open letter with 48 French and European signatories in March 2023 and again in 2025, to encourage the development of SOCs. At the same time, in 2022, the FIR began analysing the climate plans of French companies that put them to a shareholder vote. Having joined forces in 2023, the **FIR and ADEME** expanded their partnership in 2024 by working with **Ethos and the World Benchmarking Alliance** to analyse the transparency and performance of companies' climate plans, based on the ACT methodology. Once again this year, these organisations will work together to examine the climate plans of **European companies** submitted to a consultative shareholder vote at their general meetings in 2026.

The analyses will be published progressively in the run-up to their AGMs. As in previous years, the FIR wishes **to commend the efforts of companies that contribute to improving shareholder dialogue and encourages companies to repeat the *Say on Climate* exercise annually.**

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SAY ON CLIMATE ASSESSMENT

Pennon

Alignment with the FIR's recommendations — 43 %

Net Zero 2050 Ambition

A 2050 net zero ambition covering all scopes, based on the SBTi Net Zero Standard, with plans to publish a net zero transition plan in the 2026/2027 financial year (SBTi targets revalidated in April 2026)

▷ The breakdown between emissions reductions and offsetting is not specified, but the group has planted 421,199 trees since 2019, exceeding its target of 400,000 for this year. The tonnes of CO_2 sequestered are no longer quantified.

Reference scenario(s) used

Commitment to a warming trajectory limited to 1.5°C until 2032 for Scope 1 and 2 targets validated by the SBTi; targets for part of Scope 3 also validated

▷ The Scope 3 targets cover only 17 % of Scope 3 emissions, according to our estimates

▷ No information is provided beyond 2032, apart from a reference to the SBTi's Net Zero standard

Current GHG emissions (2025 vs 2024)

SCOPE 1*	SCOPE 2 (Market-based)*	SCOPE 3 Upstream
83,974 tCO_2eq (vs 82,248) 22.5%	16,563 tCO_2eq (vs 26,717) 4.4%	273,444 tCO_2eq (294,145) 73.1%

Since 2021/2022: a 63 % reduction in Scope 1 and 2 emissions, but a 2 % increase in Scope 3 categories 3, 5, 6, 7, 8 and 11

Short-term GHG emissions reduction target (before 2030)

A 54% reduction in Scopes 1 and 2 emissions by 2030 (compared with 2021/22), with a target of -41% to be achieved by 2025/26

▷ Change in the 2030 reduction target for Scopes 1 and 2 from -61% to -54% compared with 2021/22, without a clear explanation: the company mentions the revision of SBTi targets in April 2026 to incorporate SES Water, without further explanation regarding the revision of the ambition

▷ No interim target for Scope 3 (73% of emissions)

Medium-term GHG emissions reduction target (between 2030 and 2040)

63% reduction in Scopes 1 & 2 by 2032/33 (compared to 2021/22), with a reduction of 41% to be achieved by 2025/26

A 30 % reduction in absolute terms for Scope 3 across categories 3, 5, 6, 7, 8 and 11 by 2032/33 (compared with 2021/22), with emissions rising by 2 % in 2025/26

▷ No targets for Scope 3 categories 1 and 2, which account for a large proportion of emissions under this scope (83 %)

▷ The reduction target for Scopes 1 and 2 for 2032/2033 has been revised down from -68% to -63% compared with 2021/22, without a clear explanation: the company mentions the revision of its SBTi targets in April 2026 to incorporate SES Water, without further explanation regarding the revision of its ambition

Long-term GHG emissions reduction target (2050 or earlier)

The aim is to achieve carbon neutrality across all three scopes by 2050, with a net-zero plan expected to be published in the 2026/2027 financial year

▷ The Net Zero commitment (BA 1.5 option 1) for 2050 is marked as "removed" by the SBTi

▷ No quantified reduction target has been set for the period from 2032/2033 to 2050

Measures in the action plan

- Energy efficiency: replacement of pumps at the largest sites (Restormel, Roadford Dam), new aeration blowers, real-time meters and waste detection
- Renewable energy / procurement: 92 % of the Group's electricity is certified renewable (SWW and SES at 100 % since 2022, Bristol Water in transition, target of 100 % renewable electricity procurement by 2030/31); on-site generation: 206 kW solar at St Cleer, with further sites planned before 2030; Pennon Power: first two large-scale solar power stations to come online in 2025/26

**The increase in Scope 1 emissions between 2024 and 2025 is due to the increased use of emergency generators (burning fuel) at operational sites to maintain the water supply during the drought that occurred during the financial year.*
Furthermore, Pennon has restated its emissions following a revision of its GHG inventory (N_2O emission factors aligned with the IPCC, resulting in a 7.2-fold increase in the N_2O accounted for), with retrospective restatement for 2023/24 and 2024/25

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** Location-based: 409,343 tCO_2eq (vs 405,793)*

Key:
- ❍ All criteria for achieving full marks have been met, but suggestions for improvement regarding transparency
- ▷ Shortcomings preventing the award of full marks

Change in rating compared with the 2023 Say on Climate FIR analysis: Increase | Stagnation | Decrease

SAY ON CLIMATE ASSESSMENT

Pennon

Alignment with the FIR's recommendations 43 % ↑

- Fuel switching: transition to HVO (Hydrotreated *Vegetable Oil*: a renewable diesel produced from waste oils, which can be used as a substitute for fossil diesel without any modifications to engines) for compatible emergency generators; new HVO-ready generator; batteries and hydrogen under consideration
- Transport / electric fleet: 219 electric cars and 112 electric vans, 39 hybrids; on-site charging points at key locations
- Embodied carbon (Green First): integration of carbon considerations from the design stage of AMP8 projects, whole-life carbon assessments with suppliers, PC embodied carbon
- Nature-based solutions: Upstream Thinking (soils, wetlands, afforestation), peatland restoration, and screening of all sanitation projects to prioritise NBS where feasible; carbon sequestration mentioned without any figures.
- Carbon culture: Supply Chain Sustainability School (training for employees and suppliers), governance and quantification of GHG savings from initiatives. Target of 60 % of suppliers validated/committed to the SBTi by 2027/28; 2025/26 performance: 33 %, a slight decline compared with 35 % last year

▷ No information on how each action contributes to the reduction targets
▷ The action plan could be clearer and more detailed by scope; it generally lacks quantification and does not extend beyond 2031

Alignment of CAPEX and OPEX investments

Transparency on investment dedicated to Net Zero: £13.3m (representing 2% of total annual CAPEX of £644m)
Investments dedicated to renewable energy generation of £54.1 million in 2025/26 (compared with £160 million in 2023, 2024 and 2025 respectively)

▷ The proportion of CAPEX allocated to decarbonisation is low
▷ No information on the alignment or eligibility of CAPEX with the taxonomy

Remuneration

2025/2026 annual bonus payment (CEO and CFO):
15% ESG criteria, with 14 criteria each weighted at 1.07%, of which 4 are environment-related and only 1 is directly correlated with GHG emissions.
Progress: ESG remuneration now applies to all Pennon entities (in 2025, the climate criterion applied only to the SWW entity)

▷ Climate criterion diluted

Long-term remuneration: no climate criteria, based solely on pollution

Annual advisory vote on implementation

Resolution on climate reporting put to a vote every year since 2022

Consultative vote on strategy every three years

Consultation on TCFD reporting, which includes the strategy but is not specifically dedicated to it

Key:
❍ All the criteria for achieving full marks have been met, but there are suggestions for improvement regarding transparency
▷ Shortcomings preventing the award of full marks

Changes in the rating compared with the FIR's Say on Climate 2023 analysis: Increase | Stagnation | Decrease

SAY ON CLIMATE 2026 EVALUATION GRID

Based on monitoring of FIR recommendations

	Green	Orange	Red
Net Zero 2050 Ambition	Whether the stated ambition to contribute to carbon neutrality by 2050 is present, along with clear explanations of how this neutrality will be achieved The level of negative emissions is limited	The ambition to contribute to carbon neutrality by 2050 is stated and the explanations on how to achieve this neutrality are clear. The level of negative emissions is high or unclear.	Ambition stated but very unclear on how the company intends to achieve carbon neutrality (no long-term targets, the targets set are not credible, heavy reliance on offsetting, etc.) or no stated ambition for carbon neutrality by 2050
Reference scenarios used	The company aligns its climate strategy with a 1.5°C warming scenario across all scopes and in the medium and long term	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 or only in the medium or long term	No reference scenario is explicitly mentioned, or the scenario(s) is/are not used to define the strategy
Current GHG emissions	Disclosure of greenhouse gas emissions in absolute terms; breakdown by scope; reduction in absolute emissions over the last three years	Insufficiently detailed disclosure of greenhouse gas emissions in absolute terms, or no justification provided for the increase in absolute emissions over the last three years	Lack of public data, or if the upward trend in emissions intensity and absolute emissions is poorly justified or not justified at all
Short-term GHG emissions reduction target	Whether the quantified emission reduction targets for before 2030, expressed at a minimum in absolute terms, cover all three scopes and are set in relation to the company's 1.5°C alignment pathway. This pathway has been scientifically validated.	If the quantified emission reduction targets for before 2030 do not cover the majority of the company's activities, or if these targets cover all activities but are on a trajectory between 2°C and 1.5°C	Lack of a quantified short-term emissions reduction target or unambitious short-term targets (reference year too distant, 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 all three scopes and are aligned with a 1.5°C scenario. This trajectory has been scientifically validated	If the quantified emission 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 between 2°C and 1.5°C	Absence of a quantified medium-term emissions reduction target or unambitious medium-term targets (reference year too distant, no absolute reduction, not scientifically validated, etc.)
Long-term GHG emissions reduction target	If the quantified emission reduction targets for 2050 or earlier, expressed at a minimum in absolute terms, cover all three 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 between 2°C and 1.5°C	Lack of quantified long-term emission reduction targets or unambitious long-term targets (base year set too far in the past, no absolute reduction, not scientifically validated, etc.)
Measures in the action plan	Detailed measures for each scope of the company with sufficient detail, including short- and medium-term figures, enabling an assessment of the plan's alignment with the set targets	Detailed measures for each scope of the company, but the level of detail is insufficient to assess the degree of alignment with the set objectives (in particular, a lack of quantified measures)	Measures with little or no detail
Alignment of investments (OPEX / CAPEX)	Details the proportion of investments (OPEX and CAPEX) that contribute to meeting the set short- and medium-term objectives and explains how these investments enable the set objectives to be achieved	The information provided regarding the contribution of investments to meeting the set objectives does not make it possible to understand how the company achieves the set objectives	No investments contributing to the achievement of the stated objectives are specified
Remuneration	All variable components of executive directors' remuneration include at least one criterion that assesses the achievement of greenhouse gas emission reduction targets. The percentage of remuneration determined by this criterion is published; it represents a significant proportion (10% or more)	At least part of the variable component of executive directors' remuneration is subject to an undiluted criterion for reducing greenhouse gas emissions in line with the reduction trajectory defined by the company	The criterion incorporated into the remuneration of corporate officers relating to the reduction of greenhouse gas emissions is diluted, or does not follow the reduction trajectory defined by the company. Or there is no criterion linked to the reduction of greenhouse gas emissions in executive remuneration
Annual consultation on implementation	The company undertakes to consult shareholders annually on the implementation of the climate strategy	The company undertakes to consult shareholders on the implementation of the climate strategy in the coming years or is consulting for the second consecutive year or more	The company does not commit to consulting shareholders on the implementation of its climate strategy
Consultation every three years on the strategy	The company commits to consulting shareholders on its climate strategy at least every three years	The company commits to consulting shareholders on its climate strategy in the coming years or has done so for the second consecutive year or more	The company does not commit to consulting shareholders on its climate strategy