

## Group 2023-2025 ESG targets – definitions

Our new Group ESG targets were presented in our Annual Report 2022 (page 87). We have set out further detail of these targets below.

Material Issue and Metric	Definition	2022/23 Milestone	2025 Target
<b>Net Zero</b> Energy usage from renewable generation (%)  Reducing GHG emissions (%)	This is targeting an improvement in our ‘net’ energy use <sup>1</sup> from renewables <sup>2</sup> in the target year, reflecting milestones towards our longer term 2030 targets of 50%.  The percentage change in the Group's Scope 2 (market based) greenhouse gas emissions compared with baseline year (2020/21) <sup>3</sup> .	7%  65%	13%  70%
<b>Freshwater Stewardship</b> Reduce water use within our operational sites (MI)	The cumulative savings in operational water usage (both raw and potable), measured in megalitres (ML) and accrued at 31 March of target year as a result of capital or operational projects delivered from 1 April 2022. The projects comprise water efficiency and process improvement projects within both water treatment and wastewater treatment works.	5 MI	10MI
<b>Biodiversity</b> Tree planting (cumulative)	Total cumulative number of trees planted or enabled by Pennon programmes. Number of trees are either counted as the number of trees planted or calculated by using a spatial measure of the number of hectares of woodland created equating to an agreed number of trees and hedgerow per hectare. <sup>4</sup>	180,000	250,000

<sup>1</sup> ‘Energy use’ is total energy used (excluding transport) by Group in the target year (as reported and assured annually through Group Streamlined Energy and Carbon Reporting (SECR))

<sup>2</sup> ‘Renewables’ includes renewable electricity, heat and biogas generated or produced within our sites and network or associated direct private connection on a net basis (excluding transport). Includes generation exported to grid and sleeved back to Pennon Group whether that is via self-generation or through privately wired facilities.

<sup>3</sup> Scope 2 market-based to align to industry’s Net Zero 2030 approach.

<sup>4</sup> Numbers will include trees and hedgerows, that are planted because of the water company involvement or under planning regulations and through partnerships. This number will also include natural regeneration. Trees and hedgerows will be planted on owned and non-owned catchment land, including uplands and urban areas.

Material Issue and Metric	Definition	2022/23 Milestone	2025 Target
<b>Customer &amp; Community Engagement</b> Increase our community investment by 10% p.a	Community Investment includes all Pennon Group cash (e.g. community groups, charity sponsorship) and time (e.g. staff time on community programmes) where aligned with the B4SI framework <sup>5</sup> . Percentage increase targeted from a 2021/22 baseline. <sup>6</sup>	10%	30%
<b>Diversity &amp; Skills</b> Female representation (%)  Increase REACH recruitment (%)  Achieve 5% club status	The proportion of female employees in the Group as a percentage of total employees in the Group at 31 March of target year.  Percentage of new recruits who have disclosed their ethnicity as REACH (Race, Ethnicity and Cultural Heritage). <sup>7</sup>  Achieve Bronze and Gold accreditation in target year as defined by <a href="https://www.5percentclub.org.uk/">https://www.5percentclub.org.uk/</a> (an organisation that recognises employers that have at least 5% of employees on structured graduate or apprenticeship programmes).	31%  5%  Bronze accreditation	33%  10%  Gold accreditation
<b>Health, safety and wellbeing</b> Number of Lost Time Injuries (LTIs)  Great Place To Work accreditation	LTI - an injury which results from either a specific work-related task (e.g a strain or sprain as a result of carrying/lifting equipment), or from a single instantaneous exposure in the work environment (e.g being struck by a falling object whilst completing a specific task) and that results in a person being unfit for work on any day beyond the date of the incident.  Maintaining the Great Place To Work accreditation means that we achieved 65% or greater positive response in the survey. The trust index assessment and employee survey is sent out to all employees within Pennon group annually: <a href="https://www.greatplacetowork.co.uk/awards/certified/">https://www.greatplacetowork.co.uk/awards/certified/</a>	22  Maintain	11  Maintain

<sup>5</sup> B4SI (Business for Societal Impact) is an externally recognised framework for consistent measurement and reporting of community investments and impact. (<https://b4si.net/>)

<sup>6</sup> Group 2021/22 baseline established through the B4SI methodology: South West Water: £580k (B4SI assured); Bristol Water £21k.

<sup>7</sup> All employees are encouraged to disclose their ethnicity through a self-service portal which updates their personal HR record.

Material Issue and Metric	Definition	2022/23 Milestone	2025 Target
<b>Trust &amp; Transparency</b> ESG Rating (Sustainalytics)  Fair Tax accreditation  Investor engagement (%)	Score as provided in Sustainalytics ESG Rating report for Pennon Group  The Fair Tax Mark accreditation encourages and recognises businesses that pay the right amount of corporate income tax at the right time and in the right place. <a href="https://fairtaxmark.net/">https://fairtaxmark.net/</a>  Percentage of active institutional investors met or offered to meet in the target year (based on the proportion of shareholding in Pennon Group)	>75  Maintain  68%	>80  Maintain  75%
<b>Sustainable finance</b> New funding through the Sustainable Finance Framework (%)	Any finances raised attributed to Gross debt (excluding any former leases accounted as operating leases) raised under the Sustainable Financing Framework and a proportion of the total finance raised in the Target year as reported in the Annual Report and Financial Statements.	60%	>75%
<b>Supply chain</b> Supplier payment days (average days)	Weighted average supplier payments days for South West Water, Bristol Water and Pennon Water Services as reported on the Government’s Reporting on Payment Practices and Performance website up to the 31 March for each target year: <a href="https://check-payment-practices.service.gov.uk/search">https://check-payment-practices.service.gov.uk/search</a>	40 days	30 days
Key and Strategic Suppliers that have established an ESG policy or equivalent (%)	Total percentage of suppliers defined as “Key and Strategic” that have evidenced they have an established ESG policy (or equivalent) as at 31 March for target year.	50%	100%