



# Our Pioneering Sustainable Financing Framework



**Capital Markets Day**  
28 September 2021

# Leading the way in UK water



## Purpose-led business

– pioneering a new relationship with customers and protecting the environment

## Driving performance through innovation

– agile and efficient

## Investing for sustainable growth – for the benefit of all

– twin track strategy;  
organic, acquisitive

## Creating long-term sustainable value



# Our Pioneering Sustainable Financing Framework

## Sustainability at the heart of our business

### Protecting and enhancing our environment for generations to come

- Delivering net zero – reducing our carbon impacts
- Targeting nature based solutions – enhancing biodiversity

### Supporting our people, customers and communities

- Delivering for the benefit of customers and communities
- Supporting diversity and inclusion across our business

### Being a responsible business for all our stakeholders

- Achieving fair tax accreditation
- Pioneering the Sustainable Financing Framework



FTSE4Good



Our Pioneering Sustainable Financing Framework

# Aligning ESG to our Capital strategy

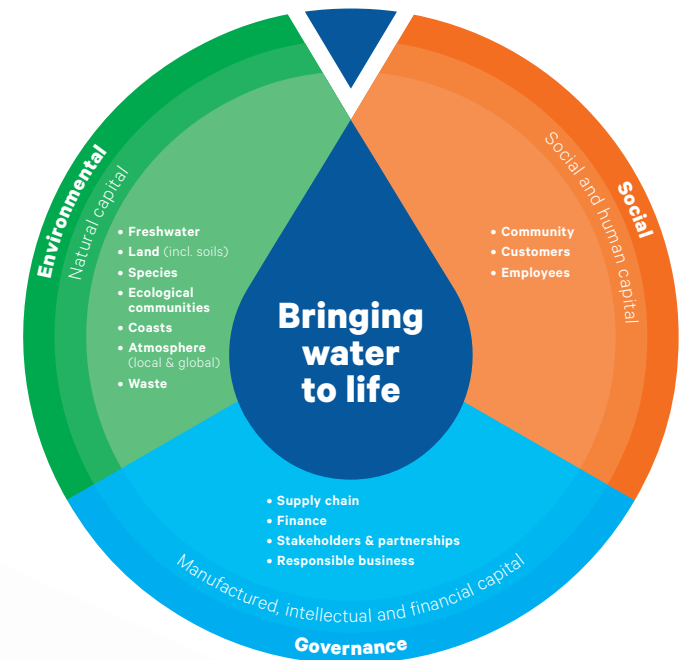
**Our new ESG Capitals strategy will ensure that significant environmental and social issues (capitals) are integrated into our decision making.**

For example both climate mitigation (i.e. Net Zero) and climate adaptation are both key considerations in our investment decisions.

The intention is that our ESG Capitals strategy will support reporting of our performance across our capitals

Phase one of our planned capitals implementation includes:

- Applying appropriate valuations to inform our understanding and use of capitals information
- Embedding our capitals approach in our decision making and plan making
- Enhanced disclosure and assurance of our performance
- Collaboration with regional partners to apply capitals thinking in practice



# Our Pioneering Sustainable Financing Framework Complementing our goals

**Cleansweep**  
Coastal improvement projects  
1989-2007



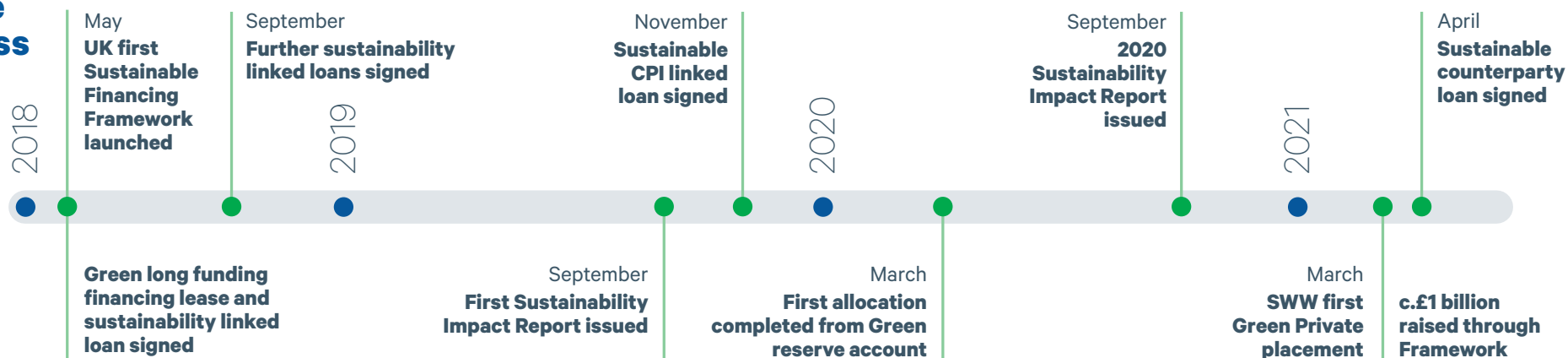
**Upstream Thinking**  
Award-winning programme  
2006 onwards



**Net Zero carbon**  
Commitments  
2021



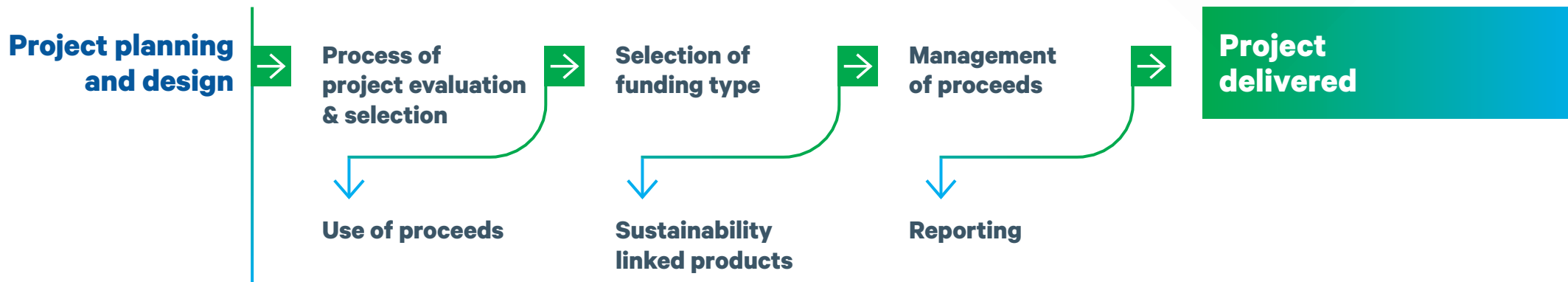
## Sustainable finance progress



# Our Pioneering Sustainable Financing Framework

## Enhancing our Framework

**Our new Framework will incorporate Green Loan and Social Loan Principles, Green Bond and Social Bond Principles and the new Sustainability Linked Loan and Bond Principles**



Typical projects that fall under the green finance umbrella include:

- Renewable energy and energy efficiency
- Pollution prevention and control
- Biodiversity conservation
- Circular economy initiatives
- Sustainable use of natural resources and land

## Our Pioneering Sustainable Financing Framework

# Use of proceeds

**The majority of South West Water projects and expenditure meet the green and sustainable principles eligible categories**

The Group will look to issue all new financing through the Framework selecting the products to match the use of proceeds

All proceeds will be allocated to eligible expenditure

Total Expenditure*	
Loans	
Bonds	
Private placements	
Opex	Capex
Sustainable Counterparties	Long Funding Finance Leases

\* Excluding ineligible expenditure (accounting for c.1% in 2021)



### Use of proceeds

- Alignment to ESG strategy
- Alignment to SDG
- Eligible categories
- EU & UK Sustainable Taxonomy

# Our Pioneering Sustainable Financing Framework

## Sustainability Linked Loans

**The loans will be linked to specific Key Performance Indicators (KPIs) to be determined between Pennon and the lender**

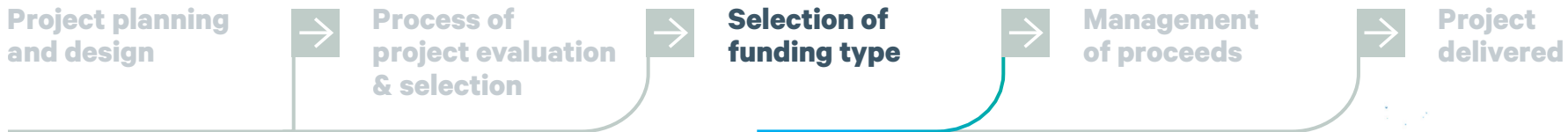
Sustainability Linked Loans will follow the Sustainability Linked Loan Principles

The KPIs will be independently audited each year and will form part of the annual impact report

Sustainability linked loans including Revolving Credit Facilities (RCFs) will be linked to these targets

It is expected that the KPIs will link to:

- Net Zero Commitments
- ESG commitments
- SWW ODI performance metrics



### Sustainability linked products

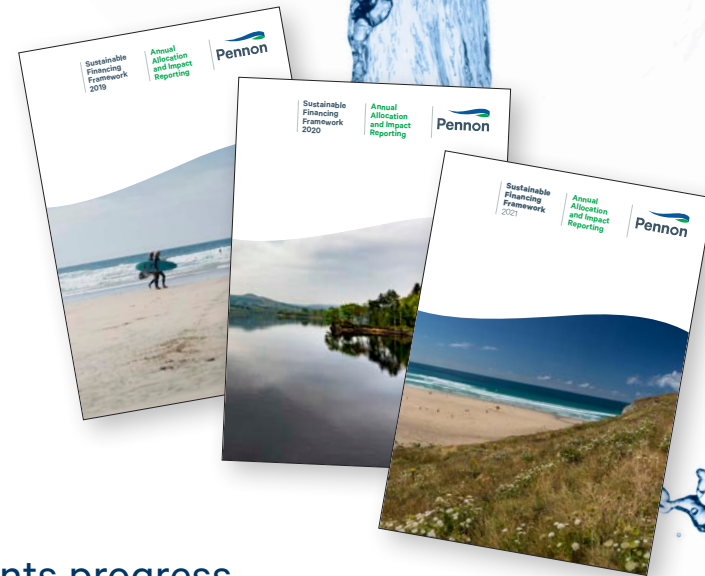
- Sustainability linked KPIs
- Net Zero commitments
- ODI / Business plan objectives

# Our Pioneering Sustainable Financing Framework Reporting

## The Group will produce an annual sustainable finance impact report

The report will provide information on:

- Drawdowns and allocations
- Sustainability linked loan performance
- Our GHG emissions
- Progress against our Net Zero commitment
- Impact of relevant innovation
- Capitals strategy commitments progress



### Reporting

- Annual Reporting
- Sustainability linked KPIs
- Alignment to ESG strategy
- ODI / Business plan objectives

## Our Pioneering Sustainable Financing Framework

# Summary Actions

Ambition for all new financing to be aligned to the Framework

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Sustainable finance to support South West Water capital programme

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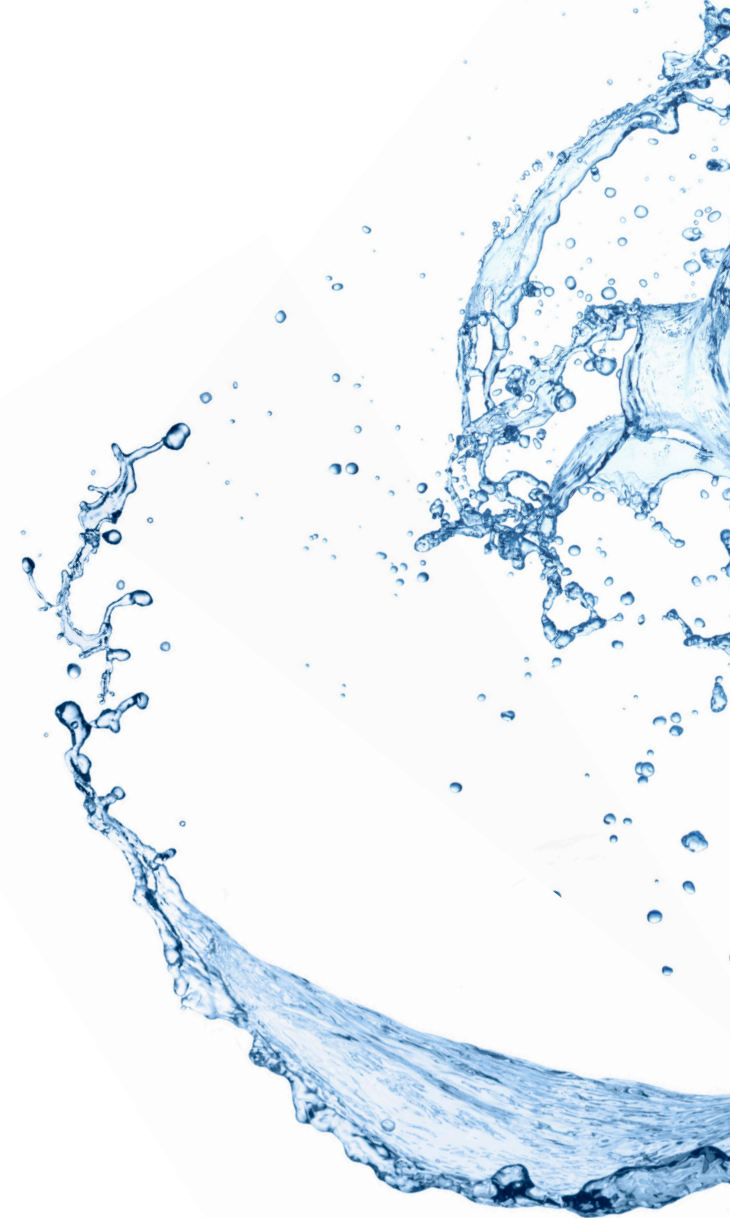
Sustainability linked loans to support the Group's prefunding requirements

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Impact reporting to support investor reporting requirements

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Capitals ESG Strategy to provide toolkit for investment decisions



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# Q&A



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