Climate and Nature-related Financial Disclosures

Climate and nature-related disclosures are increasingly critical to understanding and managing the environmental risks and opportunities facing our business. As part of our commitment to transparency and sustainable value creation, we report in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD). These frameworks help us assess and communicate the financial impacts of climate and nature-related risks and dependencies, supporting informed decision-making for our stakeholders.

Taskforce on Climate-related Financial Disclosures

Large sections of the UK economy have moved to mandatory climate change reporting aligned with the Taskforce on Climate-related Financial Disclosures (TCFD). This is in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Disclosures are made against the TCFD recommendations and supplemented where relevant with any additional disclosures required under the Regulations. For any areas of part disclosure, we have explained the activities being undertaken to bring us into full disclosure with the Regulations.

The TCFD framework focuses on four pillars, which are supported by 11 recommended disclosures.

Taskforce on Nature-related Financial Disclosures

The Taskforce on Nature-related Financial Disclosures (TNFD) has developed a set of disclosure recommendations and guidance that encourage and enable companies to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. Its aim is to support a shift toward nature-positive outcomes that are aligned with the Global Biodiversity Framework (GBF), which has been also incorporated into the UK's approach via the 'UK Biodiversity Framework', the delivery of which will be overseen by each of the four nation's Environment Departments, including DAERA.

Several jurisdictions have announced mandatory disclosure requirements on nature, including the EU and China. The UK is aligning with the International Financial Reporting Standards (IFRS) on sustainability disclosures issued by the International Sustainability Standards Board (ISSB). TNFD aligns with the ISSB standards and the ISSB is working on a potential new nature standard, drawing on TNFD. The UK government has endorsed the TNFD framework for use on a voluntary basis.

Nature-based disclosures are essential to understanding our business and our future direction. We have therefore chosen to make our first set of disclosures aligned with TNFD for 2024/25. We will further develop our disclosures over the coming years as we work towards full compliance with TNFD. This work will be informed through our membership of the Green Finance Institute's TNFD forum and the UK Consultation Group. The UK Consultation Group acts as a central hub of support to UK companies as they seek to understand, engage with, pilot and adopt the TNFD recommendations and guidance.

The TNFD framework contains four pillars (same pillars as TCFD) and has 14 recommended disclosures.

Climate and Nature-related Financial Disclosures

Pillar		Recommended disclosures
Governance	**a.**	Board oversight
	b.	Management role
	c.	Organisation's human rights policies and engagement activities ***TNFD only**
Strategy	**a.**	Climate/nature-related risks and opportunities
	b.	Impact on the organisation's business model, value chain, strategy and financial planning
	c.	Resilience of the organisation's strategy
	d.	Priority locations ***TNFD only**
Risk Management	**a(i).**	Risk identification, assessment and prioritisation processes
	a(ii).	Risk identification, assessment and prioritisation processes in value chain ***TNFD only**
	b.	Risk management process
	c.	Integration into overall risk management
Metrics and Targets	**a.**	Climate/nature-related metrics in line with strategy and risk management process
	b.	Metrics used to assess and manage the related risks and impacts
	c.	Climate/nature-related targets and performance against targets

*All 11 TCFD disclosures carried over to TNFD disclosures along with three additional recommended disclosures which are highlighted in the above diagram as only being TNFD disclosures.

Taskforce on Climate-related Financial Disclosures

Governance

a) Board oversight

The NI Water Board provides leadership on climate change and takes overall responsibility for overseeing the management of risks associated with and sets the risk appetite for climate change. Climate change risk and opportunity is integrated into the strategic review process in NI Water and is one of NI Water's Principal Risks. The Board receive quarterly updates on the management of climate change risks. Find out more about our Principal Risks on page 76.

The Audit Committee and Risk Committee supports the Board on climate risk management and climate reporting and receive quarterly updates on these areas. Refer to the reports by the Committee Chairs at page 160 and page 162.

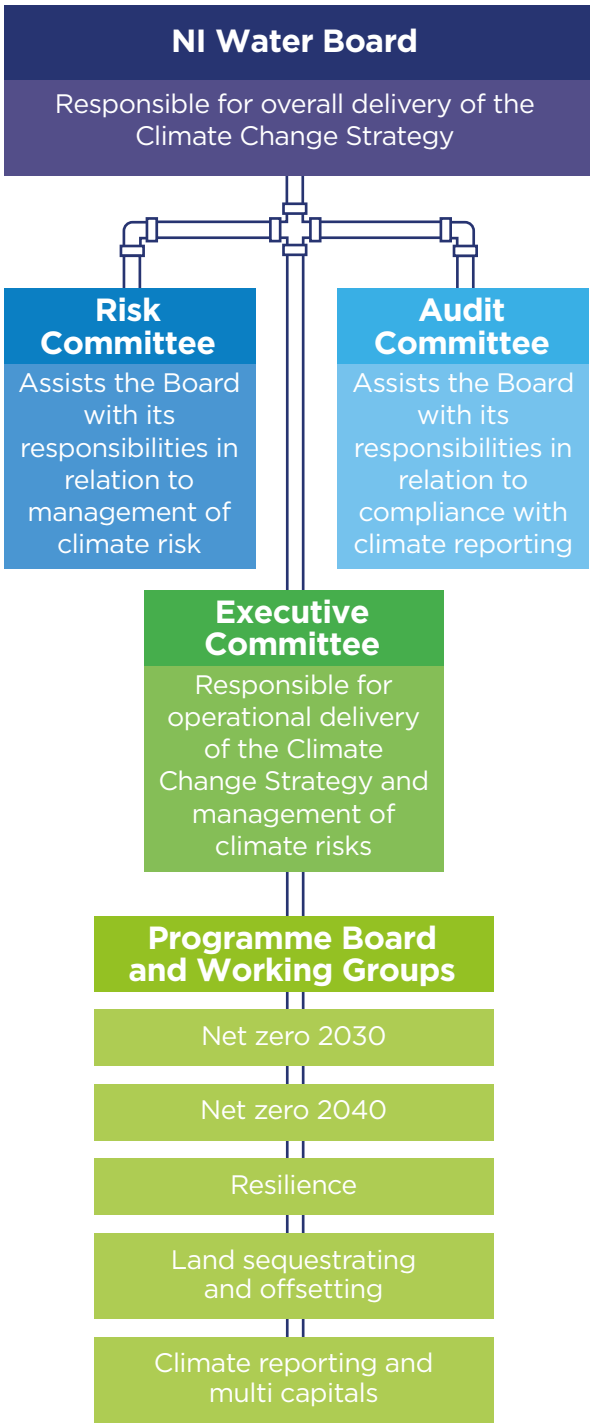
b) Management role

Executive Committee

Responsibility for operational delivery of the Climate Change Strategy and management of climate risks rests with the Executive Committee. The Director of Engineering and Sustainability is the designated Senior Responsible Owner for climate change and is supported by the Head of Climate and Wastewater Regulation Reform and designated senior managers and their teams across relevant areas of the business. The Executive Committee receive quarterly updates on the Climate Change Strategy and the management of climate risks.

Programme Board and Working Groups

The Executive Committee is supported by the Climate Change Strategy Programme Board, which is responsible for implementing the annual climate action plan. The Programme Board oversees five Working Groups. NI Water actions and the action owners from across the business report to the Working Groups to ensure traction and delivery of the Climate Change Strategy. Delivery risks are managed by the Programme Board, drawing on updates from the working groups, and reported quarterly to the Executive Committee.



Taskforce on Climate-related Financial Disclosures

Strategy

a) Climate-related risks and opportunities

Focusing on climate has been a priority for NI Water since our formation in 2007. We have made significant improvements in water resilience for customers, delivering higher levels of leakage detection, sustained investment in water mains and water efficiency initiatives.

We have been developing a Water Resilience and Supply Plan from 2012 and have been partners in the Living with Water Programme to improve strategic drainage infrastructure from 2014. Since 2015, we have reduced our operational carbon emissions by well over 50%, through alternative fuel projects to reduce fossil fuels used in our treatment processes, delivering solar farms, restoring peatland, and planting new woodlands.

The climate risks we face span transition risks and physical risks. Addressing these helps us to protect our customers where we can from the worst impacts of climate change and presents us with an opportunity to invest in sustainable outcomes, such as the new low carbon energy sources.

Transition risks

Transition risks are about the risks of transitioning to a net zero economy. Limiting warming to 1.5°C means organisations face transition risks from the imposition of government policy and regulation, such as the introduction of carbon taxes, climate litigation, reputational exposure, and shifting consumer preferences, as well as from the 'green premium' on new technology. Transition risks can lead to additional funding pressures and the stranding of assets which are no longer useable under new policy and regulation.

Physical risks

With every small increase in average global temperatures there are changes to the climate, which can lead to more severe weather events and degradation of the natural environment. These are the physical risks of climate change. We have already seen the impact of global warming across our region through increased flooding, storms, prolonged periods with no rainfall and more frequent periods of intense rainfall. All these factors create challenges across our business. There are also physical risks associated with our operational assets, especially in relation to critical facilities located in exposed areas.

By 2050 Northern Ireland is expected to experience a temperature increase of between a 1.9°C, in a middle emission scenario, and 2.4°C, in a high emission scenario. By the 2090s the temperature is projected to be significantly higher of between 3.3°C and 5.2°C. Climate hazards have potential to cause major disruption to our water and wastewater service. We have summarised the hazards under the following areas:

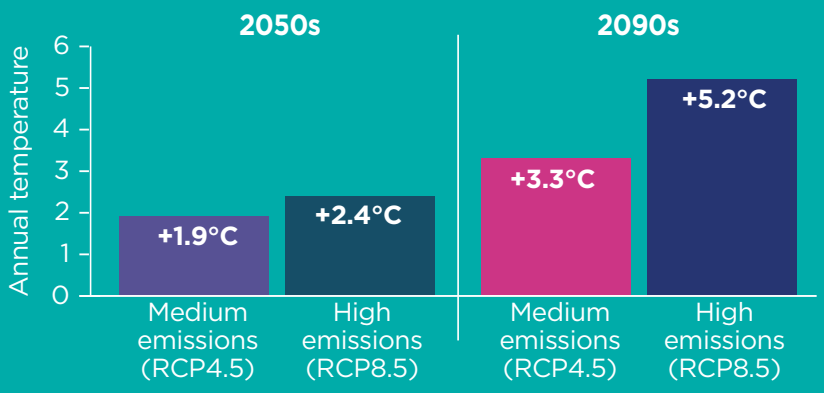
- Warmer and drier summers causing a surge in water demand and risk of drought; and
- Intense rainfall, rising sea levels and severe storms overwhelming our sewers and leading to internal flooding of homes and pollution of water courses, putting our low-lying coastal sites at risk of flooding, and causing damage to our infrastructure.

We recognise that other hazards exist such as extreme cold, which can also cause a surge in water demand. These hazards pose indirect risks to us by impacting on infrastructure that we are dependent on such as the road network, on our people or on our supply chain.

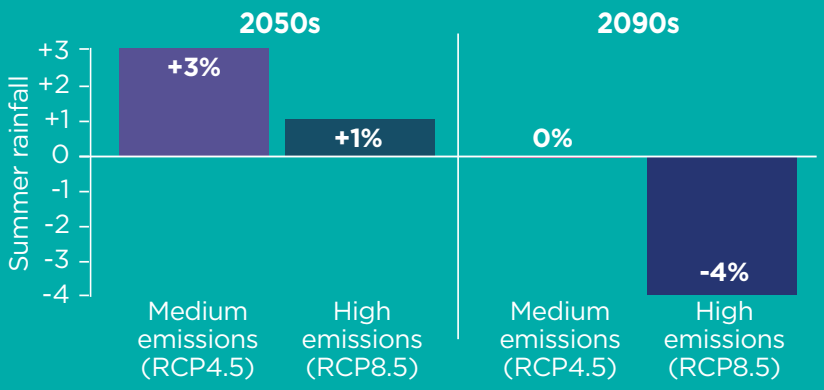
As an operator of critical national infrastructure, we must be ready for climate change. We are moving our business to a higher state of readiness by planning for two degrees of temperature rise by 2050 and preparing for four degrees by 2090. As part of this, we ensure that our business continuity plans, major incident plan and commercial insurance programme are aligned with our Climate Change Strategy.

Taskforce on Climate-related Financial Disclosures

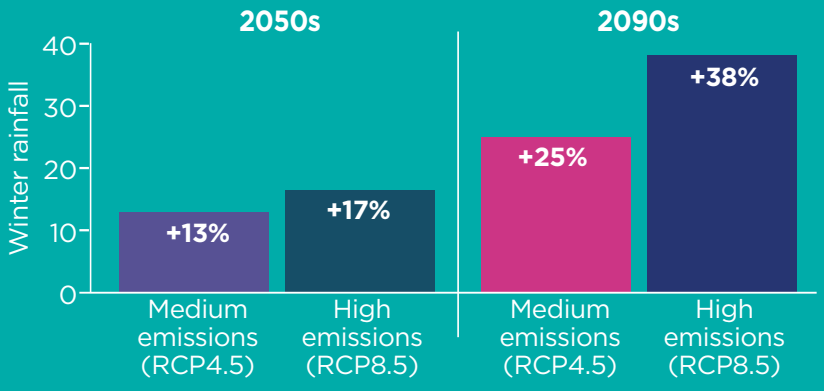
Annual temperatures are set to increase on average by between 1.9°C - 2.4°C by 2050*



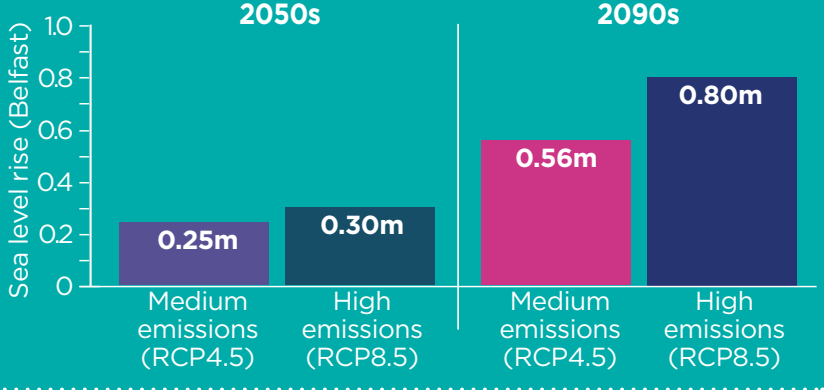
We can expect hotter drier summers, and while overall summer rainfall is projected to decrease, downpours will be more extreme**



Winter rainfall is projected to increase creating warmer wetter winters**



Projected sea level rise has the potential to impact our coastal towns and cities including Belfast



Climate change and sea level rise projections based on the 90th and 95th percentile respectively (compared to the 1981-2000 average).

**UKCP18 key results, available at https://acct.metoffice.gov.uk/pub/data/weather/uk/ukcp18/science-reports/UKCP18-Probabilistic-Update-Report.pdf*
***CCRA3 2021, Summary for Northern Ireland available at https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-Northern-Ireland-Summary-Final.pdf.*

Taskforce on Climate-related Financial Disclosures

Opportunities

Investing to mitigate the transition and physical climate risks we face brings a wealth of new opportunities. Our Power of Water Report underlined the potential for NI Water's assets to act as catalysts for transforming the energy system by both producing cleaner, renewable energy and support flexibility of supply. NI Water and its customers will benefit from our renewable transition in the stability of costs and mitigation of emissions, but this can only be fully achieved with collaboration across institutions and stakeholders in Northern Ireland. Other opportunities are continually being explored and will be progressed in the coming years. Taking the opportunities to mitigate these risks will have wider benefits for the Northern Ireland landscape in reducing inequalities, improving air quality, and creating new jobs and opportunities.

b) Impact on the organisation's business, strategy and financial planning

Our Corporate Strategy sets the overall strategic direction on climate action in the medium-term across PC21 (2021-28) and over the longer-term (2021–2046). Getting to net zero for emissions and ensuring we are resilient to climate change are essential elements within our Corporate Strategy through our strategic priority on nature. We set out our goal to fully exploit innovative approaches to energy and new technology to reduce our carbon footprint and ultimately become carbon neutral. The long-term corporate strategy also recognised the need for a sustained step change in levels of investment to improve asset resilience.

Climate Transition Plan

The Transition Plan Taskforce was launched by HM Treasury in April 2022 to develop the gold standard for private sector climate transition plans. The Taskforce published a final Disclosure Framework in October 2023. The Disclosure Framework sets out the key elements of credible and robust climate transition plans as part of annual reporting on forward business strategy. The Framework will support the creation of consistent, comparable company reports, and reduce the level of complexity faced by firms disclosing climate-related information. The UK Government has committed to consulting on the introduction of requirements for the

UK's largest companies to disclose their transition plans.

We will develop our Climate Transition Plan in 2025/26 to inform our next Business Plan for PC28. The transition plan will include the costs and annual greenhouse gas reduction targets for delivering our Climate Change Strategy. The transition plan will supplement our existing climate action plan and provide further analysis to manage our climate risks and opportunities.

Carbon pricing is important and our Investment Planning and Costing Tool uses the UKWIR Carbon Accounting Workbook. Carbon is assessed based on the capital expenditure with a carbon factor applied. Our PC28 business plan will contain further information on any deployment of internal carbon pricing.

Further details on the impact of climate change on financial planning is contained on page 205 of the financial statements.

c) Resilience of the organisation's strategy

Climate Change Strategy

Our Climate Change Strategy sets out our approach to building a net zero and climate resilient business. The Strategy sets out:

- our pathway to net zero emissions for the energy we use by 2030;
- how we will achieve net zero for all our emissions by 2040; and
- what we will do to ensure resilience of our services to climate change by 2050 and by 2090.

Taskforce on Climate-related Financial Disclosures

Key activities for net zero over 2024/25 included:

- Developing our Energy Strategy and Estate Decarbonisation Plan for PC28;
- Arranged the purchase of six electric vans for 2025/26;
- Completion of Sludge Disposal and Biosolids Strategy;
- Investment planning tool for PC28 upgraded to include whole life carbon;
- Approach developed for supply chain decarbonisation; and
- Draft Biodiversity Strategy developed including the digitisation of our land.

Our approach to resilience is based on the UK Water Industry Research (UKWIR) Climate Adaptation Framework and is informed by our risk scenario modelling detailed on page 110.

Key activities to strengthen our resilience over 2024/25 included:

- Updating our Water Resource and Supply Resilience Plan for the UKCP18 regional projections (RCP8.5 emission scenario). Find out more at https://www.niwater.com/managing-northern-irelands-water-resources/;
- Developing our Leakage Strategy for PC28;
- Refresh of our water efficiency campaigns; and
- Wastewater treatment works flood alleviation project, river health action plan and water quality improvement plan under consideration for PC28.

Details on our strategic response for net zero and resilience is available at https://www.niwater.com/climatechange/strategy/

Taskforce on Climate-related Financial Disclosures

Risk management

a) Risk identification, assessment and prioritisation

Risk scenario modelling

We developed a Climate Risk Model in 2021/22 to assess the financial impacts of physical and transition risks. The model points to illustrative trends for physical and transition risks over the next three decades. These show transition risks peaking over this decade before being overtaken by physical risks.

The model helped inform the development of our Climate Change Strategy, particularly in relation to the timing of our targets and actions for net zero and climate resilience. The model has also helped us identify information required to improve our understanding and climate decision making.

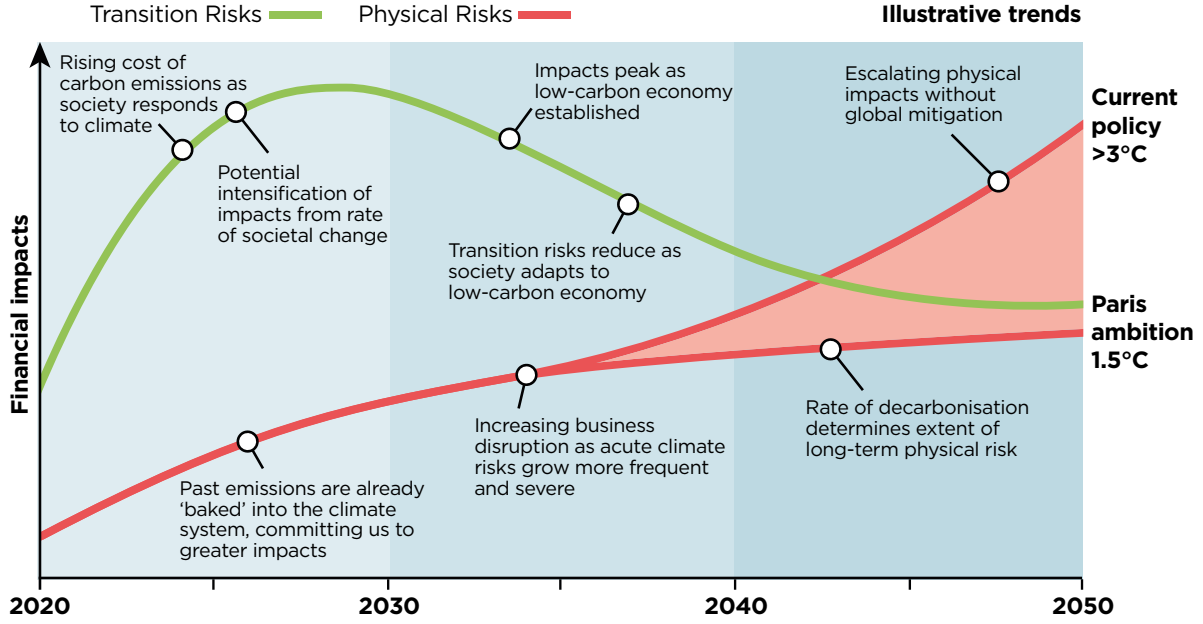
The model points to illustrative trends for physical and transitional risks over the next three decades. These show transitional risks peaking over the next decade before being overtaken by physical risks. These trends reflect that companies and their owners face significant risks from both action and inaction.

The magnitude of the short-term financial impacts over the PC21 period excludes the costs to transition NI Water to net zero. This aligns with the approach taken for the PC21 Business Plan and will likely result in a material increase in the financial impacts once factored in for PC28 and future Price Controls.

b) Risk Management process

The modelling exercise identified several areas for development, which have been incorporated into the Climate Change Strategy action plan:

- transition (policy) risk – more granular assessment of scope 3 supply chain emissions as part of setting of science based targets;
- transition (technology) risk – quantifying the cost to decarbonise the business by 2040 and funding via the Price Controls; and
- physical risk – assessment of granular asset level impacts to inform long-term asset resilience as part of our long-term resilience planning for clean water and wastewater.



Illustrative trends for physical and transitional risks over the next three decades.

We re-ran the model over 2023/24 to further inform our TCFD disclosures. We plan to re-run the model every three years.

The re-run process involved the following developments:

- inclusion of improved data sets such as Scope 3 emissions;
- extending the transition risk assessment, assessing policy, liability and technology risks over a five-to-ten-year time frame; and
- physical risk assessment to quantify the business disruption, property damages and market disruption risk and opportunities present.

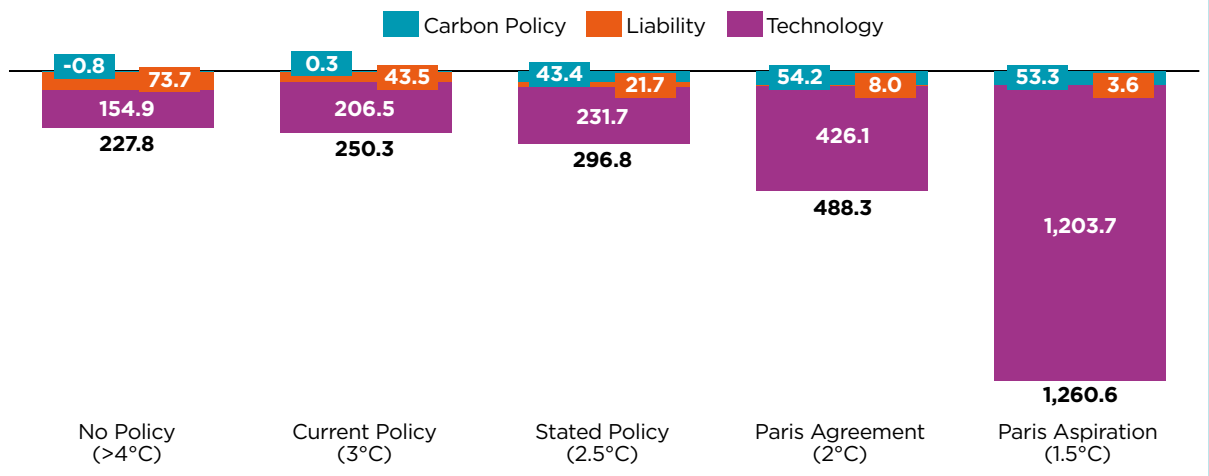
Taskforce on Climate-related Financial Disclosures

Key findings from the model re-run included the following:

Value at risk over the 10-year time frame - £m

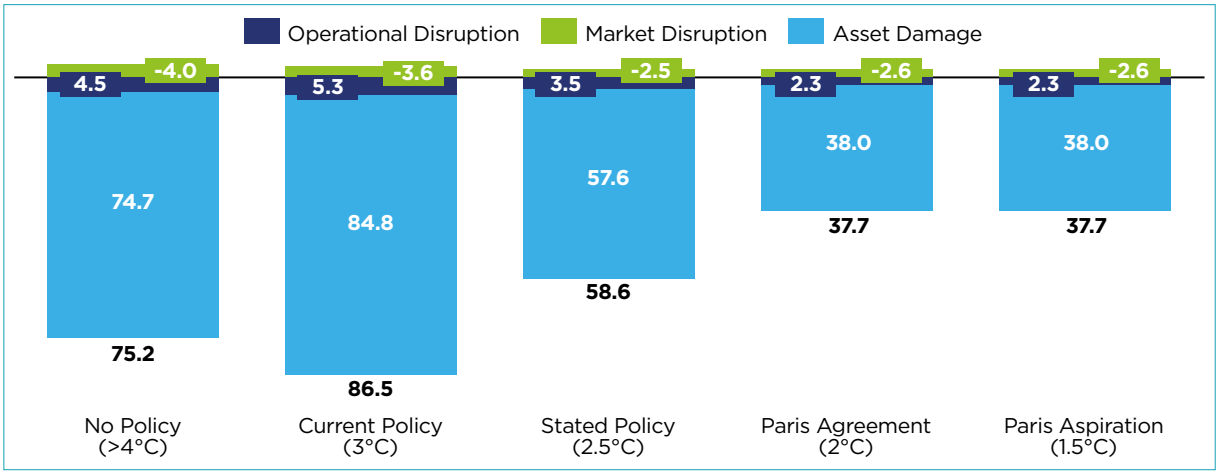
Transition Risk:

- technology risk is the dominant transition risk faced by NI Water, while policy (carbon pricing) and liability (climate litigation) risks are present, the magnitude is smaller;
- the overall impact of transition risk ranges from £227m to £1.2bn as the economy adopts more climate stringent policies;



Physical Risk:

- the largest physical risk costs at £86.5m are expected to be incurred in the current policy scenario over the ten-year time frame;
- the leading peril impacting NI Water's key facilities is temperate windstorm, followed by riverine flood and drought/water stress; and
- heatwave and drought/water stress are expected to increase the demand for NI Water's services.



Key recommendations from the model re-run include creating a decarbonisation plan to reduce emissions, with a particular focus on Scope 3 emission reductions; accelerating the electrification of NI Water's assets, creating a strategy for assets with larger fossil fuel dependency and establishing a climate risk mitigation plan and business interruption plan for all key facilities. We are addressing these recommendations through the development of a climate transition plan in 2025/26 alongside ongoing updates to our major emergency and business continuity plans.

Taskforce on Climate-related Financial Disclosures

Model assumptions:

Input data and Assumptions

This exercise assesses the potential impact of climate on NI Water's earnings value in the next 5-10 years under set global temperature scenarios (>4°C, 3°C, 2.5°C, 2°C and 1.5°C):

- Cash Flow projections for the next 5-10 years are used; and
- Baseline Cost of Capital is calculated based on NI Water's current capital structure and cost of debt and equity.

Limitations and Constraints

- Impact on earnings value is calculated assuming that NI Water does not modify its current/planned strategy based on the market ecosystem. Thus, the exercise does not provide an expected value of this impact.

Transition risk assumptions:

	Modelling data assumptions
Carbon Policy	• Carbon costs have been estimated based on the NI Water's GHG emissions • Scope 1 and Scope 2 emission values were obtained from NI Water's annual report • The collective global Scope 3 emissions data was geographically split using NI Water's geographical ratio from the previous year • For comprehensive analysis, it is assumed that NI Water retains all the increased carbon pricing costs
Liability	• For comprehensive analysis, this exercise assumes that NI Water will not pass litigation costs to customers
Technology	• The following depreciation rates were utilised for assets: property: 1.97%, machinery: 8.23%, transport: 17.68% • The reduction in fuel usage for transport assets is assumed to be proportionate to the size of NI Water's electric fleet • NI Water's property assets are assumed to have a 2.3% fossil fuel utilisation rate due to the use of kerosene, gas oil, natural gas and propane in buildings • Machinery assets are assumed to have a 100% fossil fuel utilisation rate • It is assumed that NI Water retains all the increased investment costs and does not pass them onto customers

Physical risk assumptions

	Modelling data assumptions
Operational Disruption	• Replacement costs were identified for all key facilities to determine the cost associated with extreme weather events impacting NI Water's key facilities • Where replacement costs were not available for facilities, initial costs of the facilities were pro-rated to 2023
Asset Damage	• Replacement costs were identified for all key facilities to determine the cost associated with extreme weather events impacting NI Water's key facilities • Where replacement costs were not available for facilities, initial costs of the facilities were pro-rated to 2023
Market Disruption	• 2023 revenue values were aligned to NI Water's market breakdown from the previous assessment conducted

Taskforce on Climate-related Financial Disclosures

c) Integration into overall risk management

Our principal risk on climate change is being aligned with the analysis on physical and transitional risks and the Climate Change Strategy. This will further support the embedding of climate risks through our corporate, directorate and programme/project risk and resilience management systems.

The long-term viability assessment has been updated for the latest analysis on climate risks. Find out more at page 170.

The Directors have considered in the Section 172(1) statement how their decisions support the long-term climate resilience of the business and the consideration of the climate impact of its operations. Find out more at page 176.

We have also considered the impact of climate change on the financial statements across areas such as provisions, impairment, contingent liabilities and accounting judgements and estimates. Find out more at page 205.

Our principal risks section on page 76 shows how climate-related risks have been integrated into our overall risk management process, including our integrated risk and resilience framework which encourages effective risk management across the whole business, with climate change being identified as a principal threat, see page 88 which provides an overview of the climate change principal threat.

Taskforce on Climate-related Financial Disclosures

Metrics and Targets

a) Climate-related metrics in line with strategy and risk management process

Transition risks

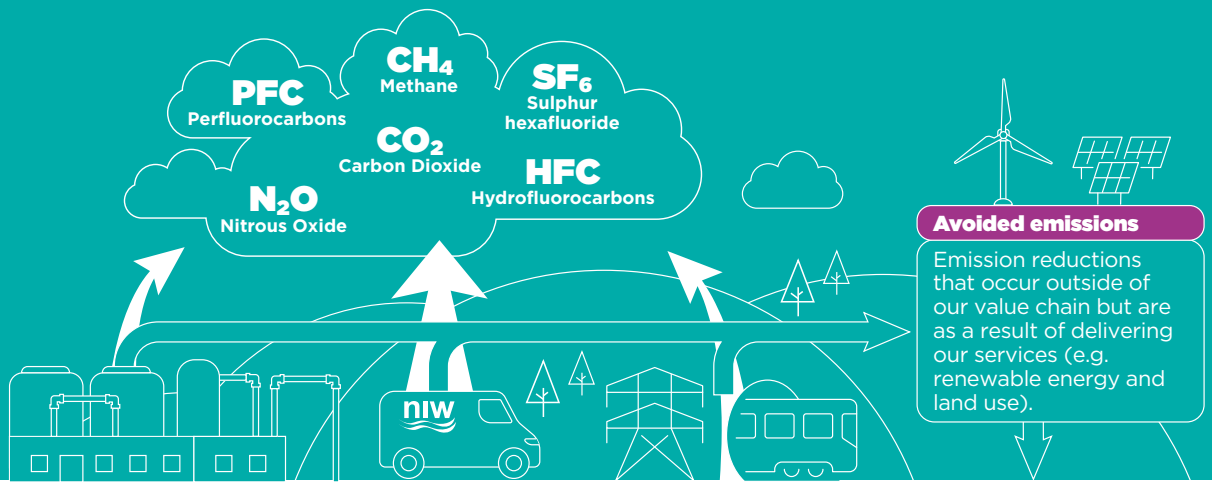
We account for our greenhouse gas emissions annually using the UKWIR Carbon Accounting Workbook, designed specifically for water companies to measure and report their emissions. The emissions are split into different categories known as scopes. The Workbook is used to prepare the disclosures in our Annual Integrated Report and is aligned to the UK Government Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting Regulations.

We report a fourth category of emissions in our Annual Integrated Report. This category is known as 'avoided emissions' and relates to emission reductions that occur outside of our value chain but are because of delivering our services (e.g., renewable energy).

We will further develop our approach in 2025/26 as part of our Climate Transition Plan.

We have already made sizeable reductions in our greenhouse gas emissions since we began reporting. But we know there is much more to do, and we are playing our part in the water industry's drive to improve the accuracy of our reporting.

Greenhouse gas emissions by scope



Physical risks

The following SPIs are recognised as climate-related performance metrics and are reported on pages 31 to 59:

- Reduction in customers reporting service failures;
- Water quality compliance;
- Reduction in leakage;
- Reduction in supply interruptions;
- Bathing water quality;
- Reduction in our pollution incidents;
- Wastewater compliance; and
- Reduction in number of properties at risk of out of sewer flooding.

Taskforce on Climate-related Financial Disclosures

b) Metrics used to assess and manage the related risks and impacts

Transition risks and impacts

Our net zero 2040 emissions baseline is made up of 2020/21 emissions from our activities, and subdivided into scopes 1, 2, and 3. Further details are contained in our Climate Change Strategy.

Based on the uncertainties and current industry practice, our net zero 2040 baseline currently excludes some of the wastewater process emissions and all of land use. We will include all of these in our net zero 2040 baseline and target once we are able to quantify them.

We are currently undertaking monitoring and initial studies to quantify process emissions. Based on preliminary findings, we anticipate that reported process emissions will increase significantly in future annual disclosures. However, before publishing any revised figures, we aim to gain a deeper understanding of both our own monitoring results and those emerging across the sector. This includes reviewing the evolving reporting methodologies, particularly the UKWIR carbon accounting workbook, to ensure consistency and accuracy in our approach.

We have developed our methodology and classifications in 2024/25 in line with industry standards and knowledge. The data is based on assumptions and latest understanding. The reported emissions for 2024/25 and 2023/24 are shown below:

NI Water greenhouse gas emissions	2024/25 tCO_2e Market based*	2024/25 tCO_2e Location based**	2023/24 tCO_2e Market based*	2023/24 tCO_2e Location based**
Scope 1 direct emissions				
Direct emissions from burning of fossil fuels	2,410	2,410	2,319	2,319
Process emissions from our treatment plants	11,444	11,444	7,929	7,929
Transport: Company owned or leased vehicles	2,391	2,391	2,121	2,121
Total scope 1 direct emissions	**16,245**	**16,245**	**12,369**	**12,369**
Scope 2 energy indirect emissions				
Grid electricity purchased	14,203	52,794	19,009	53,624
Total scope 2 energy indirect emissions	**14,203**	**52,794**	**19,009**	**53,624**
Total scope 1 and scope 2 (gross of avoided emissions)	**30,448**	**69,039**	**31,378**	**65,993**
Avoided emissions				
Avoided emissions from renewable electricity exported	(668)	(668)	(283)	(283)
Avoided emissions from renewable electricity purchased	-	(32,158)	-	(32,432)
Total avoided emissions	**(668)**	**(32,826)**	**(283)**	**(32,715)**
Total scope 1 and scope 2 (net of avoided emissions)	**29,780**	**36,213**	**31,095**	**33,278**
Scope 3 other indirect emissions				
Purchased goods and services	55,969	55,969	56,166	56,166
Capital goods and services	84,093	84,093	93,107	93,107
Waste generated in operations	15,940	15,940	18,581	18,581
Employee commuting, homeworking and business travel	2,144	2,144	2,156	2,156
Fuel and energy	17,759	17,759	19,216	19,216
Transport and distribution	2,619	2,619	3,302	3,302
Leased assets	152	152	152	152
Total scope 3 other indirect emissions	**178,676**	**178,676**	**192,680**	**192,680**
Total reported emissions (net of avoided emissions)	**208,456**	**214,889**	**223,775**	**225,958**

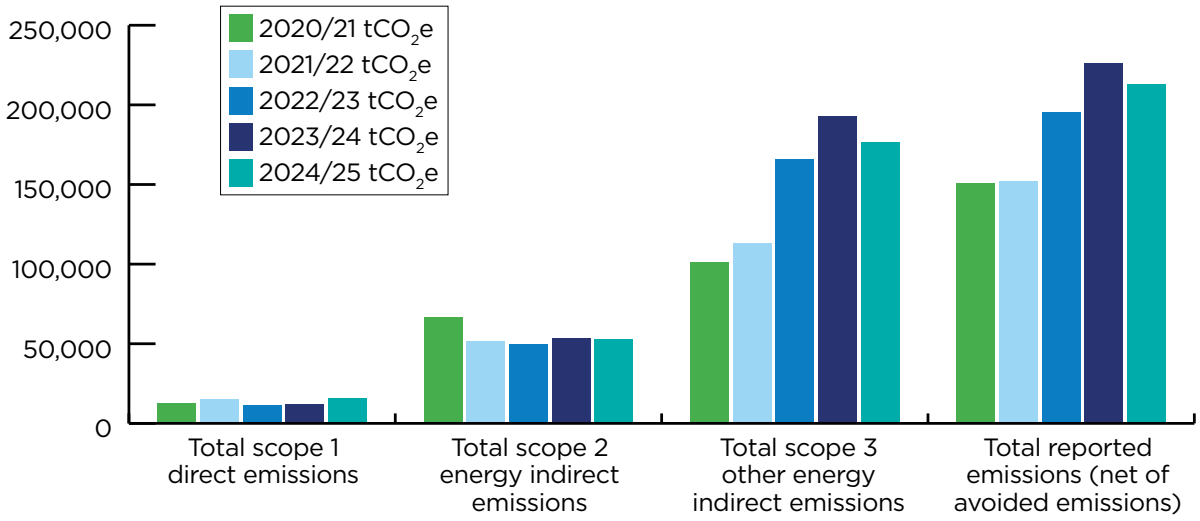
*Market-based figures use emission factors specific to the actual electricity purchased.
**Location-based figures use average grid emissions to calculate electricity emissions.

NI Water greenhouse gas emissions intensity	2024/25	2023/24	2022/23	2021/22	2020/21
Total location-based reported emissions per megalitre of treated water (tCO_2e/Ml)	0.976	1.026	0.887	0.608	0.684
Total location-based reported emissions per megalitre of sewage water (tCO_2e/Ml)	1.616	1.717	1.487	1.019	1.148

Taskforce on Climate-related Financial Disclosures

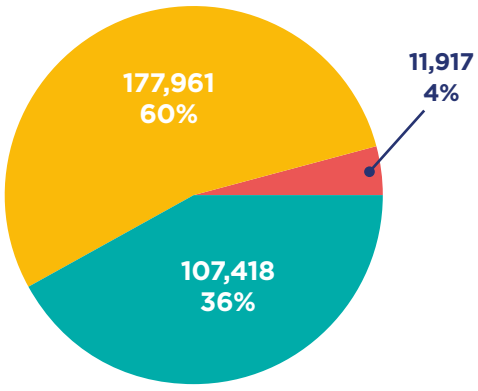
The total reported emissions (location based) decreased from 225,958 tCO_2e in 2023/24 to 214,889 tCO_2e in 2024/25, a decrease of 4.9%. The total reported emissions for 2024/25 exceed our net zero 2040 baseline of 157,755 tCO_2e (2020/21). The decrease in total reported emissions was primarily due to updated carbon factors for construction. This was despite an increase in expenditure on capital investment. There was also a decrease in purchased grid activity of around 10 GWh. There was a decrease in greenhouse gas emissions intensity for treated water and a decrease in intensity for sewage water.

Location based greenhouse gas emissions



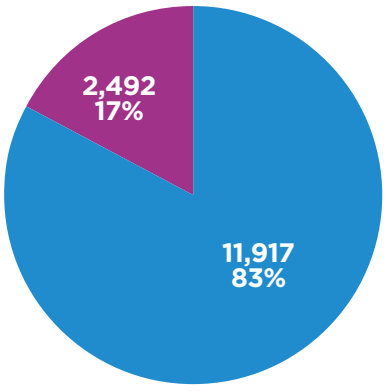
NI Water's electricity consumption and renewable energy generation is shown below:

Total electricity consumption 2024/25 (MWh)



- Grid electricity purchased (excluding renewable energy)
- Grid electricity purchased - renewable energy
- Renewable electricity generated and used
- **Total electricity consumption 297,297MWh**

Total renewable electricity generated 2024/25 (MWh)



- Renewable electricity generated and used
- Renewable electricity generated and exported to the grid
- **Total renewable electricity generated 14,409MWh**

ISO 14064 (Part 1)

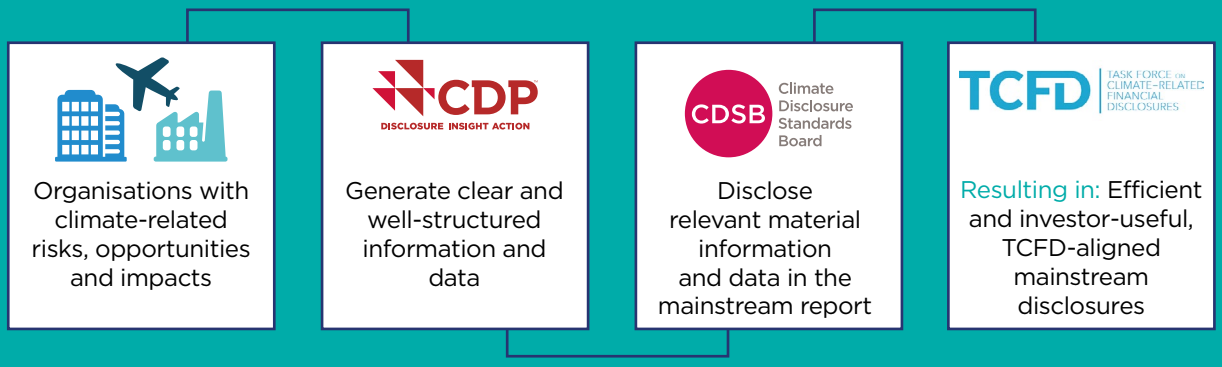
NI Water uses Achilles, a UKAS accredited verifier, to review its carbon reporting against ISO 14064 (Part 1). This ISO standard covers the quantification and reporting of greenhouse gas emissions and removals. NI Water maintained its accreditation for 2023/24. The accreditation for 2024/25 will be finalised in 2025/26.

Achilles
Carbon Reduce Certified
Powered by Toitū Envirocare

Taskforce on Climate-related Financial Disclosures

CDP

NI Water registered with CDP and submitted the 2022/23 CDP questionnaires for both Corporate and Public Authorities. We will make our next submission for 2024/25. We aim to improve from the C grading received in 2022/23 to a B grading for the 2024/25 submission. The CDP aligns with the Climate Disclosures Standards Board (CDSB) framework which helps corporates identify material information and data. The CDP and CDSB are part of a climate disclosure framework, which ultimately supports corporate disclosures under the TCFD framework.



c) Climate-related targets and performance against targets

Transition risks

NI Water is committed to achieve net zero for the energy we use by 2030 and net zero for all our emissions by 2040, as measured against our 2020/21 adjusted baseline. We will refresh this baseline for any structural changes that have a significant impact such as changes in calculation methods, outsourcing or insourcing. Changes to the baseline will be guided by materiality thresholds.

Over 2024/25, we continued to develop four decarbonisation trajectory pathways, which would emerge depending on the strategic decisions taken by NI Water to meeting its climate change commitments for mitigation. Over 2025/26 we will develop a Climate Transition plan, which will include the chosen decarbonisation trajectory pathway and the annual greenhouse gas reduction targets.

Science Based Targets Initiative (SBTi)

Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

We have committed to set a science-based target with the Science Based Targets Initiative (SBTi), which defines and promotes global best practice in science-based target setting. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Our approach to the SBTi submission will be informed by the Climate Transition Plan.

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Future developments in climate reporting

IFRS Sustainability Standards

The International Sustainability Standards Board (ISSB) has developed a comprehensive global baseline of sustainability disclosure standards. The final version of the standards was published in June 2023 and will replace the TCFD framework. The UK government has confirmed it intends to incorporate these standards into the UK corporate reporting framework. The new UK sustainability reporting standards are expected to be published in 2025. We commissioned a gap analysis with the ISSB standards in 2023/24 in preparation for the new UK standards.

Climate Change Act (Northern Ireland) 2022 and Climate Change (Reporting Bodies) Regulations (Northern Ireland) 2024

The Climate Change Act (NI) 2022 was enacted in June 2022 and sets a target of achieving net zero greenhouse gas emissions by 2050 against a 1990 baseline. In 2024/25, the NI Assembly approved legislation setting Northern Ireland's first three carbon budgets and a new 2040 target to reduce emissions by 77% against the baseline. DAERA is developing the first Climate Action Plan, which will outline policies and proposals for achieving the first carbon budget and meeting the 2030, 2040, and 2050 emissions reduction targets. The Climate Action Plan and Carbon Budgets cover the various sectors across the economy. Infrastructure spans a number of these sectors (wastewater, energy, buildings, land use etc).

The Climate Change (Reporting Bodies) Regulations (Northern Ireland) 2024 came into operation in May 2024, and set climate change reporting duties on specified public body organisations, such as NI Water. The regulations require the specified public bodies to submit the first of their three-yearly reports on mitigation by 31 October 2025, and the first of their five-yearly reports on adaptation by 31 March 2026.