

THE COMPANIES ACTS 1985 AND 2006

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTIONS

-of-

PENNON GROUP PLC

At the Annual General Meeting of the Company held at Sandy Park Conference Centre, Sandy Park Way, Exeter EX2 7NN on Thursday 25 July 2019 the following Resolutions were passed as Special Resolutions as stated:-

SPECIAL RESOLUTION (Resolution 14)

General authority to disapply pre-emption rights

That:

(a) the Directors be given power:

- (i) subject to the passing of Resolution 13 above, to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority conferred on them by that resolution under Section 551 of that Act; and
- (ii) to allot equity securities as defined in Section 560(3) of that Act (sale of treasury shares) for cash,

in either case as if Section 561 of that Act did not apply to the allotment or sale, but this power shall be limited:

(A) to the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under Resolution 13(a)(ii), by way of a rights issue only) to or in favour of:

- (i) holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities;

and so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter; and

(B) to the allotment of equity securities pursuant to the authority granted under Resolution 13(a)(i) and/or by virtue of Section 560(3) of the Companies Act 2006 (in each case otherwise than under paragraph (A) above) up to a maximum nominal amount of £8,557,433;

(b) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 1 October 2020; and

- (c) the Company may, before this power expires, make an offer or enter into an agreement, which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

SPECIAL RESOLUTION (Resolution 15)

Authority to disapply pre-emption rights in connection with an acquisition or specified capital investment.

That:

- (a) the Directors, in addition to any authority granted under Resolution 14 above, be given power:
- (i) subject to the passing of Resolution 13, to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority conferred on them by that resolution under Section 551 of that Act; and
 - (ii) to allot equity securities as defined in Section 560(3) of that Act (sale of treasury shares) for cash,
- in either case as if Section 561 of that Act did not apply to the allotment or sale, but this power shall be:
- (A) limited to the allotment of equity securities up to a maximum nominal amount of £8,557,433; and
 - (B) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;
- (b) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 1 October 2020; and
- (c) the Company may, before this power expires, make an offer or enter into an agreement, which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

SPECIAL RESOLUTION (Resolution 16)

Authority to purchase own shares

That in accordance with the Companies Act 2006, the Company is generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 40.7p each in the capital of the Company on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

- (a) the maximum number of ordinary shares that may be purchased under this authority is 42,051,270 (being no more than 10% of the issued share capital exclusive of treasury shares of the Company as at 17 June 2019);

- (b) the minimum price which may be paid for each ordinary share is 40.7p (exclusive of expenses payable by the Company in connection with the purchase);
- (c) the maximum price which may be paid for each ordinary share purchased under this authority (exclusive of expenses payable by the Company in connection with the purchase) shall not be more than the higher of (i) an amount equal to 105% of the average of the middle market quotations for such ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System;
- (d) this authority will, unless previously varied, revoked or renewed, expire at the conclusion of the next AGM of the Company or, if earlier, on 1 October 2020, but the Company may make a contract or contracts to purchase ordinary shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of this authority and may make purchases of ordinary shares pursuant to any such contract; and
- (e) all existing authorities for the Company to make market purchases of ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has or have not yet been executed.

SPECIAL RESOLUTION (Resolution 17)

Notice of general meetings

That a general meeting, other than an AGM, may be called on not less than 14 clear days' notice.

SPECIAL RESOLUTION (Resolution 18)

Amendment to Articles of Association

That the Articles of Association of the Company be and are hereby amended by the insertion of the following as a new Article 5A after existing Article 5:

"5A. Rights and restrictions attached to the WaterShare+ Share

Notwithstanding the provisions in these articles which relate to shares, the following paragraphs (1) to (6) comprise all the rights and restrictions relating to the non-cumulative redeemable preference share of 1 penny nominal value in the capital of the Company (the WaterShare+ Share).

(1) Income

- (a) Out of the profits available for distribution, the WaterShare+ Share will carry a right to:
 - (i) a single dividend of up to £25 million in priority to any payment to the holders of ordinary shares and in priority to or pari passu with the holders of any other class of preference shares (if any), for the sole purpose of the holder (or its Affiliate) acquiring existing ordinary shares in the capital of the Company at market value through the London Stock Exchange and holding such ordinary shares (or procuring that such ordinary shares are held by its Affiliate) as nominee on behalf

of such eligible customers of South West Water Limited (SWW), a wholly-owned subsidiary of the Company, who elect to receive ordinary shares in the capital of the Company pursuant to SWW's WaterShare+ scheme (as described on page 70 of the Company's annual report and accounts for the year ended 31 March 2019) as well as covering the costs of the holder of the WaterShare+ Share and its Affiliates in setting up the WaterShare+ scheme and acquiring the ordinary shares on behalf of eligible customers; provided that such dividend will be subject to the board being further authorised by the members of the Company (by way of a special resolution) to resolve to pay such dividend, up to the limit (not exceeding £25 million) specified in such special resolution; and

- (ii) subject to the board being authorised by the members of the Company (by way of a special resolution) to resolve to pay the dividend in (i) above, a non-cumulative dividend of up to £1 million (with the final amount, up to such specified limit, being determined by the board in each year) payable in the calendar year following the year in which the WaterShare+ Share is issued and in each calendar year thereafter in priority to any payment to the holders of ordinary shares and in priority to or *pari passu* with the holders of any other class of preference shares, for the purpose of covering the costs of the holder of the WaterShare+ Share and its Affiliates in operating the WaterShare+ scheme pursuant to the corporate sponsored nominee service agreement between the Company and the holder of the WaterShare+ Share, and/or its Affiliate, including dealing costs and the costs of the services to be provided by the holder of the WaterShare+ Share and its Affiliates.
 - (iii) For the purposes of the above, Affiliate means any subsidiary or holding company of the holder of the WaterShare+ Share, and any subsidiary of a holding company of the holder, with the terms subsidiary and holding company having the meanings given to such terms in section 1159 of the Companies Act 2006.
- (b) The holder of the WaterShare+ Share shall not be entitled to any further right of participation in the profits of the Company, other than as set out in paragraph (a) above.
 - (c) In the absence of fraud or wilful default, neither the Company nor any of its directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the timing or amount of the payment of any dividend on the WaterShare+ Share.

(2) Capital

On a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis) there shall be paid to the holder of the WaterShare+ Share the nominal value paid up or credited as paid up on the WaterShare+ Share in priority to any payment to the holders of ordinary shares of the nominal capital paid up or credited as paid up on the ordinary shares held by them respectively.

The holder of the WaterShare+ Share shall not be entitled to any further right of participation in the assets of the Company.

(3) Redemption

Subject to the Statutes and to the provisions of these articles, the Company may, at any time, without prior written notice, redeem the WaterShare+ Share for a sum equal to the nominal value paid up or credited as paid up on the WaterShare+ Share. The WaterShare+ Share shall, upon redemption, immediately and automatically be cancelled and the

Company shall not be entitled to reissue it. The method of payment in respect of the redemption of the WaterShare+ Share shall be determined by the board.

(4) Attendance and voting at general meetings

The WaterShare+ Share shall not carry any right to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

(5) Form and transferability

The WaterShare+ Share shall not be listed or traded on any stock exchange, nor shall any share certificate be issued in respect of such share. The WaterShare+ Share shall not be renounceable. The WaterShare+ Share shall not be transferable otherwise than with the prior written consent of the board.

(6) Class rights

- (a) The Company may, at any time, create, allot and issue further shares, whether ranking pari passu with or in priority to the WaterShare+ Share, and, on such creation, allotment or issue, any such further shares (whether or not ranking in any respect in priority to the WaterShare+ Share) shall be treated as being in accordance with the rights attaching to the WaterShare+ Share and shall not involve a variation of such rights for any purpose or require the consent of the holder of the WaterShare+ Share.
- (b) A reduction by the Company of the capital paid up or credited as paid up on the WaterShare+ Share and the cancellation of such share shall be treated as being in accordance with the rights attaching to the WaterShare+ Share and shall not involve a variation of such rights for any purpose or require the consent of the holder of the WaterShare+ Share.
- (c) Without prejudice to the generality of the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the WaterShare+ Share for any purpose or require the consent of the holder of the WaterShare+ Share.

(7) Deletion of article 5A(1)–(6) when the WaterShare+ Share is no longer in existence

Article 5A(1)–(6) shall remain in force until the WaterShare+ Share, once issued, is subsequently cancelled and is no longer in existence, notwithstanding any provision in these articles to the contrary. Thereafter article 5A(1)–(6) shall be, and shall be deemed to be, of no effect (save to the extent that provisions of article 5A(1)–(6) are referred to in other articles) and shall be deleted and replaced with the wording 'Article 5A(1)–(6) has been deleted', and the separate register for the holder of the WaterShare+ Share shall no longer be required to be maintained by the Company; but the validity of anything done under article 5A(1)–(6) before that date shall not otherwise be affected and any actions taken under article 5A(1)–(6) before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever."



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K Senior
Deputy Company Secretary
Pennon Group plc

