

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or otherwise transfer, or have sold or otherwise transferred, all of your Ordinary Shares in the Company, please forward this document as soon as possible to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or the transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected. If you receive this document from another Shareholder, as a purchaser or transferee, please contact the Registrar for information on how to vote on the Resolutions.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This document has been prepared for the purposes of complying with English law and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.



Pennon

Pennon Group plc

(Incorporated in England and Wales with registered number 02366640)

**Special Dividend of 355 pence per Existing Ordinary Share, 2 for 3 Share Consolidation,
proposed additional share buy-back authority, changes to Articles of Association and related
Resolutions**

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chair of the Company which is set out in Part I (*Letter from the Chair of Pennon*) of this document and which contains a recommendation from the Directors that you vote in favour of the Resolutions to be proposed at the General Meeting.

Notice of the General Meeting, to be held at Peninsula House, Rydon Lane, Exeter, Devon, England EX2 7HR at 9:00 a.m. on 28 June 2021, is set out in Part IV (*Notice of General Meeting*) of this document. The health and wellbeing of our Shareholders, WaterShare+ Participants, colleagues and the wider community is of the utmost importance to Pennon. Given recent developments with the spread of new COVID-19 variants in the UK, there will be a mandatory requirement to take a

COVID-19 rapid lateral flow test at the General Meeting venue. Attendees are advised to arrive at the venue a minimum of one hour before the General Meeting in order to complete the testing and registration formalities. Attendees will be required to make certain confirmations as a condition of entry to the General Meeting, including that they (or members of their household, support bubble or childcare bubble) have not recently displayed symptoms of COVID-19 and/or have not been told to self-isolate by NHS Test and Trace, the NHS COVID-19 App or otherwise. Any person who does not agree to take a COVID-19 rapid lateral flow test at the venue, whose test result at the venue is positive or who fails to provide the necessary confirmations, may be refused entry to the General Meeting.

Social distancing will be in place at the General Meeting, and attendees will be asked to wear a mask for the duration of the General Meeting (unless exempt). Attendees will be required to check-in at the venue using the NHS COVID-19 App or provide their contact details to a member of staff for contact tracing purposes. There may be delays as attendees proceed through the testing formalities and security checks to be carried out prior to entry to the venue.

If you do plan to attend the General Meeting in person, we kindly ask that you register your intention by contacting IR@pennon-group.co.uk as soon as possible to help us to make appropriate arrangements.

In addition, the Board confirms that: (i) guests of Shareholders will not be permitted entry to the General Meeting; (ii) there will be no circulation of Shareholders or Directors before or after the General Meeting; and (iii) refreshments will not be served at the General Meeting.

The situation in relation to COVID-19 continues to evolve and it is possible the Government may introduce further restrictions or measures. Any changes to our General Meeting arrangements or to the safety measures at the venue will be communicated to Shareholders via the Company's website at <https://www.pennon-group.co.uk/investor-information/return-of-capital-to-shareholders>, and we encourage you to monitor our website for any updates.

If your shares are held within a nominee and you wish to join the General Meeting, you will need to contact your nominee immediately. Your nominee will need to have completed a letter of representation and presented this to Link Group, our Registrar, no later than 72 hours before the start of the General Meeting in order that you can attend. If you are in any doubt about your status in this regard, please contact Link Group, our Registrar.

Please note that Shareholders not attending the General Meeting in person are encouraged to submit their vote in advance by appointing the Chair of the General Meeting as proxy, with voting instructions. The deadline for proxy appointments is 9.00 a.m. on 24 June 2021 for Shareholders.

Shareholders are encouraged to submit their questions about the Resolutions in advance by email to IR@pennon-group.co.uk. Questions submitted by 5.30 p.m. on 22 June 2021 will, where possible, be answered during the General Meeting and a summary of responses will be published at www.pennon-group.co.uk/investor-information as soon as practicable after the General Meeting. If you would like an answer to your question before the proxy voting deadline, please contact us by 5.30 p.m. on 18 June 2021 and we will endeavour to respond.

Proxy voting – Shareholders

We encourage Shareholders who do not plan on attending the General Meeting in person to appoint the Chair of the General Meeting as proxy, with voting instructions. Our Registrar must receive your proxy appointment by 9.00 a.m. on 24 June 2021. Voting at the General Meeting will be on a poll and will reflect all proxy voting instructions duly received.

We encourage the use of electronic proxy voting and are not providing paper proxy forms alongside the Notice of General Meeting. We believe that electronic voting is both more efficient and consistent with our

important environmental sustainability responsibilities and objectives. Shareholders may register proxy votes via www.signalshares.com. Registering your vote electronically is entirely secure and ensures the privacy of your personal information.

Alternatively, if you wish to vote by post you may request a paper proxy form by contacting our Registrar, Link Group on 0371 664 9234 (lines are open 8:30 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales) or +44 371 664 9234 (from outside the UK) and quoting your Investor Code (IVC) which can be found on your share certificate or dividend confirmation.

If you hold your Ordinary Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (the **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Link Group, ID RA10, not later than 9.00 a.m. on 24 June 2021 (or, in the case of an adjournment, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting).

Voting and joining the General Meeting – WaterShare+ Participants

If you hold your shares within the WaterShare+ Scheme your shares are held on your behalf in the name of Link Market Services Trustees (Nominees) Limited (the **WaterShare+ Nominee**). The WaterShare+ Nominee is the registered Shareholder but you can instruct the WaterShare+ Nominee how you want the votes in respect of your shares to be cast at the General Meeting by following the instructions at www.signalshares.com and voting by not later than 9.00 a.m. on 23 June 2021.

Any WaterShare+ Participants who would like to attend the General Meeting venue in person must make a request to the registered Shareholder, Link Market Services Trustees (Nominees) Limited, by 9.00 a.m. on 23 June 2021, so that the required paperwork can be processed. We may be unable to permit entry to any WaterShare+ Participants who have not made appropriate arrangements. The entry requirements noted above in respect of the General Meeting will apply to WaterShare+ Participants.

Admission of New Ordinary Shares

If Resolutions 1 and 2 are passed at the General Meeting, application will be made to the FCA for the New Ordinary Shares arising from the Share Consolidation to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 2 July 2021 and that Admission of the New Ordinary Shares will become effective and dealings for normal settlement will commence at 8.00 a.m. on 5 July 2021.

This document is a circular relating to the Special Dividend, Share Consolidation, proposed additional share repurchase authority, changes to Articles of Association and related Resolutions and has been prepared in accordance with the Listing Rules.

Capitalised terms have the meaning ascribed to them in Part III (*Definitions*) of this document.

A summary of action to be taken by Shareholders is set out in Part I (*Letter from the Chair of Pennon*) of this document and in the Notice of General Meeting set out in Part IV (*Notice of General Meeting*) of this document.

This document is dated 3 June 2021.

Important notices

Information regarding forward-looking statements

This document contains statements which are, or may be deemed to be, “forward-looking statements” which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “goals”, “intends”, “anticipates”, “believes”, “targets”, “aims” or “projects”. Words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Forward-looking statements include statements relating to: (a) future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (b) business and management strategies and the expansion and growth of the Company’s operations; and (c) the effects of global economic conditions on the Company’s business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of the Company to differ materially from the expectations of the Company, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and changes in regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors. Such forward-looking statements should therefore be construed in light of such factors.

Neither the Company nor any of its Directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this document.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, Market Abuse Regulation and the Disclosure Guidance and Transparency Rules), the Company is not under any obligation and the Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

No profit forecast

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Ordinary Share for the current or future financial years will necessarily match or exceed the historical published earnings per Ordinary Share.

Shareholder helpline

If you have **any questions about this document**, the General Meeting, voting, requesting a paper proxy form or voting as a WaterShare+ Participant, you should visit **www.signalshares.com** or, alternatively, **please call** the Link Group shareholder helpline between 8:30 a.m. and 5:30 p.m. (London (UK) time) Monday to Friday (except UK public holidays) on 0371 664 9234 (calls to this number are charged at the standard national rate and will vary by provider) or on +44 371 664 9234 from outside the UK (charged at the applicable international rate). Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Special Dividend and Share Consolidation or any of the other Resolutions.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication and posting of this document, including the Notice of General Meeting	3 June 2021
Latest time and date for receipt of votes for the General Meeting from WaterShare+ Participants at www.signalshares.com	9.00 a.m. on 23 June 2021
Latest time and date and date for receipt of electronic proxy instructions and CREST Proxy Instructions for the General Meeting	9.00 a.m. on 24 June 2021
Record time and date for WaterShare+ Participant entitlement to vote at the General Meeting	06.00 p.m. on 23 June 2021
Record time and date for Shareholder entitlement to vote at the General Meeting	6.00 p.m. on 24 June 2021
General Meeting	9.00 a.m. on 28 June 2021
Latest time and date for dealings in Existing Ordinary Shares	4.30 p.m. on 2 July 2021
Record time and date for entitlement to the Special Dividend and for the Share Consolidation	6.00 p.m. on 2 July 2021
Cut-off time for Shareholder participation in the DRIP for the Special Dividend	6.00 p.m. on 2 July 2021
Cut-off time for WaterShare+ Participant participation in the DRIP for the Special Dividend	6.00 p.m. on 2 July 2021
Ordinary Shares marked ex-Special Dividend	5 July 2021
Commencement of dealings in New Ordinary Shares on London Stock Exchange (after Share Consolidation) and effective time and date of new ISIN for New Ordinary Shares	8.00 a.m. on 5 July 2021
CREST accounts credited with New Ordinary Shares (after Share Consolidation)	as soon as practicable after 8.00 a.m. on 5 July 2021
Payment of the Special Dividend and fractional entitlement sale proceeds to Shareholders	16 July 2021
Payment of the Special Dividend and fractional entitlement sale proceeds to WaterShare+ Participants	16 July 2021
Purchase of New Ordinary Shares for DRIP participants commences	on or around 16 July 2021
Despatch of share certificates for Shareholders	No later than 16 July 2021
Despatch of nominee statements for WaterShare+ Participants in respect of New Ordinary Shares	No later than 16 July 2021

Notes:

- (1) All references in this document to time are to London (UK) time unless otherwise stated.
- (2) Certain times and dates are conditional upon approval of the Resolutions and Admission.
- (3) The timetable may be subject to change. If any of the above times and/or dates should change, the new times and/or dates will be announced to Shareholders through a Regulatory Information Service.
- (4) Payment dates refer to date of payment by BACS and CREST credit and date of despatch of cheques, and payments may be subject to processing lead-times or delays.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Gill Rider (Chair)
Susan Davy (Chief Executive Officer)
Paul Boote (Group Finance Director)
Neil Cooper (Senior Independent Non-Executive Director)
Claire Ighodaro (Independent Non-Executive Director)
Jon Butterworth (Independent Non-Executive Director)
Iain Evans (Independent Non-Executive Director)

Group General Counsel & Company Secretary

Simon Pugsley

Registered and Head Office

Peninsula House
Rydon Lane
Exeter
United Kingdom
EX2 7HR

Corporate Brokers

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London
United Kingdom
E14 4BB

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London
United Kingdom
E14 4QA

Legal Adviser

Allen & Overy LLP
One Bishops Square
London
United Kingdom
E1 6AD

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
United Kingdom
LS1 4DL

PART I – LETTER FROM THE CHAIR OF PENNON



Pennon Group plc (“Pennon” or the “Company”)

(Incorporated in England and Wales with registered number 02366640)

Directors:

Gill Rider (Chair)
Susan Davy (Chief Executive Officer)
Paul Boote (Group Finance Director)
Neil Cooper (Senior Independent Non-Executive Director)
Claire Ighodaro (Independent Non-Executive Director)
Jon Butterworth (Independent Non-Executive Director)
Iain Evans (Independent Non-Executive Director)

Registered Office:

Peninsula House
Rydon Lane
Exeter
United Kingdom
EX2 7HR

3 June 2021

Dear Shareholder,

Special Dividend of 355 pence per Existing Ordinary Share, 2 for 3 Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and related Resolutions

and

Notice of General Meeting

1. Reshaping the Pennon Group – focused on UK water and creating ongoing value for Shareholders, customers and employees

On 18 March 2020, we announced that we had entered into an agreement for the sale of Viridor, one of the UK’s leading recycling and residual waste businesses, to a newly formed company established by KKR for net proceeds of £3.7 billion (the **Disposal**). The Disposal recognised the strategic value of Viridor developed by Pennon over many years, realising significant value for Shareholders, and creating the opportunity to refocus the Group exclusively on UK water. The Disposal was approved by Shareholders at a general meeting held on 28 May 2020 and, following satisfaction of all conditions to completion of the Disposal, the Disposal completed on 8 July 2020.

The acquisition of Bristol Water Group announced today (the **Acquisition**) for an equity value of £425 million, and an enterprise value of £814 million¹ including assumed debt, is an important next step in the evolution of the Group. Bristol Water Group is a strong strategic fit, expected to be earnings accretive, and cements Pennon as a leader in our chosen sector. The Acquisition increases the size and scale of the Group to serve circa 3.5 million customers in our region and will deliver an estimated 16% increase in regulatory capital value (RCV) as at 31 March 2021. It also adds another 500 dedicated employees to the Group, enabling access to a new, wider and diverse talent pool in the South West, with further opportunities to become an employer of choice. The Acquisition is subject to review by the Competition and Markets Authority (CMA), with input from the Water Services

¹ Based on assumed net debt of approximately £389 million as of 31 March 2021.

Regulation Authority (Ofwat). Pennon considers that the Acquisition will create a net benefit for customers and shareholders and expects to receive a decision from the CMA within its usual timescales.

Due to the Disposal and the Acquisition, 2020/21 has been a transformative year for the Group. The Group is now firmly focused on leading, transforming and optimising water and waste water businesses, building on its consolidation experience in the sector.

In addition to driving improved operational excellence, we will also be transforming ourselves as we scale up investment in the environment, kick-starting our race to net-zero carbon by 2030, focusing on sustainable living, championing renewables and reversing carbon emissions, and delivering sustainable solutions for customers, communities and the regions we operate in.

Aligned behind a new purpose, *'Bringing Water to Life, supporting the lives of people and the places they love for generations to come'*, we believe in the importance of operating in the public interest for the benefit of Shareholders, customers and employees. To that end we have sought to reinvest to date nearly half of the proceeds received from the Disposal into Pennon and the UK water sector.

Ensuring that the balance sheets of both the Group and South West Water are in a sustainable position for the future, the Group has taken steps to right-size our debt portfolio at the Pennon company level, repaying c. £1.1 billion, with £0.1 billion cash retained from the Disposal proceeds in Pennon and gross debt at the Pennon company level of £0.2 billion.

In addition, the Group plans to invest a further £0.1 billion into South West Water in support of the Green Recovery, which will aim to deliver solutions to address climate change, improve public health and create jobs, over and above existing commitments. The Group also plans to increase our contribution to Pennon's principal pension scheme, over and above normal contributions, to £53 million (which includes an amount of £36 million already contributed in H1 2020/21). The balance of £17 million is payable within six months of payment of the Special Dividend.

After these adjustments, taking into account the cost of the Acquisition and rounding of the amounts outlined above, the residual net cash proceeds from the Disposal amount to c. £1.9 billion (the **Net Proceeds**).

The Board has decided that a significant amount of the Net Proceeds should be returned to Shareholders by way of a proposed Special Dividend (as described in this document) and a potential £0.4 billion on-market share buy-back programme which is expected to be initiated after payment of the proposed Special Dividend and is expected to conclude before 30 September 2022 (the **Share Buy-back**). The Board considers the approach of returning a significant amount of the Net Proceeds by way of the proposed Special Dividend as representing an appropriate means of returning capital to Shareholders, whilst the authority to conduct a Share Buy-back provides Pennon with ongoing financial flexibility. In the event that compelling growth opportunities arise in the UK water sector, the Board may decide not to initiate or to halt any share buy-back and use the remaining proceeds to pursue that opportunity in order to drive further Shareholder value.

Following the proposed Special Dividend, Share Consolidation and Share Buy-back, the Board believes that the enlarged Group (taking into account the Acquisition) will have an efficient balance sheet and the Group is targeting net debt to regulatory capital value (RCV), before Acquisition-related fair value adjustments, of approximately 65%. This will see Pennon in a prudent funding position to run its portfolio of businesses, whilst retaining some flexibility to pursue any future value accretive opportunities that may be identified. Pennon's South West Water business continues to deliver strong operational performance across both water, where we are achieving our committed target for reducing supply interruptions two years ahead of plan, and waste water, where we are ahead of our target for both internal and external sewer flooding prevention.

The proposed special dividend is of 355 pence per Existing Ordinary Share (the **Special Dividend**).

To maintain comparability of the Company's share price before and after the Special Dividend, as far as possible, it is proposed that the Special Dividend be accompanied by a consolidation of the Company's ordinary share capital (the **Share Consolidation**). The effect of the Share Consolidation will be that the Existing Ordinary Shares will be replaced by the New Ordinary Shares so as to reduce the number of shares in issue and reflect the amount of cash to be returned to Shareholders. The aim of this is to seek to make the market price of an Ordinary Share comparable before and after the Special Dividend, subject to normal market movements. This will also allow comparability of per share financial metrics with prior financial periods.

For the proposed Share Buy-back, in order to return up to £0.4 billion in this manner, the Board is seeking an additional authority from Shareholders to repurchase up to 14.99% of the Company's issued share capital in Resolution 6. The usual authority to repurchase Ordinary Shares at the Company's annual general meeting seeks authority to repurchase up to 10% of the Company's issued share capital. This is in line with the Investment Association's Share Capital Management Guidelines and a 10% authority was approved by Shareholders at the 2020 AGM. The Board believes that seeking an authority to repurchase up to 14.99% of the Company's issued share capital at the General Meeting (and, in due course, renewal of that authority at the 2021 AGM) is necessary to provide required authority headroom in order to execute the proposed Share Buy-back, given its size.

If Resolution 6 is passed, details of any share buy-back programme pursuant to this authority will be announced separately.

The Board has decided to increase the Group's dividend level by c. 9% (2.00 pence per share on a pre-Share Consolidation basis) from 2021/22 onwards, and to continue its sector-leading dividend policy of CPIH + 2% growth.

The purpose of this document is to provide Shareholders with further details relating to, and to seek Shareholder approval for, the proposed Special Dividend, related Share Consolidation and additional Share Buy-back authority, including the background to and reasons for the Special Dividend, Share Consolidation and additional Share Buy-back authority and the proposed terms, as well as to provide you with notice of a General Meeting at which certain Resolutions will be considered and, if thought fit, passed to allow the Special Dividend and Share Consolidation to proceed. In addition, shareholder approval will be sought in relation to renewal of the Company's existing AGM authorities and amendments to the Current Articles.

This document also explains why the Board considers the Special Dividend, Share Consolidation, the additional Share Buy-back authority and the other Resolutions to be in the best interests of Pennon and its Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their aggregate shareholdings in the Company representing 0.025% of the Company's issued share capital (excluding treasury shares) as at 2 June 2021 (being the latest practicable date before publication of this document).

Shareholders should read the whole of this document and not only rely on the summarised information set out in this letter. Shareholders will find definitions for capitalised terms used throughout this document in Part III (*Definitions*) of this document.

2. **Special Dividend**

The Board is proposing a return of value to Shareholders of £1,498,514,381 in aggregate, representing 355 pence per Existing Ordinary Share, in the form of a Special Dividend.

The Board is proposing to pay the Special Dividend to Shareholders on the Register as at 6.00 p.m. on 2 July 2021. The Special Dividend is subject to Shareholder approval of Resolutions 1 and 2 at the General Meeting. It is also conditional on Admission in respect of the New Ordinary Shares taking place by 8.00 a.m. on 5 July 2021 (or as soon as practicable thereafter).

Assuming these conditions are satisfied, the Special Dividend is expected to be paid to Shareholders on 16 July 2021.

3. Share Consolidation

As is common when an amount representing a large proportion of the market capitalisation of a company is returned to shareholders, the Board recommends that the Special Dividend is combined with an associated Share Consolidation, in this case a consolidation of Existing Ordinary Shares on the basis of 2 New Ordinary Shares with nominal value of 61.05 pence each for every 3 Existing Ordinary Shares.

The Share Consolidation is intended, so far as possible, to maintain the comparability of the Company's share price and per-share metrics before and after the Special Dividend to reflect the value that will be returned to Shareholders. The total amount of the Special Dividend is equivalent to approximately 33.2 per cent. of the market capitalisation of the Company as at 2 June 2021 (being the latest practicable date prior to the publication of this document). The effect of the Share Consolidation will be to reduce the number of Ordinary Shares outstanding by approximately the same percentage. It is anticipated, therefore, that the market price of each Ordinary Share in the Company should remain at a broadly similar level following the Special Dividend and the Share Consolidation, subject to normal market movements.

As all Existing Ordinary Shares will be consolidated, Shareholders will still hold the same proportion of the Company's ordinary share capital as before the Share Consolidation (subject to any fractional entitlements, which will be dealt with in accordance with the process described in Section 2 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document). Although the New Ordinary Shares will have a different nominal value, they will be traded on the London Stock Exchange in the same way as the Existing Ordinary Shares and will carry equivalent rights under the Articles to the Existing Ordinary Shares.

The Share Consolidation is subject to Shareholder approval of Resolution 1 and Resolution 2 at the General Meeting. It is also conditional on: (i) Shareholder approval of the Special Dividend; and (ii) Admission in respect of the New Ordinary Shares taking place by 8.00 a.m. on 5 July 2021 (or as soon as practicable thereafter).

Further details of the Special Dividend and Share Consolidation are set out in Sections 1 and 2 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document.

4. Renewal of 2020 AGM resolutions and increase of share repurchase authority

At the General Meeting, Shareholder approval will also be sought to renew the annual authorities to enable the Company to make market purchases of its own shares, as well as to allot New Ordinary Shares and to disapply pre-emption rights, to cover the period between the date of the General Meeting and the 2021 AGM.

These renewals (which are set out at Resolutions 3 to 6 of Part IV (*Notice of General Meeting*)) are technical replacements of the existing authorities granted by Shareholders at the 2020 AGM and are required in order to preserve the position that would have been the case had the Share Consolidation

not taken place, other than the increase of the share repurchase authority under Resolution 6 from 10% of the Company's issued share capital to 14.99% of issued share capital, as explained in Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document. They are conditional on Shareholder approval of the Special Dividend and Share Consolidation, as well as Admission in respect of the New Ordinary Shares taking place by 8.00 a.m. on 5 July 2021 (or as soon as practicable thereafter). Shareholders will be asked to renew these authorities at the 2021 AGM and a separate notice for the 2021 AGM will be issued in due course as usual.

Further details and a summary explanation of these Resolutions are set out in Sections 3 to 6 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document.

5. Changes to Articles of Association

At the General Meeting, Shareholder approval will also be sought to implement certain amendments to the current articles of association of the Company (the **Current Articles**). This will be effected by adopting new articles of association (the **New Articles**).

The New Articles are intended to bring the Current Articles up-to-date and more in line with common practice. Details of the proposed changes are set out in Section 12 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document.

A copy of the New Articles and a copy of Current Articles, marked to show all the changes proposed, are available for inspection as noted in Section 12 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document.

6. Share Plans

A summary of the potential consequences of the Special Dividend and the Share Consolidation for participants in the Share Plans is set out in Section 8 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document.

7. WaterShare+ Participants

A summary of the potential consequences of the Special Dividend and the Share Consolidation for WaterShare+ Participants is set out in Section 9 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document.

8. DRIP

A summary of the operation of the Company's Dividend Reinvestment Plan in relation to the Special Dividend and Share Consolidation is set out in Section 7 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document.

9. Taxation

A summary of the expected tax treatment of the Special Dividend and Share Consolidation and the Company's DRIP for certain categories of UK resident Shareholders and, with regard to information reporting and backup withholding only in respect of US Holders, is set out in Section 10 of Part II

(Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions) of this document.

Shareholders should read Section 10 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document carefully and consider the disclaimers contained therein and, if they are in any doubt as to their tax position, consult their own independent tax advisers. Section 10 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) does not deal with US tax treatment for US Holders other than in relation to information reporting and backup withholding in respect of certain US Holders, and all US Holders are recommended to seek their own independent US tax advice.

10. General Meeting

A notice convening a General Meeting of the Company to be held at Peninsula House, Rydon Lane, Exeter, Devon, England EX2 7HR at 9.00 a.m. on 28 June 2021 is set out at Part IV (*Notice of General Meeting*) of this document.

Shareholder approval will be sought in relation to the Special Dividend and the Share Consolidation. Shareholder approval will also be sought in relation to renewal of annual authorities to enable the Company to make market purchases of its own shares (up to an increased amount of 14.99% of the Company's issued share capital), allot New Ordinary Shares and to disapply pre-emption rights, to cover the period between the date of the General Meeting and the 2021 AGM. In addition, Resolution 7 seeks Shareholder approval of the New Articles, and further details of the proposed amendments to the Current Articles are provided in Section 12 of Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of this document.

Given recent developments with the spread of new COVID-19 variants in the UK, there will be a mandatory requirement to take a COVID-19 rapid lateral flow test at the General Meeting venue. Attendees are advised to arrive at the venue a minimum of one hour before the General Meeting in order to complete the testing and registration formalities. Attendees will be required to make certain confirmations as a condition of entry to the General Meeting, including that they (or members of their household, support bubble or childcare bubble) have not recently displayed symptoms of COVID-19 and/or have not been told to self-isolate by NHS Test and Trace, the NHS COVID-19 App or otherwise. Any person who does not agree to take a COVID-19 rapid lateral flow test at the venue, whose test result at the venue is positive or who fails to provide the necessary confirmations, may be refused entry to the General Meeting.

Social distancing will be in place at the General Meeting, and attendees will be asked to wear a mask for the duration of the General Meeting (unless exempt). Attendees will be required to check-in at the venue using the NHS COVID-19 App or provide their contact details to a member of staff for contact tracing purposes. There may be delays as attendees proceed through the testing formalities and security checks to be carried out prior to entry to the venue.

If you do plan to attend the General Meeting in person, we kindly ask that you register your intention by contacting IR@pennon-group.co.uk as soon as possible to help us to make appropriate arrangements

In addition, the Board confirms that: (i) guests of Shareholders will not be permitted entry to the General Meeting; (ii) there will be no circulation of Shareholders or Directors before or after the General Meeting; and (iii) refreshments will not be served at the General Meeting.

The situation in relation to COVID-19 continues to evolve and it is possible the Government may introduce further restrictions or measures. Any changes to our General Meeting arrangements or to the safety measures at the venue will be communicated to Shareholders via the Company's website at <https://www.pennon-group.co.uk/investor-information/return-of-capital-to-shareholders>, and we encourage you to monitor our website for any updates.

If your shares are held within a nominee and you wish to join the General Meeting, you will need to contact your nominee immediately. Your nominee will need to have completed a letter of representation and presented this to Link Group, our Registrar, no later than 72 hours before the start of the General Meeting in order that you can attend. If you are in any doubt about your status in this regard, please contact Link Group, our Registrar.

Please note that Shareholders not attending the General Meeting in person are encouraged to submit their vote in advance by appointing the Chair of the General Meeting as proxy, with voting instructions. The deadline for proxy appointments is 9.00 a.m. on 24 June 2021 for Shareholders.

Shareholders are encouraged to submit their questions about the Resolutions in advance by email to IR@pennon-group.co.uk. Questions submitted by 5.30 p.m. on 22 June 2021 will, where possible, be answered during the General Meeting and a summary of responses will be published at www.pennon-group.co.uk/investor-information as soon as practicable after the General Meeting. If you would like an answer to your question before the proxy voting deadline, please contact us by 5.30 p.m. on 18 June 2021 and we will endeavour to respond.

11. Action to be taken

At the General Meeting the Resolutions will be proposed which, if passed, will approve the Special Dividend, the Share Consolidation, the increased annual share repurchase authority, the renewal of the Company's other annual AGM authorities and the adoption of the New Articles. Payment of the Special Dividend is conditional on approval of the Share Consolidation.

Information for Shareholders

We encourage Shareholders who do not plan on attending the General Meeting in person to appoint the Chair of the General Meeting as proxy, with voting instructions. Our Registrar must receive your proxy appointment by 9.00 a.m. on 24 June 2021. Voting at the General Meeting will be on a poll and will reflect all proxy voting instructions duly received.

Shareholders wishing to appoint a proxy online should visit www.signalshares.com and follow the instructions. To use this service, you will need your personal details and Investor Code (IVC) which can be found on recent communications such as your dividend confirmation or your share certificate.

We encourage the use of electronic proxy voting and are not providing paper proxy forms alongside the Notice of General Meeting. We believe that electronic voting is both more efficient and consistent with our important environmental sustainability responsibilities and objectives. Shareholders may register proxy votes via www.signalshares.com. Registering your vote electronically is entirely secure and ensures the privacy of your personal information.

Alternatively, if you wish to vote by post you may request a paper proxy form by contacting our registrar, Link Group on 0371 664 9234 (lines are open 8:30 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales) or +44 371 664 9234 (from outside the UK) and quoting your Investor Code (IVC) which can be found on your share certificate or dividend confirmation.

If you hold your Ordinary Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Link Group, ID RA10, not later than 9.00 a.m. on 24 June 2021.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by Link Group. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 9.00 a.m. on 24 June 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Information for WaterShare+ Participants

If you hold your shares within the WaterShare+ Scheme, your shares are held on your behalf in the name of the WaterShare+ Nominee. The WaterShare+ Nominee is the registered Shareholder but WaterShare+ Participants can instruct the WaterShare+ Nominee how they want the votes in respect of their shares to be cast at the General Meeting. In order to do so, please visit www.signalshares.com and follow the instructions. To use this service, you will need your Investor Code (IVC) which can be found on any recent WaterShare+ Scheme communication. Voting instructions must be received by the WaterShare+ Nominee no later than by 9.00 a.m. on 23 June 2021. A voting instruction will not be valid if received after 9.00 a.m. on 23 June 2021.

12. Recommendation to Shareholders

The Board considers that the Resolutions are in the best interests of Shareholders taken as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their aggregate shareholdings in the Company representing 0.025% of the Company's issued share capital (excluding treasury shares) as at 2 June 2021 (being the latest practicable date before publication of this document).

Yours faithfully,

For and on behalf of Pennon Group plc



Gill Rider
Chair

**PART II – FURTHER DETAILS OF THE SPECIAL DIVIDEND, SHARE CONSOLIDATION,
PROPOSED ADDITIONAL SHARE BUY-BACK AUTHORITY, CHANGES TO ARTICLES OF
ASSOCIATION AND ADDITIONAL RESOLUTIONS**

1. Special Dividend

The Company intends to pay a Special Dividend of 355 pence per Existing Ordinary Share. If Shareholders approve the Special Dividend, the Special Dividend is expected to be paid on 16 July 2021 to those Shareholders on the Register at 6.00 p.m. on 2 July 2021, with an ex-dividend date of 5 July 2021.

Resolution 1 at Part IV (*Notice of General Meeting*) of this document is the Resolution in respect of the Special Dividend. Resolution 1 is conditional on Resolution 2 being passed and Admission taking place by 8.00 a.m. on 5 July 2021 (or as soon as practicable thereafter).

2. Share Consolidation

The effect of the Share Consolidation as proposed in Resolution 2 at Part IV (*Notice of General Meeting*) of this document will be that Shareholders on the Register at close of business on the record date (6.00 p.m. on 2 July 2021) will, on completion of the Share Consolidation, receive:

2 New Ordinary Shares for 3 Existing Ordinary Shares

and in that proportion for any other number of Existing Ordinary Shares then held. Resolution 2 is conditional on Resolution 1 being passed and Admission taking place by 8.00 a.m. on 5 July 2021 (or as soon as practicable thereafter).

As all ordinary shareholdings in the Company will be consolidated, the number of Ordinary Shares held by each Shareholder will reduce, but the proportion of the total issued ordinary share capital of the Company held by each Shareholder immediately before and following the Share Consolidation will, save for fractional entitlements and participation in the DRIP, remain unchanged. Apart from having a different nominal value, each New Ordinary Share will rank *pari passu* for dividends and will carry the same rights as set out in the Company's Articles that currently attach to the Existing Ordinary Shares.

Fractional entitlements

The Share Consolidation will replace every 3 Existing Ordinary Shares with 2 New Ordinary Shares. If an individual shareholding is not exactly divisible by 3, the Shareholder in question will be left with a fractional entitlement.

Where the Share Consolidation would result in a Shareholder being entitled to a fraction of a New Ordinary Share, any such fraction shall be aggregated and the Directors will make arrangements for the resulting aggregated fractions to be sold in the market. The value of any one Shareholder's fractional entitlement will not exceed the value of one New Ordinary Share.

The Company will distribute the proceeds of sale (net of expenses) of such aggregated fractions to the Shareholders who would have been entitled to such fractions of New Ordinary Shares.

For the purpose of implementing this proposal, any Director shall be authorised to execute one or more instrument(s) of transfer in respect of such fractions of New Ordinary Shares on behalf of the relevant Shareholders, and to do all acts and things the Directors consider necessary or desirable to effect such transfer.

Effect on WaterShare+ Participants

The effect of the Share Consolidation on WaterShare+ Participants is described in Section 9 of this Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*).

Effect of proposals

Following the Share Consolidation and assuming no further shares are issued or repurchased for cancellation between the date of this document and the Share Consolidation becoming effective (other than as required to ensure the number of Existing Ordinary Shares is exactly divisible by 3 as outlined above), the Company's issued ordinary share capital is expected to comprise 281,411,152 New Ordinary Shares.

For purely illustrative purposes, examples of the effects of the Special Dividend and the Share Consolidation in respect of certain holdings of Existing Ordinary Shares are set out below:

Number of Existing Ordinary Shares	Number of New Ordinary Shares	Special Dividend
1.....	0	£3.55
2.....	1	£7.10
10.....	6	£35.50
100.....	66	£355.00
250.....	166	£887.50
500.....	333	£1,775.00
1,000.....	666	£3,550.00

These examples do not show fractional entitlements, which will be dealt with in accordance with the process described above. Note that Shareholders holding one Existing Ordinary Share would be entitled to a fraction of a New Ordinary Share post-consolidation, however as with all fractional entitlements, such fractional entitlement will be dealt with in accordance with the process described above. As a result, and as set out in the table above, such Shareholders will no longer hold any shares in Pennon following the consolidation.

3. Authority to allot Ordinary shares

Resolution 3 at Part IV (*Notice of General Meeting*) of this document is proposed to replace the existing authority (as granted by Shareholders at the 2020 AGM) for Directors to allot shares. The authority will give the Directors authority to: (a) allot New Ordinary Shares up to an aggregate nominal value of £57,267,169, which is equal to approximately one-third (33.33%) of the issued share capital (excluding treasury shares) of the Company immediately after the Share Consolidation referred to in Resolution 2; and (b) allot relevant securities in connection with a rights issue up to a further one-third of the issued share capital (excluding treasury shares) of the Company immediately after the Share Consolidation referred to in Resolution 2, being an aggregate nominal amount of £114,534,338. The version of Resolution 3 passed at the 2020 AGM has been updated slightly to remove reference to Resolution 19 (Issue of WaterShare+ Share) at the Company's AGM held in 2019, which is no longer relevant.

In total, Resolution 3 will allow the Directors to allot a maximum aggregate of two-thirds of the issued share capital of the Company. The Share Capital Management Guidelines published by The Investment Association consider this to be a routine authority.

As at 2 June 2021, being the latest practicable date prior to the publication of this document, the Company's issued share capital (excluding treasury shares) consists of 422,116,727 Ordinary Shares and the Company holds 8,443 Ordinary Shares in treasury (which is 0.002% of the Company's issued share capital (excluding treasury shares)).

As the intention of Resolution 3 is to replace the existing authority granted at the 2020 AGM and preserve the position that would have been the case had the Share Consolidation not taken place, if Resolution 3 is passed the authority will expire at the conclusion of the 2021 AGM (or, if earlier, at the close of business on 1 October 2021).

Resolution 3 is proposed to give the Directors flexibility, however, there are no current plans to allot shares pursuant to the authority (except in connection with the Company's Share Plans).

Resolution 3 is conditional on Resolutions 1 and 2 being passed and Admission taking place by 8.00 a.m. 5 July 2021 (or as soon as practicable thereafter).

It is the Directors' intention to seek to renew this authority at the 2021 AGM.

4. Disapplication of pre-emption rights

Resolution 4 at Part IV (*Notice of General Meeting*) of this document is proposed to replace the existing authority (as granted by Shareholders at the 2020 AGM) for Directors to allot shares for cash and/or sell treasury shares up to a set value without having to offer such shares to existing Shareholders:

- (a) in connection with a rights issue; or
- (b) up to an aggregate nominal value of £8,590,075, which is approximately 5% of the Company's issued share capital immediately after the Share Consolidation referred to in Resolution 2.

This authority is in line with the Pre-Emption Group's Statement of Principles 2015 and, as the intention of Resolution 4 is to replace the existing authority granted at the 2020 AGM and preserve the position that would have been the case had the Share Consolidation not taken place, this authority will remain in force until the conclusion of the 2021 AGM (or, if earlier, 1 October 2021). There are no current plans to allot shares pursuant to the authority, however, the Directors wish to ensure that the Company has maximum flexibility in managing the Group's capital resources.

The Directors do not intend to issue, under a general authority to disapply pre-emption rights used other than in conjunction with an acquisition or specified capital investment in line with the Pre-Emption Group Statement of Principles 2015, more than 7.5% of the Company's issued share capital for cash on a non-pre-emptive basis in any rolling three-year period without prior consultation with Shareholders.

Resolution 4 is conditional on Resolutions 1, 2 and 3 being passed and Admission taking place by 8.00 a.m. on 5 July 2021 (or as soon as practicable thereafter).

It is the Directors' intention to seek to renew this authority at the 2021 AGM.

5. Disapplication of pre-emption rights for acquisitions and other capital investment

Resolution 5 at Part IV (*Notice of General Meeting*) of this document is proposed to replace the existing authority (as granted by Shareholders at the 2020 AGM) for Directors to allot additional shares for cash and/or sell treasury shares up to an aggregate nominal value of £8,590,075 (which is approximately 5% of the Company's issued share capital immediately after the Share Consolidation referred to in Resolution 2 described above) without having to offer such shares to existing shareholders. This authority will be used only for the purposes of financing (or refinancing within 6 months) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Pre-Emption Group's Statement of Principles 2015.

As the intention of Resolution 5 is to replace the existing authority granted at the 2020 AGM and preserve the position that would have been the case had the Share Consolidation not taken place, if Resolution 5 is passed, the authority will expire at the conclusion of the 2021 AGM or, if earlier, at the close of business on 1 October 2021.

Resolution 5 is conditional on Resolutions 1, 2 and 3 being passed and Admission taking place by 8.00 a.m. on 5 July 2021 (or as soon as practicable thereafter).

It is the Directors' intention to seek to renew this authority at the 2021 AGM.

6. Purchase of own shares

Resolution 6 of Part IV (*Notice of General Meeting*) of this document is proposed to replace the existing authority (as granted by Shareholders at the 2020 AGM) for the Company to make market purchases, and seeks authority for the Company to make market purchases of up to 42,183,531 New Ordinary Shares, being 14.99% of the Company's issued share capital immediately after the Share Consolidation referred to in Resolution 2, and specifies the minimum and maximum prices at which the New Ordinary Shares may be bought.

In addition to the Special Dividend, and in order to return further capital to Shareholders, the Company intends to initiate an on-market share buy-back programme in order to purchase New Ordinary Shares from Shareholders, for an aggregate purchase price of up to £0.4 billion later in 2021. In order to return up to £0.4 billion in this manner, the Board is seeking an additional authority from Shareholders to repurchase up to 14.99% of the Company's issued share capital in Resolution 6. The usual authority to repurchase Ordinary Shares at the Company's annual general meeting seeks authority to repurchase up to 10% of the Company's issued share capital. This is in line with the Investment Association's Share Capital Management Guidelines and a 10% authority was approved by Shareholders at the 2020 AGM.

The Board believes that seeking an authority to repurchase up to 14.99% of the Company's issued share capital at the General Meeting (and, in due course, renewal of that authority at the 2021 AGM) is necessary to provide the required authority headroom in order to execute the proposed Share Buy-back, given its size, and Resolution 6 reflects this percentage applied to the post-Share Consolidation number of issued and allotted shares of Pennon.

The Board intends to renew this 14.99% authority at the 2021 AGM. Should the Company's issued share capital as at the date of the 2021 AGM be lower than the issued share capital as at the latest practicable date prior to publication of notice of the 2021 AGM due to any buy-back activities undertaken in the intervening period, the Directors will limit the Company's use of such authority to 14.99% of the total ordinary share capital (excluding shares held in treasury) as at the date of the 2021 AGM.

The price payable for any repurchased New Ordinary Shares will be within the parameters set out in Resolution 6. Any New Ordinary Shares purchased would be effected by a purchase in the market and may either be cancelled or held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its Share Plans.

This authority will remain in force until the conclusion of the 2021 AGM (or, if earlier, on 1 October 2021). This authority is requested in order to increase the Company's flexibility to optimise the long-term financial and tax efficiency of its capital structure and to implement the proposed Share Buy-back. The Directors confirm that they will only purchase New Ordinary Shares where they believe the effect would be to increase future earnings per share on those shares not purchased and where it would be in the best interests of Shareholders.

The total number of warrants/options to subscribe for Ordinary Shares that were outstanding as at 2 June 2021 (being the latest practicable date prior to publication of this document) was 1,481,506. The proportion of issued share capital (excluding treasury shares) that they represented at that time was 0.35% and the proportion of issued share capital (excluding treasury shares) that they will represent if the full authority to purchase shares (existing and being sought) is used is 0.389%.

Resolution 6 is conditional on Resolutions 1 and 2 being passed and Admission taking place by or as soon as practicable after 8.00 a.m. on 5 July 2021.

It is the Directors' intention to seek to renew this authority at the 2021 AGM.

7. Dividend Reinvestment Plan

DRIP Participation - Shareholders

The Company currently operates a Dividend Reinvestment Plan (**DRIP**) under which eligible Shareholders may use their dividends to buy additional shares in the Company. The cut-off time and date for Shareholder participation in the DRIP is 6.00 p.m. on 2 July 2021 (the **DRIP Cut-Off Time**). Accordingly, in order for an eligible Shareholder to participate in the DRIP for the Special Dividend, a completed application form must be received by the Company's Registrar by 6.00 p.m. on 2 July 2021. The application form is available to download at www.pennon-group.co.uk/dividends/dividend-reinvestment-plan-drip.

An eligible Shareholder may participate in the DRIP in relation to part of the Special Dividend payable in respect of its shareholding only. Those eligible Shareholders who do not as of the DRIP Cut-Off Time participate in the DRIP may not apply to participate in the DRIP in respect of the Special Dividend. The Special Dividend payable to Shareholders who are participants in the DRIP as of the DRIP Cut-Off Time will, unless such participation is revoked, be reinvested in additional New Ordinary Shares.

Any Shareholder who is a participant in the DRIP as of the date of this document or at any time in advance of the DRIP Cut-Off Time, but who does not wish their Special Dividend to be reinvested in additional New Ordinary Shares, should notify Link Group, the Company's Registrar to revoke their participation by no later than 6.00 p.m. on 2 July 2021, to ensure that this instruction is implemented. However, if such a Shareholder wants to remain in the DRIP for the Special Dividend (but not for future dividends thereafter) then they must not revoke their participation until after the date of payment of the Special Dividend.

All existing evergreen or recurring instructions relating to the DRIP (including any recurring DRIP mandates received in paper or by electronic means via CREST) will apply in respect of the Special Dividend and will operate in respect of the New Ordinary Shares, unless and until revoked. However, CREST Shareholders should note that, although the DRIP will continue to apply to the

New Ordinary Shares, the election may not be viewable in CREST following the Share Consolidation. In order to view the election, CREST Shareholders are advised to delete the current instruction, indicating a non-CREST election in their message, and to submit a new instruction under the new ISIN. CREST Shareholders are advised to do this after the date of payment of the Special Dividend.

DRIP Participation – WaterShare+ Participants

The Board and the WaterShare+ Nominee have decided to open the DRIP to WaterShare+ Participants in respect of the Special Dividend. If a WaterShare+ Participant elects to participate in the DRIP in relation to the Special Dividend, this will enable a WaterShare+ Participant to reinvest the Special Dividend it is due to receive in order to acquire such additional fraction of a New Ordinary Share as is required to make the fractional entitlement to a New Ordinary Share held by a WaterShare+ Participant as a result of the Share Consolidation up to one whole New Ordinary Share, thereby restoring the WaterShare+ Participant's original holding of two Ordinary Shares acquired when the WaterShare+ Scheme was set up.

Details of the applicable procedures for WaterShare+ Participants who wish to participate in the DRIP are provided at Section 9 of this Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*).

8. Share Plans

The purpose of the Share Consolidation is to ensure, so far as possible, that the Company's share price remains the same after the Special Dividend as it was beforehand, subject to normal market movements. Similarly, in relation to the Share Plans, the objective is to maintain the economic position of the participants in the various Share Plans at the same level after the Special Dividend and Share Consolidation (in each case, in so far as is possible and subject to normal market fluctuations) as it was before. On that basis, the treatment applicable to participants who have a contingent right to receive shares (i.e. participants in the LTIP and the Sharesave Plan) will be different to the treatment applicable to those participants who already beneficially own the shares awarded to them (i.e. participants in the SIP and the AIBP). The position under each of the Share Plans is set out separately below.

LTIP

As the participants in the LTIP do not currently own the Ordinary Shares subject to their LTIP awards, the Board has determined that they will not receive the Special Dividend.

A consequence of the Special Dividend being paid to eligible Shareholders will be to reduce the value of LTIP participants' respective LTIP awards, as the value of an Ordinary Share will reduce. If the Share Consolidation were then to be applied to LTIP awards, LTIP awards would lose further value due to the reduction in the number of Ordinary Shares subject to LTIP awards, but with no compensation by way of receipt of the Special Dividend.

Accordingly, the Board has determined that the Share Consolidation will not apply to LTIP awards and as the Share Consolidation should have the desired effect of maintaining the price of an Ordinary Share, the Special Dividend and Share Consolidation should have no economic impact on the LTIP awards other than due to normal market fluctuations.

Sharesave Plan

As the participants in the Sharesave Plan do not currently own the Ordinary Shares subject to their Sharesave options, the Board has determined that they will not receive the Special Dividend.

A consequence of the Special Dividend being paid to eligible Shareholders will be to reduce the value of Sharesave participants' respective Sharesave options, as the value of an Ordinary Share will reduce. If the Share Consolidation were then to be applied to Sharesave options, Sharesave options would lose further value due to the reduction in the number of Ordinary Shares subject to Sharesave options, but with no compensation by way of receipt of the Special Dividend.

Accordingly, the Board has determined that the Share Consolidation will not apply to Sharesave options and as the Share Consolidation should have the desired effect of maintaining the price of an Ordinary Share, then the Special Dividend and Share Consolidation should have no economic impact on the Sharesave options other than due to normal market fluctuations.

SIP

Participants in the SIP already hold a beneficial interest in the Ordinary Shares allocated to them under the SIP, with the legal interest held by the trustee of the SIP. The Ordinary Shares held on participants' behalf in the SIP will receive the Special Dividend which will, in due course, be paid to the participants under the terms of the SIP, and will also be subject to the Share Consolidation.

AIBP

Participants in the AIBP already hold a beneficial interest in the Ordinary Shares allocated to them under the AIBP, with the legal interest held by the trustee of the AIBP for the applicable restricted period. The Ordinary Shares held on participants' behalf in the AIBP will receive the Special Dividend which will, in due course, be paid to the participants under the terms of the AIBP, and will also be subject to the Share Consolidation.

9. WaterShare+ Participants

Special Dividend

WaterShare+ Participants will receive the Special Dividend in respect of the Existing Ordinary Shares to which they are beneficially entitled as of 6.00 p.m. on 2 July 2021.

Share Consolidation

In the case of WaterShare+ Participants, the Existing Ordinary Shares held by the WaterShare+ Nominee on their behalf will be subject to adjustment for the Share Consolidation and any fractional entitlements which arise as a result of the Share Consolidation. In order to reflect such adjustments, the WaterShare+ Nominee shall be required to adjust the beneficial holdings of WaterShare+ Participants within the WaterShare+ Scheme. Any fractions arising will be aggregated and, unless the WaterShare+ Participant elects to participate in the DRIP (as described below), the WaterShare+ Nominee will make arrangements for the resulting aggregated fractions to be sold in the market. The WaterShare+ Nominee will distribute the proceeds of sale (net of expenses) of such aggregated fractions to the WaterShare+ Participants who would have been beneficially entitled to such fractions of New Ordinary Shares.

For purely illustrative purposes, examples of the effects of the Share Consolidation in respect of WaterShare+ Participants' beneficial entitlements to Existing Ordinary Shares are set out below:

Number of Existing Ordinary Shares	Number of New Ordinary Shares
2.....	1
10.....	6

These examples do not show fractional entitlements, which will be dealt with in accordance with the process described above.

DRIP Participation – WaterShare+ Participants

If you hold your shares within the WaterShare+ Scheme, your shares are held on your behalf in the name of the WaterShare+ Nominee. The Board has requested, and the WaterShare+ Nominee has agreed, that each WaterShare+ Participant will be offered the opportunity participate in the DRIP in relation to the Special Dividend. This will enable a WaterShare+ Participant to reinvest the Special Dividend it is due to receive in order to acquire such additional fraction of a New Ordinary Share as is required to make the fractional entitlement to a New Ordinary Share held by a WaterShare+ Participant as a result of the Share Consolidation up to one whole New Ordinary Share, thereby restoring the WaterShare+ Participant's original holding of two Ordinary Shares acquired when the WaterShare+ Scheme was set up.

A WaterShare+ Participant who wishes to participate in the DRIP must reinvest the full Special Dividend it is due to receive in respect of the original two Existing Ordinary Shares it acquired under the WaterShare+ Scheme, and may not elect to participate in the DRIP in respect of part only of such amounts due to it.

In order for a WaterShare+ Participant to participate in the DRIP for the Special Dividend, it must instruct the WaterShare+ Nominee accordingly and a completed application form must be received by the WaterShare+ Nominee by 6.00 p.m. on 2 July 2021 (the **WaterShare+ DRIP Cut-Off Time**). The DRIP application form is available to download at www.pennon-group.co.uk/dividends/dividend-reinvestment-plan-drip.

Those WaterShare+ Participants who do not as of the WaterShare+ DRIP Cut-Off Time participate in the DRIP may not apply to participate in the DRIP in respect of the Special Dividend.

The Board and the WaterShare+ Nominee have decided to open the DRIP to WaterShare+ Participants in respect of the Special Dividend only, and receipt of an application form and participation in the DRIP by a WaterShare+ Participant in respect of the Special Dividend will not mean that WaterShare+ Participants may participate in the DRIP in respect of future dividends. Any decision to open the DRIP to WaterShare+ Participants in the future will be made by the Board and the WaterShare+ Nominee in relation to each future dividend.

Voting

If you hold your shares within the WaterShare+ Scheme, your shares are held on your behalf in the name of the WaterShare+ Nominee. The WaterShare+ Nominee is the registered Shareholder but WaterShare+ Participants can instruct the WaterShare+ Nominee how they want the votes in respect of the Ordinary Shares to which they are beneficially entitled to be cast at the General Meeting. In order to do so, please visit www.signalshares.com and follow the instructions. To use this service, you will need your Investor Code (IVC) which can be found on any recent WaterShare+ Scheme communication. Voting instructions must be received by the WaterShare+ Nominee no later than by 9.00 a.m. on 23 June 2021 (or if the General Meeting is adjourned, 72 hours before the time fixed for the adjourned General Meeting, excluding any UK non-working days). A voting instruction will not be valid if received after 9.00 a.m. on 23 June 2021.

Any WaterShare+ Participants who would like to attend the General Meeting venue in person must make a request to the registered Shareholder, Link Market Services Trustees (Nominees) Limited, by 9.00 a.m. on 23 June 2021, so that the required paperwork can be processed. The Company may be unable to permit entry to any WaterShare+ Participants who have not made appropriate arrangements. The entry requirements noted in Section 10 of Part I (*Letter from the Chair of*

Pennon) of this document and in the notes to the Notice of General Meeting in respect of the General Meeting in Part IV (*Notice of General Meeting*) of this document will apply to WaterShare+ Participants.

If a WaterShare+ Participant attends the General Meeting, they will not be able to vote at the General Meeting as all voting instructions must be submitted to the WaterShare+ Nominee in advance in accordance with the procedure outlined above.

Payment and updated nominee statement

If the Special Dividend and Share Consolidation are approved at the General Meeting, payment of the Special Dividend and, if applicable, any net proceeds of sale of fractional entitlements will be made directly into the nominated bank account of each WaterShare+ Participant. This payment will be for the total sum of the Special Dividend payable to such WaterShare+ Participant, together with the net proceeds from any such sale of fractional entitlements.

An updated nominee statement will be made available to WaterShare+ Participants on the WaterShare+ Nominee's share portal at <https://www.signalshares.com> following completion of the Share Consolidation.

10. Taxation

United Kingdom Taxation

The following statements are intended only as a general guide and relate only to certain limited aspects of the UK taxation treatment of the Special Dividend, the related Share Consolidation and the DRIP. They are based on current UK law and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their shares as an investment (other than where a tax exemption applies, for example where the shares are held in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes persons acquiring their shares in connection with employment, dealers in securities, insurance companies, collective investment schemes, charities, exempt pension funds, temporary non-residents and non-residents carrying on a trade, profession or vocation in the UK.

The tax rates and thresholds specified are those applicable for the tax year beginning on 6 April 2021 and ending on 5 April 2022.

The statements summarise the current position and are intended as a general guide only. Shareholders who are in doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

Special Dividend

The Company is not required to withhold UK tax when paying a dividend. Liability to tax on the Special Dividend will depend upon the individual circumstances of a Shareholder.

A. UK resident individual Shareholders

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the "nil rate band") for the first £2,000 of non-exempt dividend income in the tax year and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes "dividend income" includes UK and non-UK source dividends and certain other distributions in respect of shares.

An individual Shareholder who is resident for tax purposes in the UK and who receives the Special Dividend will not be liable to UK tax to the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other non-exempt dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5 per cent. to the extent that it is within the higher rate band, or 38.1 per cent. to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

B. UK resident corporate Shareholders

For UK resident corporate Shareholders, it is likely that the Special Dividend would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

Non-UK resident Shareholders

Shareholders resident outside the UK for tax purposes will commonly not be subject to UK taxation on dividends. A Shareholder resident outside the UK may be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult their own tax adviser concerning their tax position in respect of the Special Dividend.

Share Consolidation

It is expected that, for the purposes of UK taxation on chargeable gains, the Share Consolidation will be treated as follows:

- (a) the New Ordinary Shares arising from the Share Consolidation will result from a reorganisation of the share capital of the Company. Accordingly, to the extent that a Shareholder receives New Ordinary Shares, the Shareholder should not be treated as making a disposal of all or part of the Shareholder's holding of Existing Ordinary Shares by reason of the Share Consolidation being implemented, and the New Ordinary Shares which replace a Shareholder's holding of Existing Ordinary Shares (the **New Holding**) as a result of the Share Consolidation will be treated as the same asset acquired at the same time as the Shareholder's holding of Existing Ordinary Shares was acquired;
- (b) as described in Section 2 of this Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) above, fractional entitlements of Shareholders

arising under the Share Consolidation are to be aggregated and sold. Notwithstanding the potential *de minimis* nature of such proceeds, they are normally, in practice, required to be deducted from the base cost of the Shareholder's New Holding. In the unlikely event that either such proceeds exceed the base cost or if a Shareholder is not entitled to any New Ordinary Shares under the Share Consolidation, there should be a disposal and resulting chargeable gain;

- (c) on a subsequent disposal of the whole or part of the New Ordinary Shares comprised in the New Holding, a Shareholder may, depending on his or her circumstances, be subject to tax on the amount of any chargeable gain realised; and
- (d) non-UK resident Shareholders who do not have a branch or agency (or, in the case of a non-resident company, a permanent establishment) in the UK will generally not be subject to UK tax on disposal of the Ordinary Shares.

DRIP

It is expected that, for the purposes of UK taxation, Shareholders who are participants in the DRIP and do not revoke their participation by 6.00 p.m. on 2 July 2021 will be treated as follows:

- (a) an individual Shareholder, for income tax purposes, will be treated in the same manner as if he or she received the Special Dividend in cash. For capital gains tax purposes, the cost of the additional shares acquired with the Special Dividend, including any dealing charges and stamp duty or stamp duty reserve tax, should be the base cost of the additional shares purchased on the individual Shareholder's behalf; and
- (b) a corporate Shareholder, for corporation tax purposes, will be treated in the same manner as if it received the Special Dividend in cash. For the purposes of corporation tax on chargeable gains, the cost of the additional shares acquired with the Special Dividend, including any dealing charges and stamp duty or stamp duty reserve tax, should be the base cost of the additional shares purchased on the corporate Shareholder's behalf.

Transactions in securities anti-avoidance

Under the provisions of Chapter 1 of Part 13 Income Tax Act 2007 (for individuals) and Part 15 Corporation Tax Act 2010 (for companies), in each case as amended, HM Revenue and Customs can, in certain circumstances, counteract tax advantages arising in relation to certain transactions in securities. It is not expected that these provisions should be engaged in respect of the Special Dividend, and no clearance has been or will be sought by the Company from HM Revenue and Customs in relation to their applicability to the Special Dividend.

US Holders – Information Reporting and Backup Withholding

Distributions of the Special Dividend and any future distribution of proceeds with respect to New Ordinary Shares paid by a US paying agent or other US intermediary will be reported to the Internal Revenue Service and to the US Holder as may be required under applicable regulations unless the US Holder establishes a basis for exemption. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Any amount withheld may be credited against the holder's US federal income tax liability subject to certain rules and limitations.

US Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of New Ordinary Shares, including requirements related to the holding of certain "specified foreign financial assets".

This Section 10 of this Part II (Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions) does not deal with US tax treatment other than in relation to information reporting and backup withholding in respect of US Holders, who are recommended to seek their own independent US tax advice.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR SHAREHOLDER. EACH SHAREHOLDER IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF THE SPECIAL DIVIDEND AND SHARE CONSOLIDATION IN LIGHT OF THE SHAREHOLDER'S OWN CIRCUMSTANCES.

11. Dealings and settlement

Application will be made to the FCA for the New Ordinary Shares arising from the Share Consolidation to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 2 July 2021 and that Admission of the New Ordinary Shares will become effective and dealings for normal settlement will commence at 8.00 a.m. on 5 July 2021.

The current ISIN (GB00B18V8630) in relation to Existing Ordinary Shares will be disabled in CREST as at 6.00 p.m. on 2 July 2021. A new ISIN (GB00BNNTLN49) in relation to the New Ordinary Shares will come into effect at 8.00 a.m. on 5 July 2021.

With effect from the Share Consolidation, share certificates in respect of Existing Ordinary Shares will no longer be valid. However, share certificates in respect of New Ordinary Shares will only be issued following the Share Consolidation. It is therefore important that, if you hold certificates in respect of your Existing Ordinary Shares, you retain them for the time being. New share certificates in respect of the New Ordinary Shares are expected to be posted by no later than 16 July 2021 to those Shareholders who hold their shares in certificated form. These will replace existing certificates which should then be destroyed. Pending the receipt of new certificates, transfers of New Ordinary Shares held in certificated form will be certified against the Register. The new share certificates in respect of the New Ordinary Shares are despatched to Shareholders at their own risk. Please note, if you are an untraced Shareholder your share certificate in respect of the New Ordinary Shares will not be issued until you contact the Registrar.

Shareholders who hold their entitlement to New Ordinary Shares in uncertificated form through CREST will have their CREST accounts credited with New Ordinary Shares on 5 July 2021.

12. Changes to Articles of Association

At the General Meeting, Shareholder approval will also be sought to implement certain amendments to the current articles of association of the Company (the **Current Articles**). This will be effected by adopting new articles of association (the **New Articles**) in order primarily to reflect developments in market practice, technology, changes in law and to the UK Corporate Governance Code over recent years. The Current Articles were adopted in 2010 (with an amendment made in 2019 to show the rights attached to the Watershare+ Scheme share). The principal changes introduced in the New Articles are summarised below. Minor, technical, procedural and clarifying changes have not been noted.

Hybrid meetings

The New Articles would enable the Company to hold a “combined physical and electronic general meeting”. A “combined physical and electronic general meeting” (commonly referred to as a “hybrid meeting”) is a general meeting (including an annual general meeting) held at a physical venue with additional facilities for Shareholders to attend, speak and vote at the meeting by electronic means. In particular, this amendment is intended to allow the Company the flexibility to embrace new technology, as appropriate. The New Articles are in line with best practice in this regard and do not permit the holding of “virtual only” general meetings.

Non-Executive Directors’ Fees

The New Articles provide that the aggregate limit on Non-Executive Directors’ fees payable in any one year is £900,000 (unless there is an ordinary resolution of the Company determining a larger sum). The limit in the Current Articles is £600,000, and has remained unchanged for more than a decade. The proposed increase is intended to provide sufficient flexibility in setting the level of Non-Executive Directors’ fees and the number of Non-Executive Directors appointed in the future. Information on the current fees paid to Non-Executive Directors as follows:

	£
Chair	£225,000
Non-Executive Director	£60,550

All fees are paid in line with the Directors’ Remuneration Policy approved by Shareholders.

Annual retirement of Directors

The New Articles provide, in line with common practice, that at each AGM of the Company every Director who held office on the date seven days before the date of notice of the AGM shall retire from office, but is eligible for re-election. All of the Directors are subject to annual re-election by Shareholders, in accordance with the UK Corporate Governance Code.

Vacation of office of Director

The New Articles include updated wording, in line with relevant legislation, regarding the circumstances in which a Director must vacate office where the Director has become physically or mentally ill, subject to a resolution of the Board. The updated wording applies the same test to both physical and mental illness of whether, in the opinion of a medical practitioner, the Director is rendered incapable by his illness of acting as a Director for more than three months.

Capitalisation of reserves – employee share schemes

The New Articles include an updated provision, in line with market practice, that clarifies the approach the Company would intend to take to employees' share schemes in the context of a capitalisation of reserves.

Untraced members – tracing enquiries and sale of shares

The New Articles, in line with market practice, update the process the Company would intend to follow in relation to any exercise of its power to sell the shares of "untraced members". "Untraced members" would be Shareholders who have not claimed or cashed a dividend payment over a period of at least twelve years provided, during that time, at least three cash dividends have become payable and from whom the Company has received no communication in relation to the shareholding.

The New Articles replace the requirement in the Current Articles to place notices in newspapers with a requirement that the Company must send a notice to the last registered address of the Shareholder stating that it intends to sell the shares. Before sending such a notice, the Company must have made tracing enquiries for the purpose of contacting the Shareholder, which the Directors consider to be reasonable and appropriate in the circumstances. The New Articles provide that, if no valid claim for the proceeds of a sale has been received by the Company during a period of two years from the date on which the relevant shares are sold, the net proceeds of the sale will be forfeited and will belong to the Company. The Company would be permitted to use the sale proceeds for any purpose the Directors may decide. The New Articles also provide that, if the Company exercises its power of sale in respect of any share of an untraced member, any dividend (and any other moneys) payable on the share at the time the share is sold will be forfeited.

Method of payment of dividends

The New Articles update the provisions of the Current Articles that relate to the way dividends are paid, in line with recent market practice and guidance issued in 2014 by the ICSA Registrars' Group. The New Articles confirm the existing flexibility under the Current Articles to allow the payment of dividends by different methods (including cheque, dividend warrant and bank transfer) and additionally permit the Directors to decide which payment method is to be used on any particular occasion. The Directors consider it important to have the flexibility to cater for new developments and changes in practice, including considering the efficiency and cost savings if, in the future, the Company changed to electronic payment only.

Shareholder Communications

The New Articles provide, in line with market practice, that a member ceases to be entitled to receive communications from the Company if, on two consecutive occasions, notices, documents or information have been sent or supplied to that member and returned undelivered. A member becomes entitled to receive communications again when he or she has supplied the Company or its Registrar with updated contact details.

New Articles on display

A copy of the proposed New Articles and a copy of the Current Articles, marked to show all the changes proposed by Resolution 7, are at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD during normal business hours from the date of this document until the time of the General Meeting, and will also be at the place of the General Meeting from at least 15 minutes prior to the meeting and until the conclusion of the meeting. In view of the ongoing COVID-19 situation, please contact us at IR@pennon-group.co.uk if you would like to inspect the documents, so we can make suitable arrangements for this.

13. Circular available for inspection

Copies of this document will be available on the Company's website <https://www.pennon-group.co.uk/investor-information/return-of-capital-to-shareholders> from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting.

Dated 3 June 2021

PART III – DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

2020 AGM	the annual general meeting of Pennon held on 31 July 2020
2021 AGM	the annual general meeting of Pennon to be held in 2021
Acquisition	the acquisition by the Company of the Bristol Water Group announced by the Company on the date of this document
Act	the Companies Act 2006
Admission	admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
AIBP	the Pennon Group Annual Incentive Bonus Plan (for Directors and Executives and for Senior Management)
Articles or Articles of Association	the articles of association of Pennon from time to time
Board	board of Directors of Pennon
Bristol Water Group	Bristol Water Holdings UK Limited and its subsidiaries
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear is the operator in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755)
CREST Manual	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
Current Articles	means the articles of association of Pennon in force as of the date of this document
Directors	the directors of Pennon
Directors' Remuneration Policy	means the Directors' remuneration policy approved by Shareholders from time to time
Disclosure Guidance and Transparency Rules	the disclosure guidance and transparency rules made by the FCA under section 73A of FSMA, as amended from time to time
Disposal	has the meaning set out in Section 1 of Part I (<i>Letter from the Chair of Pennon</i>) of this document
DRIP	the dividend reinvestment plan of the Company operated by Link Group
DRIP Cut-Off Time	has the meaning set out in Section 7 of Part II (<i>Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional</i>

Resolutions) of this document

Euroclear	Euroclear UK & Ireland Limited, the operator of CREST (as defined in the CREST Regulations)
Existing Ordinary Shares	the ordinary shares of 40.7 pence each in the capital of Pennon prior to the Share Consolidation
FCA	the Financial Conduct Authority of the UK, its predecessors or its successors from time to time, including, as applicable, in its capacity as the competent authority for the purposes of Part VI of FSMA
FSMA	the Financial Services and Markets Act 2000, as amended
General Meeting	the general meeting of Pennon to be held in connection with the Special Dividend, Share Consolidation and other Resolutions at 9.00 a.m. on 28 June 2021
Green Recovery	South West Water's green economic recovery investment plan submitted to Ofwat in January 2021, on which Ofwat published draft decisions on 17 May 2021
Group	Pennon and its consolidated subsidiaries and subsidiary undertakings
KKR	Kohlberg Kravis Roberts & Co. L.P.
Listing Rules	the Listing Rules made by the FCA for the purposes of Part VI of FSMA
LTIP	the Pennon Group plc 2017 Long-Term Incentive Plan
Market Abuse Regulation	Market Abuse Regulation 596/2014/EU, as in force in the UK from time to time as retained EU law (as defined in the European Union (Withdrawal) Act 2018 as amended from time to time), including where relevant pursuant to the Market Abuse (Amendment) (EU Exit) Regulations 2019
New Articles	the articles of association of Pennon proposed to be adopted at the General Meeting, should Resolution 7 be approved
New Holding	has the meaning set out in Section 10 of Part II (<i>Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions</i>) of this document.
New Ordinary Shares	the ordinary shares of 61.05 pence each in the capital of Pennon following the Share Consolidation
Non-Executive Directors	means the non-executive directors of Pennon from time to time
Notice of General Meeting	the notice of the General Meeting, as set out in Part IV (<i>Notice of General Meeting</i>) of this document
Official List	the official list maintained by the FCA
Ordinary Shares	prior to the Share Consolidation, the Existing Ordinary Shares and, after

	the Share Consolidation, the New Ordinary Shares
Pennon or Company	Pennon Group plc, Peninsula House, Rydon Lane, Exeter, Devon, England EX2 7HR (registered no. 02366640)
Register	the register of members of the Company
Registrar or Link Group	Link Group, 10 th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL
Regulatory Information Service or RIS	a Regulatory Information Service that is approved by the FCA and that is on the list of Regulatory Information Services maintained by the FCA
Resolutions	the resolutions set out in Part IV (<i>Notice of General Meeting</i>) of this document
Share Buy-back	the proposed buy-back of New Ordinary Shares described in Section 1 of Part I (<i>Letter from the Chair of Pennon</i>) of this document
Share Consolidation	the proposed consolidation of Existing Ordinary Shares on the basis of 2 New Ordinary Shares for every 3 Existing Ordinary Shares
Share Plans	means the LTIP, the Sharesave Plan, the AIBP and the SIP
Shareholders	the holders of Ordinary Shares from time to time
Sharesave Plan or Sharesave	the Pennon Group Sharesave Scheme
SIP	the Pennon Group Share Incentive Plan
South West Water	South West Water Limited, Peninsula House, Rydon Lane, Exeter, Devon, England EX2 7HR (registered no. 02366665)
Special Dividend	the proposed special dividend of 61.05 pence per Existing Ordinary Share
UK	the United Kingdom of Great Britain and Northern Ireland
US	the United States of America
US Holder	means a beneficial owner of the Existing Ordinary Shares that is, for US federal income tax purposes (a) a citizen or individual resident of the United States, (b) a corporation or other business entity treated as a corporation created or organised under the laws of the United States, any state thereof, or the District of Columbia, (c) a trust subject to the control of one or more US persons and the primary supervision of a US court or (d) an estate the income of which is subject to US federal income tax without regard to its source
Viridor	Viridor Limited, Viridor House Youngman Place, Priory Bridge Road, Taunton, Somerset TA1 1AP (registered number 02456473)
WaterShare+ Nominee	Link Market Services Trustees (Nominees) Limited in its capacity as nominee in connection with the WaterShare+ Scheme
WaterShare+ Participant	means the beneficial holders of Ordinary Shares under the WaterShare+ Scheme

WaterShare+ Prospectus	the prospectus published by the Company on 18 September 2020 in relation to the WaterShare+ Scheme
WaterShare+ Scheme	means the WaterShare+ scheme established by South West Water in order to return to those of its eligible customers who elected to participate in the scheme a share of the financial benefits arising from South West Water's regulatory outperformance for the regulatory period of 2015 - 2020 through the acquisition of an entitlement to Ordinary Shares, as described in the WaterShare+ Prospectus

PART IV – NOTICE OF GENERAL MEETING

Pennon Group plc (the Company)

(Company number 02366640)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of the Company will be held at Peninsula House, Rydon Lane, Exeter, Devon, England EX2 7HR at 9.00 a.m. on 28 June 2021, for the purposes of considering and, if thought fit, passing the following Resolutions.

Resolutions 1 to 3 will be proposed as ordinary resolutions and Resolutions 4 to 7 will be proposed as special resolutions.

For the purposes of these Resolutions, capitalised terms used but not defined herein shall (unless the context otherwise requires) have the meaning ascribed to them in the Company's circular to Shareholders dated 3 June 2021 of which this notice forms part.

Resolutions 3 to 6 are technical replacements of the existing authorities granted by Shareholders at the 2020 AGM and are required in order to preserve the position that would have been the case had the Share Consolidation not taken place (other than the increase of the share repurchase authority under Resolution 6 from 10% of the Company's issued share capital to 14.99% of the Company's issued share capital, as explained in Part II (*Further Details of the Special Dividend, Share Consolidation, proposed additional share buy-back authority, changes to Articles of Association and additional Resolutions*) of the Company's circular to Shareholders dated 3 June 2021 of which this notice forms part. Shareholders will be asked to renew these authorities at the 2021 AGM).

ORDINARY RESOLUTIONS

Resolution 1 – Special Dividend

THAT, subject to and conditional on:

- (a) the passing of Resolution 2; and
- (b) following the Share Consolidation, admission of the New Ordinary Shares of 61.05 pence each in the capital of the Company to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective at 8.00 a.m. on 5 July 2021 (or such later time and/ or date as the Directors may in their absolute discretion determine) (**Admission**),

a dividend of 355 pence per existing ordinary share of 40.7 pence each in the capital of the Company (each an **Existing Ordinary Share**) be, and is hereby declared to be, paid to each Shareholder on the register of members of the Company at 6.00 p.m. on 2 July 2021.

Resolution 2 – Share Consolidation

THAT, subject to and conditional on the passing of Resolution 1 and Admission (as defined in Resolution 1), every 3 Existing Ordinary Shares in issue and outstanding as at 6.00 p.m. on 2 July 2021 (or such other time and date as the Directors may in their absolute discretion determine) be and are hereby consolidated into 2 New Ordinary Shares of 61.05 pence each in the capital of the Company (the **New Ordinary Shares**), such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares in the capital of the Company as set out in the Company's current Articles, provided that where such consolidation results in any member being entitled to a fraction of a New Ordinary

Share, such fraction shall, so far as possible, be aggregated with the fractions of a New Ordinary Share to which other members of the Company may be entitled and the Directors be and are hereby authorised to sell (or appoint any other person to sell), on behalf of the relevant members, all the New Ordinary Shares representing such fractions to any person (including the Company) and distribute the net proceeds of sale in due proportion among those members (except that any proceeds in respect of any holding less than a sum fixed by the Directors may be retained for the benefit of the Company). For the purposes of implementing such sale: (i) any Director (or any person appointed by the Directors) shall be and is hereby authorised to execute an instrument of transfer on behalf of the relevant members entitled to such fractions and to do all acts and things the Directors consider necessary or expedient to effect the transfer of such fractional entitlements to, or in accordance with the directions of, any purchaser of any such fractional entitlements; and (ii) the proceeds of such sale (net of expenses) will be distributed to the relevant members.

Resolution 3 – authority to allot shares

That, subject to and conditional on the passing of Resolutions 1 and 2 (including Admission, as required by Resolution 1) and in place of the equivalent authority given at the 2020 AGM (but without prejudice to the continuing authority of the Directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made):

- (a) the Directors be generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006, to exercise all powers of the Company to allot shares in the Company and grant rights to subscribe for, or convert any security into, shares in the Company:
 - (i) up to a maximum nominal amount of £57,267,169 (such amount to be reduced by the nominal amount of any equity securities (as defined in Section 560 of the Companies Act 2006) allotted under paragraph (ii) below in excess of £57,267,169); and
 - (ii) comprising equity securities (as defined in Section 560 of the Companies Act 2006) up to a maximum nominal amount of £114,534,338 (such amount to be reduced by any shares allotted or rights granted under paragraph (i) above) in connection with an offer by way of a rights issue:
 - (A) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - (B) to 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;

- (b) this authority 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 2021;
- (c) the Company may, before this authority expires, make an offer or enter into an agreement which would or might require shares to be allotted or rights to be granted after it expires and the Directors may allot shares or grant rights in pursuance of such offer or agreement as if this authority had not expired; and
- (d) all other previous unutilised authorities under Section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to Section 551(7) of the

Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

SPECIAL RESOLUTIONS

Resolution 4 – Authority to disapply pre-emption rights

That, subject to and conditional on the passing of Resolutions 1, 2 and 3 (including Admission, as required by Resolution 1) and in place of the equivalent authority given at the 2020 AGM (but without prejudice to the continuing authority of the Directors to disapply pre-emption rights in connection with an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made):

- (a) the Directors be given power:
 - (i) subject to the passing of Resolution 3 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 3(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 3(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 £8,590,075;
- (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 2021; 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.

Resolution 5 – Authority to disapply pre-emption rights in connection with an acquisition or specified capital investment

That, subject to and conditional on the passing of Resolutions 1, 2 and 3 (including Admission, as required by Resolution 1) and in place of the equivalent authority given at the 2020 AGM (but without prejudice to the continuing authority of the Directors to disapply pre-emption rights in connection with an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made):

- (a) the Directors, in addition to any authority granted under Resolution 4 above, be given power:
 - (i) subject to the passing of Resolution 3, 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 £8,590,075; 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 2021; 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.

Resolution 6 - authority to purchase own shares

That, subject to and conditional on the passing of Resolutions 1 and 2 (including Admission, as required by Resolution 1) and in place of the similar (lower) authority given at the 2020 AGM (but without prejudice to the continuing authority of the Directors to make market purchases of ordinary shares of 61.05 pence each pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made), 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 61.05 pence 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 42,183,531;
- (b) the minimum price which may be paid for each ordinary share is 61.05 pence (exclusive of expenses payable by the Company in connection with the purchase), being the nominal value of each such ordinary share;
- (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 2021, 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.

Resolution 7 – adoption of New Articles

That, with effect from conclusion of this meeting, the articles of association produced to the meeting and initialled by the Chair of the meeting for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

By order of the Board

Simon Pugsley
Group General Counsel & Company Secretary

3 June 2021

Registered Office:

Peninsula House,
Rydon Lane,
Exeter,
United Kingdom,
EX2 7HR

Notes:

- (1) Only Shareholders whose names appear on the register of members of the Company as at 6.00 p.m. on 24 June 2021 shall be entitled to vote at the General Meeting in respect of the number of shares registered in their name at that time.
- (2) A Shareholder is entitled to appoint one or more proxies to exercise all or any of his or her rights to attend, speak and vote provided that each proxy is appointed to vote in respect of a different share or shares. A proxy need not be a Shareholder of the Company but must attend the General Meeting for the Shareholder's vote to be counted.
- (3) Given recent developments with the spread of new COVID-19 variants in the UK, there will be a mandatory requirement to take a COVID-19 rapid lateral flow test at the General Meeting venue. Attendees are advised to arrive at the venue a minimum of one hour before the General Meeting in order to complete the testing and registration formalities. Attendees will be required to make certain confirmations as a condition of entry to the General Meeting, including that they (or members of their household, support bubble or childcare bubble) have not recently displayed symptoms of COVID-19 and/or have not been told to self-isolate by NHS Test and Trace, the NHS COVID-19 App or otherwise. Any person who does not agree to take a COVID-19 rapid lateral flow test at the venue, whose test result at the venue is positive or who fails to provide the necessary confirmations, may be refused entry to the General Meeting. Social distancing will be in place at the General Meeting, and attendees will be asked to wear a mask for the duration of the General Meeting (unless exempt). Attendees will be required to check-in at the venue using the NHS COVID-19 App or provide their contact details to a member of staff for contact tracing purposes. There may be delays as attendees proceed through the testing formalities and security checks to be carried out prior to entry to the venue. In addition: (i) guests of Shareholders will not be permitted entry to the General Meeting; (ii) there will be no circulation of Shareholders or Directors before or after the General Meeting; and (iii) refreshments will not be served at the General Meeting.
- (4) If you do plan to attend the General Meeting in person, we kindly ask that you register your intention by contacting IR@pennon-group.co.uk as soon as possible to help us to make appropriate arrangements. The situation in relation to COVID-19 continues to evolve and it is possible the Government may introduce further restrictions or measures. Any changes to our General Meeting arrangements or to the safety measures at the venue will be communicated to Shareholders via the Company's website at <https://www.pennon-group.co.uk/investor-information/return-of-capital-to-shareholders>, and we encourage you to monitor our website for any updates.
- (5) If your shares are held within a nominee and you wish to join the General Meeting, you will need to contact your nominee immediately. Your nominee will need to have completed a letter of representation and presented this to Link Group, our Registrar, no later than 72 hours before the start of the General Meeting in order that you can attend. If you are in any doubt about your status in this regard, please contact Link Group, our Registrar.
- (6) Shareholders are encouraged to submit questions about the Resolutions by email to IR@pennon-group.co.uk. Questions submitted by 5.30 p.m. on 22 June 2021 will, where possible, be answered during the General Meeting and a summary of responses will be published at www.pennon-group.co.uk/investor-information as soon as practicable after the General Meeting. If you would like an answer to your question before the proxy voting deadline, please contact us by 5.30 p.m. on 18 June 2021 and we will endeavour to respond.
- (7) We encourage the use of electronic proxy voting and are not providing paper proxy forms alongside the Notice of General Meeting. We believe that electronic voting is both more efficient and consistent with our important environmental sustainability responsibilities and objectives. You may register a proxy appointment electronically by visiting www.signalshares.com. For security purposes you will need to log on with your personal details and Investor Code (IVC), which can be found on recent communications such as your dividend confirmation or your share certificate. Full instructions are given on the website.
- (8) If you hold your shares within the WaterShare+ Scheme, your shares are held on your behalf in the name of the WaterShare+ Nominee. The WaterShare+ Nominee is the registered Shareholder but you can instruct the WaterShare+ Nominee how you want the votes in respect of the Ordinary Shares to which you are beneficially entitled to be cast at the General Meeting. In order to do so, please visit www.signalshares.com and follow the instructions. Only WaterShare+ Participants whose names appear on the register kept by the WaterShare+ Nominee as at 6.00 p.m. on 23 June 2021 shall be entitled to instruct the WaterShare+ Nominee to vote on their behalf at the General Meeting in respect of the number of shares registered as beneficially held by them at that time. To use this service, you will need your Investor Code (IVC) which can be found on any recent WaterShare+ Scheme communication. Voting instructions must be received by the WaterShare+ Nominee no later than by 9.00 a.m. on 23 June 2021 (or if the General Meeting is adjourned, 72 hours before the time fixed for the adjourned General

Meeting, excluding any UK non-working days). Notes 2 and 7 above do not apply to you. A voting instruction will not be valid if received after 9.00 a.m. on 23 June 2021. Any WaterShare+ Participants who would like to attend the General Meeting venue in person must make a request to the registered Shareholder, Link Market Services Trustees (Nominees) Limited, by 9.00 a.m. on 23 June 2021, so that the required paperwork can be processed. The Company may be unable to permit entry to any WaterShare+ Participants who have not made appropriate arrangements. The entry requirements noted above in respect of the General Meeting will apply to WaterShare+ Participants.

- (9) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, whether it constitutes the appointment of the proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar, Link Group ID RA10, by no later than 48 hours before the time appointed for the General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST application's host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instruction to proxies appointed through CREST should be communicated to the appointees through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timing and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (10) If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by Link Group. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 9.00 a.m. on 24 June 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
- (11) A person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **Nominated Person**) may, under an agreement between him or her and the Shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statements of the rights of Shareholders and WaterShare+ Participants in relation to the appointment of proxies in paragraphs 2, 7, 8, 9 and 10 above do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders or (as applicable) WaterShare+ Participants.
- (12) As at 2 June 2021 (being the last practicable business day prior to publication of this Notice) the Company's issued share capital consists of 422,125,170 Existing Ordinary Shares carrying one vote each of which 8,443 shares are held in treasury. Therefore, the total voting rights in the Company as at 2 June 2021 are 422,116,727.