

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises a prospectus and has been drawn up as part of a simplified prospectus in accordance with Article 14 of the UK version of Regulation (EU) 2017/1129 as it forms part of retained EU law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") as amended (the "**UK Prospectus Regulation**"), relating to Pennon Group plc (the "**Company**" or "**Pennon**") and prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority of the United Kingdom ("**FCA**") made under section 73(A) of FSMA (the "**Prospectus Regulation Rules**"). This document has been approved by the FCA, as competent authority under the UK Prospectus Regulation, in accordance with the Prospectus Regulation Rules. The FCA only approves this document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and such approval should not be considered as an endorsement of the issuer that is the subject of this document or of the quality of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights that are the subject matter of this document. Investors should make their own assessment as to the suitability of investing in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights.

If you sell or transfer, or have sold or otherwise transferred, all of your Existing Ordinary Shares (other than ex-rights) held in certificated form, through the WaterShare+ Nominee or the Corporate Sponsored Nominee before 8:00 a.m. on 3 February 2025 (being the "**Ex-Rights Date**"), please send this document, together with the relevant Provisional Allotment Letter (if applicable and when received), as soon as possible to the purchaser or transferee, or to the relevant nominee entity, bank, stockbroker or other agent through whom the sale or transfer will be or was effected for onward delivery to the transferee, except that such documents must not be distributed, forwarded to or transmitted in, into or from any jurisdiction where to do so might constitute a violation of registration or of other local securities laws or regulations including, but not limited to, the United States, New Zealand, China, Singapore, Hong Kong, South Africa, Japan and the United Arab Emirates (subject to limited exceptions), and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation (the "**Excluded Territories**"). If you sell or transfer, or have sold or otherwise transferred, only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form, through the WaterShare+ Nominee or the Corporate Sponsored Nominee before the Ex-Rights Date, you should contact the Link Group shareholder helpline and/or refer to the instruction regarding split applications in Part VIII (*Terms and Conditions of the Rights Issue*) of this document and in the relevant Provisional Allotment Letter. If you sell or transfer, or have sold or otherwise transferred, all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK & International Limited ("**Euroclear UK**"), the operator of CREST, which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

The directors of the Company, whose names appear on page 42 of this document (the "**Directors**"), and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

The distribution of this document, any other offering or publicity material relating to the Rights Issue and/or any Provisional Allotment Letter and/or the transfer of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights into jurisdictions other than the United Kingdom may be restricted by law or regulation, and therefore persons into whose possession this document and/or accompanying documents come should inform themselves about and observe any such restrictions. In particular, subject to certain exceptions, such documents must not be distributed in, forwarded to or transmitted in, into or from any of the Excluded Territories. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdictions.



PENNON GROUP PLC

(incorporated in England and Wales under the Companies Act 2006 with registered number 02366640)

13 for 20 Rights Issue of 185,928,002 New Ordinary Shares at 264.00 pence per New Ordinary Share

Joint Sponsors, Joint Global Co-ordinators, Joint Bookrunners and Underwriters

Barclays

Morgan Stanley

The Existing Ordinary Shares have been admitted to the equity shares (commercial companies) category of the official list maintained by the FCA pursuant to FSMA (the "**Official List**") and to trading on the main market for listed securities of the London Stock Exchange. Applications will be made to the: (i) FCA for the New Ordinary Shares to be admitted to the equity shares (commercial companies) category of the Official List; and (ii) London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("**Admission of the New Ordinary Shares**"). It is expected that the Rights (Nil and Fully Paid) will be admitted to trading on a multi-lateral trading facility of the London Stock Exchange ("**Admission of the Rights (Nil and Fully Paid)**"). It is expected that Admission of the New Ordinary Shares and Admission of the Rights (Nil and Fully Paid) (together "**Admission**") will become effective at 8:00 a.m. on 3 February 2025, that dealings in the Rights (Nil and Fully Paid) will commence as soon as possible after 8:00 a.m. on that date, and that dealings in the New Ordinary Shares (fully paid) will commence on the London Stock Exchange at the time and date shown in the Expected Timetable of Principal Events set out in this document.

You should read the whole of this document, including the information incorporated by reference into this document and any accompanying document. Your attention is drawn to the letter from the Chair of Pennon, which is set out in Part VI (*Letter from the Chair of Pennon Group plc*) of this document. Your attention is also drawn to the Risk Factors set out on pages 13 to 32 of this document which include a discussion of certain risks and uncertainties that should be taken into account when considering the matters referred to in this document.

It is expected that Shareholders who hold their Ordinary Shares in certificated form, through the Corporate Sponsored Nominee or through the WaterShare+ Nominee (other than Excluded Shareholders) will be sent Provisional Allotment Letters on 31 January 2025, and that Qualifying CREST Shareholders (other than Excluded Shareholders) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 3 February 2025. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear UK as soon as practicable after Admission of the Rights (Nil and Fully Paid).

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

The latest time and date for acceptance and payment in full for the New Ordinary Shares by holders of Nil Paid Rights is expected to be 11:00 a.m. on 17 February 2025 for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders and 11:00 a.m. on 13 February 2025 for Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders. The procedures for delivery, acceptance and payment of Nil Paid Rights are set out in Part VIII (*Terms and Conditions of the Rights Issue*) of this document and, in the case of: (i) Qualifying Non-CREST Shareholders, the WHITE Provisional Allotment Letter; (ii) Qualifying CSN Shareholders, the PINK Provisional Allotment Letter; and (iii) Qualifying WaterShare+ Shareholders, the BLUE Provisional Allotment Letter. Qualifying CREST Shareholders should refer to section 4 (*Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights or Fully Paid Rights in CREST*) of Part VIII (*Terms and Conditions of the Rights Issue*) of this document.

Each of Barclays Bank PLC ("**Barclays**") and Morgan Stanley & Co. International plc ("**Morgan Stanley**", together with Barclays, the "**Underwriters**") is authorised in the United Kingdom by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the FCA and the PRA. The Underwriters are acting exclusively for Pennon and are acting for no one else in connection with the Rights Issue and will not regard any other person as a client in relation to the Rights Issue and will not be responsible to anyone other than Pennon for providing the protections afforded to their respective clients, nor for providing advice in connection with the Rights Issue or any other matter, transaction or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters, nor any of their respective affiliates, directors, officers, employees or advisers, accepts any responsibility or liability whatsoever for, or makes any representation or warranty, express or implied, as to contents of this document, including its accuracy, completeness or verification, or regarding the legality of any investment in the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights by any person under the laws applicable to such person, or for any other statement made or purported to be made by the Company or on the Company's behalf, in connection with Pennon, the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Rights Issue, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past, present or future. To the fullest extent permitted by law, the Underwriters and their respective affiliates, directors, officers, employees and advisers accordingly disclaim all and any duty, liability or responsibility whatsoever (whether direct or indirect and whether arising in contract, in tort, under statute or otherwise) which they might otherwise have in respect of this document or any such statement.

The Rights Issue has been fully underwritten by the Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement. The Underwriters' obligations under the Underwriting Agreement are conditional upon certain matters being satisfied or not breached prior to Admission. If these conditions are not satisfied or (where permitted) waived by Admission, the Underwriting Agreement will terminate. After Admission, neither Underwriter has the right to terminate the Underwriting Agreement.

In connection with the Rights Issue, the Underwriters and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own account in the securities of the Company and related or other securities and instruments (including New Ordinary Shares, Nil Paid Rights and Fully Paid Rights) and may offer or sell such securities other than in connection with the Rights Issue. Accordingly, references in this document to New Ordinary Shares, Nil Paid Rights and Fully Paid Rights being offered should be read as including any offering of New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including margin loans) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares, Nil Paid Rights and Fully Paid Rights. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

Further to any contractual obligations that may be in place between the Company and the Underwriters, in the event that the Underwriters or their respective affiliates subscribe for New Ordinary Shares which are not taken up by Qualifying Shareholders, the Underwriters and their respective affiliates may for a limited period co-ordinate disposals of such shares in accordance with applicable law and regulation. Except as required by applicable law or regulation, the Underwriters and their respective affiliates do not propose to make any public disclosure in relation to such transactions.

In addition, certain of the Underwriters or their affiliates are, or may in the future be, lenders, and in some cases agents or managers for the lenders, under certain of the Group's credit facilities and other credit arrangements or its affiliates. In their capacity as lenders, such lenders may, in the future, seek a reduction of a loan commitment to the Company or its affiliates, or impose incremental pricing or collateral requirements with respect to such facilities or credit arrangements, in the ordinary course of business. In addition, certain of the Underwriters or their affiliates that have a lending relationship with the Company may routinely hedge their credit exposure to the Company consistent with their customary risk management policies. A typical hedging strategy would include these Underwriters or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities.

The Underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have in the past engaged in transactions with and performed commercial banking, investment banking and advisory services for the Group from time to time for which they have received customary fees and commissions and may, from time to time, engage in transactions with and perform services for the Group in the ordinary course of their business for which they may receive customary fees and commissions.

In the ordinary course of their various business activities, the Joint Sponsors and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) in the Company and its affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

NOTICE TO OVERSEAS SHAREHOLDERS

This document does not constitute an offer of, or a solicitation to subscribe for or purchase, any securities in any jurisdiction in which such offer or solicitation is unlawful or to any person to whom it is unlawful to make such offer or solicitation. The Provisional Allotment Letters, the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights have not been, and will not be, registered or qualified for distribution to the public under the relevant laws of any Excluded Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in, into or from any Excluded Territory, except pursuant to an applicable exemption. Pennon and the Underwriters do not make any representation to any offeree, subscriber or acquirer of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights regarding the legality of an investment in the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights by such offeree, subscriber or acquirer under the laws applicable to such offeree, subscriber or acquirer. Each investor should consult with his or its own advisers as to the legal, tax, business, financial and related aspects of an investment in the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights.

EXCEPT AS OTHERWISE PROVIDED FOR HEREIN, NEITHER THE PROVISIONAL ALLOTMENT LETTER NOR THIS DOCUMENT CONSTITUTES AN OFFER OF NEW ORDINARY SHARES, OR NIL PAID RIGHTS, OR FULLY PAID RIGHTS TO ANY PERSON WITH A REGISTERED ADDRESS, OR WHO IS LOCATED OR RESIDENT IN ANY EXCLUDED TERRITORY.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read the information set out in section 7 (*Overseas Shareholders*) of Part VIII (*Terms and Conditions of the Rights Issue*) of this document. Each investor must comply with all applicable laws and regulations in force in any applicable jurisdiction, and must obtain any consent, approval or permission required for the purchase, offer or sale of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights under the laws and regulations in force in the jurisdiction to which such investor is subject or in which such investor makes such purchase, offer or sale, and none of the Company, the Underwriters or their respective employees, agents or representatives will have any responsibility therefor.

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

The Provisional Allotment Letters, the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**US Securities Act**") or under any securities law of any state or other jurisdiction of the United States and may not be offered, sold, taken up, pledged, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States, except pursuant to an applicable exemption. There will be no public offer of the Provisional Allotment Letters, the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights in the United States.

The Provisional Allotment Letters, the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and this document have not been recommended, approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the accuracy or adequacy of the Provisional Allotment Letter or this document. Any representation to the contrary is a criminal offence in the United States.

The Underwriters may arrange for the offer of New Ordinary Shares in the United States not taken up in the Rights Issue only to persons reasonably believed to be "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A under the US Securities Act ("**Rule 144A**") in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights offered outside the United States are being offered in reliance on Regulation S under the US Securities Act ("**Regulation S**"). Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from registration provisions under section 5 of the US Securities Act, provided by Rule 144A thereunder.

Subject to certain limited exceptions, neither this document nor the Provisional Allotment Letters constitute, or will constitute, or forms part of any offer or invitation to sell, issue or apply for, or any solicitation of any offer to purchase, subscribe for, or take up entitlements to the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to any person with a registered address, or who is resident or located in, the United States. Notwithstanding the foregoing, the Nil Paid Rights may be offered and delivered to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of Qualifying Shareholders whom Pennon reasonably believes to be "qualified institutional buyers", in offerings exempt from the registration requirements of the US Securities Act. Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a QIB is required to disregard them. QIBs that satisfy Pennon as to their status may exercise the Nil Paid Rights and the Fully Paid Rights by delivering a properly completed Provisional Allotment Letter to the Receiving Agent in accordance with the procedures set out in this document. Permitted US Shareholders must also complete, execute and return to Pennon, a QIB Representation Letter as described in section 7.2 (*United States*) of Part VIII (*Terms and Conditions of the Rights Issue*) of this document, and may be required to make certain certifications in the Provisional Allotment Letter for the Nil Paid Rights and the Fully Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

The Company is not subject to the periodic reporting requirements of the US Securities Exchange Act. In order to permit compliance with Rule 144A under the US Securities Act in connection with resales of the New Ordinary Shares, the Company agrees to furnish upon the request of any holder or beneficial owner of a share, or any prospective purchaser of a share designated by a holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the US Securities Act if at the time of such request it is neither subject to section 13 or section 15(d) of the US Securities Exchange Act of 1934 (the "**US Securities Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

NOTICE TO ALL INVESTORS

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights is prohibited. By accepting delivery of this document, each offeree of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights agrees to the foregoing. The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, such documents must not be distributed, forwarded to or transmitted in, into or from any of the Excluded Territories. The New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights are not transferable, except in accordance with, and the distribution of the Provisional Allotment Letters and this document are subject to, the restrictions set out in section 7 (*Overseas Shareholders*) of Part VIII (*Terms and Conditions of the Rights Issue*). No action has been taken by the Company or by the Underwriters that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of the Provisional Allotment Letters or this document or any other offering or publicity material or the Nil Paid Rights, or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must carry out their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

None of Pennon or the Underwriters, nor any of their respective affiliates, directors, officers, employees or advisers, is making any representation to any offeree, subscriber or acquirer of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights regarding the legality of an investment in the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights by such offeree, subscriber or acquirer under

the law applicable to such offeree, subscriber or acquirer. Each investor should consult with their or its own advisers as to the legal, tax, business, financial and related aspects of an investment in the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights.

The investors also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this document or their investment decision; (ii) they have relied only on the information contained in this document and; (iii) no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Rights Issue (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

NOTICE TO DISTRIBUTORS

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the **"UK Product Governance Requirements"**), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that the New Ordinary Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook; and (b) eligible for distribution through all permitted distribution channels (the **"Target Market Assessment"**). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the UK Product Governance Requirements) should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the offer of New Ordinary Shares. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A, respectively, of the FCA Handbook Conduct of Business Sourcebook; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the New Ordinary Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

Without limitation, the contents of the Group's websites (other than the information as set out in Part XV (*Documents Incorporated by Reference*)) do not form part of this document.

Capitalised terms have the meanings ascribed to them in the schedule to this document entitled "Definitions".

WHERE TO FIND HELP

Part VII (Questions and Answers about the Rights Issue) of this document has been prepared to help Shareholders understand what is involved in the Rights Issue. If you are unable to find the answer to your question in this document, the Provisional Allotment Letter or other documentation issued by the Company in connection with the Rights Issue, please call the Link Group shareholder helpline between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (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 on the merits of the Rights Issue.

The date of this document is 29 January 2025.

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SUMMARY

1. Introduction and Warnings

1.1 Details of the issuer

The issuer is Pennon Group plc, a public limited company incorporated in England and Wales with registered number 02366640.

The Company's registered office is at Peninsula House, Rydon Lane, Exeter EX2 7HR. Its telephone number is +44(0)1392 446677 and the legal entity identifier of the Company is 213800V1CCTS41GWH423.

1.2 Details of the securities

On Admission, the New Ordinary Shares will be registered with an ISIN of GB00BNNTLN49 and a SEDOL of BNNTLN4. The ISIN for the Nil Paid Rights will be GB00BT3MB248 and the SEDOL will be BT3MB24. The ISIN for the Fully Paid Rights will be GB00BT3MB354 and the SEDOL will be BT3MB35.

The New Ordinary Shares will be traded on the main market for listed securities of the London Stock Exchange under the ticker symbol "PNN".

1.3 Details of the competent authority approving this document

This document has been approved by the FCA, as competent authority, with its head office at 12 Endeavour Square, London, E20 1JN. The telephone number of the FCA is +44 (0)20 7066 1000. This document was approved by the FCA on 29 January 2025.

1.4 Warnings

This summary has been prepared in accordance with Article 7 of the UK Prospectus Regulation and should be read as an introduction to this document.

Any decision to invest in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights should be based on a consideration of this document as a whole by the investor. Any investor could lose all or part of their invested capital. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document, or where it does not provide, when read together with the other parts of this document, key information in order to aid in considering whether to invest in the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights.

2. Key Information on the Issuer

2.1 Who is the issuer of the securities?

The Company is a public limited company, incorporated and domiciled in England and Wales with registered number 02366640 and with its registered office in England. The principal legislation under which the Company operates is the Companies Act and the legal entity identifier of the Company is 213800V1CCTS41GWH423.

(A) Principal activity

Pennon is an infrastructure group focused on the UK regulated water sector and complementary activities. The Company owns South West Water, which, operating through the South West Water, Bournemouth Water, Bristol Water and Isles of Scilly brands, provides regulated water and wastewater services in Devon, Cornwall, the Isles of Scilly and small areas of Dorset and Somerset, as well as water-only supply operations across parts of Southern England, Bristol and the surrounding areas. The Company also owns SES Water, which provides water-only supply operations in areas of the South East of England. Operating across these regions, Pennon delivers more than one billion litres of water to over four million people every day. The Group also owns three national non-household water retail businesses: Pennon Water Services (an 80% holding), Water2Business (a 30% holding) and SES Business Water. Pennon Power, the Group's renewables

investment arm, is developing four renewable projects across the UK to support delivery of the Group's Net Zero commitments, offsetting exposure to power prices and reducing volatility of Group earnings.

The Group's statutory revenue was £907.8 million and its underlying EBITDA was £338.3 million for the financial year ended 31 March 2024.

(B) Major shareholders

As at the Latest Practicable Date, the Company had been notified in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules of the following interests in its Existing Ordinary Shares:

Name of shareholder	Percentage of total voting rights	Total number of Existing Ordinary Shares
Lazard Asset Management Ltd.	9.30%	26,599,426
KBI Global Investors Ltd.	7.97%	22,792,437
Impax Asset Management Ltd.	6.09%	17,407,152
Nuance Investments, LLC	5.98%	17,110,703
BlackRock Advisors (UK) Ltd.	4.68%	13,400,400
Pictet Asset Management (Geneva)	4.43%	12,667,869
ClearBridge Investments Limited	3.83%	10,941,644
Vanguard Group, Inc.	3.56%	10,186,821
Legal & General Investment Management Ltd.	3.08%	8,807,349

(C) Key managing directors

The executive directors are Susan Davy (*Chief Executive Officer*) and Laura Flowerdew (*Chief Financial Officer*).

(D) Statutory auditor

PricewaterhouseCoopers LLP is the statutory auditor of the Company and is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. Its business address is 1 Embankment Place, London WC2N 6RH.

Ernst & Young LLP was the statutory auditor of the Company for the periods covered by the 2024 Annual Report and Accounts, the 2023 Annual Report and Accounts and the 2022 Annual Report and Accounts and is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. Its business address is 1 More London Place, London SE1 2AF.

2.2 What is the key financial information regarding the issuer?

(A) Selected historical key financial information

The tables below set out selected key financial information for the Group for the financial years ended 31 March 2024, 31 March 2023 and 31 March 2022 and the six months ended 30 September 2024 and 30 September 2023. The financial information set out in the tables below has been extracted without material adjustment from the Historical Financial Information.

Table 1: Selected information from the Consolidated Income Statements

<i>Expressed in £ millions</i>	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2022	Six months ended 30 September 2024 (Unaudited)	Six months ended 30 September 2023 (Unaudited)
Revenue	907.8	797.2	792.3	527.2	448.6
Employment costs, raw materials and consumables used, and trade receivables impairment	(174.4)	(143.6)	(120.6)	(113.5)	(83.7)
Other operating expenses	(421.0)	(389.5)	(303.6)	(270.4)	(202.3)
Depreciation and amortisation	(172.0)	(154.7)	(146.7)	(94.0)	(82.6)
Operating profit	140.4	109.4	221.4	49.3	80.0
Finance income	12.6	27.6	2.6	7.9	5.7
Finance costs	(162.8)	(145.8)	(96.3)	(96.5)	(83.0)
Share of post-tax profit from associated companies	0.7	0.3	—	0.5	0.5
(Loss)/Profit before tax	(9.1)	(8.5)	127.7	(38.8)	3.2
Taxation credit/(charge)	0.6	8.9	(112.1)	8.8	(1.4)
(Loss)/Profit for the period	(8.5)	0.4	15.6	(30.0)	1.8
Attributable to:					
Ordinary shareholders of the parent	(9.5)	0.1	15.4	(30.3)	1.4
Non-controlling interests	1.0	0.3	0.2	0.3	0.4
(Loss)/Profit per ordinary share (pence per share)					
Basic	(3.6)	—	4.9	(10.6)	0.5
Diluted	(3.6)	—	4.9	(10.6)	0.5

Table 2: Selected information from the Consolidated Balance Sheets

<i>Expressed in £ millions</i>	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022	As at 30 September 2024 (Unaudited)	As at 30 September 2023 (Unaudited)
Total non-current assets	5,663.4	4,743.0	4,532.5	5,908.6	4,903.9
Total current assets	567.7	442.5	804.7	558.7	434.1
Total assets	6,231.1	5,185.5	5,337.2	6,467.3	5,338.0
Total current liabilities	(587.4)	(355.5)	(415.2)	(553.6)	(341.5)
Total non-current liabilities	(4,481.1)	(3,704.8)	(3,647.4)	(4,904.8)	(3,989.4)
Total liabilities	(5,068.5)	(4,060.3)	(4,062.6)	(5,458.4)	(4,330.9)
Net assets	1,162.6	1,125.2	1,274.6	1,008.9	1,007.1
Total shareholders' equity	1,161.2	1,124.8	1,274.5	1,007.2	1,006.3
Non-controlling interests	1.4	0.4	0.1	1.7	0.8
Total equity	1,162.6	1,125.2	1,274.6	1,008.9	1,007.1

Table 3: Consolidated statement of cash flows

	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2022	Six months ended 30 September 2024 (Unaudited)	Six months ended 30 September 2023 (Unaudited)
<i>Expressed in £ millions</i>					
Net cash generated from operating activities	148.9	152.6	252.3	63.8	39.5
Net cash used in investing activities	(658.0)	(179.5)	(547.9)	(352.5)	(266.5)
Net cash generated from/(used in) financing activities	510.8	(180.6)	(2,021.7)	291.7	156.0
Net increase/(decrease) in cash and cash equivalents	1.7	(207.5)	(2,317.3)	3.0	(71.0)
Cash and cash equivalents at beginning of period ⁽¹⁾	143.7	351.2	2,668.5	134.0	143.7
Cash and cash equivalents at the end of period⁽¹⁾	145.4	143.7	351.2	137.0	72.7

Notes:

(1) Cash and cash equivalents at the beginning and end of the periods presented exclude restricted funds. The opening balance cash and cash equivalents position at 1 April 2024 has been amended to reflect a further £11.4 million of cash determined to be restricted funds, as compared to the closing position at 31 March 2024. The summary statement of cash flows for the year ended 31 March 2024 has not been restated to reflect this change.

(B) There has been no significant change in the financial position or financial performance of the Group in the period since 30 September 2024.

(C) The independent auditor's reports in respect of the consolidated financial statements contained in the 2024 Annual Report and Accounts, the 2023 Annual Report and Accounts and the 2022 Annual Report and Accounts were unqualified.

2.3 What are the key risks that are specific to the issuer?

The Group may be impacted by market, political and economic conditions which, if it fails to properly respond, may have a material adverse effect on the Group's financial condition and results of operations.

Current and future business performance of the Group's regulated businesses may not meet the expectations of the Group's regulators.

South West Water and SES Water are subject to price determination every five years and failure to meet stretching targets for K8 could adversely affect the Group.

Failure to meet the needs of the Group's customers and wider stakeholders may result in a breach of the Group's regulated entities' customer-focused Licence condition and/or a failure to deliver on the Group's strategic priorities.

An inability to secure sufficient debt financing, on appropriate terms, could result in an increase in debt funding costs and in the Principal Operating Subsidiaries failing to fund their capital expenditure and other expenses.

Changes in government policy and direction may adversely affect the Group's business and the water industry as a whole.

Changes in regulatory frameworks, standards and requirements for the water sector may impact the deliverability and affordability of the Group's strategic priorities and therefore shareholder value.

Changes in environmental, consumer protection and health and safety rules may impact on the deliverability and affordability of the Group's strategic priorities and therefore shareholder value.

The Group may fail to comply, or be perceived to fail to comply, with the regulatory and environmental laws and regulations to which it is subject.

3. Key Information on the Securities

3.1 What are the main features of the securities?

(A) Type, class and ISIN of the securities

The New Ordinary Shares will be fully paid ordinary shares with a nominal value of 61.05 pence each in the capital of the Company traded on the main market for listed securities of the London Stock Exchange under the ticker symbol “PNN”. On Admission, the New Ordinary Shares will be registered with an ISIN of GB00BNNTLN49 and a SEDOL of BNNTLN4. The ISIN for the Nil Paid Rights will be GB00BT3MB248 and the SEDOL will be BT3MB24. The ISIN for the Fully Paid Rights will be GB00BT3MB354 and the SEDOL will be BT3MB35.

(B) Currency of the securities

The Existing Ordinary Shares are, and on Admission, the New Ordinary Shares will be, denominated in pounds sterling. The Nil Paid Rights and Fully Paid Rights will be, on Admission, denominated in pounds sterling.

(C) Number of issued and fully paid securities

As at the Latest Practicable Date, there were 286,048,709 Ordinary Shares in issue, of which 5,628 Ordinary Shares were held by the Company in treasury. There were therefore 286,043,081 Existing Ordinary Shares as at the Latest Practicable Date. As at the Latest Practicable Date, there was one non-cumulative redeemable preference share of one penny in issue (issued in connection with the WaterShare+ Nominee’s operation of the WaterShare+ Schemes) (the “**Preference Share**”).

Pursuant to the Rights Issue, the Company will issue 185,928,002 New Ordinary Shares. The Rights Issue will be made on the basis of 13 New Ordinary Shares for every 20 Existing Ordinary Shares.

(D) Rights attaching to the securities

All New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Ordinary Shares, save for the right to receive the interim dividend of 14.69 pence per share proposed to be paid in respect of the six months ended 30 September 2024 (the “**2024 Interim Dividend**”) which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025.

On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote, in each case, per New Ordinary Share. The Preference Share does not carry the right to vote.

(E) Description of restrictions on free transferability of the securities

The New Ordinary Shares are freely transferable and there are no restrictions on transfer of the New Ordinary Shares in the United Kingdom other than as set out in Article 17 of the Articles of Association which provide that the Board, in its absolute discretion, may refuse to register any transfer of a certificated share over which the Company has a lien or where the instrument of transfer of a certificated share is not: (i) left at the office, or at such other place as the Board may decide, for registration; (ii) accompanied by the relevant share certificate and other evidence reasonably required by the Board to prove title; and (iii) in respect of only one class of shares.

(F) Rank of securities in the Company’s capital structure in the event of insolvency

The New Ordinary Shares do not carry any rights to participate in a distribution of capital (including on a winding-up) other than those that exist as a matter of law. The New Ordinary Shares and the Existing Ordinary Shares will rank *pari passu* in all respects, save for the right to receive the 2024 Interim Dividend which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025. On a distribution of capital (including on a winding-up), the Preference Share ranks in priority (as to the nominal value paid up

on the Preference Share) to holders of Ordinary Shares but does not carry any further right of participation in the assets of the Company.

(G) Dividend policy

The total dividend amount for the year to 31 March 2024 of £129.3 million¹ will be rebased on a dividend per share basis (taking into account the effect of the Rights Issue). The Board has approved a dividend policy under which it intends to grow, in absolute terms, this rebased dividend per share, by CPIH inflation from and in respect of this current financial year ending 31 March 2025 and each financial year thereafter to 31 March 2030.

The implied dividend per share dilution from the Rights Issue, once adjusting for the bonus factor for comparability purposes under accounting standard IAS33, is approximately 18.6%.

The Board has declared an interim dividend of 14.69 pence for the six months ended 30 September 2024 in respect of the Existing Ordinary Shares, which is payable on 4 April 2025 in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025. The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends, save for the right to receive the 2024 Interim Dividend which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025.

3.2 Where will the securities be traded?

Applications will be made to the: (i) FCA for the New Ordinary Shares to be admitted to the equity shares (commercial companies) category of the Official List of the FCA; and (ii) London Stock Exchange for the New Ordinary Shares (fully paid) to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that the Nil Paid Rights will be admitted to trading on a multi-lateral trading facility of the London Stock Exchange. No application has been made or is currently intended to be made for the New Ordinary Shares to be admitted to listing or trading on any other exchange.

3.3 What are the key risks that are specific to the securities?

The Company may be unable to pay a dividend and/or may change its dividend policy.

Shareholders who do not (or who are not permitted to) take up their Nil Paid Rights may not receive compensation for their Nil Paid Rights and will experience dilution in the proportion of their ownership of the Company.

The market price of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights could be subject to volatility.

An active trading market for the Nil Paid Rights and/or the Fully Paid Rights may not develop.

The market price for the Ordinary Shares may decline below the Rights Issue Price and Shareholders may not be able to sell New Ordinary Shares at a favourable price after the Rights Issue.

Any future issue of Ordinary Shares may further dilute the holdings of Shareholders.

4. Key Information on the Admission to Trading on a Regulated Market

4.1 Under which conditions and timetable can I invest in this security?

It is expected that Admission will become effective on 3 February 2025, that dealings in the Rights (Nil and Fully Paid) will commence, as soon as practicable after 8:00 a.m. on that date, and that dealings in the New Ordinary Shares (fully paid) will commence on the London Stock Exchange on 18 February 2025.

¹ The base dividend for the year ended 31 March 2024 was £129.3 million, adjusted from the dividend paid in that year of £126.9 million to remove the £2.4 million one-off deduction in respect of the fine from the Environment Agency paid by South West Water.

The Company proposes to issue 185,928,002 New Ordinary Shares in connection with the Rights Issue and on the basis of 13 New Ordinary Shares for every 20 Existing Ordinary Share held on the Record Date (and so in proportion for any other number of Existing Ordinary Shares then held). Pursuant to the Rights Issue, New Ordinary Shares will be offered by way of rights to Qualifying Shareholders on the terms and conditions set out in this document and: (i) in the case of Qualifying Non-CREST Shareholders, the WHITE Provisional Allotment Letter; (ii) in the case of Qualifying CSN Shareholders, the PINK Provisional Allotment Letter; and (iii) in the case of Qualifying WaterShare+ Shareholders, the BLUE Provisional Allotment Letter. The offer is to be made at 264.00 pence per New Ordinary Share, payable in full on acceptance by no later than 11:00 a.m. on 17 February 2025 (in the case of Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders) and 11:00 a.m. on 13 February 2025 (in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders). The Rights Issue Price represents a discount of 47.3% to the Closing Price of 500.81 pence per Existing Ordinary Share on 28 January 2025 (being the last Business Day before the announcement of the terms of the Rights Issue), adjusted for the 2024 Interim Dividend of 14.69 pence per Existing Ordinary Share which will not be payable on the New Ordinary Shares, and a discount of 35.2% to the theoretical ex-rights price of 407.52 pence per Existing Ordinary Share, by reference to the Closing Price on the same date and adjusted on the same basis.

If a Shareholder does not (or is not permitted to) take up the offer of New Ordinary Shares under the Rights Issue, such Shareholder's proportionate ownership and voting interests in the Company will be diluted by up to 39.4% as a result of the Rights Issue. For the purposes of calculating: (i) the number of New Ordinary Shares to be issued pursuant to the Rights Issue; (ii) the specified increases to the Company's issued ordinary share capital resulting from the Rights Issue; and (iii) the specified dilutive effect of the Rights Issue, the issuance of any Ordinary Shares in respect of the vesting or exercise of any awards under the Share Plans which may occur between the Latest Practicable Date and the completion of the Rights Issue has been disregarded.

4.2 Why is this document being produced?

This document has been prepared in connection with the Rights Issue to be undertaken by the Company.

Pursuant to the Rights Issue, the Company proposes to issue 185,928,002 New Ordinary Shares. Through the issue of New Ordinary Shares, the Company expects to raise gross proceeds of approximately £490 million. The aggregate expenses of, or incidental to, the Rights Issue to be borne by the Company are estimated to be approximately £20 million (excluding amounts in respect of VAT). The Rights Issue is fully underwritten by the Underwriters pursuant to the terms of the Underwriting Agreement.

Except as described below, the net proceeds of the Rights Issue will be utilised to realise and deliver the significant phase of growth across the next five-year price control period spanning from April 2025-2030 (K8) which will see a record £5.6 billion² (in nominal terms) of total expenditure in the Group's UK water and wastewater networks out to March 2030, whilst maintaining the Group's efficient and prudent capital structure targets.

To the extent net proceeds arising from the sale of fractional entitlements under the Rights Issue and Rump Sale Proceeds are retained by the Company on the terms and conditions set out in this document, it is intended that later during 2025 those proceeds will be applied by the Company, subject to receiving the requisite Shareholder approval in due course, towards offering those WaterShare+ Shareholders who, because of the Rights Issue ratio, will not be entitled to subscribe for any New Ordinary Shares, the opportunity to receive a single further Ordinary Share in recognition of their not being able to participate in the Rights Issue. Further information concerning these proposed arrangements will be announced by the Company in due course.

There are no material conflicts of interest pertaining to the Rights Issue or Admission.

² FD allowance in outturn prices assuming inflation of 2.3% on average over K8 and 3.5% for 2024-25.

Part I

Risk Factors

Any investment in the Ordinary Shares, the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights is subject to a number of risks and uncertainties. Accordingly, prior to any such investment in the Ordinary Shares, the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights, prospective investors should carefully consider the risks and uncertainties associated with any such investment, the Group's business and the industry in which it operates, together with all other information contained in this document, including, in particular, the risk factors described below.

Prospective investors should note that the risks and uncertainties summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares, the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights. However, as the risks and uncertainties which the Principal Operating Subsidiaries and/or the Group face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks and uncertainties summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which prospective investors may face when making an investment in the Ordinary Shares, the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights and should be used as guidance only. Additional risks and uncertainties relating to the Principal Operating Subsidiaries and/or the Group that are not currently known to the Company, or that the Directors currently deem immaterial, may individually or cumulatively also have a material adverse effect on the Principal Operating Subsidiaries and/or the Group's business, financial condition, results of operations and prospects and, if any such risk should materialise, the price of the Ordinary Shares, the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights may decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Ordinary Shares, the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights is suitable for them in the light of the information in this document and their personal circumstances.

1. RISKS RELATING TO THE GROUP'S BUSINESS

1.1 The Group may be impacted by market, political and economic conditions which, if it fails to properly respond, may have a material adverse effect on the Group's financial condition and results of operations

Macro-political and macro-economic events such as the UK's withdrawal from the EU, the ongoing conflicts in Ukraine and the Middle East, government elections and the long-term economic impacts of COVID-19 could give rise to multiple financial implications for the Group, such as rises in inflation, interest rates and/or power prices. Changes in legislation or the introduction of special measures, affecting markets could also have similar implications.

Since late 2021 the UK has experienced a 'cost of living crisis' (i.e., a fall in real disposable incomes (adjusted for inflation and after taxes and benefits)). Despite UK Government support, household incomes are not keeping up with living costs and are not expected to return to 2021 levels in real terms until 2027. The 'cost of living crisis' impacts the Group's customers and, in turn, the Group: high levels of inflation (and increased interest rates) may impact the ability of a number of the Group's customers to pay their household bills, including bills issued by the Group, and therefore the recovery of full and timely payments from customers is a risk which may adversely affect the Group's revenues. Although Ofwat makes some allowance in price controls at each periodic review for a proportion of debt deemed to be irrecoverable, any non-recovery of customer debt above this allowance (whether by reason of customers' inability or refusal to pay) is a risk to the Group.

Due to the nature of the Group's operations, the Group is also exposed to the rise of wholesale energy costs as well as Ofwat's energy price mechanism as part of the Final Determination in December 2024. As at August 2023, Ofwat estimated that energy costs make up around 10% of

water company costs, which highlights that any variation in such energy costs can have a material impact on the Group's cost base and therefore its earnings. In response to the Group's submissions in response to the PR24 Draft Determinations, Ofwat increased allowances for energy and business rates in its Final Determinations. Whilst this mechanism may be of benefit, as an ex-post, index-linked, cost sharing mechanism, it nevertheless leaves material risk for the Group in respect of both commodity and delivery price variability in its regulated businesses. In addition, whilst the power generated by Pennon Power provides a natural hedge against volatile commodity costs, Pennon Power's profitability is linked to the volatility of wholesale energy costs: if energy costs increase then Pennon Power's profitability increases against the negative impact on the Group's other businesses; and if energy costs decrease then Pennon Power's profitability decreases against the positive impact on the Group's other businesses.

Although the Group has projected forward reduction in commodity-based energy costs based on market rates, prices remain volatile and any future significant increases above the rate of general inflation or the allowances approved by Ofwat could adversely affect the Group's financial condition and/or cost of operations.

In addition, macro-political and macro-economic events can impact the Group's non-household water retail businesses of Pennon Water Services and SES Business Water, as well as the Group's minority share in Water2Business Limited. For example, the risk of non-recovery of debt from non-household customers depends on the general economic performance of the business sectors in which those customers operate.

The continuance and/or evolution of existing macro-economic events and/or the emergence of new events, including related volatility and unpredictability, could materially increase the Group's near-term cost base and negatively impact its earnings and cash flow which could, in turn, have a material adverse impact on the Group's business, results of operations and/or financial condition.

1.2 Current and future business performance of the Group's regulated businesses may not meet the expectations of the Group's regulators

The performance of the Group's regulated wholesale businesses is measured, in part, by Ofwat's regulatory framework of Performance Commitments ("PCs") and Price Control Deliverables ("PCDs"). Outcome Delivery Incentives ("ODIs") are the financial consequences to companies of underperformance or outperformance relative to the PCs set by Ofwat. ODIs act as an incentive for companies within the water sector to deliver against the PCs; such companies may be required to return funding to customers for forgone benefits if they deliver less than is expected under the PCs. Companies that deliver greater benefits than expected under the PCs to customers and the environment may receive outperformance payments. Overall, a net penalty is anticipated to be applied to the Group in respect of the 2024-25 financial year.

For PR24, Ofwat has increased the number of common PCs that apply to all companies (to 23 for water and wastewater companies), providing for greater comparative assessment of water company performance, and simultaneously has significantly reduced the number of bespoke PCs (from 281 at PR19 to just seven at PR24). The Group is subject to one bespoke PC, proposed by South West Water, relating to the measurement and reduction of embedded greenhouse gas emissions arising from the delivery of its capital programme.

Underperformance against ODIs could have earnings impacts for the Group. For example, Ofwat recently published its annual Water Company Performance Report in respect of the 2023-24 period, concluding that water companies should return a net figure of £157.6 million to customers, through bill reductions in 2025-26, to compensate for underperformance against PCs under the current ODI framework. The amount to be returned to customers varies according to individual company performance; in respect of the current 2024-25 financial year the Group's Principal Operating Subsidiaries have returned £12.9 million (in aggregate) across all regions in light of their performance (based on Ofwat's 2022/23 in-period ODI determination).

As part of PR24, Ofwat has introduced PCDs. PCDs are designed to incentivise companies to deliver improvements allowed by Ofwat as part of their permitted enhancement expenditure, where such improvements represent 'material enhancement expenditure' and are not adequately covered by the ODI framework. Ofwat has proposed two types of PCDs: 'non-delivery PCDs', where companies are required to return funding to customers if benefits are not delivered by the end of

K8 in 2030; and 'time incentive PCDs', which allow companies to benefit from early delivery of enhancements as well as the return of funding to customers in the event of late delivery.

The Group's ability to maintain and grow its current levels of earnings from its regulated wholesale businesses will be affected by its ability to meet or exceed efficiency and cost targets and service quality standards under its PC and ODI framework and, in relation to K8, its ability to deliver enhancement expenditure in accordance with its PCD framework.

If the Principal Operating Subsidiaries do not meet the PCs under the ODI framework, or if they are not able to deliver their material enhancement investments under the PCD framework successfully, they may not achieve their expected operational returns (financial or otherwise) and/or provide the required benefits to customers, and may be in breach of regulatory or contractual obligations. This could arise in particular if the Principal Operating Subsidiaries have to defer their capex expenditure plans for any reason. In such cases, the Group's business may be materially adversely affected and its business, results of operations and/or financial condition may be materially harmed. Additionally, if Ofwat were to downgrade either South West Water or SES Water's financial resilience status, this could lead to the imposition of enhanced monitoring and reporting obligations by Ofwat, placing an additional regulatory compliance burden on the Group's management team and operations.

1.3 South West Water and SES Water are subject to price determination every five years and failure to meet stretching targets for K8 could adversely affect the Group

South West Water and SES Water are Licence holders, and are therefore price-regulated by Ofwat, with Ofwat setting allowed revenues for a specified regulatory period following evaluation of a business plan submitted by the Group. Those allowed revenues determine the prices and tariffs that such entities are able to charge their customers, and such entities would need consent from Ofwat to increase their prices in the event of any unexpected cost increases under the terms of South West Water and SES Water's respective Licences.

The next set of price controls will be for the five-year period commencing on 1 April 2025 and ending on 31 March 2030, known as K8. Ofwat's draft determinations in respect of PR24 were released on 11 July 2024 and its final determinations were released on 19 December 2024.

In the Final Determinations, total expenditure allowances increased for South West Water by approximately £1.7 billion and by £68 million for SES Water above the PR19 allowances – an improvement from the Draft Determinations alongside other changes such as amending the PC levels and ODI rates. While the possibility of seeking a re-determination by the CMA exists, the Group considers the Final Determinations provide a sufficient, albeit challenging, basis upon which South West Water and SES Water may deliver their 2025-2030 business plans, and consequently has not requested a redetermination in respect of any of its Final Determinations.

The Final Determinations include stretching PC levels for South West Water and SES Water. A failure to meet these targets could result in the imposition of penalties by Ofwat under the ODI regime, reducing the amounts that the Group's businesses are able to recover from customers. If the Group is not able to finance expenditure and investment programmes, or has to defer capex plans, it may face challenges in meeting its compliance obligations, including PCs, over the next five years, which may result in reputational damage, economic penalties and/or fines.

1.4 Failure to meet the needs of the Group's customers and wider stakeholders may result in a breach of the Group's regulated entities' customer-focused Licence condition and/or a failure to deliver on the Group's strategic priorities

The Group is committed to ensuring its strategy reflects customer and wider stakeholder expectations and needs. In particular, one of its strategic priorities is '*Addressing affordability and delivering for customers*'. If the Group fails to ensure its strategy aligns with its customer and stakeholder expectations, whether due to failure to engage with stakeholders or to effectively address their changing needs, the Group's regulated entities may be in breach of their customer-focused Licence condition as described below and/or the Group may fail to achieve its strategic priorities.

In February 2024, Ofwat introduced a dedicated customer-focused Licence condition, intended to transform the care water companies give their customers, which impacts the Principal Operating Subsidiaries. The condition includes a set of principles each regulated entity must meet,

including: communicating proactively with customers (particularly during incidents); being easy to contact; providing appropriate support for customers when things go wrong, and helping to put things right; understanding customers' needs and providing appropriate support, including for customers in vulnerable circumstances and during/following incidents; and providing support for customers who are struggling to pay or who are in debt. If the regulated entities within the Group fail to meet this condition, Ofwat has the power to take a range of enforcement actions against the entity, depending on the level of the breach, with such enforcement action ranging from informal action (such as issuing letters to the entity to give an opportunity to remedy the breach) to formal enforcement action (which could include fines of up to 10% of the relevant regulated entity's turnover). The Group is not aware of any enforcement actions initiated by Ofwat in relation to the new Licence conditions.

The Group continues to enhance and invest in its customer services and communications teams, expanding the channels by which it can interact with and support customers (such as through social media). The effectiveness of these channels is particularly important in the 'cost of living crisis', and in light of the Group's customers' increasing focus on its environmental impact. In this context, if the Group fails to address the changing needs of customers there is a risk of billing disputes (such as non-payment of customer bills, including active withholding of water bill payments in protest over pollution incidents or water quality), adverse publicity impacting the Group's reputation and/or additional attention from the Group's regulators or other public bodies. For example, there is recent focus by the Consumer Council for Water (the "CCW") on customer complaints, billing disputes, concerns about environmental performance and water meters. The Group needs to respond adequately to such concerns to meet its strategic priorities.

In addition, as an essential service provider, the Group also engages with a range of other regulatory, environmental, supply chain and community-based stakeholders, as well as the Group's employees, to understand their needs and priorities in shaping the Group's strategy. There is a risk that if the Group does not effectively engage with these wider stakeholder relationships, it will fail to achieve its commitment to align its strategy with their needs.

Growth for Pennon Water Services and SES Business Water, as well as the Group's minority share in Water2Business Limited, in the competitive non-household water retail market in which the businesses operate is also dependent on understanding and meeting the needs of their business customers. Poor customer service by Pennon Water Services or SES Business Water could result in a material loss of its customer base.

Failure of the Group, or the relevant Group entity, to meet the customer-focused Licence condition and/or effectively interact with its retail customers, business customers and wider stakeholders to meet their needs may result in fines, damage to the Group's reputation and customer base, and/or regulatory enforcement, each of which could have a material adverse impact on the Group's business, results of operations and/or financial condition.

1.5 An inability to secure sufficient debt financing, on appropriate terms, could result in an increase in debt funding costs and the Principal Operating Subsidiaries failing to fund their capital expenditure and other expenses

In the ordinary course of running its business, the Group, in particular, the Principal Operating Subsidiaries, has regular access to the debt capital markets and/or other sources of debt financing, the availability of which is relevant to the Principal Operating Subsidiaries' (and the wider Group's) ability to fund their capital expenditure and other expenses. The Group's indebtedness primarily consists of notes, bonds, credit facilities and other borrowings which are due in the medium- to long-term (being due more than one year from the date of this document). The relevant Group entity's ability to make payments on, and to refinance, such existing indebtedness and to raise new indebtedness depends to a significant degree on the Principal Operating Subsidiaries' future operating performance and their ability to generate cash from operations.

Adverse changes in the macro-economic environment, such as if financial, political or economic conditions were to deteriorate, including as a result of political and economic uncertainty or instability or an adverse change in the interest rate environment, could increase the Group's debt funding costs if the Group was unable to access the debt capital markets or other sources of debt financing on commercially acceptable terms. Such changes may also have a material adverse effect

on the Principal Operating Subsidiaries' operating cash flows, and therefore their ability to make payments on their existing indebtedness and to refinance such indebtedness.

In addition, as part of the regulatory regime to which they are subject, the Principal Operating Subsidiaries must ensure that they each hold at least two investment grade credit ratings from two different credit rating agencies, save where Ofwat has consented to the maintenance of only one such rating. As at the date of this document, Ofwat has granted SES Water consent to maintain one rating until 31 March 2025. The minimum investment grade rating required by Ofwat is currently BBB-/Baa3, but from 1 April 2025 this will increase to a minimum BBB/Baa2 with negative outlook. At the date of this document, South West Water and SES Water's investment grade credit ratings are Moody's Baa1 (Negative outlook) / Fitch BBB+ (Stable outlook) and Moody's Baa1 (Negative Outlook) respectively. Whilst as at the date of this document the Company is not expecting either Principal Operating Subsidiary to be placed on credit watch or experience a credit rating downgrade, if these entities are placed on credit watch or experience a credit rating downgrade, they would be unable to transfer, lease, license or lend any sum, asset, right or benefit to any 'Associated Company' (as defined in their Licences, which would include Group companies) without Ofwat's consent and subject to limited exemptions. If this risk were to occur, the Principal Operating Subsidiaries' funding costs may increase and they may experience obstacles in refinancing existing indebtedness on commercially acceptable terms. This could also potentially trigger non-compliance with the terms of Licences held by the Principal Operating Subsidiaries. Additionally, in the long term (being more than 12 months from the date of this document), if the Group is required to raise more debt than currently envisaged under its business plan in order to fund its capital expenditure or otherwise for cash purposes, the Group's approach to gearing levels may be challenged and/or its credit ratings impacted (resulting in the relevant entity being placed on credit watch or a credit downgrade). The Group may have to consider alternative funding methods, such as hybrid facilities to avoid breaching existing debt obligations and covenants.

Regulatory actions, for example penalties imposed by Ofwat or the Environment Agency, could also affect the Group's revenues and consequently its ability to maintain access to debt capital markets or other sources of debt financing, and therefore its ability to fund its capital expenditure and other expenses.

If any of these risks materialise, they could have a material adverse impact on the relevant Group entity's ability to refinance existing indebtedness, access new debt financing, or satisfy its existing debt obligations and covenants (such as interest cover or gearing covenants at Group level) resulting in certain debt becoming immediately repayable. This could result in increased funding costs, impact the Group's ability to fund its capital expenditure and other expenses, and/or otherwise have a material adverse impact on the Group's business, results of operations and/or financial condition.

1.6 The Group is exposed to interest rate variations which could affect its profitability, cash flow and/or financial condition

In the ordinary course of running its business, the Group in particular the Principal Operating Subsidiaries, has regular access to the debt capital markets or other sources of debt financing. The Group's debt obligations are subject to both fixed and floating interest rate provisions. As at 30 September 2024, the Group's total indebtedness was £4,407.3 million of which £2,821.3 million was at fixed rate and £813.2 million was indexed linked. The remaining £772.8 million was held at floating rates. The Group's cash and cash equivalents (inclusive of restricted funds) was £175.1 million.

Whilst the Group's exposure to interest rate movements on its floating-rate debt is managed by the use of interest rate derivatives, the Group cannot eliminate all exposure to interest rate risk and unfavourable market movements in interest rates could have a negative effect on the Group's earnings and cash flows and on the finance expenses related to the unhedged portion of the Group's indebtedness. A substantial change in market interest rates and/or incorrect hedging strategies could therefore result in greater liabilities for the Group in respect of its interest payment obligations which could, consequently, have a material adverse effect on the Group's business, financial condition and/or results of operations.

1.7 The Principal Operating Subsidiaries may suffer an operational asset failure to their wastewater infrastructure, or may not be able to respond effectively to wastewater network performance issues, including as a result of third-party action (whether accidental or deliberate), which may give rise to damage to the local environment and/or significant costs to the Group

The Principal Operating Subsidiaries' wastewater infrastructure may suffer operational asset failures (such as sewer collapses, blockages and spills), whether as a consequence of the Principal Operating Subsidiaries' failure to maintain the health of their wastewater assets or as a consequence of external factors, including third-party interference (whether accidental or deliberate).

Maintaining and improving the condition of the Principal Operating Subsidiaries' wastewater infrastructure in order to prevent operational asset failure, including prevention of sewer collapses, blockages and spills, requires them to undertake proactive management of their networks including by refurbishing, activated sludge processes on their wastewater treatment works, performing enhanced cleansing to remove debris from sewers and by completing increased sewer overflow inspections. However, the Principal Operating Subsidiaries may not be able to effectively implement these proactive steps completely or at all. For example, this risk is amplified in the case of the Principal Operating Subsidiaries' operations in the South West where the unique terrain of the region can require household wastewater to be pumped over hills, cliffs and moors to reach the Principal Operating Subsidiaries' treatment works, which can put strain on the Group's infrastructure systems whilst also making it harder for them to take the steps required to proactively manage and maintain those infrastructure assets.

The Principal Operating Subsidiaries' wastewater infrastructure is also vulnerable to risks arising from third-party interference (in particular, due to the nature of wastewater infrastructure being accessible to third-parties through drains on private land) and third-parties failing to use wastewater systems properly (for example, effluent being put into the sewers outside of allowances or pipes becoming blocked due to household wastewater such as 'fatbergs' forming when wet wipes combine with oils and fats which have been poured down sinks). Furthermore, modern wastewater pipework contains two pipes to keep separate (on the one hand) the wastewater collected from homes and businesses and (on the other) the rainwater falling in built-up areas, yet there are instances where individuals illegally connect to these systems which can, in turn, cause pollution in the receiving water environment.

If the Principal Operating Subsidiaries experienced a failure in their wastewater infrastructure or were unable to respond effectively to wastewater performance issues, this could cause the Principal Operating Subsidiaries to fail to meet agreed standards of service, to be in breach of contractual obligations, licences, approvals, regulatory requirements and/or applicable law. Failure of any of the Principal Operating Subsidiaries' wastewater assets could also result in significant and widespread damage to the local environment, such as environmental pollution or land and water contamination, and could require the Principal Operating Subsidiaries' incident management procedures to be implemented in order to recover the situation, which could be costly. Any of these risks arising could result in financial penalties, expensive remedial action, regulatory enforcement action and/or damage to the Group's reputation, which in turn could have a material adverse impact on the Group's business, results of operations and/or financial condition.

1.8 The Principal Operating Subsidiaries may suffer an operational asset failure to their water network, or may not be able to respond effectively to water supply infrastructure issues, including as a result of third-party action (whether accidental or deliberate) which, in turn, may impact their ability to secure, produce or supply clean safe drinking water

The secure supply of clean safe drinking water in each region in which they operate is a core duty of the Principal Operating Subsidiaries. However, the Principal Operating Subsidiaries are subject to the risk of operational asset failure in their water supply network, which may be caused by both internal and external factors, including third-party interference (whether accidental or deliberate).

The Principal Operating Subsidiaries may experience water treatment network breakdowns and/or unplanned outages due to weaknesses in the network's operational resilience, whether caused by a failure of the Principal Operating Subsidiaries to maintain capital assets or to deliver required improvements. Damage to, or failure of, the Principal Operating Subsidiaries' mains is a particular risk giving rise to leakages and supply issues: for example, in December 2023 the Group suffered a

significant burst in the trunk main which affected residents in the Winterbourne area during the Christmas period. While the Principal Operating Subsidiaries' have an asset health programme of routine planned and preventative maintenance works, unplanned outages can nevertheless occur, such as at the Purton Treatment works in 2022-23, which resulted in service impacts (including water taste, smell and colour and leakages) for the Group's customers.

The Principal Operating Subsidiaries' ability to fulfil their water delivery obligations also depend heavily on the actions of, and non-interference by, third parties, in particular given that a significant proportion of the Principal Operating Subsidiaries' water supply infrastructure is located on third-party land. The Principal Operating Subsidiaries are exposed to the risk of operational asset failure in their water supply network caused by third party intervention (whether accidental or deliberate, including terrorism), such as in situations where water is taken illegally or connections are missed through the water network. Any third-party interference or damage to the Principal Operating Subsidiaries' water supply network on third-party land, such as contamination of water supplies through discharge of untreated or foreign substances into waterways, or other third-party acts which may compromise the Principal Operating Subsidiaries' major water supply assets, could impair the quality of the Principal Operating Subsidiaries' water supply (including fitness for human consumption) and/or could create disruption in supply (including leakages and flooding). For example, in 2021 a third-party contractor caused damage to both the major water main and the back-up main at Carland Cross which resulted in payments being required to be made under South West Water's ODI framework. Such third-party events are unpredictable in nature and constitute a risk to the Principal Operating Subsidiaries' capacity to fulfil regulatory drinking water standards and its delivery commitments and hinder its ability to ensure security of supply.

If the Principal Operating Subsidiaries experienced a failure in their water supply infrastructure or were otherwise unable to deliver clean safe drinking water, this could cause the Principal Operating Subsidiaries to fail to meet agreed standards of service, to be in breach of contractual obligations, licences, approvals, regulatory requirements and/or applicable law. Failure of the Principal Operating Subsidiaries to fulfil their water delivery obligations could also require the Principal Operating Subsidiaries' incident management procedures to be implemented, which could be costly and could further impact the water supply. In May 2024, South West Water was notified by the UK Health Security Agency of cryptosporidium cases in the Brixham and Kingswear areas of Devon. Boil water notices for approximately 16,300 customers were put in place, with around 14,000 issued on a precautionary basis and around 2,300 remaining in place for an eight-week period. The Group engaged colleagues and contractors to work 24 hours a day to deliver interventions in the affected system, including cleaning and flushing out over 34 km of the network 27 times at high velocity and laying 1.2 km of new pipework to provide future resilience across the network. While the operational incident itself was resolved over an eight-week period, non-underlying costs were approximately £16.3 million as at 30 September 2024.

Were any of these risks to arise, this could result in financial penalties, expensive remedial action, regulatory enforcement action and/or damage to the Group's reputation, which in turn could have a material adverse impact on the Group's business, results of operations and/or financial condition.

1.9 If the Principal Operating Subsidiaries fail to respond to population growth, increases in tourism, adverse weather conditions and/or climate change in the regions in which they operate, it may adversely affect their ability to supply clean safe drinking water and/or provide wastewater services

Population growth, tourism, adverse weather conditions and climate change are current key risks for the Principal Operating Subsidiaries that are largely outside of their control and may impact their ability to supply clean safe drinking water and/or to effectively operate their wastewater infrastructure.

Population growth can create increased demand on water supply infrastructure and create water scarcity issues, and this is particularly so in the South West of England where the population has increased by approximately 20% in the last 30 years. Population growth can also put increased pressure on the Principal Operating Subsidiaries' wastewater assets, both through an increase in household wastewater entering the Principal Operating Subsidiaries' wastewater system via the pipe networks owned by customers and on account of the removal of natural drainage to make way for housing and infrastructure.

The number of tourists visiting the South West region in which the Group operates has doubled in the last 15 years, which has created seasonal spikes in drinking water demand and increased wastewater flow issues for the Group during the summer months and school holiday periods. The resident population of the regions served by the Group has also increased following changes to working practices following the COVID-19 pandemic, further compounding these issues.

Climate change is also expected to cause extreme weather patterns in the regions served by the Group. This can range from insufficient rainfall with hotter, drier summers becoming more frequent, with the Environment Agency declaring the South West region to be in drought in 2022 compared with 2023 being a year of record-breaking rainfall rates and frequent storms. While the Group continues to make progress in delivering environmental improvements through its WaterFit 2025 programme, the significant increase in rainfall and groundwater levels in 2023 and 2024 have increased wastewater flows and impacted headline performance for pollutions and use of storm overflows. Uncertainty regarding where and when heavy rainfall will impact the Principal Operating Subsidiaries' wastewater infrastructure, or in the location of where a blockage might occur, means it is not possible to accurately forecast the occurrence or impact of sewer flooding, leaks and related pollutions.

Each of these issues poses a continuing risk to the Principal Operating Subsidiaries' ability to supply clean safe drinking water and wastewater services to their customers. In circumstances where the Principal Operating Subsidiaries are unable to adequately address or successfully mitigate any or all of these risks, the Group may be subject to increased operational costs, regulatory fines, and/or damage to the Group's reputation, which in turn could have a material adverse impact on the Group's business, results of operations and/or financial condition.

1.10 The Group is subject to ongoing investigations, the outcome of which are currently unknown, and may be subject to future litigation and/or investigations, which, in each case, may have a material adverse effect on the reputation and/or financial performance of the Group

South West Water is subject to the following ongoing investigations:

- On 18 November 2021, Ofwat and the Environment Agency announced an industry-wide investigation into sewage treatment works, and, on 27 June 2022, Ofwat announced enforcement action against South West Water. The investigation is currently ongoing and the potential timing and impact of any outcome is currently unknown.
- On 23 May 2023, Ofwat announced an investigation into South West Water's 2021-22 operational performance data relating to leakage and per capita consumption as reported in its Annual Performance Report 2021-22. The investigation is currently ongoing and the potential timing and impact is currently unknown.

It is not possible to quantify the financial impact of such investigations on the Group at this time. However, Ofwat has a range of options that it could apply, from: closing the investigation with no further action; to agreeing formal undertakings pursuant to section 19(1)(b) of the Water Industry Act 1991 to provide assurance that the relevant regulated entity is taking all appropriate steps to secure or facilitate compliance with the licence condition potentially breached by its actions; through to imposing a penalty in an amount of up to 10% of the relevant regulated entity's annual revenue in relation the specific area (water or wastewater) of its regulated business. The Environment Agency also has a range of options including: taking no action; issuing enforcement notices; issuing warnings; issuing cautions; bringing prosecutions; and accepting environmental undertakings. Given the wide range of possible outcomes it is not currently possible to estimate any obligations arising from these investigations with any certainty. However, an adverse outcome may result in reputational damage, regulatory enforcement and/or financial penalties.

On 2 February 2024, summons were received by South West Water from the Environment Agency in relation to alleged illegal water discharge activities at seven locations with a total of 30 charges. The initial court hearing took place on 16 April 2024 at which South West Water entered no plea. At the next court hearing on 14 November 2024 the Environment Agency withdrew six of the 30 charges and South West Water entered a guilty plea on five of the charges (concerning certain matters in 2019 and 2020). No plea was entered on the remaining 19 charges and South West Water subsequently offered remedial undertakings which were not accepted. South West Water submitted an application for 12 of the remaining charges to be stayed for abuse of process which

was heard on 8 January 2025. The District Judge will provide an indication of her decision regarding the applications for stay on 7 February 2025, with written judgment to follow at a later date. A hearing for South West Water's plea in relation to the other seven charges has not yet been scheduled. Sentencing for all remaining charges is scheduled for 25 and 26 September 2025. It is not possible to quantify the financial impact of these proceedings at this time.

In addition, in May 2024, South West Water was notified by the UK Health Security Agency of cryptosporidium cases in the Brixham and Kingswear areas of Devon, and following two positive cryptosporidium water samples South West Water issued approximately 16,300 boil water notices, including approximately 14,000 which were issued on a precautionary basis. These precautionary notices were lifted three days later following clear testing results and between, 10 June 2024 and 8 July 2024, South West Water lifted all remaining boil water notices. Household customers received compensation from South West Water. As at the date of this document, the Drinking Water Inspectorate (the "DWI") is investigating the cause and extent of the incident and the actions of the Group. An interview by the DWI of South West Water under caution took place on 8 November 2024. Any adverse findings by the DWI or the commencement of any further investigations by any other public body in connection with the incident may result in reputational damage, regulatory or criminal enforcement and/or financial penalties.

The Group may also become subject to new litigation or other proceedings (which could include class actions, claims from customers and/or claims from contractual counterparties) or new investigations (from its regulators or other regulatory bodies), and the cost or the ultimate outcome of such litigation, other proceedings or investigation (including remediation costs, other remedies or damage awards) cannot be predicted. On 17 October 2024, the Group became aware of a public announcement made by law firm Leigh Day, that a number of residents and businesses in the affected areas of Exmouth have launched a claim for legal action against South West Water. A letter of claim has not been received and it is not possible to quantify the financial impact of the claim at this time. Whether Leigh Day will issue a letter of claim against South West Water, or take any other action in relation to the incident, is unclear as at the date of this document.

The occurrence of any of such risks may result in fines, damage to the Group's reputation, expenditure in remediation costs, and/or regulatory enforcement, each of which could have a material adverse impact on the Group's business, results of operations and/or financial condition.

1.11 The Group may fail to recruit, develop and retain staff at all levels (including leadership) with the skills required to deliver the Group's strategy

The activities of the Group are technical and complex and require a skilled and motivated workforce across a range of roles at all levels of the business. Failure to recruit, develop and retain a workforce of skilled and motivated individuals, in particular of senior management level, could detrimentally impact the Group's strategic priorities, business performance and profitability. This could also affect the Group's ability to retain knowledge and experience. In remote but extreme circumstances, there is also the potential for higher levels of regulatory scrutiny, financial penalties, reputational damage and/or missed commercial opportunities. This risk is amplified in the context of increased scrutiny of senior management pay packages and the new powers to bring criminal charges against water executives as part of the Water (Special Measures) Bill.

1.12 A significant health and safety event in the Group's operations could potentially harm the Group's employees, contractors or members of the public, and have significant financial impact on the Group and/or damage the Group's reputation

The nature and scale of the Group's operations presents multiple hazards to the Group's employees, contractors and the wider public. These include, for example, working at height, working in confined spaces, undertaking excavations, operating in explosive environments in sludge digestion or other processes, releases of dangerous substances, high volume asset failures (e.g. dams or aqueducts), and exposure to harmful chemicals.

While the Group has continued to embed its 2025 Homesafe strategy, the Group may not be effective in preventing all health and safety events occurring as a result of such hazards. A significant health and safety event could result in human cost, financial costs and/or damage to the Group's reputation. For example, Wessex Water experienced a silo tank explosion at its recycling

centre in Avonmouth in December 2020 where four people died, including employees, and which also resulted in investigations by the Health and Safety Executive and the police.

Additionally, there can be no assurance that the costs of compliance with applicable health and safety standards and regulations will not increase, or that any insurance of the Group in relation to health and safety incidents will not increase or be otherwise available on appropriate terms.

Any of these risks occurring could result in human cost and/or financial costs, damage to the Group's reputation and therefore a material adverse effect on the Group's business, financial condition and/or results of operations.

1.13 The Group's pension schemes may require additional contributions in future years, which would potentially constrain cash and reduce its profit in those years, amongst other impacts

The Group operates defined benefit pension schemes for certain employees of the Group, which are closed to future accrual, but there remains a risk that the Group may have to make material additional contributions to one or more of these schemes.

The assets of the pension schemes are held in trust funds independent of Group finances. Estimates of the amount and timing of future funding for the defined benefit schemes are based on various actuarial assumptions and other factors including, among others, the actual and projected market performance of the scheme assets, future long-term bond yields, average life expectancies and relevant legal requirements. The impact of these assumptions and other factors may require the Group to make material additional contributions to these pension schemes, impacting the Group's cost base, which could materially adversely affect the Group's business, financial condition and results of operations.

The principal plan within the Group is the Pennon Group Pension Scheme ("PGPS"), which is a funded defined benefit, final salary pension scheme in the UK. Following the acquisition of Bristol Water and SES Water, the Group also assumed defined benefit obligations through Bristol Water's and SES Water's membership of Water Companies Pension Scheme ("WCPS").

The 2022 triennial actuarial valuation of the PGPS was agreed in 2024 with an actuarial valuation surplus of £7.6 million. No deficit recovery contributions are required as a result of the 2022 valuation. Additional contributions of £2.0 million were paid into the PGPS in respect of scheme expenses during the financial year ended 31 March 2024 (2023: £1.6 million). The Group monitors PGPS funding levels on an annual basis and the Group expects to pay only scheme expenses of around £1.8 million during the financial year ended 31 March 2025.

The trustees of the Bristol Water and SES Water sections of the WCPS have purchased bulk annuity policies to insure the benefits for members of those sections. The scheme assets for each section, in the form of the insurance policy, now materially match the value of the section liabilities. This means that the insurer has assumed the bulk of longevity, interest, inflation and investment risk, but that the sections have taken on a credit risk on the bulk annuity insurer, as well as retaining risk in relation to any uninsured liabilities.

In June 2023, the High Court handed down a decision (Virgin Media Limited v NTL Pension Trustees II Limited and others) which potentially has implications for the validity of amendments made by schemes, including the PGPS and other Group defined benefit schemes, which were contracted-out on a salary-related basis between 6 April 1997 and the abolition of contracting-out in 2016. This decision was upheld by the Court of Appeal in August 2024. There is potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments that would otherwise be held void where the requirements of section 37 of the Pensions Schemes Act 1993 were not met. However, the Company has engaged with the relevant Trustee for PGPS and other Group defined benefit schemes who have confirmed that, based on the governance processes in place and an initial review of significant deed changes during the period in question, these bodies have no reason to believe, at this stage in their review, that the relevant requirements were not complied with in relation to the Schemes with regard to the relevant period in question. Given that there is no indication at this stage of non-compliance with the relevant requirements, the PGPS valuation as at 30 September 2024 does not reflect potential additional liabilities arising from the Virgin Media decision.

1.14 The Group sets climate and environmental performance targets and commitments which, if they are not met, may impact the Group's reputation and its strategic priorities

The Group has set a number of climate and environmental performance targets and commitments, in particular its commitment to deliver Net Zero by 2030 by increasing energy use from renewable generation and reducing greenhouse gas emissions. One of the Group's strategic priorities is '*Tackling the use of storm overflows and pollutions*' and another is '*Delivering net zero and environmental gains*'. Achievement of the Group's climate and environmental performance targets and commitments, and therefore its strategic priorities, is subject to risks and uncertainties, many of which are outside of the Group's control and depend on, among other factors, energy costs, advances in technology and regulatory requirements that could impact how individuals and households use water, as well as broader regulatory, commercial and social trends in the UK.

For example, the Group's regulated wastewater activities must ensure the capacity, capability, effectiveness and compliance of infrastructure and non-infrastructure wastewater assets to remove, treat and return water to the environment in a compliant manner that meets environmental standards. This is particularly relevant in the context of storm overflows which are used as a 'release valve' in wet weather to avoid flooding to homes and businesses and pollution incidents, and which are one of the Group's strategic priorities. Whilst the Group takes a proactive approach to managing these risks, such as publishing a National Storm Overflows Plan setting out how the sector will meet or exceed all UK Government targets, these plans are ambitious. Further, the sourcing of renewable energy for the Group's business where it cannot generate enough energy itself (part of the Group's three-pillar strategy to deliver its Net Zero plan) is reliant on the availability of renewable energy (which may be limited or difficult to source) and third-party infrastructure outside of the Group's control.

If the Group is unable to identify and/or deliver upon actions necessary to meet its environmental performance targets and commitments, including due to third-party action or inaction, this could undermine its ability to deliver its Net Zero plan, its strategic priorities, lead to fines by the Group's regulators, damage its reputation and/or limit its ability to influence future water industry policy to the detriment of the Group, which in turn could have a material adverse impact on the Group's business, results of operations and/or financial condition.

1.15 The Group may undertake certain actions as part of its strategy, including acquisitions, joint ventures and/or other partnerships, or disposals, which may result in unforeseen costs and/or liabilities, a failure to realise expected synergies and/or result in separation issues

The Group has a clear twin-track organic and acquisitive growth strategy. In the event that the Group undertakes any acquisition, joint venture or other partnership as part of this strategy, there is a risk that the Group suffers unanticipated costs and liabilities and other unanticipated effects. For example:

- It is possible that the Group identifies targets that are not as appropriate for its business as expected or that more is paid to acquire the target than the value that the Group expected to realise from the acquisition.
- The Group may become liable for past acts, omissions and or liabilities of companies and businesses which it has acquired which could be unforeseen and/or greater than anticipated, for example, where environmental liabilities arise as a result of leaks.
- The Group may fail to successfully integrate any acquired company and/or business into the operations of the Group and/or fail to achieve expected synergies as part of any acquisition in part or at all, for example, if the Group wanted to integrate any acquired wastewater or water-only businesses into the Principal Operating Subsidiaries.
- In the case of joint ventures, the Group may have limited control over operations and its joint venture partners may have interests that diverge from the Company's interests.

Any of these risks arising may impact the Group's ability to implement its growth strategy.

In addition, if the Group intends to make a disposal of a company or business from time to time as part of its strategy, or in the case that the Group requires additional cash to finance its capex requirements across the Group or otherwise, the Group's ability to do so could be affected by

various factors including market circumstances and the availability of purchasers willing to purchase such assets at acceptable prices. It may also incur additional costs and the Group's business following such disposal may be less diversified. In addition, sellers can be required to retain certain liabilities or agree to indemnify buyers for certain matters and to dispose of certain assets the Group may provide an indemnity to a buyer. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material.

1.16 There may be insufficient capacity and/or resilience of the Group's supply chain to deliver its current and/or future operational and capital programmes, and to deliver the Principal Operating Subsidiaries' services

The Principal Operating Subsidiaries have a significant asset base, requiring substantial capital maintenance and capital enhancement investment. As a result, inconsistency of supply and reliance on large contractors (who may themselves face financial difficulty or the prospect of insolvency, or with whom the Group could have specific contractual issues) represents a material risk for the Principal Operating Subsidiaries' operations and its ability to deliver its services.

The market demand for the skills and expertise, goods and other commodities necessary to support the delivery of the Principal Operating Subsidiaries' operational and capital programmes continues to increase across the water industry. This can, in turn, impact the availability and quality of the goods and services that are required to deliver the Principal Operating Subsidiaries' programmes. For example, the Principal Operating Subsidiaries have experienced supply chain issues for pipe and other infrastructure components necessary to deliver their strategic priorities, such as water quality and resilience and upgrading a third of water treatment works across the region in which the Group operates.

Supply chain resilience is also essential to the Principal Operating Subsidiaries' ability to deliver their services: disruption and delay (whether caused by over-reliance on specific contractors, macro-economic conditions, political issues, global natural disasters or otherwise) could impact the Principal Operating Subsidiaries' water supply and wastewater operations. For example, the Principal Operating Subsidiaries are reliant on the supply of chlorine for their water supply services to maintain hygienic conditions within the water supply pipe network; however, the UK has seen a chlorine shortage in recent years as a result of factors such as Brexit, a backlog from China's supply chain caused by the COVID-19 pandemic, a fire in a US chemical plant in late 2020 and the war in Ukraine. The Principal Operating Subsidiaries have therefore had to ensure that they are not over reliant on one chlorine supplier.

Any of these risks occurring may impact the Principal Operating Subsidiaries' ability to carry out their operational and capital development enhancements and/or to continue the supply of their services, and therefore could materially adversely impact the Group's reputation, business, results of operations and/or financial condition.

1.17 The Group relies on IT systems and infrastructure which, in the event of a failure (including as a result of cyber security breaches), could lead to significant business interruption and impact the Group's results of operations

The Group, in particular, the Principal Operating Subsidiaries, is reliant on the capacity, reliability and security of its information technology systems to provide front-line operational and back-office support activities in the delivery of its water supply and wastewater services which may be vulnerable to failure if certain risks arise.

The Group's IT systems and infrastructure may be adversely impacted by a number of events (not all of which are within the Group's control), such as third-party action (including cyber-attacks, the sophistication and prevalence of which is increasing), hardware or software malfunctions, power outages, damage to property or assets (including from terrorism), unauthorised access to data, human error or other similar disruptions. Although the Group maintains an information security framework aligned with guidance issued by the National Cyber Security Centre and business continuity plans, no assurance can be provided that this will be successful in preventing breaches of these systems or effective in resolving issues arising from disruption. In addition, in the normal course of its business, the Group holds personal and other confidential data, including relating to its customers, suppliers and employees, and is subject to strict data protection requirements (including

pursuant to the General Data Protection Regulation) to support the continuation of the services which the Group provides. Any unauthorised access to personal or confidential data could result in the loss of such data, data leaks and/or data being corrupted and, in the event of a serious breach of data protection principles, the Information Commissioner's Office can issue fines of up to £17.5 million or 4% of the Group's annual worldwide turnover, whichever is higher.

Failure of the Group's IT systems or IT security (such as its process control systems which control and monitor the Group's drinking water and wastewater assets), whether due to inadequate internal processes or maintenance or due to third-party actions, could result in significant business interruption, the Group's business (in particular the Principal Operating Subsidiaries) being unable to operate effectively, a failure to comply with the relevant legislation and/or the corruption or loss of data. This could have a detrimental impact on the Group's customers, employees and other stakeholders, including the Group's ability to provide drinking water or wastewater services, and result in financial penalties and/or reputational damage to the Group and/or otherwise have a material adverse impact on the Group's business, results of operations and/or financial condition.

2. RISKS RELATING TO THE WATER INDUSTRY

2.1 Changes in government policy and direction may adversely affect the Group's business and the water industry as a whole

As a regulated business, the political and regulatory environment shapes how the Group operates. Factors include: the public perception of the water industry and its legitimacy to provide value; environmental stewardship; meeting increased challenges on efficiency and performance; and the imposition of increased levels of competition across the sector.

There are increased public demands on regulators and the UK Government to reform the regulatory regime that applies to the UK water sector, including in those areas in which the Group, and in particular the Principal Operating Subsidiaries, operate. Following the UK General Election on 4 July 2024, the UK Government introduced the Water (Special Measures) Bill in the House of Lords on 4 September 2024, following which it was amended and introduced in the House of Commons on 27 November 2024 (the "**Water (Special Measures) Bill**"). The Water (Special Measures) Bill is currently in its committee stage. The Water (Special Measures) Bill comprises a package of measures designed to strengthen regulation of the sector. These proposals include: granting regulators new powers to ban the payment of bonuses if environmental standards are not met; introducing new powers allowing regulators to impose automatic fixed penalties for certain offences committed by a company; requiring water companies to undertake real-time monitoring of every sewage outlet (with data to be independently monitored by regulators); introducing personal criminal liability of water company management for persistent lawbreakers; and requiring water companies to publish annual Pollution Incident Reduction Plans. By increasing the powers of sector regulators to impose automatic fixed penalties on companies, it is possible that the Water (Special Measures) Bill could increase the Group's exposure to regulatory enforcement activity, which could negatively impact the Group's financial position and business operations. The new powers concerning executive bonuses and the introduction of criminal liability for management, in certain circumstances, may also make it harder for the Group to recruit and retain the senior personnel necessary to support and grow its business and operations, which may in turn negatively impact the results of the Group's operations.

In addition to the Water (Special Measures) Bill, on 22 October 2024 the UK Government announced the constitution of the Water Commission, an independent commission into the water sector and its regulation, chaired by Sir John Cunliffe, which is expected to form the largest review of the industry since privatisation. The Water Commission is scheduled to report by mid-2025 with recommendations to the UK and Welsh Government on how to tackle inherited systemic issues in the water sector in order to restore rivers, lakes and seas to good health; meet the challenges of the future; and drive economic growth. The Water Commission's recommendations are expected to form the basis of further legislation.

Further, on 17 December 2024, the UK Government announced new regulations to provide for the payment of new and increased compulsory compensation by water companies to customers and businesses in the event of issues like water supply outages, sewer flooding or low water pressure. For instance, compensation for internal sewer flooding will rise from £1,000 to £2,000 or more, and payments for low water pressure will increase from £25 to £250. Additionally, compensation will now

be compulsory for incidents like boil water notices and missed meter services, which previously did not give rise to compulsory payments.

There can be no certainty as to what further changes will be made to the regulatory regime by this or future UK Governments, including as a result of the Water Commission's review, nor as to the impact these may have on the Group. While the Group seeks to engage actively in public consultations and horizon scanning for emerging changes in UK Government policy in order to anticipate and shape regulatory developments and assess their potential impact on the Group, there can be no assurance that the Group will be able to accurately anticipate such changes or to implement necessary measures to address such changes promptly, and/or it may incur additional costs in implementing any such measures.

Changes in the way benchmarks, statistics or national measurements are calculated or published may also impact the Group. For example, in 2020 the Treasury and UK Statistics Authority announced that from February 2030, the Retail Prices Index ("RPI") measurement of inflation will be calculated using the data and methods of CPIH. Ofwat has also confirmed that it will fully index Regulatory Capital Value ("RCV") to CPIH from the start of the 2025-2030 period. While the Company has aligned with this indexation change, for example in its dividend policy, it has RPI-linked debt which will be impacted. More generally, changes to indexation may impact customer charges and therefore the Group's business and revenues.

Any changes in the policies of the UK Government concerning the water industry, quality standards for drinking water, effluent treatment (including sewage bioresources disposal) and discharges into the environment (including as part of the Water Commission's forthcoming review), renewable energy generation projects (due to the Group's operations of Pennon Power) and/or additional environmental legislation, or other interventions by the UK Government in the water markets, may have an adverse impact on the Group's business, financial condition or results of operations.

2.2 The Group may experience damage to brand perception and its reputation

Over the past four years, media reporting on the water sector has significantly increased. This has challenged the utilities industry as a whole, with certain water companies, including the Company and members of the Group, being subject to increased media scrutiny both in relation to isolated incidents (such as the cryptosporidium outbreak in Brixham and Kingswear, Devon) and persistent industry-wide issues (such as customer complaints, billing and water meters). Reporting concerns over the use of storm overflows and discharge of untreated effluent into local rivers and waterways, water quality, reactions to extreme weather events, price increases and financial management in the sector have, amongst other things, had a negative impact on the public's perception of the water industry in general. For example, there has been increased reporting in recent months around customer complaints, rising by almost a third to the highest level in nearly a decade, which further damages customer trust. The increased use of social media has also allowed, and is likely to continue to allow, customers and consumer groups to engage, share views, and take part in direct action and other campaigns more readily than before. It is also important that the Group is seen to learn from isolated incidents across its wider water network. Any failure by the Group to respond to such media scrutiny, or the public perception that its views are not being actioned or acknowledged, could undermine public trust in the Group or its management.

This reputation risk could potentially lead to further public campaigns for change in regulation across the industry and may invite government and/or regulatory intervention, as well as increased capital expenditure requirements and costs for the Group, which may impact its financial position. For example, in response to increasing concerns of customers and other stakeholders, Ofwat has set stretching PC levels in its PR24 Final Determinations in areas relating to pollution incidents and discharge permit compliance. The Group's ability to meet such targets may affect the amount it is able to recover from customers through bills, and so impact its business, financial condition and/or the results of its operations.

2.3 There is competition in the water industry which may adversely affect the Group's future operations

Alongside the CMA, Ofwat has powers to enforce competition law in the water sector (including both the household and non-household markets) in England and Wales. In 2017, Ofwat published guidance on its approach to the application of the Competition Act 1998 in the water and

wastewater sector in England and Wales, stating its aim to provide more clarity on how the competition law prohibitions may apply in the sector. Investigations and private claims in respect of breaches of competition law could result in substantial fines, legal proceedings and/or have a negative impact on the Group's operations and reputation, and in turn on its overall financial condition.

In addition, Ofwat and previous UK Governments have taken steps to introduce greater competition into the water sector. As a result of the Water Act 2014, for example, since 1 April 2017 all non-household customers of companies with supply areas wholly or mainly in England have been able to switch their retail supplier for both water and wastewater services. Similarly, Ofwat has used regulatory policy and practice to introduce greater competition into aspects of the water and wastewater value chain: for example, introducing the bid assessment framework for bioresources and establishing Direct Procurement for Customers, creating competition for new investments for large discrete network investment projects.

The introduction of methods designed to increase competition in the markets in which the Group operates could adversely affect the Group's business, results of operations and overall financial condition, for example, by enabling customers to switch to alternative providers or by allowing third parties to tender for large infrastructure projects, applying pressure to the Group's revenues and/or margins.

3. RISKS RELATING TO REGULATION AND LEGISLATION

3.1 Changes in regulatory frameworks, standards and requirements for the water sector may impact the deliverability and affordability of the Group's strategic priorities and therefore shareholder value

The Principal Operating Subsidiaries operate within a highly regulated industry consisting of a series of legal monopolies. The Group's non-household water retail services, operated principally through Pennon Water Services, are also licensed services. Potential changes in the regulatory environment, frameworks, policies and associated strategies imposed or overseen by any of the Group's economic, quality or environmental regulators such as Ofwat, the DWI, the Environment Agency, the Department for Environment, Food & Rural Affairs, the CCW and/or Natural England (including as a result of recommendations from the Water Commission), could result in increased costs, reduced income, reduced RCV and lower margins, and therefore may have an adverse impact on the Group. This is demonstrated, for example, by the latest changes to the Environment Agency operating standards published in December 2023 which are applicable across the water industry (which expanded the range of offences for pollution by water companies to include unlimited financial penalties from the Environment Agency); this is just one factor that could lead to increased scrutiny and significant fines across the sector which could affect the Group in the manner described above.

Licence modifications

The Principal Operating Subsidiaries' regulated activities are undertaken pursuant to, primarily, two Instruments of Appointment or "Licences" issued under the Water Act 1989 (as amended). South West Water's Licence governs its provision of water and wastewater services in Devon and Cornwall, and the provision of water services in those regions previously served by Bournemouth Water and Bristol Water prior to their acquisitions by the Group. On 10 January 2024, the Group announced the agreement to acquire 100% of the issued share capital of Sumisho Osaka Gas Water UK Limited, the holding company of SES Water, which provides water-only services pursuant to a separate Licence.

Under Section 12A of the Water Industry Act 1991 (as amended) (the "WIA"), Ofwat has the power unilaterally to modify the conditions of the Licences, subject to the procedural requirements set out in the WIA 1991. The relevant Group entity may appeal against any such modification to the CMA. In addition, the Secretary of State has a power to veto certain proposed modifications. Licence modifications may also result from merger or market investigations undertaken by the CMA, or from primary legislation.

Licence modifications could have a material impact on the Group's profitability. Any failure or perceived failure by South West Water or SES Water to comply with their respective Licences, including any modifications or related requirements, could result in substantial fines, loss or debarment of Licence, legal proceedings and/or have a negative impact on operations and

reputation. These factors could affect the Group's business, results of operations and/or overall financial condition.

Regulatory decisions

Regulatory decisions with respect to the Principal Operating Subsidiaries' businesses, for example concerning: the structure of the water industry; whether Licences, appointments, approvals or permits to operate are renewed or modified; whether market developments have been implemented satisfactorily; whether the level of permitted charges or revenues for the Principal Operating Subsidiaries' businesses; or whether there has been any breach of the terms of a Licence, appointment, approval, permit or other obligation, could (either in isolation or together) have an adverse impact on the results of the Group's business, results of operations and/or overall financial condition. This could include as a result of any regulatory decisions taken as part of the Water Commission's forthcoming review.

3.2 Changes in environmental, consumer protection and/or health and safety rules may impact on the deliverability and affordability of the Group's strategic priorities and therefore shareholder value

Various environmental, consumer protection and health and safety laws and regulations govern the Principal Operating Subsidiaries' water distribution operations (in the case of South West Water and SES Water) and wastewater operations (in the case of South West Water), and also the Group's non-household retail operations principally through Pannon Water Services. These laws and regulations establish, amongst other things, quality standards for drinking water, effluent treatment (including sewage bioresources disposal) and discharges into the environment. In addition, South West Water is required to obtain various environmental permissions from regulatory agencies for its operations. Any inability to obtain or renew any such permission could restrict certain aspects of South West Water's business and result in increased costs and/or reduced profitability for the Group.

Environmental laws and regulations are complex and these laws and their enforcement have tended to become more stringent over time. The Group budgets for future expenditure to achieve compliance with current and known future changes in environmental laws and regulations with these subject to changes every five years by Ofwat as part of the price review. However, it is possible that new or stricter standards could be imposed that would raise the Group's expenditure by requiring modifications to the Group's assets or operations. It is also possible that future legislation will impose constraints on existing water abstractions requiring South West Water and/or SES Water to source alternative water supplies.

3.3 The Group may fail to comply, or be perceived to fail to comply, with the regulatory and environmental laws and regulations to which it is subject

The Group is required to comply with a range of laws and regulations, including the requirements under South West Water's and SES Water's Licences. Non-compliance with laws and regulations, including the Licences, may result in financial penalties and/or negatively impact the Group's, in particular its Principal Operating Subsidiaries' ability to operate effectively, including, ultimately, on account of the revocation of a Licence. If either of the regulated Principal Operating Subsidiaries were to lose its Licence, it would be unable to carry out its regulated activities and charge customers for its services, which would have a material adverse effect on the business, financial condition and results of operations of the Group. In addition, non-compliance with laws and regulations may also cause reputational damage to the Group.

Instances of non-compliance with laws and regulations by water companies, coupled with concerns regarding the financial sustainability of particular water companies, has increased media, regulatory and governmental scrutiny of the sector in recent years. This has led to increased discussion of options for more significant regulatory intervention, and in particular the use of the 'special administration regime'. For example, on 22 March 2023, the House of Lords Industry and Regulators Committee published a report on its inquiry into the work of Ofwat. The Committee recommended that Ofwat be more proactive in using its special administration powers to change the management of continued poor performers in the sector.

Where a Licence-holder fails to comply with the conditions of its Licence or other statutory duties, as modified from time to time, or with any enforcement order (as well as upon the occurrence of certain other defaults, including where the Licence-holder is, or is reasonably likely to be, unable to pay its debts as they fall due), the Secretary of State or Ofwat (with the consent of the Secretary of State) may petition the High Court to make a special administration order (an “SAO”) in relation to that Licence-holder. An SAO may also be made by the court as a mandatory alternative to granting a winding-up order in respect of the water company in question. An SAO of the High Court would direct that, during the period for which the order is in force, the affairs, business and property of the Licence-holder are to be managed by a person appointed to do so by the High Court. The purposes of an SAO are to transfer to one or more regulated companies as a going concern as much of the Licence-holder’s undertaking as is necessary to ensure that the functions which have been vested in the Licence-holder by virtue of its Licences may be properly carried out. Certain changes have been made to the special administration regime as it relates to water companies to introduce greater flexibility into its use and operation.

Given the nascence of the modified special administration regime, there is, at the date of this document, no precedent or indication of how a new-order SAO would work in practice. However, were the relevant entity within the Group to find itself subject to an SAO, it is likely that this would adversely impact the financial position of the Group.

Any fines, sanctions or other regulatory action in respect of the Group for any actual or perceived non-compliance with laws and regulations applying to the Group, including the requirements under its Licence, may have a material adverse impact on the Group’s business, results of operations and/or financial condition.

3.4 Any breach or non-compliance with non-regulatory laws and regulations by the Group could result in financial penalties, prosecutions, civil liability, significant legal costs and/or damage to the Group’s reputation

In addition to laws and regulations specific to the regulated activities of the Group, the Group is also subject to a wide range of non-related corporate laws. These include laws relating, but not limited to: health and safety, the General Data Protection Regulation, anti-bribery and corruption and modern slavery. Breach of such laws could have wide-reaching consequences for the Group. For example, in the event of a serious breach of data protection principles, the Information Commissioner’s Office can issue fines of up to £17.5 million or 4% of the Group’s annual worldwide turnover, whichever is higher.

Breach of these laws could result in potential prosecutions against the Directors of the Company and its subsidiaries, imposition of material fines (as noted above), civil liability and significant legal costs as well as damage to the Group’s reputation, all of which could have a material adverse effect on the Group’s business, financial condition or results of operations.

4. RISKS RELATING TO THE RIGHTS ISSUE AND THE SHARES

4.1 The Company may be unable to pay a dividend and/or may change its dividend policy

General

Under English law, a company can only make distributions (including dividends) to the extent that it has distributable reserves available for this purpose and therefore the Company may be limited from declaring and paying future dividends if such reserves are, at the relevant time, not sufficient. As a holding company, the Company’s ability to make distributions (including dividends) is affected by a number of factors, principally the receipt of sufficient dividends from its subsidiaries to create reserves.

Under the Group’s dividend policy, decisions are taken each financial year to confirm whether the Company should pay any dividend and, if so, as to its amount. This means that the Company has flexibility to decide to adjust or not pay a dividend depending on the impact of all relevant factors. For example, the final recommended Company dividend for the financial year ended 31 March 2024 was adjusted to reflect a £2.4 million fine linked to a South West Water prosecution in May 2023.

In addition, the Company may decide in the future, subject to shareholder approval if applicable and other factors, to amend its dividend reinvestment policy and/or introduce a scrip dividend policy.

Regulatory ring-fence

The Licences of South West Water and SES Water (in common with the Licences of other water and wastewater companies) contain provisions known collectively as the 'regulatory ring-fence'. The regulatory ring-fence seeks to ensure that Licence-holders maintain sufficient financial and management resources to enable them to carry out their functions in a sustainable manner, and to protect the regulated business they undertake from the (non-regulated) activities of the wider group.

(A) Cash lock-up

Under the so-called 'cash lock-up' provisions of the regulatory ring-fence, South West Water and SES Water must ensure that they each hold at least two investment grade credit ratings from two different credit rating agencies, save where Ofwat has consented to the maintenance of only one such rating. As at the date of this document, Ofwat has granted SES Water consent to maintain one rating until 31 March 2025. Cash lock-up is triggered where South West Water or SES Water (or any other Group company which issues debt on their behalf): ceases to hold an investment grade credit rating; holds a credit rating below investment grade; or holds a rating at the lowest investment grade accepted by Ofwat and that rating has been placed on review for a possible downgrade or 'credit watch' or 'rating watch' with a negative designation, or otherwise has a negative outlook. The minimum investment grade rating required by Ofwat is currently BBB-/Baa3, but from 1 April 2025 this will increase to a minimum of BBB/Baa2 with negative outlook, reducing water companies' headroom on credit ratings before triggering cash lock-up. Ofwat's minimum requirements only affect South West Water and SES Water and do not affect the Group's non-household retail businesses. As at the date of this document, South West Water and SES Water's investment grade credit ratings are Moody's Baa1 (Negative outlook) / Fitch BBB+ (Stable outlook) and Moody's Baa1 (Negative Outlook) respectively.

Were cash lock-up to be triggered, South West Water or SES Water (as applicable) would be unable to transfer, lease, license or lend any sum, asset, right or benefit to any 'Associated Company' (as defined in its Licence, which would include Group companies) without Ofwat's consent and subject to limited exemptions. This would, among other things, prevent the payment of dividends by South West Water and/or SES Water to the Group and ultimately to the Company.

(B) Dividend policy

As Appointees, neither South West Water nor SES Water may declare or pay dividends other than in accordance with a dividend policy approved by their respective boards in compliance with their Licences. Ofwat also requires that those dividends:

- will not impair the ability of South West Water or SES Water to finance their respective businesses, taking account of current and future investment needs and financial resilience over the longer term;
- take account of service delivery for customers and the environment over time, including performance levels and other obligations; and
- reward efficiency and the management of risk to South West Water and SES Water respectively.

On 19 December 2024, Ofwat fined Thames Water £18.2 million in connection with the payment of two dividends (a £37.5 million interim dividend payment made in December 2023 and a £158.3 million dividend payment made in March 2024) which Ofwat considered to be in breach of its licence condition. Ofwat acknowledged that this was the first time it had taken enforcement action in relation to the new licence condition concerning payment of dividends, and that the penalty imposed had taken this into account as a mitigating factor.

As a result of the regulatory ring-fence provisions contained within South West Water and SES Water's Licences, the Group, including the Company, may be prevented or restricted from paying a dividend.

4.2 Shareholders who do not (or who are not permitted to) take up their Nil Paid Rights may not receive compensation for their Nil Paid Rights and will experience dilution in the proportion of their ownership of the Company

If a Shareholder does not (or is not permitted to) take up their Nil Paid Rights under the Rights Issue, such Shareholder may not receive compensation for their Nil Paid Rights and such Shareholder's proportionate ownership and voting interests in the Company will be diluted by up to 39.4% as a result of the Rights Issue, assuming that no Ordinary Shares are issued due to the vesting or exercise of any awards under the Share Plans or otherwise between the Latest Practicable Date and the completion of the Rights Issue.

4.3 The market price of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights could be subject to volatility

The market price of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights could be subject to significant fluctuations due to a change in sentiment in the market regarding these securities. These fluctuations could result from national and global economic and financial conditions, market perceptions of the Group and its industry and various facts and events, including regulatory changes affecting the Group's operations, market appraisal of the Group's strategy, changes to the relevant Group entities' credit ratings, variations in the Group's operating results and/or business developments of the Group and/or its competitors. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights.

4.4 An active trading market for the Nil Paid Rights and/or the Fully Paid Rights may not develop

An active trading market in the Nil Paid Rights and/or the Fully Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights and Fully Paid Rights depends on the trading price of the Ordinary Shares, the Nil Paid Rights and Fully Paid Rights prices may be volatile and subject to the same risks to which the Ordinary Shares are subject.

4.5 The market price for the Ordinary Shares may decline below the Rights Issue Price and Shareholders may not be able to sell New Ordinary Shares at a favourable price after the Rights Issue

There is no assurance that the public trading market price of the Ordinary Shares will not decline below the Rights Issue Price. If that occurs prior to the latest time and date for acceptance under the Rights Issue, Qualifying Shareholders will suffer an immediate unrealised loss as a result, which may be significant. Moreover, there can be no assurance that, following the exercise of their rights, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the Rights Issue Price.

Qualifying Shareholders who decide not to exercise their Nil Paid Rights may also sell or transfer them in full or in part. If the public trading market price of the Ordinary Shares declines below the Rights Issue Price, investors who have acquired any such Nil Paid Rights in the secondary market will suffer a loss as a result, which may be significant.

4.6 Any future issue of Ordinary Shares may further dilute the holdings of Shareholders

Although the Group has no current plans for a subsequent offering of Ordinary Shares, it is possible that it may decide to undertake such an offering in the future. If Shareholders of the Company do not take up such offer of Shares or are not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of the Company would be reduced accordingly. An additional offering could have an adverse effect on the market price of the Ordinary Shares.

4.7 Overseas Shareholders may not be able to subscribe for New Ordinary Shares in the Rights Issue

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by certain Shareholders in the Rights Issue. In particular, and subject to certain exceptions, Shareholders who are located in the US may not be permitted to exercise their entitlements under the Rights Issue unless an exemption from the registration requirements is available under the US Securities Act. The Rights Issue is not, and will not be, registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company.

Qualifying Shareholders who have a registered address in or who are incorporated, registered, resident or located in countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or subscribe for New Ordinary Shares. Any Shareholder who is not permitted to participate in the Rights Issue carried out by the Company will suffer dilution.

4.8 Investors in the Nil Paid Rights, the Fully Paid Rights and/or New Ordinary Shares may be subject to exchange rate risk

The New Ordinary Shares, Nil Paid Rights and Fully Paid Rights are priced in pounds sterling. Accordingly, any investor outside the United Kingdom is subject to adverse movements to their local currency against pounds sterling.

Part II

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. Please read the notes to the timetable set out below.

Record Date for entitlements under the Rights Issue	Close of business on 28 January 2025
Announcement of the Rights Issue and publication of this document	29 January 2025
Existing Ordinary Shares marked “ex-dividend” in respect of 2024 Interim Dividend	30 January 2025
Posting of this document	31 January 2025
Despatch of relevant Provisional Allotment Letter(s) (to Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders only)	31 January 2025
Existing Ordinary Shares marked “ex-rights” by the London Stock Exchange	8:00 a.m. on 3 February 2025
Admission of the New Ordinary Shares, and admission of, and commencement of dealings in, Rights (Nil and Fully Paid) on a multi-lateral trading facility of the London Stock Exchange; start of subscription period	8:00 a.m. on 3 February 2025
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	As soon as possible after 8:00 a.m. on 3 February 2025
Nil Paid Rights and Fully Paid Rights enabled in CREST (Qualifying CREST Shareholders only)	As soon as possible after 8:00 a.m. on 3 February 2025
Dealings commence in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service (Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders only)	Daily from 10:00 a.m. on 3 February 2025
Settlement of dealings in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service (Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders only)	Trade + 2 days settlement cycle
Latest time and date for receipt of instructions under Special Dealing Service in respect of Cashless Take-up or disposal of Nil Paid Rights (Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders only)	11:00 a.m. on 7 February 2025
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (Qualifying CREST Shareholders only, i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4:30 p.m. on 11 February 2025
Latest time for depositing renounced WHITE Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (Qualifying Non-CREST Shareholders only, i.e. if your Nil Paid Rights or Fully Paid Rights are	3:00 p.m. on 12 February 2025

represented by a WHITE Provisional Allotment Letter and you wish to convert them to uncertificated form)

Final dealings completed in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service (Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders only)

12 February 2025

Latest time and date for acceptance and payment in full of PINK and BLUE Provisional Allotment Letters (in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders only)

11:00 a.m. on 13 February 2025

Latest time and date for splitting a WHITE Provisional Allotment Letter, nil or fully paid (Qualifying Non-CREST Shareholders only)

3:00 p.m. on 13 February 2025

Latest time and date for acceptance, payment in full (in the case of Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders only) and, in the case of Qualifying Non-CREST Shareholders, registration of renunciation of WHITE Provisional Allotment Letters

11:00 a.m. on 17 February 2025

Expected date of announcement of the results of the Rights Issue through a Regulatory Information Service

By 8:00 a.m. on 18 February 2025

Dealings in New Ordinary Shares (fully paid) commence on the London Stock Exchange

8:00 a.m. on 18 February 2025

New Ordinary Shares credited to CREST stock accounts (for Qualifying CREST Shareholders only)

As soon as possible after 8:00 a.m. on 18 February 2025

Expected despatch of definitive share certificates for the New Ordinary Shares in certificated form (to Qualifying Non-CREST Shareholders only)

Not later than 4 March 2025

Expected date of update of online account held with Link Group with New Ordinary Shares (Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders only)

Not later than 4 March; 2025

CREST accounts credited, cheques despatched or payments made into the relevant individual's bank accounts in respect of premium payments (if applicable)

Not later than 4 March 2025

Notes:

1. The ability to participate in the Rights Issue is subject to certain restrictions relating to Overseas Shareholders, details of which are set out in Part VIII (*Terms and Conditions of the Rights Issue*) of this document.
2. These times and dates and those mentioned throughout this document are indicative only and may be adjusted by the Company, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Shareholders through a Regulatory Information Service.

Part III

Important Notices

1. GENERAL

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or its own legal, financial or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must carry out their own examination and analysis of Pennon and the terms of the Rights Issue, including the merits and risks involved.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and PRR 3.4.1 of the Prospectus Regulation Rules, neither the publication of this document nor any distribution of the New Ordinary Shares shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

2. NO INCORPORATION OF WEBSITES

The contents of the Company's website (<https://www.pennon-group.co.uk/>), the Group's websites (<https://www.southwestwater.co.uk/>, <https://www.source4b.co.uk/>, <https://www.bristolwater.co.uk/>, <https://www.bournemouthwater.co.uk/>, <https://www.bournemouthwater.co.uk/>) and the contents of any website accessible from hyperlinks on such websites (other than the information as set out in Part XV (*Documents Incorporated by Reference*)) do not form part of this document and no one should rely on them.

3. FORWARD-LOOKING STATEMENTS

This document may contain projections and other forward-looking statements. The words “believe”, “expect”, “anticipate”, “estimate”, “intend” and “plan” and similar expressions identify forward-looking statements. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company's financial position, business strategy, potential plans and potential objectives, are forward-looking statements. Such forward-looking statements may involve known and unknown risks, uncertainties and other factors, including the Risk Factors set out in Part I (*Risk Factors*), which may cause the Company's actual results, performance or achievements to be materially different from those expected, any future results, performance or achievements expressed or implied by such forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not prove to be accurate or may not occur. Prospective investors should therefore carefully review Part I (*Risk Factors*) of this document for a discussion of these factors before making an investment decision. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. For the avoidance of doubt, nothing in this document constitutes a qualification of the Working Capital Statement contained in section 13 (*Working Capital*) of Part XIV (*Additional Information*) of this document.

By their nature, forward-looking statements involve assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as changes in laws or regulations and decisions by governmental bodies or regulators; breaches of, or changes in, environmental, climate change, and health and safety laws or regulations; damage to infrastructure, due to adverse weather conditions, including the impact of major storms as well as the results of climate change; reliability of and access to IT systems, including due to the failure of or unauthorised access to or deliberate breaches of the Group's systems and supporting technology; performance against regulatory targets and standards and against the Group's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company.

None of the Company, its officers, advisers, or any other person gives 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, in part or in whole.

The forward-looking statements in this document speak only as at the date of this document. To the extent required by applicable law or regulation (including as may be required by the Companies Act, the Prospectus Regulation Rules, the UK Listing Rules, MAR, the Disclosure Guidance and Transparency Rules and FSMA), the Company will update or revise the information in this document. Otherwise, neither the Company nor the Underwriters assume any obligation to update or provide any additional information in relation to such forward-looking statements. Additionally, statements of the intentions or beliefs of the Board and/or the Directors reflect the present intentions and beliefs of the Board and/or Directors, respectively, as at the date of this document and may be subject to change as the composition of the Board alters, or as circumstances require.

4. NO FORECASTS OR ESTIMATES

Nothing in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share or dividend per share for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for the Company.

5. PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the historical and other financial information presented in this document has been derived from the Historical Financial Information incorporated by reference and as set out in Part XV (*Documents Incorporated by Reference*).

The 2024/2025 Half Year Results, 2024 Annual Report and Accounts, 2023 Annual Report and Accounts and the 2022 Annual Report and Accounts are presented in pounds sterling. The 2024/2025 Half Year Results have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the FCA, and UK adopted International Accounting Standard 34 'Interim financial reporting' ("**IAS 34**"). The 2024 Annual Report and Accounts, 2023 Annual Report and Accounts and 2022 Annual Report and Accounts have been prepared in accordance with UK-adopted International Accounting Standards ("**IFRS**") in conformity with the Companies Act 2006.

The historical and other financial information presented in this document does not and is not intended to comply with the requirements of Regulation S-X under the US Securities Act and the rules and regulations of the SEC promulgated thereunder.

6. ALTERNATIVE PERFORMANCE MEASURES

This document contains certain alternative performance measures ("**APMs**") that are not defined or recognised under IFRS, including underlying operating profit, underlying EBITDA, effective interest rate, effective cash cost of interest, group dividend cover, capital investment, return on regulated equity, totex, outcome delivery incentives (ODIs), regulatory capital value (RCV), total indebtedness and net indebtedness. APMs should not be considered in isolation and investors should not consider such information as alternatives to revenue, profit before tax or cash flows from operations calculated in accordance with IFRS, as indications of operating performance or as measures of the Group's profitability or liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS included elsewhere in this document. Investors are cautioned not to place undue reliance on these APMs and are also advised to review them in conjunction with the 2024 Annual Report and Accounts and the 2024/2025 Half Year Results.

Underlying operating profit

*Underlying operating profit is defined as operating profit before non-underlying items. Non-underlying items are those items that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Group's financial performance in the period and business trends over time ("**non-underlying items**").*

Underlying EBITDA

Underlying EBITDA is defined as earnings before interest, tax, depreciation and amortisation and non-underlying items and is used to assess and monitor operational underlying performance.

Effective interest rate

Effective interest rate is a measure of the mean average interest rate payable on net debt associated with South West Water together with its subsidiaries (including Bristol Water Plc) (the “**South West Water Group**”), which excludes interest costs not directly associated with net debt. This measure is presented to assess and monitor the relative cost of financing for South West Water Group.

Effective cash cost of interest

Effective cash cost of interest is calculated on the same basis as the effective interest cost calculation, but excludes finance costs that are not paid in cash, but accrete to the carrying value of debt (principally the inflationary impact of indexation on index-linked debt).

Group dividend cover

Group dividend cover is defined as proposed dividends divided by profit / (loss) for the year before non-underlying items and deferred tax (credit) / charge.

Capital investment

Capital investment is defined as property, plant and equipment (“**PPE**”) and intangible asset additions. The measure is presented to assess and monitor the total capital investment by the Group.

Return on Regulated Equity (“RORE”)

This is a key regulatory metric which represents the returns to shareholders expressed as a percentage of regulated equity.

Returns are made up of a base return (set by Ofwat, the water business regulator, at c.3.9% and c.4.4% for Bristol Water for the period 2020-25) plus totex outperformance, financing outperformance and ODI outperformance. Returns are calculated post tax and post sharing (only a proportion of returns are attributed to shareholders and shown within RORE). The three different types of return calculated and added to the base return are:

- Totex outperformance – totex is defined below and outperformance is the difference between actual reported results for the regulated business compared to the Group’s Final Determinations (Ofwat published documents at the start of a regulatory period), in a constant price base.
- Financing outperformance – is based on the difference between a company’s actual effective interest rate compared with Ofwat’s allowed cost of debt.
- ODI outperformance – the net reward or penalty a company earns based on a number of different key performance indicators, again set in the Group’s Final Determinations.

Regulated equity is a notional proportion of RCV which is set by Ofwat at the start of every five-year regulatory period, adjusted for actual inflation. For 2020-25, the notional equity proportion is 40.0%.

Further information on this metric can be found in South West Water’s annual performance report and regulatory reporting, published in July each year.

Totex

Totex is defined as operating costs and capital expenditure of the regulated water and wastewater business (based on the Regulated Accounting Guidelines).

ODIs

ODIs are designed to incentivise companies to deliver improvements to service and outcomes based on customers' priorities and preferences. If a company exceeds these targets a reward can be earned through future higher revenues. If a company fails to meet them, they can incur a penalty through lower future allowed revenues.

RCV

RCV is used to measure the regulatory capital value of a company when setting price limits. The RCV increases through proportion of totex and an adjustment for inflation, net of the run-off mechanism (which is similar to depreciation of fixed assets) which is recognised in revenue.

RCV is widely used by the investment community as a proxy for the market value of the regulated business and forms part of debt covenant through the gearing position. Shadow RCV reflects the addition of anticipated regulatory adjustments which amend RCV at the end of a regulatory period. These changes are accrued due to performance through ODIs, changes in levels of totex expenditure, changes in inflation rates and other regulatory adjustments.

Total indebtedness

Total indebtedness is the total debt of the Group due to external counterparties at any point in time.

Net indebtedness

Net indebtedness is the total indebtedness of the Group less any cash and cash equivalents at any point in time.

7. CURRENCY PRESENTATION

Unless otherwise indicated, all references in this document to "£", "pounds" or "pounds sterling" are to the lawful currency of the United Kingdom and references to "penny", "pence" or "p" represent pence in the lawful currency of the United Kingdom.

Unless otherwise indicated, all references in this document to "EUR", "€" or "euro" are to the lawful currency in the Member States of the European Union that have adopted the single currency introduced in application of the European Economic Community Treaty.

Unless otherwise indicated, all references in this document to "\$", "USD", or "US dollar" are to the lawful currency of the United States.

8. ROUNDING

Certain numerical figures contained in this document, including financial information, market data and certain operating data, have been subject to rounding adjustments for ease of presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

9. REFERENCES TO TIMES

All references to times in this document are to London time, unless otherwise stated.

10. MARKET AND INDUSTRY INFORMATION

Unless the source is otherwise stated, the market, economic and industry data in this document constitute the Directors' estimates, using underlying data from independent third parties. Market data and certain industry data and forecasts included in this document have been obtained from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. Estimates based on this data involve risks and uncertainties and are subject to change based on various factors.

11. THIRD-PARTY INFORMATION

The Company confirms that all third-party data contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified. While industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. The Company has not independently verified any of the data from third-party sources, nor has the Company ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which the Company believes to be reliable based upon the Directors' knowledge of the industry, have not been independently verified. Statements as to the Group's market position are based on recently available data.

12. ENFORCEMENT OF CIVIL LIABILITIES

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Shares are governed by English law and by the Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

An overseas shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within that shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of that shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

13. NOTICE TO INVESTORS IN THE UNITED STATES OF AMERICA

Subject to certain exceptions, neither this document nor the Provisional Allotment Letters constitute, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or acquire, New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights to any Qualifying Shareholder with a registered address in, or who is resident of, the United States. If you are in the United States, you may not exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Ordinary Shares offered hereby. Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of Qualifying Shareholders in the United States reasonably believed to be QIBs, within the meaning of Rule 144A, or to other persons in offerings exempt from or in a transaction not subject to, the registration requirements under the US Securities Act. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares being offered outside the United States are being offered in reliance on Regulation S. If you are a QIB located in the United States, in order to exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Ordinary Shares upon exercise thereof, you must sign and deliver a QIB Representation Letter, as described in section 7.2 (*United States*) of Part VIII (*Terms and Conditions of the Rights Issue*).

The QIB Representation Letter will require each such QIB to represent and agree that, amongst other things: (a) it is a QIB; and (b) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with applicable securities laws. The QIB Representation Letter contains additional written representations, agreements and

acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares. Any such QIBs who hold Ordinary Shares through a bank, a broker or other financial intermediary should procure that the relevant bank, broker or financial intermediary submits a QIB Representation Letter on their behalf. The Company has the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed QIB Representation Letter or any other required additional documentation.

In addition, until 40 days after Admission, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act, if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

The Company is not subject to the periodic reporting requirements of the US Securities Exchange Act. In order to permit compliance with Rule 144A under the US Securities Act in connection with resales of the New Ordinary Shares, the Company agrees to furnish upon the request of any holder or beneficial owner of a share, or any prospective purchaser of a share designated by a holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the US Securities Act if at the time of such request it is not subject to section 13 or section 15(d) of the US Securities Exchange Act and it is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

No representation has been, or will be, made by the Company or the Underwriters as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any applicable securities laws of any state or other jurisdiction of the United States for the reoffer, pledge or transfer of the New Ordinary Shares.

Any envelope containing a Provisional Allotment Letter and post-marked from the United States will not be valid unless it contains a duly executed investor letter in the appropriate form as described above, any Provisional Allotment Letter in which the exercising holder requests New Ordinary Shares to be issued in registered form and gives an address in the United States will not be valid unless it contains a duly executed investor letter.

The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this document and who is not a QIB will be unable to purchase or acquire Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and is required to disregard this document.

The financial information included in this document has been prepared in accordance with accounting standards applicable in the UK and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.

Part IV

Rights Issue Statistics

Ordinary Shares in issue as at the Latest Practicable Date (excluding 5,628 Ordinary Shares held in treasury)	286,043,081 Existing Ordinary Shares
Number of New Ordinary Shares to be issued pursuant to the Rights Issue	185,928,002 New Ordinary Shares
Basis of Rights Issue	13 New Ordinary Shares for every 20 Existing Ordinary Shares ⁽¹⁾
Rights Issue Price (per New Ordinary Share)	264.00 pence
Discount to the Closing Price of 500.81 pence per Existing Ordinary Share as at 28 January 2025 ⁽²⁾ , adjusted for the 2024 Interim Dividend	47.3%
Discount to the theoretical ex-rights price, based on the Closing Price of 500.81 pence per Existing Ordinary Share as at 28 January 2025 ⁽²⁾ adjusted for the 2024 Interim Dividend	35.2%
Estimated gross proceeds of the Rights Issue	c.£490 million
Estimated net proceeds of the Rights Issue (including the WaterShare+ Proceeds) receivable by Pennon, after deduction of commissions, fees and expenses	c.£470 million
New Ordinary Shares as a percentage of Pennon's enlarged issued ordinary share capital immediately following completion of the Rights Issue (approximately) ^{(3) (4)}	39.4%
Ordinary Shares in issue immediately after the Rights Issue ^{(2) (3) (4)}	471,971,083 Ordinary Shares

(1) Held by Qualifying Shareholders, being holders of Existing Ordinary Shares on the register of members of the Company at the Record Date. Excludes Ordinary Shares held in treasury.

(2) Being the last Business Day before the announcement of the terms of the Rights Issue.

(3) The impact of the issuance of any Ordinary Shares in respect of the vesting or exercise of any awards under the Share Plans or otherwise which may occur between the Latest Practicable Date and the completion of the Rights Issue has been disregarded. The actual number of New Ordinary Shares to be issued under the Rights Issue will be subject to rounding to eliminate fractions.

(4) Excludes Ordinary Shares held in treasury.

Part V

Directors, Company Secretary, Registered Office and Advisers

Directors	David Sproul (<i>Chair</i>) Susan Davy (<i>Chief Executive Officer</i>) Laura Flowerdew (<i>Chief Financial Officer</i>) Iain Evans CBE (<i>Senior Independent Director</i>) Dorothy Burwell (<i>Independent Non-Executive Director</i>) Jon Butterworth MBE (<i>Independent Non-Executive Director</i>) Lorraine Woodhouse (<i>Independent Non-Executive Director</i>)
Group General Counsel Company Secretary	Andrew Garard
Registered office	Peninsula House Rydon Lane Exeter EX2 7HR United Kingdom
Joint Sponsors, Joint Global Co-ordinators, Joint Bookrunners and Underwriters	Barclays Bank PLC 1 Churchill Place London E14 5HP United Kingdom Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 4QA United Kingdom
Legal advisers to the Company	Slaughter and May One Bunhill Row London EC1Y 8YY United Kingdom
Legal advisers to the Company as to US law	Winston & Strawn 35 W Wacker Drive Chicago IL 60601 United States
Legal advisers to the Joint Sponsors, Joint Global Co-ordinators, Joint Bookrunners and Underwriters	White & Case LLP 5 Old Broad Street London EC2N 1DW United Kingdom
Independent Auditor	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom

Reporting Accountants**PricewaterhouseCoopers LLP**

1 Embankment Place
London
WC2N 6RH
United Kingdom

Receiving Agent**Link Group**

Corporate Actions
Central Square
29 Wellington Street
Leeds
LS1 4DL
United Kingdom

Registrar**Link Group**

Central Square
29 Wellington Street
Leeds
LS1 4DL
United Kingdom

Part VI

Letter from the Chair of Pennon Group plc



*(incorporated in England and Wales under the Companies Act 2006
with registered number 02366640)*

Directors

David Sproul (*Chair*)
Susan Davy (*Chief Executive Officer*)
Laura Flowerdew (*Chief Financial Officer*)
Iain Evans CBE (*Senior Independent Director*)
Dorothy Burwell (*Independent Non-Executive Director*)
Jon Butterworth MBE (*Independent Non-Executive Director*)
Lorraine Woodhouse (*Independent Non-Executive Director*)

Registered Office

Peninsula House
Rydon Lane
Exeter
EX2 7HR
United Kingdom

29 January 2025

Dear Shareholder,

13 for 20 Rights Issue of 185,928,002 New Ordinary Shares at 264.00 pence per New Ordinary Share

INTRODUCTION

Today we have announced a proposed capital raise of approximately £490 million by way of a fully underwritten Rights Issue of 185,928,002 New Ordinary Shares at 264.00 pence per New Ordinary Share on the basis of 13 New Ordinary Shares for every 20 Existing Ordinary Shares. The Rights Issue Price represents a 35.2% discount to the theoretical ex-rights price, based on the Closing Price of 500.81 pence per Ordinary Share on 28 January 2025 (being the last Business Day before the announcement of the terms of the Rights Issue), adjusted for the 2024 Interim Dividend of 14.69 pence per Existing Ordinary Share which will not be payable on the New Ordinary Shares.

The purpose of this letter is to: (i) provide details regarding the Rights Issue, including the background to and reasons for the Rights Issue; and (ii) to explain why the Board believes that the Rights Issue is in the best interests of the Company and its Shareholders as a whole.

This document should be read in its entirety and you should not rely solely on the information in this Part VI.

The net proceeds³ from the proposed capital raise form part of a comprehensive financing package which will put Pennon's water businesses in a strong position to deliver on their next five-year phase under the regulatory period known as K8 (1 April 2025 – 31 March 2030). Importantly, the Rights Issue will ensure a sustainable balance sheet, supporting a step change in investment through the K8 period, following a period of strong growth and delivery over the K7 period (1 April 2020 – 31 March 2025).

Summary position

Having received Ofwat's Final Determinations for Pennon's regulated licenced water businesses for K8, we have been able to consider the:

- profile of revenues for the period to 2030, the required service deliverables and the opportunity to outperform the Final Determinations received, to deliver value for all stakeholders; and
- financing requirements for the step change in investment which is forecast for K8.

³ Excluding the WaterShare+ Proceeds.

Given these, Pennon has carefully considered the outlook to 2030, and:

- accepts Ofwat's Final Determinations for its licenced water companies;
- anticipates K8 leverage post-Rights Issue of 60-65% for the regulated water businesses consistent with our long-term gearing policy of between 55-65% with a strong investment grade credit rating profile;
- Group gearing is anticipated to be a few percentage points higher than the regulated water businesses' (unlikely to exceed approximately 5% during the K8 period);
- will raise approximately £490 million of equity via the Rights Issue to ensure that prudent and sustainable leverage is maintained over the K8 period; and
- is adopting a dividend policy designed to present an attractive combination of underlying asset growth and income to our shareholders, under which the total dividend amount for the year to 31 March 2024 of £129.3 million⁴ will be rebased on a dividend per share basis (taking into account the effect of the Rights Issue). Pennon intends to grow this rebased dividend per share, in absolute terms, by CPIH inflation from and in respect of the current financial year ending 31 March 2025 and each financial year thereafter to 31 March 2030.

1. BACKGROUND TO AND REASONS FOR THE RIGHTS ISSUE

Pennon is an infrastructure group focused on the UK regulated water sector and complementary activities. The Company owns South West Water, which, operating through the South West Water, Bournemouth Water, Bristol Water and Isles of Scilly brands, provides regulated water and wastewater services in Devon, Cornwall, the Isles of Scilly and small areas of Dorset and Somerset, as well as water-only supply operations in Bournemouth and across parts of Dorset, Hampshire, Wiltshire, Bristol and the surrounding areas. The Company also owns Sutton and East Surrey Water (SES Water), which provides water-only supply operations in areas of the South East of England. Operating across these regions, Pennon delivers more than one billion litres of water to over four million people every day. The Group also owns national non-household water retail businesses: Pennon Water Services (an 80% holding), Water2Business (a 30% holding) and SES Business Water. Pennon Power, the Group's renewables investment arm, is developing four renewable projects across the UK to support delivery of the Group's Net Zero commitments.

Pennon has a proven track record of operating and optimising water and wastewater businesses. Aligned behind our 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, employees and other key stakeholders.

We have a clear twin-track organic and acquisitive growth strategy. In the current K7 period, we have grown RCV by 75%⁵, both through organic growth and investment in our existing drinking water and wastewater businesses, as well as through the acquisition of water-only companies in Bristol and the South East, driving additional growth and creating value. In terms of organic growth, in this regulatory period we continue to invest in our drinking water quality, as well as enhancing wastewater treatment processes, to improve the quality of water in our rivers and seas across Devon and Cornwall. We now achieve 100% bathing water quality compliance across our regions⁶, compared with only 28% at privatisation in 1989. More recently in the K7 period, Pennon has invested a record £1.9 billion⁷ of capex in South West Water which is delivering 45% organic RCV growth across the K7 period. This investment in critical, long-term infrastructure provides asset-backed, inflation-linked returns for investors.

The UK water sector is now entering a phase of additional and sustained investment, responding to the legislative and customer-supported improvements required. This new phase is expected to deliver material improvements in certain areas of focus, such as reducing the use of storm

⁴ The base dividend for the year ended 31 March 2024 was £129.3 million, adjusted from the dividend paid in that year of £126.9 million to remove the £2.4 million one-off deduction in respect of the fine from the Environment Agency paid by South West Water.

⁵ Includes 45% organic growth (including green recovery, accelerated investment and transition spend) of which c. 20% has been determined through the PR24 process and will be recognised at 31 March 2025 in the closing K7 true-up, with revenue recognition starting in the K8 delivery period.

⁶ For those beaches impacted by our own assets on a like for like basis.

⁷ At outturn prices. Includes transitional spend.

overflows, impacting our rivers and seas positively and contributing to maintaining resilient, high quality water supplies for all. It is also expected to deliver higher growth in RCV compared with historical baseline allowances across the next five years and beyond, with RCV growing to £7.9 billion by 2030. Successive governments have legislated to drive a step change in outcomes and associated investment, which are expected to be delivered over the coming decades.

The regulatory environment and Ofwat's PR24 process

Water businesses regulated by Ofwat operate under Licences granted to them to allow the provision of water and/or wastewater services across a geographical region. Ofwat plays a key role in setting prices for the sector; it is under a duty to protect the interests of customers and ensure that water companies properly carry out their statutory functions, whilst also ensuring that companies can secure reasonable returns on their capital to finance their operations and further the long-term resilience of the systems and services they provide.

The nature of water infrastructure means the industry operates over a long-term horizon, with strategies prepared over multi-decade time periods. Given the stability and long-term focus of this regulatory framework, the UK water sector has long been recognised as an attractive market for investment for well-operated and well-capitalised water companies, offering strong performers scope for outperformance against the regulatory allowances on a sustained basis. The visibility offered by this regulatory framework has allowed over £200 billion to be invested in the water sector since privatisation, delivering benefits for customers and providing high quality drinking water to consumers across England and Wales. Since privatisation, the regulatory framework has evolved and developed and the recently launched Government review into the water sector has a key objective of ensuring that we have stable and predictable regulation in place to support a period of expected higher investment.

Acceptance of the Final Determinations

Ofwat published its Final Determinations for the K8 regulatory period in December 2024, setting out allowed revenues for regulated businesses, which reflect the investment priorities, service delivery levels and outcomes that all water and sewerage companies will need to deliver.

For our regulated water businesses, South West Water and SES Water, we were pleased with Ofwat's recognition of the ambition and quality of our plans through its "outstanding" assessment of the South West Water plan and "standard" rating for SES Water. For South West Water, this represents the third consecutive top business plan assessment from Ofwat. This has allowed us to benefit from Final Determinations that set the businesses on the right footing for delivering on customer priorities whilst also growing the business through organic growth in K8, in addition to 75% growth delivered across K7. We anticipate baseline growth in RCV of at least 34% in the next five years as part of a 15-year investment programme, with growth opportunities to 2040 and beyond as the need for ongoing investment in our water and wastewater assets continues.

These K8 plans for our water businesses target a step change for shareholders, customers, regulators and stakeholders, with improvements across all our geographical areas, focused on our four strategic priorities: building water resources and improving water quality; tackling the use of storm overflows and pollutions; delivering net zero and environmental gains; and addressing affordability and delivering for customers.

Revenues of £5.6 billion (in nominal terms) were confirmed for the next five-year period through the Final Determinations for our regulated water businesses, South West Water and SES Water, alongside total expenditure assumptions of over £5.6 billion⁸ (in nominal terms) over the next five years. This reflected 100% of revenue requested, with the gap between requested and allowed total expenditure levels narrowed to 97% for the water businesses compared with our business plan, and a significant improvement on the Draft Determinations issued by Ofwat in July 2024.

For SES Water, the Final Determination retained a higher differential between the regulatory outcome and company plans. However, given annualised synergies of c.£11 million are anticipated to result from integrating the water business into the wider Pennon Group, coupled with the improvement in revenues compared with the Draft Determination and lower risk in respect of

⁸ FD allowance in outturn prices assuming inflation of 2.3% on average over K8 and 3.5% for 2024/2025.

outcome incentives, the overall Final Determination for SES Water is considered deliverable in the context of the Group.

Performance levels have been set at challenging levels, consistent with the rightly high expectations of customers and communities. In its Final Determinations, Ofwat has adjusted incentive rates and performance commitments levels, among other measures, to provide for a balance of incentives, cost protections and opportunity for reward.

The Final Determinations also provide an improved and more balanced package of Outcome Delivery Incentive (“ODI”) levels compared with the Draft Determinations and with new protection mechanisms to manage balance sheet risk.

For ODIs, the Final Determinations introduced eight deadbands and 22 collars reducing downside risk, and both penalty rates and service levels aligned with our proposals on most measures. Ofwat has also introduced improved measures to manage other downside risks including the Outturn Adjustment Mechanism reflecting in-year industry performance and the Aggregate Sharing Mechanism to limit impacts of deviations of performance. There are also protections for over 50% of our cost base alongside the cost sharing mechanisms. Notified items over PFAS, Bioresources and asset health also provide protections over the balance sheet for areas of potential increased investment. As such, the Final Determinations and associated performance levels present stretching but more balanced targets compared with the Draft Determinations.

Returns for both debt and equity holders have increased compared with the Draft Determinations, providing the opportunity to deliver shareholder value through both ongoing returns, growth in the capital base and potential outperformance.

The Final Determinations saw the cost of equity allowance improve to 5.1%, whilst recognition of our “outstanding” plan provides the opportunity to increase equity returns through a 30bps upside for South West Water, subject to delivery of four conditions over the K8 period. For SES Water, a 5bps upside to the cost of equity has also been confirmed by Ofwat. The regulated businesses’ allowed dividend was also revised higher in the Final Determinations.

Cost of debt also represents an improved real allowance of 3.15% compared to earlier proposals from Ofwat. South West Water’s recent bond issuance under our EMTN programme demonstrates our ability to raise debt at or below the assumed allowed real cost of debt.

With service levels and outcomes confirmed, revenues increased to 100% of proposed levels and additional protections in place around both performance and expenditure risks, the Final Determinations represent a material shift from the Draft Determinations. Careful consideration has been given to the acceptability of both the South West Water and the SES Water Final Determinations, as well as the comparability to our own plans and any potential grounds for referral to the CMA. The Final Determinations reflect material improvement in both the cost of capital and revenues allowed. We have already embarked upon plans to drive efficiencies of around £86 million on an annualised basis through operational transformation and reshaping the business (approximately £55 million) and integration programmes (approximately £20 million for Bristol and approximately £11 million for SES) across the business that provide an opportunity to counteract shortfalls in regulatory allowances. We are also looking to drive outperformance (of approximately £300 million), targeting approximately 7% RORE over the K8 period, within Ofwat’s range of expected returnss (0.5% to 10.1% for South West Water and 0.1% to 10.4% for SES Water). As such, the Group considers the Final Determinations provide a challenging but manageable basis upon which both South West Water and SES Water may deliver their 2025 – 2030 business plans, and consequently has not requested a reference to the CMA in respect of either of its Final Determinations.

The K8 Plans – investment benefiting all stakeholders

Our £3.2 billion⁹ capex investment programme for 2025 – 2030, of which 97% of totex cost allowances were recognised in the Final Determinations, represents an opportunity for Pennon to deliver a transformational programme of investment in line with our four strategic priorities: building water resources and improving water quality; tackling the use of storm overflows and pollutions; delivering net zero and environmental gains; and addressing affordability and delivering for customers. Our plan aligns with the priorities and expectations of our customers, as well as

⁹ Forecast outturn prices.

ensuring we can provide a strong growth opportunity for investors to 2030 and beyond whilst maintaining a stable, resilient business.

As part of our investment programme, we are proposing:

- to deliver our most ambitious water resources and water quality plan in decades;
- to tackle storm overflows and pollution through major investment in bathing beaches and our wastewater network; and
- to drive further environmental progress and continuing on our journey to net zero.

We remain very aware that the level of investment required has an impact on customer bills and so with a critical focus on our fourth priority, affordability and delivering for our customers, we have planned a £200 million package of measures to support affordable bills and an ongoing commitment to support all those customers in water poverty. Our bills remain lower in outturn prices than they were a decade ago, and we continue to innovate and develop our approach to ensuring affordable bills for all our customers through our progressive charging trials and water efficiency measures with 100%¹⁰ of customers finding their bill affordable in South West Water. This focus has meant that our bills are forecast to have one of the lowest increases across the industry throughout K8.

Our teams are ready to deliver the step change in investment, having already accelerated £75m of storm overflow investment with Ofwat's agreement, to get a head start in 2024 and our front loaded profile drives operational improvements and performance.

Our delivery partnership "amplify" unites some of the country's best engineering companies, supported by a range of consultancy organisations, together with our in-house experts, to ensure we deliver in the right way, at the right cost, at the right time. Amplify has already started working on over 1,000 projects with c.£625 million worth of projects handed over, which will help our water businesses reduce the use of storm overflows, maintain the region's excellent bathing waters and help maintain high quality drinking water services, with resilient water resources in the face of climate change.

These factors, and the clarity and visibility that come with the Final Determinations, allow Pennon to now move forward with confidence. The Rights Issue, coupled with the comprehensive financing package we are effecting, will allow us to drive the business forward to deliver efficiently and effectively, whilst maintaining a resilient, agile balance sheet and setting the Group up for growth over the next five years.

A step change in investment to drive growth in RCV

For South West Water and SES Water, delivering on these plans provides a floor for RCV growth of at least 34% (approximately £2 billion) over the K8 period. This builds on the 75% growth across the K7 period, which comprised: 25% growth from South West Water's K7 final determination; c. 20% further growth from additional in period investment opportunities including WaterFit, resilience, green recovery, accelerated investment and K8 transition spend (leading to a total organic growth level of 45%); and following our strategic objective to grow the business relative to the UK water industry, acquiring Bristol Water and SES Water in the period, providing a further 30% growth in the regulated water businesses.

Visibility and certainty on the timing and assumed profile of our capital expenditure allow us to start to deliver on our programmes and commitments early and our comprehensive financing package will ensure we do so with a strong and resilient balance sheet.

A strong track record of delivery in K7

Our business has a strong track record of delivering in our regulated water businesses, driving strong returns on regulated equity compared with allowances and focussing on delivering improvements for our customers and the environment.

In K7, we have achieved approximately 70% of all ODIs over the regulatory period, and demonstrated robust relative sector performance on the common ODIs that we will target to continue into K8. Whilst pollution targets remain a core focus area for South West Water, other

¹⁰ Based on the K7 bespoke affordability ODI.

metrics have been achieved at least once in K7 by companies in the Group. Seven measures have achieved upper quartile performance across a number of areas including unplanned outage, internal sewer flooding and water quality, providing opportunities for sharing best practice across our different water brands and delivery aligned with, or providing outperformance on, the targets set.

Our diversified debt portfolio supported strong financing performance in K7; our effective interest rates have been amongst the lowest in the sector, and approximately £300 million of financing outperformance has been delivered in K7 as a result of our diversified portfolio and effective hedging policy, which focuses on locking in outperformance against Ofwat's allowed cost of debt.¹¹

The K7 period saw continued delivery of returns above the base level, and allowed us to share financial benefits of outperformance with our customers through our innovative WaterShare+ scheme, giving them a stake and a say in our business by sharing over £40 million of outperformance through either reductions in their bills or allowing them a share in the business.

Targeting continued outperformance in K8

Following the Draft Determinations, we increased our investment in the final months of K7 in order to demonstrate a balanced performance on ODIs and to ensure we were delivering at the run rate for investment and with a focus on those common performance measures continuing into K8. With the Final Determinations materially confirming the scope and outputs of our plan, and better aligning to our incentive rates, this early transition will stand us in good stead to deliver effectively and efficiently in the next period.

We have been actively preparing the business to ensure that we are in a strong position, with the right team, to deliver on the next high-growth phase and target outperformance of the regulatory plan. This has started with reshaping and reorienting our business around our four strategic priorities and investing in our performance and front-line teams. This will ensure that we are ready and able to deliver the required investment at pace, including having pilots and programmes already under way to set us up for successful implementation.

In the first half of the 2024 / 2025 financial year, we realigned our business under four business units, Clean Water, Wastewater, Power and Retail. These business units are led by experienced management teams, who will be responsible for delivering the end-to-end outcomes customers and communities want to see. We have also announced £16 million of restructuring costs in the 2025 financial year; the restructuring will allow us to ensure we focus our cost base in areas aligned to the programme of work for K8 and ensure we can invest in the services and assets we need to deliver on our work.

Our K7 transformation, restructuring and integration programmes will set us in good stead to deliver efficiently against our Final Determinations and target totex outperformance over the five-year period. With c.£86 million annualised savings already underway through these programmes, alongside a relentless focus on ensuring an efficient and diversified debt portfolio, our plans anticipate that we will deliver on the outcomes at lower levels of expenditure and reduced cost of debt in real terms compared with the Final Determinations, supporting an improved and resilient financial position.

We continue to increase our investment to close out the final months of K7, delivering on our core commitments whilst focussing on improving our performance where required, notably around pollutions and storm overflows, including through the £75 million early start programme which Ofwat agreed. Underlying performance on environmental pollutions through the Environment Agency's measures continues to be a focus for the Group, with improvements in our network and treatment works. We also continue to invest to improve performance, particularly in more extreme weather conditions, to ensure we can reduce our impact on the environment and meet the targets anticipated over the forthcoming period.

Whilst Ofwat has now targeted 2028 as the date for meeting the EPA 4* rating in order to receive upside benefit from our K8 business plan, we continue to focus on improvements in the near-term to drive improvements as quickly as possible. We are also actively engaged in the Environment Agency's consideration of their annual performance assessment (EPA) for K8, where we are pressing for an evolved comparative framework.

¹¹ Based on the cost of debt allowance of 3.15% + 2.3% = 5.45% assumed average inflation over K8. 2024/25 equivalent inflation at 3.5%.

With 100% of revenues and 97% of expenditure allowed by Ofwat compared with our original business plans, we consider the Final Determinations are stretching but also provide us confidence with delivery and allow us to target outperformance across totex, financing costs and ODIs set by Ofwat. We are targeting a RORE of approximately 7% across the period, well within Ofwat's range of expected performance (0.5% to 10.1% for South West Water and 0.1% to 10.4% for SES Water). This targeted outperformance benefits customers through improved service delivery and our unique WaterShare+ sharing mechanism, whilst also providing headroom to accelerate further investment where appropriate.

Pennon's non-regulated businesses

In addition to our regulated businesses, Pennon has activities in renewable power generation and non-household water retail. Our operations require reliable and efficient power supply and we are investing:

- to increase our renewable energy provision through our newly formed Pennon Power business – supporting our net zero ambitions; and
- to meet approximately 40% of the energy requirements of the Group, including self-generated power, through our own resources.

Ofwat's Final Determinations provide some protection for downside risk in respect of energy costs for K8, in light of the material increases in commodity prices experienced across the water sector during the K7 period. This mechanism is beneficial, as an ex-post, index linked, cost sharing mechanism. Coupled with the development of Pennon Power, which provides us with an at-scale, captive renewable energy producer, this should result in reduced costs and earnings volatility if energy price volatility continues – by meaningfully hedging our significant energy costs, whilst generating strong expected equity returns of 11-15%¹².

Two of the four renewable energy projects currently developed by Pennon Power are under construction with energisation at one site expected on or around 1 April 2025. By 2027, we will have completed the remaining approximately £56 million of investment. The first project is expected to be operational by 1 April 2025 and when complete, the four projects are expected to generate the equivalent of approximately 40% of the Group's energy demand for the financial year ended 31 March 2024, with potential for projects on operational sites to add further value through reduction of non-commodity costs.

The remaining £56 million investment will be financed by debt capital, with no proceeds from the Rights Issue to be allocated to Pennon Power. We will continue to review and consider optimising the ownership and funding of these assets closer to or after project completion, in order to deliver the best returns and use of capital for Shareholders.

We also own interests in three national non-household water retail businesses which have a combined market share of around 15%: Pennon Water Services, Water2Business and SES Business Water. These operate in a competitive market across the UK. Our plans to deliver synergies across these entities, whilst driving greater efficiency and effectiveness in delivery, alongside anticipated growth from underlying increases in prices, are also expected to provide increasing returns as well as the opportunity to capitalise on opportunities from increasing the customer base in businesses which are recognised for high performance in their sector.

A comprehensive financing package for K8

Following the Final Determinations, we now have clarity on our K8 plans, importantly including allowed revenues and the scale and profile of our capital programme.

With the operational and funding visibility that this provides, we have developed a comprehensive financing package to realise the Group's record £3.2 billion¹³ high-growth capex investment plan for 2025-2030 whilst preserving a sustainable approach to gearing. The net proceeds of the Rights Issue (excluding the WaterShare+ Proceeds (as described below)) form part of this comprehensive financing package.

The key pillars of this comprehensive financing package to support such investment comprise:

¹² Based on 55% assumed leverage, pre-tax, and 7-9% unleveraged pre-tax returns.

¹³ Forecast outturn prices.

- c.£86 million of targeted annual benefits from reshaping the business and realising cost synergies;
- ensuring appropriate and sustainable gearing by maintaining water company leverage within the 55-65% gearing policy, consistent with strong investment grade credit ratings;
- a Group leverage approach that will be a few percentage points higher than the regulated water businesses' (unlikely to exceed approximately 5% during the K8 period);
- an equity raise of approximately £490 million through the Rights Issue to ensure that gearing remains within our policy and that prudent and sustainable leverage is maintained over the K8 period; and
- a progressive dividend policy with ongoing growth in dividend per share aligned with CPIH.

Collectively, this comprehensive financing package puts Pennon in a strong funding position to deliver on the growth opportunity in K8 and beyond, with investment producing compelling RCV growth (estimated at approximately 34% for the K8 period) whilst maintaining the Group's efficient and prudent capital structure.

Our conservative approach to balance sheet management, coupled with our strong investment grade credit ratings, and the launch of our EMTN programme in July 2024, should allow us to fund future growth at debt costs consistent with or below Ofwat's allowed cost of debt. We will continue to seek to optimise our overall Group portfolio through the use of a range of debt instruments, as appropriate.

The Board unanimously believes that this comprehensive financing plan will allow the Group to fund a significant increase in capital investment, maintain its strong investment grade credit rating, deliver for customers and achieve value for all stakeholders throughout the K8 period.

Use of proceeds

The Rights Issue is expected to raise approximately £490 million in gross proceeds and approximately £470 million in net proceeds (after deduction of estimated commissions, fees and expenses).

These net proceeds (excluding the WaterShare+ Proceeds (as described below)) will be used to fund the increased investments in our regulated water businesses, as described in detail above.

WaterShare+ Proceeds

In implementing the Rights Issue, the Directors recognise the position of the Company's WaterShare+ Shareholders. The Company launched its unique WaterShare+ Scheme, which allows customers to become Shareholders, in 2020, with a further scheme launched in 2022. The WaterShare+ Schemes are a unique and pioneering arrangement, endorsed by Ofwat, that rewards the Group's customers when the business outperforms, by offering eligible customers Ordinary Shares in the Company or money off their water bill. To date, the Group has shared over £40 million with its customers through bill reductions or Ordinary Shares in the Company (2020: £20 per household and 2022: £13 per household). The Group has issued approximately 140,000 shares to customers via the 2020 and 2022 WaterShare+ Schemes and 1 in 14 South West Water customers are now Shareholders in the Group via both WaterShare+ Schemes, and we are looking to increase this in the next 5 years. The two WaterShare+ Schemes have received strong support from customers and Shareholders and align with the Group's philosophy of ensuring customers benefit directly.

Due to the Rights Issue Price and ratio that 13 New Ordinary Shares are being issued on the basis of 20 Existing Ordinary Shares, the Directors acknowledge that many WaterShare+ Shareholders will only be entitled to fractional entitlements to New Ordinary Shares under the Rights Issue, rather than the right to subscribe for any additional New Ordinary Shares.

Accordingly, to the extent net proceeds arising from the sale of fractional entitlements under the Rights Issue and Rump Sale Proceeds are retained and accrue for the benefit of the Company, as described in more detail in Part VIII (*Terms and Conditions of the Rights Issue*), the Directors intend that, later during 2025, those proceeds of sale will be applied by the Company (subject to receiving the requisite Shareholder approval in due course) towards offering those WaterShare+ Shareholders who, because of the Rights Issue ratio, will not be entitled to subscribe for any New Ordinary

Shares, the opportunity to receive a single further Ordinary Share in recognition of their not being able to participate in the Rights Issue. In this document, we describe these retained proceeds which are intended to be used for this purpose as the “**WaterShare+ Proceeds**”. Further information concerning the use of the WaterShare+ Proceeds will be announced by the Company in due course.

Dividend Policy

We also recognise the importance of sustainable, predictable, inflation-backed dividend income to our Shareholders, coupled with the contribution of asset growth to Shareholder returns which we expect from our significant investment programme over the next five years.

We are adopting a dividend policy designed to present an attractive combination of underlying asset growth and income to our shareholders, under which the total dividend amount for the year to 31 March 2024 of £129.3 million¹⁴ will be rebased on a the dividend per share basis (taking into account the effect of the Rights Issue). Pennon intends to grow this rebased dividend per share, in absolute terms, by CPIH inflation from and in respect of the current financial year ending 31 March 2025 and each financial year thereafter to 31 March 2030.

The implied dividend per share dilution from the Rights Issue, once adjusting for the bonus factor for comparability purposes under accounting standard IAS33, is approximately 18.6%.

The dividend policy is consistent with Ofwat’s proposed guidance on appropriate dividends from the regulated water businesses, which form the vast majority of Pennon’s earnings and cashflows, and with our gearing targets as set out above.

2. CURRENT TRADING AND OUTLOOK

The outlook for the current financial year remains consistent with expectations, with revenues broadly flat H1 to H2 as a result of lower customer demand impacting H1 revenue, and total expenditure also flat across the year, reflecting an ongoing focus on delivering the remaining K7 commitments and ensuring a strong start to K8. Interest costs and depreciation increase as a result of the continued investment programme. In December 2024, the Group issued a further £250 million bond under its existing EMTN programme, at a coupon of 5.75%.

3. PRINCIPAL TERMS AND CONDITIONS OF THE RIGHTS ISSUE

3.1 Overview

Pennon proposes to raise gross proceeds of approximately £490 million (approximately £470 million after deduction of estimated commissions, fees and expenses) by way of the Rights Issue.

(A) Pricing

The Rights Issue Price represents a discount of 47.3% to the Closing Price of 500.81 pence per Existing Ordinary Share on 28 January 2025 (being the last Business Day before the announcement of the terms of the Rights Issue), adjusted for the 2024 Interim Dividend of 14.69 pence per Existing Ordinary Share which will not be payable on the New Ordinary Shares, and a discount of 35.2% to the theoretical ex-rights price of 407.52 pence per Existing Ordinary Share, by reference to the Closing Price on the same date and adjusted on the same basis. Upon completion of the Rights Issue, the New Ordinary Shares will represent approximately 39.4% of the Company’s enlarged issued ordinary share capital (excluding any shares held in treasury) following the Rights Issue.

The Rights Issue Price has been set, following discussions with major Shareholders, at the level which the Board considers necessary to ensure the success of the Rights Issue, taking into account the aggregate proceeds to be raised. The Board believes that the Rights Issue Price, and the discount which it represents, is appropriate.

¹⁴ The base dividend for the year ended 31 March 2024 was £129.3 million, adjusted from the dividend paid in that year of £126.9 million to remove the £2.4 million one-off deduction in respect of the fine from the Environment Agency paid by South West Water.

(B) Dilution

The Rights Issue will result in 185,928,002 New Ordinary Shares being issued and the number of Ordinary Shares (excluding any shares held in treasury) being increased by approximately 65.0%.

If a Qualifying Shareholder does not (or is not permitted to) take up any New Ordinary Shares under the Rights Issue, such Qualifying Shareholder's shareholding in Pennon will be diluted by up to 39.4% as a result of the Rights Issue¹⁵.

3.2 Key terms

On and subject to, among other things, the terms and conditions described in Part VIII (*Terms and Conditions of the Rights Issue*) of this document, 185,928,002 New Ordinary Shares will be offered by way of rights at the Rights Issue Price of 264.00 pence per New Ordinary Share to Qualifying Shareholders on the basis of:

13 New Ordinary Shares for every 20 Existing Ordinary Shares

held and registered in their name at close of business on the Record Date (and so in proportion to the number of Existing Ordinary Shares then held, subject to fractional entitlements).

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST stock accounts of Qualifying Shareholders with registered addresses in the United States or in any of the other Excluded Territories, except where the Company and the Underwriters are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction.

Entitlements to New Ordinary Shares under the Rights Issue will be rounded down to the nearest whole number and fractions of New Ordinary Shares will not be provisionally allotted to Qualifying Shareholders. Holdings of Existing Ordinary Shares in certificated form, holders of Existing Ordinary Shares in uncertificated form, holdings of Existing Ordinary Shares through the Corporate Sponsored Nominee and holdings of Existing Ordinary Shares through the WaterShare+ Nominee, will each be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Any fractional entitlements to New Ordinary Shares which arise will be aggregated into whole New Ordinary Shares and sold in the market on behalf of the relevant Shareholders. The total proceeds of the sale (net of related expenses (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT)) due will be paid in due proportion to each of the relevant Shareholders. Any proceeds of sale (net of related expenses (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT)) due to each of the relevant Shareholder(s) of less than £5.00 will be aggregated and will accrue for the benefit of the Company and become part of the WaterShare+ Proceeds as described above.

The Rights Issue has been fully underwritten by the Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement, details of which are set out in section 10.1 (Underwriting Agreement) of Part XIV (*Additional Information*) of this document.

The Rights Issue is conditional upon (among other things): (i) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission); and (ii) Admission becoming effective by not later than 8:00 a.m. on 3 February 2025 (or such later time and/or date as the Company and the Underwriters each acting in good faith may agree in writing).

Certain resolutions authorising the allotment of further shares in the Company and the waiver of pre-emption rights in connection with a rights issue were passed at the 2024 Annual General Meeting. These authorities will be relied upon for the purposes of the Rights Issue.

Applications will be made to the: (i) FCA for the New Ordinary Shares to be admitted to listing on the equity securities (commercial companies) category of the Official List; and (ii) London Stock

¹⁵ For the purposes of calculating: (i) the number of New Ordinary Shares to be issued pursuant to the Rights Issue; (ii) the specified increases to the Company's issued ordinary share capital resulting from the Rights Issue; and (iii) the specified dilutive effect of the Rights Issue, the issuance of any Ordinary Shares in respect of the vesting or exercise of any awards under the Share Plans which may occur between the Latest Practicable Date and the completion of the Rights Issue and any shares held in treasury have been disregarded.

Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that the Rights (Nil and Fully Paid) Rights will be admitted to trading on a multi-lateral trading facility of the London Stock Exchange. It is expected that Admission will become effective on 3 February 2025, that dealings in the Rights (Nil and Fully Paid) will commence as soon as practicable after 8:00 a.m. on that date, and that dealings in the New Ordinary Shares (fully paid) will commence on the London Stock Exchange at the time and date shown in the Expected Timetable of Principal Events set out in this document.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with, and will carry the same voting and dividend rights as, the Existing Ordinary Shares, save for the right to receive the 2024 Interim Dividend which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025.

Overseas Shareholders, including Shareholders resident in the United States, should refer to section 7 (*Overseas Shareholders*) of Part VIII (*Terms and Conditions of the Rights Issue*) of this document for further information regarding their ability to participate in the Rights Issue.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part VII (*Questions and Answers about the Rights Issue*) and Part VIII (*Terms and Conditions of the Rights Issue*) of this document.

4. ACTION TO BE TAKEN

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11:00 a.m. on 17 February 2025 for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders, and in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders, 11:00 a.m. on 13 February 2025, unless otherwise announced by the Company.

Please refer to Part VII (*Questions and Answers about the Rights Issue*) and Part VIII (*Terms and Conditions of the Rights Issue*) for further details of the Rights Issue and the action to be taken, including the procedure for acceptance and payment and the procedure in respect of rights not taken up. Further details also appear in: (i) the WHITE Provisional Allotment Letter which will be sent to all Qualifying Non-CREST Shareholders; (ii) the PINK Provisional Allotment Letter which will be sent to all Qualifying CSN Shareholders; and (iii) the BLUE Provisional Allotment Letter which will be sent to all Qualifying WaterShare+ Shareholders (other than, subject to certain exceptions, those Qualifying Shareholders with a registered address in the Excluded Territories).

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

5. FURTHER INFORMATION

Your attention is drawn to the Risk Factors set out in Part I (*Risk Factors*), and to the information set out Part III (*Important Notices*) of this document.

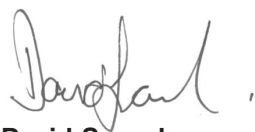
You should not subscribe for any New Ordinary Shares except on the basis of information contained or incorporated by reference into this document and should read all of the information contained or incorporated by reference into this document before deciding on the action to take in respect of the Rights Issue.

6. DIRECTORS' INTENTIONS

The Directors consider that the Rights Issue is in the best interests of Pennon and the Shareholders of Pennon taken as a whole. Each Director who holds Existing Ordinary Shares has irrevocably undertaken to take up in full their rights to subscribe for New Ordinary Shares under the

Rights Issue or to sell a sufficient number of their Nil Paid Rights during the nil paid dealing period to meet the costs of taking up the balance of their entitlements to New Ordinary Shares.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Sproul', followed by a comma.

David Sproul
Chair

Part VII

Questions and Answers about the Rights Issue

The questions and answers below have been prepared to help Shareholders understand what is involved in the Rights Issue. These are in general terms only and, as such, you should not rely solely on them and should also read Part VIII (Terms and Conditions of the Rights Issue) of this document for full details of the action you should take and the terms and conditions applicable to the Rights Issue. If you are in any doubt as to the action you should take, you are recommended to seek your own 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.

This Part VII deals with general questions relating to the Rights Issue and more specific questions relating to Qualifying Shareholders who hold Ordinary Shares in: (i) certificated form (referred to as Qualifying Non-CREST Shareholders); (ii) through the Corporate Sponsored Nominee (referred to as Qualifying CSN Shareholders); (iii) through the WaterShare+ Nominee (referred to as Qualifying WaterShare+ Shareholder); and (iv) Shareholders who hold Ordinary Shares in uncertificated form (that is, through CREST, referred to as Qualifying CREST Shareholders). If you are a CREST sponsored member, you should also consult your CREST sponsor. If you are a Shareholder resident outside of the United Kingdom, you should pay particular attention to section 4.5 (What should I do if I live outside the United Kingdom?) of this Part VII below.

In the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders, references in this Part VII: (i) to your rights (including Nil Paid Rights) or your entitlements are to the rights or entitlements received by the Corporate Sponsored Nominee or the WaterShare+ Nominee (as applicable) on your behalf; (ii) to the acquisition of Ordinary Shares (or an entitlement thereto) are to the acquisition of Ordinary Shares by the Corporate Sponsored Nominee or the WaterShare+ Nominee (as applicable) (or the entitlement received thereby) on your behalf; and (iii) to your holding of Existing Ordinary Shares are to the Existing Ordinary Shares held on your behalf by the Corporate Sponsored Nominee or the WaterShare+ Nominee (as applicable).

If you do not know whether your Ordinary Shares are held in certificated or uncertificated form, please call the Link Group shareholder helpline between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (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 Rights Issue.

Times and dates referred to in this Part VII have been included on the basis of the Expected Timetable of Principal Events for the Rights Issue set out in this document.

1. GENERAL

1.1 What is a rights issue?

A rights issue is a way for listed companies to raise money. Companies do this by giving their existing shareholders a right to subscribe for further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is of 185,928,002 New Ordinary Shares at a price of 264.00 pence per New Ordinary Share. If you are a Qualifying Shareholder, other than a Shareholder with a registered address in, subject to certain exceptions, the Excluded Territories, you will be eligible to subscribe for New Ordinary Shares under the Rights Issue. If you hold your Ordinary Shares in certificated form, your entitlement will be set out in your WHITE Provisional Allotment Letter. If you hold your shares through the Corporate Sponsored Nominee, your entitlement will be set out in your PINK Provisional Allotment Letter. If you hold your shares through the WaterShare+ Nominee, your entitlement will be set out in your BLUE Provisional Allotment Letter.

Holdings of Existing Ordinary Shares in certificated and uncertificated form, holdings of Existing Ordinary Shares through the Corporate Sponsored Nominee and holdings of Existing Ordinary

Shares through the WaterShare+ Nominee will each be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue, and therefore if you hold Existing Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee (or some combination of these), you will receive separate Provisional Allotment Letters relevant to each holding.

The Rights Issue Price represents a discount of 47.3% to the Closing Price of 500.81 pence per Existing Ordinary Share on 28 January 2025 (being the last Business Day before the announcement of the terms of the Rights Issue), adjusted for the 2024 Interim Dividend of 14.69 pence per Existing Ordinary Share which will not be payable on the New Ordinary Shares, and a discount of 35.2% to the theoretical ex-rights price of 407.52 pence per Existing Ordinary Share, by reference to the Closing Price on the same date and adjusted on the same basis. Because of this discount, and while the market value of the Ordinary Shares exceeds the Rights Issue Price, the right to subscribe for the New Ordinary Shares is potentially valuable.

The Rights Issue will be made on the basis of 13 New Ordinary Shares for every 20 Existing Ordinary Share held by Qualifying Shareholders on the Record Date.

1.2 Will Shareholders be entitled to vote on the Rights Issue?

No, the Rights Issue does not require new shareholder approval. The Company is relying on existing shareholder approvals granted under sections 551 and 570 of the Companies Act pursuant to resolutions passed at the Company's 2024 Annual General Meeting. No general meeting of Shareholders or other Shareholder vote will, therefore, take place in connection with the Rights Issue.

1.3 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to subscribe for the New Ordinary Shares being offered to you under the Rights Issue, you can, if you are a Qualifying Non-CREST Shareholder or Qualifying CREST Shareholder, instead sell or transfer your rights (called Nil Paid Rights) to acquire those New Ordinary Shares and receive the net proceeds, if any, of that sale or transfer in cash (subject to a *de minimis* of £5.00). This is referred to as dealing "nil paid". This means that, during the Rights Issue offer period (i.e., between 8:00 a.m. on 3 February 2025 and 11:00 a.m. on 17 February 2025) you can, subject to demand and market conditions, trade in the Nil Paid Rights (if applicable). You can also trade Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue).

Qualifying WaterShare+ Shareholders and Qualifying CSN Shareholders will not be able to trade their Nil Paid Rights as they each hold their entitlements through their respective nominee structures, except that Qualifying CSN Shareholders may be able to do so through the Special Dealing Service (see section 2.4(E) (*If you want to use the Special Dealing Service operated by Link Group*) of this Part VII below).

1.4 Can I sell some rights and use the proceeds to take up my remaining rights?

This is known as a Cashless Take-up or "tail-swallowing". If applicable, you should contact your stockbroker or financial adviser who may be able to help if you wish to do this.

Alternatively, if you are an individual Qualifying Non-CREST Shareholder or an individual Qualifying CSN Shareholder aged 18 or over (in the case of natural persons), who is resident in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that you have requested at your own exclusive initiative that the Special Dealing Service be provided to you), you can use the Special Dealing Service (see section 2.4(E) (*If you want to use the Special Dealing Service operated by Link Group*) of this Part VII below). This does not apply to holdings through the WaterShare+ Nominee.

Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please also ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11:00 a.m. on 17 February 2025.

2. ORDINARY SHARES IN CERTIFICATED FORM, THROUGH THE CORPORATE SPONSORED NOMINEE AND THROUGH THE WATERSHARE+ NOMINEE

2.1 I hold my Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee. How do I know if I am eligible to participate in the Rights Issue?

If you receive a Provisional Allotment Letter and are not a Shareholder with a registered address in, subject to certain exceptions, any of the Excluded Territories, then you should be eligible to subscribe for New Ordinary Shares under the Rights Issue (as long as you have not sold all of your Ordinary Shares before 8:00 a.m. on 3 February 2025 (the time when the Ordinary Shares are expected to be marked “ex-rights” by the London Stock Exchange)).

2.2 How many New Ordinary Shares will I be entitled to acquire?

Box 3 on the Provisional Allotment Letters shows the number of New Ordinary Shares you will be entitled to acquire. You will be entitled to acquire at the Rights Issue Price 13 New Ordinary Shares for every 20 Existing Ordinary Shares you hold at close of business on 28 January 2025 (the Record Date for the Rights Issue). All Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders (other than Shareholders with a registered address in, subject to certain exceptions, any of the Excluded Territories) will be sent one or more Provisional Allotment Letters.

As noted in section 1.1 (*What is a rights issue?*) of this Part VII, holdings of Existing Ordinary Shares in certificated form, holdings of Existing Ordinary Shares through the Corporate Sponsored Nominee and holdings of Existing Ordinary Shares through the WaterShare+ Nominee will each be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue, and therefore if you hold Existing Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee (or some combination of these), you will receive separate Provisional Allotment Letters relevant to each holding. Each Provisional Allotment Letter will show the number of New Ordinary Shares you will be entitled to acquire through each holding.

2.3 I hold my Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee. What do I need to do in relation to the Rights Issue?

If you hold your Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee, are not ineligible to participate in the Rights Issue because you do not hold enough Existing Ordinary Shares on the Record Date and do not have a registered address in, subject to certain exceptions, any of the Excluded Territories, you will be sent one or more Provisional Allotment Letters that show: (a) in Box 1, how many Existing Ordinary Shares you held at the close of business on 28 January 2025 (the Record Date for the Rights Issue); (b) in Box 2, how many New Ordinary Shares you are entitled to acquire pursuant to the Rights Issue; and (c) in Box 3, how much you need to pay if you want to take up all of your rights to subscribe for all the New Ordinary Shares provisionally allotted to you, or the Corporate Sponsored Nominee or the WaterShare+ Nominee (as applicable) on your behalf, in full. Section 2.4 (*I am a Qualifying Shareholder with a registered address in the United Kingdom and I hold my Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee. What are my options and what should I do with the Provisional Allotment Letter?*) of this Part VII below gives more details regarding the choices available to you.

If you are ineligible to participate in the Rights Issue because you do not hold enough Existing Ordinary Shares on the Record Date or have a registered address in, subject to certain exceptions, any of the Excluded Territories, you will not receive a Provisional Allotment Letter. Please refer to section 4.5 (*What should I do if I live outside the United Kingdom?*) of this Part VII below.

2.4 I am a Qualifying Shareholder with a registered address in the United Kingdom and I hold my Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee. What are my options and what should I do with the Provisional Allotment Letter?

(A) If you want to take up all of your rights

If you want to take up all of your rights to acquire the New Ordinary Shares to which you are entitled, you can either: (i) contact the Link Group shareholder helpline where payment can be made over the telephone by debit card (credit cards will not be accepted) between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (charged at the applicable international rate) for the amount set out in Box 3 of your Provisional Allotment Letter(s) (but you do not need to complete and/or return your Provisional Allotment Letter(s) to Link Group); or (ii) send the completed relevant Provisional Allotment Letter(s), together with your cheque or banker's draft in pounds sterling made payable to "Link Market Services Limited re Pennon Group plc Rights Issue" and crossed "A/C payee only" for the amount shown in Box 3 of the relevant Provisional Allotment Letter and write your Allotment Number and surname on the reverse of the cheque or banker's draft, by post or by hand (during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL to be received by 11:00 a.m. on 17 February 2025 (in the case of holdings of Ordinary Shares in certificated form) or by 11:00 a.m. on 13 February 2025 (in the case of holdings of Ordinary Shares through the Corporate Sponsored Nominee and/or the WaterShare+ Nominee). You do not need to sign the Provisional Allotment Letter. Within the United Kingdom only, you can use the reply-paid envelope provided with the Provisional Allotment Letter. Please allow sufficient time for delivery. Full instructions are set out in Part VIII (*Terms and Conditions of the Rights Issue*) and in the relevant Provisional Allotment Letter.

Please note third-party cheques will not be accepted other than building society cheques or banker's drafts.

If payment is made by building society cheque (not being drawn on an account of the person lodging the Provisional Allotment Letter, the "**applicant**") or a banker's draft, the building society or bank must endorse on the cheque or draft the applicant's name and the number of an account held in the applicant's name at the building society or bank, such endorsement being validated by a stamp and an authorised signature.

If you hold your shares in certificated form, a definitive share certificate will then be sent to you in respect of the New Ordinary Shares that you take up. Your definitive share certificate for the New Ordinary Shares is expected to be despatched to you by no later than 4 March 2025. You will need your WHITE Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your WHITE Provisional Allotment Letter will not be returned to you unless you tick Box E on page 4 of the WHITE Provisional Allotment Letter.

If you hold your shares through the Corporate Sponsored Nominee or the WaterShare+ Nominee, your online account with Link Group will be credited with your New Ordinary Shares that you take up no later than 4 March 2025. You will not be able to deal in your Fully Paid Rights or have the relevant Provisional Allotment Letter returned to you, due to the way that you hold your Ordinary Shares through the relevant nominee.

(B) If you do not want to take up your rights at all

If you do not want to take up any of your rights, you do not need to do anything. If you do not take up your rights, the number of Ordinary Shares you hold in the Company will remain the same, but the proportion you hold of the total number of Ordinary Shares in the Company will be lower than the proportion you currently hold. If you do not accept your entitlement to the New Ordinary Shares through the Link Group shareholder helpline or return your relevant Provisional Allotment Letter(s) subscribing for the New Ordinary Shares to which you are entitled by 11:00 a.m. on 17 February 2025 (in the case of holdings of Ordinary Shares in certificated form) or by 11:00 a.m. on 13 February 2025 (in the case of holdings of Ordinary Shares through the Corporate Sponsored Nominee and/or the WaterShare+ Nominee), the Company has made arrangements under which the Underwriters will try to find investors to take up your rights and the rights of others who have not taken them up. If the Underwriters do find investors who agree to pay a premium above the Rights

Issue Price and the related expenses of procuring those investors (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT), you will be sent a cheque, or receive a payment into your bank account, for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched to certificated shareholders who have not previously provided bank account mandates to Link Group and bank account payments made to shareholders holding shares through the Corporate Sponsored Nominee and/or the WaterShare+ Nominee and/or any shareholders who have previously provided bank account mandates to Link Group by no later than 4 March 2025 and, in the case of cheques, will be sent to your address appearing on the register of members of the Company (or to the first-named holder if you hold your Ordinary Shares jointly) and, in the case of bank account payments, to the bank account notified to the relevant nominee/Link Group. If the Underwriters cannot find investors who agree to pay a premium over the Rights Issue Price such that your entitlement would be £5.00 or more, you will not receive any payment and any amounts of less than £5.00 will be aggregated and will accrue for the benefit of the Company and become part of the WaterShare+ Proceeds, as described in the paragraph titled 'Use of proceeds' in Part VI (*Letter from the Chair of Pennon Group plc*) of this document.

Alternatively and if applicable to your holding, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see section 2.4(D) (*If you want to sell all of your rights*) of this Part VII below).

(C) If you want to take up some but not all of your rights

If you wish to take up some, but not all, of your rights (but not transfer some, or all, of those you do not wish to take up), you can complete Box B in Part 1 on page 1 of the relevant Provisional Allotment Letter(s) making sure that you complete the boxes in that section stating the number of New Ordinary Shares you wish to acquire and the amount payable (at 264.00 pence per New Ordinary Share). You should return the Provisional Allotment Letter with a cheque or banker's draft in pounds sterling, made payable to "Link Market Services Limited re Pennon Group plc Rights Issue" and crossed "A/C payee only" for the amount payable and write your Allotment Number and surname on the reverse of the cheque or banker's draft, by post or by hand (during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL to be received by 11:00 a.m. on 17 February 2025 (in the case of holdings of Ordinary Shares in certificated form) or by 11:00 a.m. on 13 February 2025 (in the case of holdings of Ordinary Shares through the Corporate Sponsored Nominee and the WaterShare+ Nominee). Payment cannot be made over the telephone through the Link Group shareholder helpline by debit card if you are not taking up all of your rights. You do not need to sign the Provisional Allotment Letter.

If you hold your shares in certificated form and wish to take up some, but not all, of your rights and to transfer some, or all, of those you do not wish to take up, or you wish to transfer all of the Nil Paid Rights or Fully Paid Rights (if applicable), but to different persons, you should first apply to have your WHITE Provisional Allotment Letter split by completing and signing Form X on page 4 of your WHITE Provisional Allotment Letter, and returning it by post or by hand (during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so as to be received by 3:00 p.m. on 13 February 2025, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You (or your stockbroker, bank or other authorised independent financial adviser) will receive the relevant number of split Provisional Allotment Letters in relation to the Nil Paid Rights to be sold. You should send the Provisional Allotment Letters representing the Nil Paid Rights you wish to sell to the new owner (or their broker). You should then deliver the split Provisional Allotment Letter representing the New Ordinary Shares that you wish to accept together with your cheque or banker's draft by post or by hand (during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL to be received by 11:00 a.m. on 17 February 2025 (see section 2.4(A) (*If you want to take up all of your rights*) of this Part VII above). This does not apply to holdings through the Corporate Sponsored Nominee or the WaterShare+ Nominee.

Further details are set out in Part VIII (*Terms and Conditions of the Rights Issue*) of this document and will be set out in the relevant Provisional Allotment Letter.

Alternatively, if you are an individual certificated shareholder or an individual shareholder through the Corporate Sponsored Nominee aged 18 or over (in the case of natural persons), who is resident in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that you have requested at your own exclusive initiative that the Special Dealing Service be provided to you), you can use the Special Dealing Service to sell some rights and use the proceeds to take up your remaining rights, as further detailed in section 2.4(E) (*If you want to use the Special Dealing Service operated by Link Group*) of this Part VII below. This does not apply to holdings through the WaterShare+ Nominee.

(D) If you want to sell all of your rights

If you are a certificated shareholder and want to sell all of your rights outside of the Special Dealing Service (see below), you should complete and sign Form X on the relevant Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they do not have registered addresses or reside in, subject to certain exceptions, any of the Excluded Territories). Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. This does not apply to holdings through the WaterShare+ Nominee or the Corporate Sponsored Nominee due to the way that such shares are held and administered through the relevant nominee.

Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11:00 a.m. on 17 February 2025.

If you are an individual certificated Shareholder or an individual shareholder through the Corporate Sponsored Nominee aged 18 or over (in the case of natural persons), who is resident in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that you have requested at your own exclusive initiative that the Special Dealing Service be provided to you), you can use the Special Dealing Service to sell all of your rights. See section 2.4(E) (*If you want to use the Special Dealing Service operated by Link Group*) of this Part VII below which explains how you can do this by using your Provisional Allotment Letter. This does not apply to holdings through the WaterShare+ Nominee.

(E) If you want to use the Special Dealing Service operated by Link Group

If you are an individual Qualifying Non-CREST Shareholder or an individual Qualifying CSN Shareholder aged 18 or over (in the case of natural persons), who is resident in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that you have requested at your own exclusive initiative that the Special Dealing Service be provided to you), you can use the Special Dealing Service to either: (i) sell all of your Nil Paid Rights; or (ii) sell a sufficient number of Nil Paid Rights to raise money to take up the remainder of your rights (that is, effect a Cashless Take-up). **Qualifying WaterShare+ Shareholders will not be able to use the Special Dealing Service.**

If you want to use the Special Dealing Service to sell all of your Nil Paid Rights, you can tick Box C in Part 2A on page 1 of your WHITE Provisional Allotment Letter or PINK Provisional Allotment Letter, and complete, sign and date Part 2B on page 1, and in each case return it by post or by hand (during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so as to be received by 11:00 a.m. on 7 February 2025 (in the case of Qualifying Non-CREST Shareholder and Qualifying CSN Shareholders).

If you want to use the Special Dealing Service to sell sufficient rights represented by your Provisional Allotment Letter to enable you to take up your remaining entitlements (i.e. effect a Cashless Take-up), you can tick Box D in Part 2A on page 1 of your WHITE Provisional Allotment Letter or PINK Provisional Allotment Letter, and complete, sign and date Part 2B on page 1, and in each case return it by post or by hand (during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so as to be received by 11:00 a.m. on 7 February 2025 (in the case of Qualifying Non-CREST Shareholder and Qualifying CSN Shareholders).

If you elect to use the Special Dealing Service to sell all of your Nil Paid Rights or to effect a Cashless Take-up, you will be required to provide the following personal details in respect

of the holder of the Provisional Allotment Letter(s) in Part 2B of the relevant Provisional Allotment Letter(s): (i) full name; (ii) nationality; (iii) national client identifier or LEI (if your Ordinary Shares are registered in a corporate name); and (iv) date of birth.

Additionally, all Shareholders named in the Provisional Allotment Letter must sign it. Failure to do so will cause Link Group to reject your instructions.

If you do not have a national client identifier or LEI (if your Ordinary Shares are registered in a corporate name), please include "N/A" in respect of this information so that Link Group can generate an ID for you where possible. Without this information, Link Group may not be able to carry out your instructions.

Link Group will charge a commission of 1% of the gross proceeds of any sale of Nil Paid Rights effected using the Special Dealing Service, subject to a minimum of £15 per holding. Due to the minimum charge, the Special Dealing Service may not be cost effective for all Qualifying Non-CREST Shareholders or Qualifying CSN Shareholders. For example, in relation to Qualifying Non-CREST Shareholders or Qualifying CSN Shareholders selling a small holding, it is possible that in certain circumstances the administration charge may be more than the value of the sale proceeds.

You should be aware that by electing to use the Special Dealing Service, you will be deemed to be agreeing to the Special Dealing Service Terms and Conditions and make a legally binding agreement with Link Group on those terms. The Special Dealing Service Terms and Conditions will be posted to you together with the relevant Provisional Allotment Letter(s) if you hold your Ordinary Shares in certificated form. For the avoidance of doubt, the Company accepts (and it is a term of the Rights Issue that it shall have) no responsibility or liability whatsoever to shareholders for or in respect of the Special Dealing Service operated by Link Group and, to the fullest extent permitted by law, disclaims any duty, liability or responsibility whatsoever (whether direct or indirect and whether arising in contract, tort, under statute or otherwise) in respect of such service or its operation.

2.5 I acquired my Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee. What if I do not receive a Provisional Allotment Letter or do not receive Provisional Allotment Letters in respect of a holding?

If you do not receive a Provisional Allotment Letter but hold your Existing Ordinary Shares in certificated form, this probably means that you are not eligible to take up New Ordinary Shares under the Rights Issue. Some Qualifying Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to subscribe for New Ordinary Shares under the Rights Issue, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on the Record Date and who have converted them to certificated form;
- Shareholders who bought Existing Ordinary Shares before the Ex-Rights Date and who hold such Ordinary Shares in certificated form but were not registered as the holders of those Ordinary Shares at the close of business on the Record Date; and
- certain Overseas Shareholders who can prove that the offer under the Rights Issue can lawfully be made to them without contravention of any relevant legal requirements.

If you do not receive a Provisional Allotment Letter but think that you should have received one (or should have received additional Provisional Allotment Letter(s), in respect of other holdings), please call the Link Group shareholder helpline between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (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 Rights Issue.

2.6 I hold my Ordinary Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Ordinary Shares?

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by no later than 4 March 2025.

2.7 I hold my Ordinary Shares through the Corporate Sponsored Nominee or through the WaterShare+ Nominee. If I take up my rights, when will I receive a statement of my New Ordinary Shares?

If you take up your rights under the Rights Issue, statements for the New Ordinary Shares are expected to be made available by your Corporate Sponsored Nominee or your WaterShare+ Nominee (as applicable) by no later than 4 March 2025.

2.8 I hold my Ordinary Shares in certificated form. What if I want to sell the New Ordinary Shares for which I have paid?

If you hold your shares in certificated form, provided the New Ordinary Shares have been paid for and you have requested the return of the receipted WHITE Provisional Allotment Letter by completing Box E on the WHITE Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing and signing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11:00 a.m. on 17 February 2025. After that time, you will be able to sell your New Ordinary Shares in the normal way. The share certificate relating to your New Ordinary Shares is expected to be despatched to you by no later than 4 March 2025. Pending despatch of the definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register. This option is not available for holdings through the WaterShare+ Nominee or the Corporate Sponsored Nominee.

Further details are set out in Part VIII (*Terms and Conditions of the Rights Issue*) of this document.

2.9 How do I transfer my rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter). Further details on how to deposit Nil Paid Rights or Fully Paid Rights into CREST are set out further in section 3.10 (*Deposit of Nil Paid Rights or Fully Paid Rights into CREST*) of Part VIII (*Terms and Conditions of the Rights Issue*) and in the Provisional Allotment Letter. Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders cannot transfer their rights into the CREST system. This option is not available for holdings through the WaterShare+ Nominee or the Corporate Sponsored Nominee.

If you have transferred your rights into the CREST system, you should refer to section 4 (*Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights or Fully Paid Rights in CREST*) of Part VIII (*Terms and Conditions of the Rights Issue*) for details on how to pay for the New Ordinary Shares.

3. ORDINARY SHARES IN CREST

3.1 I hold my Ordinary Shares in CREST. How do I know if I am eligible to participate in the Rights Issue?

If you are a Qualifying CREST Shareholder (save as mentioned below in this paragraph), and on the assumption that the Rights Issue proceeds as planned, your CREST stock account will be credited with your entitlement to Nil Paid Rights as soon as possible after 8:00 a.m. on 3 February 2025. The stock account to be credited will be the account under the participant ID and member account ID that apply to your Ordinary Shares at close of business on the Record Date. The Nil Paid Rights and the Fully Paid Rights are expected to be enabled after 8:00 a.m. on 3 February 2025. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Excluded Shareholders will not be credited with Nil Paid Rights. Excluded

Shareholders should refer to section 7 (*Overseas Shareholders*) of Part VIII (*Terms and Conditions of the Rights Issue*).

3.2 How many New Ordinary Shares will I be entitled to acquire?

If you are eligible to subscribe for New Ordinary Shares in the Rights Issue, your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares which you are entitled to acquire, and you will be entitled to 13 New Ordinary Shares for every 20 Ordinary Shares you held at close of business on the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the Ex-Rights Date. If you are a CREST sponsored member, you should contact your CREST sponsor.

3.3 How do I take up my rights using CREST?

If you are a Qualifying CREST Shareholder and wish to take up and pay for your rights, you should refer to the instructions set out in Part VIII (*Terms and Conditions of the Rights Issue*).

If you are a CREST member, you should ensure that an MTM instruction has been inputted and has settled by 11:00 a.m. on 17 February 2025 in order to make a valid acceptance. If your Ordinary Shares are held by a nominee or you are a CREST sponsored member, you should speak directly to the agent who looks after your stock or your CREST sponsor (as appropriate) who will be able to help. If you have further questions, particularly of a technical nature regarding acceptance through CREST, you should call the CREST Service Desk on 0845 964 5648 (or +44(0)20 7849 0199 if you are calling from outside the United Kingdom).

3.4 If I take up my rights, when will New Ordinary Shares be credited to my CREST account(s)?

If you take up your rights under the Rights Issue, it is expected that New Ordinary Shares will be credited to the CREST stock account in which you hold your Fully Paid Rights as soon as possible after 8:00 a.m. on 18 February 2025.

4. FURTHER PROCEDURES FOR ORDINARY SHARES

4.1 If I purchase Ordinary Shares after the Record Date, will I be eligible to participate in the Rights Issue?

If you bought Ordinary Shares after close of business on the Record Date but prior to 8:00 a.m. on 3 February 2025 (the time when the Ordinary Shares are expected to start trading ex-rights on the London Stock Exchange), you may be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank manager or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you purchase Ordinary Shares at or after 8:00 a.m. on 3 February 2025, you will not be eligible to participate in the Rights Issue in respect of those shares.

4.2 What if the number of New Ordinary Shares to which I am entitled is not a whole number: am I entitled to fractions of New Ordinary Shares?

Your entitlement to New Ordinary Shares will be calculated at close of business on the Record Date (other than in the case of those who bought shares after close of business on the Record Date but prior to 8:00 a.m. on 3 February 2025 who may be eligible to participate in the Rights Issue). If the result is not a whole number, you will not receive a New Ordinary Share in respect of the fraction of a New Ordinary Share and your entitlement will be rounded down to the nearest whole number.

Any fractional entitlements to New Ordinary Shares which arise will be aggregated into whole New Ordinary Shares and sold in the market on behalf of the relevant Shareholders. The total proceeds of the sale (net of related expenses (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT)) will be paid in due proportion to each of the relevant Shareholders. Any proceeds of sale (net of related expenses (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT)) due to each of the relevant Shareholder(s) of less than £5.00 will be aggregated and will accrue for the benefit

of the Company and become part of the WaterShare+ Proceeds, as described in the paragraph titled 'Use of proceeds' in Part VI (*Letter from the Chair of Pennon Group plc*) of this document.

4.3 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

The following comments are by way of general guidance, and are subject to the same caveats and qualifications as set out in section 1 of Part A of Part XIII (*Taxation*), and accordingly assume, amongst other things, that you hold your Ordinary Shares as an investment.

If you are resident in the United Kingdom for tax purposes, you should not have to pay United Kingdom tax when you take up your rights, although the Rights Issue will affect the amount of United Kingdom tax you may pay when you subsequently sell any or all of your Ordinary Shares. However, you may (subject to any available exemption, allowance or relief) be subject to capital gains tax or corporation tax on any proceeds that you receive from the sale of your rights (unless, generally, the proceeds do not exceed £3,000 or, if higher, 5% of the market value of your Ordinary Shares on the date of sale, although in that case the amount of United Kingdom tax you may pay when you subsequently sell all or any of your Ordinary Shares may be affected).

Further information on taxation in the United Kingdom and the United States with regard to the Rights Issue and the holding of New Ordinary Shares is contained in Part XIII (*Taxation*). Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

4.4 What if I hold options and awards under the Share Plans?

Participants in the Share Plans will be contacted separately with further information on how their options and awards granted under the Share Plan may be affected by the Rights Issue.

4.5 What should I do if I live outside the United Kingdom?

While you have an entitlement to participate in the Rights Issue, your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live, and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders residing outside the United Kingdom should refer to section 7 (*Overseas Shareholders*) of Part VIII (*Terms and Conditions of the Rights Issue*).

If as a result of the laws of certain jurisdictions you are unable to participate in the Rights Issue, the proportion you hold of the total number of Ordinary Shares in the Company will be lower than the proportion you currently hold. The Company has made arrangements under which the Underwriters will try to find investors to take up your rights alongside those of others who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT), you will be sent a cheque, or receive a payment into your bank account, for your share of the amount of that premium, provided that this is £5.00 or more. Cheques are expected to be despatched to certificated shareholders who have not previously provided bank account mandates to Link Group and bank account payments made to shareholders holding through the Corporate Sponsored Nominee and/or the WaterShare+ Nominee and/or other shareholders who have previously provided bank account mandates to Link Group no later than 4 March 2025 and, in the case of cheques, will be sent to your address appearing on the register of members of the Company (or to the first-named holder if you hold your Ordinary Shares jointly) and, in the case of bank account payments, to the bank account information notified to the relevant nominee/Link Group. If the Underwriters cannot find investors who agree to pay a premium over the Rights Issue Price and related expenses, such that your entitlement would be £5.00 or more, you will not receive any payment and any amounts of less than £5.00 will be aggregated and will accrue for the benefit of the Company and become part of the WaterShare+ Proceeds, as described in the paragraph titled 'Use of proceeds' in Part VI (*Letter from the Chair of Pennon Group plc*) of this document.

4.6 What should I do if I think my holding of Ordinary Shares is incorrect?

If you are concerned about the figure in the relevant Provisional Allotment Letter(s) or otherwise concerned that your holding of Ordinary Shares is incorrect, please call the Link Group shareholder helpline between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (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 Rights Issue.

4.7 Will my New Ordinary Shares be entitled to the 2024 Interim Dividend?

All New Ordinary Shares will, when issued and fully paid, rank pari passu in all respects with the Existing Ordinary Shares, save for the right to receive the 2024 Interim Dividend which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025.

Part VIII

Terms and Conditions of the Rights Issue

1. INTRODUCTION

Subject to the fulfilment of the terms and conditions set out below, the New Ordinary Shares are being offered by way of rights at the Rights Issue Price of 264.00 pence per New Ordinary Share to Qualifying Shareholders on the basis of:

13 New Ordinary Shares for every 20 Existing Ordinary Shares

held and registered in their name at close of business on the Record Date (and so in proportion, subject to the rounding down of any fractions, for each other number of Existing Ordinary Shares then held) and otherwise on the terms and conditions set out in this document (and, in the case of: (i) Qualifying Non-CREST Shareholders, the WHITE Provisional Allotment Letter; (ii) Qualifying CSN Shareholders, the PINK Provisional Allotment Letter; and (iii) Qualifying WaterShare+ Shareholders, the BLUE Provisional Allotment Letter). Holdings of Existing Ordinary Shares in certificated and uncertificated form, holdings of Existing Ordinary Shares through the Corporate Sponsored Nominee and holdings of Existing Ordinary Shares through the WaterShare+ Nominee, will each be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue will result in 185,928,002 New Ordinary Shares being issued and the number of Ordinary Shares (excluding any shares held in treasury) being increased by approximately 65.0%, assuming no Ordinary Shares are issued due to the vesting or exercise of any awards under the Share Plans or otherwise between the Latest Practicable Date and the completion of the Rights Issue.

If a Qualifying Shareholder does not (or is not permitted to) take up any New Ordinary Shares under the Rights Issue, such Qualifying Shareholder's shareholding in the Company will be diluted by approximately 39.4% as a result of the Rights Issue, assuming no Ordinary Shares are issued due to the vesting or exercise of any awards under the Share Plans or otherwise between the Latest Practicable Date and the completion of the Rights Issue.

Those Qualifying Shareholders who take up the New Ordinary Shares provisionally allotted to them in full will, subject to the rounding down of any fractions, retain the same proportionate voting and distribution rights as they had at close of business on the Record Date.

The Nil Paid Rights (also described as New Ordinary Shares, nil paid) are entitlements to subscribe for New Ordinary Shares subject to payment of the Rights Issue Price. The Fully Paid Rights (also described as New Ordinary Shares (fully paid)) are entitlements to receive the New Ordinary Shares, for which payment has already been made.

Entitlements to New Ordinary Shares under the Rights Issue will be rounded down to the nearest whole number and fractions of New Ordinary Shares will not be provisionally allotted to Qualifying Shareholders.

Any fractional entitlements to New Ordinary Shares which arise will be aggregated into whole New Ordinary Shares and sold in the market on behalf of the relevant Shareholders. The total proceeds of the sale (net of related expenses (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT)) will be paid in due proportion to each of the relevant Shareholders. Any proceeds of sale (net of related expenses (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT)) due to each of the relevant Shareholder(s) of less than £5.00 will be aggregated and will accrue for the benefit of the Company and become part of the WaterShare+ Proceeds, as described in the paragraph titled 'Use of proceeds' in Part VI (*Letter from the Chair of Pennon Group plc*) of this document.

The attention of Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom is drawn to section 7 (*Overseas Shareholders*) of this Part VIII. In particular, subject to certain exceptions, Qualifying Shareholders with registered addresses in any of the Excluded Territories have not been and will not be sent Provisional Allotment Letters and have not had and will not have their CREST stock accounts credited with Nil Paid Rights.

Applications have been made to the; (i) FCA for the New Ordinary Shares to be admitted to listing on the equity shares (commercial companies) category of the Official List; and (ii) London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that the Rights (Nil and Fully Paid) will be admitted to trading on a multi-lateral trading facility of the London Stock Exchange. It is expected that Admission will become effective at 8:00 a.m. on 3 February 2025, that dealings in the Rights (Nil and Fully Paid) on a multi-lateral trading facility of the London Stock Exchange will commence as soon as practicable after 8:00 a.m. on that date, and that dealings in the New Ordinary Shares (fully paid) will commence on the London Stock Exchange at the time and date shown in the Expected Timetable of Principal Events set out in this document.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST. Applications have been made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear UK requires the Company to confirm to it that certain conditions are satisfied before Euroclear UK will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the Nil Paid Rights and the Fully Paid Rights on Admission of the Rights (Nil and Fully Paid). As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear UK.

The Rights Issue has been fully underwritten by the Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement. The Rights Issue is conditional upon (among other things): (i) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission); and (ii) Admission becoming effective by not later than 8:00 a.m. on 3 February 2025 (or such later time and/or date as the Company and the Underwriters each acting in good faith may agree in writing).

The Underwriting Agreement is conditional upon certain matters being satisfied prior to Admission and may be terminated by the Underwriters before Admission upon the occurrence of certain specified events, in which case the Rights Issue will be revoked and will not proceed. After Admission however, the Underwriting Agreement will not be subject to any right of termination with respect to the Rights Issue. A summary of the principal terms of the Underwriting Agreement is set out in section 10.1 (*Material Contracts*) of Part XIV (*Additional Information*).

The Company reserves the right to decide not to proceed with the Rights Issue at any time before Admission and the commencement of dealings of the Nil Paid Rights and Fully Paid Rights on a multi-lateral trading facility of the London Stock Exchange.

The Underwriters may, in accordance with applicable legal and regulatory provisions and subject to certain restrictions in the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights and the Ordinary Shares. Further to any contractual obligations that may be in place between the Company and the Underwriters, in the event that the Underwriters or their respective affiliates subscribe for New Ordinary Shares which are not taken up by Qualifying Shareholders, the Underwriters and their respective affiliates may for a limited period co-ordinate disposals of such shares in accordance with applicable law and regulation. Except as required by applicable law or regulation, the Underwriters and their respective affiliates do not propose to make any public disclosure in relation to such transactions.

Subject to the relevant conditions being satisfied and save as provided in section 7 (*Overseas Shareholders*) of this Part VIII in respect of Overseas Shareholders, it is intended that:

- (i) the Provisional Allotment Letters will be despatched to Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders (other than, subject to certain limited exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in any of the Excluded Territories) on or about 31 January 2025;
- (ii) the Receiving Agent will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, Qualifying CREST Shareholders with registered addresses, or who are resident or located, in any of the Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, as soon as possible after 8:00 a.m. on 3 February 2025;
- (iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear UK as soon as practicable after the Company has confirmed to Euroclear UK that all the

conditions for admission of such rights to CREST have been satisfied, which is expected to be as soon as possible after 8:00 a.m. on 3 February 2025;

- (iv) the New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights as soon as possible after 8:00 a.m. on 18 February 2025;
- (v) the share certificates for the New Ordinary Shares to be held in certificated form will be despatched to relevant Qualifying Non-CREST Shareholders (or their nominees) who validly take up their rights no later than 4 March 2025; and
- (vi) online accounts held through the relevant nominee of Link Group in respect of the New Ordinary Shares to be held through the Corporate Sponsored Nominee or the WaterShare+ Nominee will be updated for Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders (or, in each case, their nominees) who validly take up the rights received on their behalf no later than 4 March 2025.

If the Rights Issue is delayed so that the Provisional Allotment Letters cannot be despatched to the Qualifying Non-CREST Shareholders, the Qualifying CSN Shareholders and the Qualifying WaterShare+ Shareholders and entitlements to Nil Paid Rights cannot be credited to the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in any of the Excluded Territories) on the dates set out above, the “Expected Timetable of Principal Events” in this document will be adjusted accordingly and the revised dates will be announced through a Regulatory Information Service, in which case all references in this document to dates and times should be read as being subject to that adjustment.

Subject to the relevant conditions being satisfied and save as provided in section 7 (*Overseas Shareholders*) of this Part VIII in respect of Overseas Shareholders, the offer will be made to Qualifying Non-CREST Shareholders, the Qualifying CSN Shareholders (through the Corporate Sponsored Nominee) and the Qualifying WaterShare+ Shareholders (through the WaterShare+ Nominee) by way of the Provisional Allotment Letters (as described in step (i) above) and to Qualifying CREST Shareholders by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (iii) above and with such Shareholders’ stock accounts having been credited as described in step (ii) above).

The offer of New Ordinary Shares pursuant to the Rights Issue is not being, and will not be, made by means of this document into any of the Excluded Territories or any other jurisdiction outside of the United Kingdom in which it would be illegal to make an offer.

All documents, including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and banker’s drafts posted to, or by, Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein and any CREST member or CREST sponsored member or otherwise taking up their rights by sending an MTM instruction to Euroclear UK will be deemed to have given the representations and warranties set out in sections 3.2 (*Procedure for acceptance and payment*) and 4.2 (*Procedure for acceptance and payment*) of this Part VIII, except to the extent that such representations and warranties are waived by the Company and the Underwriters.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to any future dividends or other distributions made, paid or declared after the date of their issue, save for the right to receive the 2024 Interim Dividend which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025.

2. Action to be Taken

The action to be taken in respect of the New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form, held through the Corporate Sponsored Nominee or held

through the WaterShare+ Nominee (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or a Qualifying WaterShare+ Shareholder and you do not have a registered address in, and are not located in, any of the Excluded Territories, please refer to sections 3, 5, 6 and 8 to 13 (inclusive) of this Part VIII.

If you are a Qualifying CREST Shareholder and you do not have a registered address in, and are not located in, any of the Excluded Territories, please refer to sections 4 to 6 (inclusive) and 8 to 13 (inclusive) of this Part VIII and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Shareholder with a registered address in the United States or holding Ordinary Shares on behalf of, or for the account or benefit of, any person on a non-discretionary basis who is in the United States or any state or other jurisdiction of the United States, please refer to section 7.2 (*United States*) and section 7.3 (*US Transfer Restrictions in Respect of Shares not Taken Up in the Rights Issue*) of this Part VIII.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or the Fully Paid Rights of CREST sponsored members.

If you have any questions relating to the Rights Issue, please call the Link Group shareholder helpline between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (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 Rights Issue.

3. Action to be taken by Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters

3.1 General

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders (other than, subject to certain limited exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in any of the Excluded Territories) on 31 January 2025.

A WHITE Provisional Allotment Letter is expected to be despatched to Qualifying Non-CREST Shareholders, a PINK Provisional Allotment Letter is expected to be despatched to Qualifying CSN Shareholders and a BLUE Provisional Allotment Letter is expected to be despatched to Qualifying WaterShare+ Shareholders. Holdings of Existing Ordinary Shares in certificated form, holdings of Existing Ordinary Shares through the Corporate Sponsored Nominee and holdings of Existing Ordinary Shares through the WaterShare+ Nominee will each be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue, and therefore if you hold Existing Ordinary Shares in certificated form, through the Corporate Sponsored Nominee and/or through the WaterShare+ Nominee (or some combination of these), you will receive separate Provisional Allotment Letters relevant to each holding.

Each Provisional Allotment Letter will set out:

- (i) the holding of Existing Ordinary Shares at close of business on the Record Date on which the entitlement to New Ordinary Shares in the Provisional Allotment Letter has been based;
- (ii) the aggregate number and cost of the New Ordinary Shares that are expected to be provisionally allotted to such Qualifying Non-CREST Shareholder, or in the case of a Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder, on their behalf;
- (iii) the procedure to be followed if a Qualifying Non-CREST Shareholder or a Qualifying CSN Shareholder who is eligible to use the Special Dealing Service wishes to sell all or part of his, her or its Nil Paid Rights (or, in the case of Qualifying CSN Shareholders, the rights received by the Corporate Sponsored Nominee on his, her or its behalf) or effect a Cashless Take-up using the Special Dealing Service;

- (iv) the procedure to be followed if a Qualifying Non-CREST Shareholder, a Qualifying CSN Shareholder or a Qualifying WaterShare+ Shareholder wishes to take up all or part of their entitlement (or, in the case of Qualifying CSN Shareholders or Qualifying WaterShare+ Shareholders, the entitlement received by the Corporate Sponsored Nominee or WaterShare+ Nominee (as applicable) on their behalf);
- (v) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to convert all or part of their entitlement into uncertificated form; and
- (vi) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation (as relevant to such Qualifying Shareholder).

Due to the fact that their holdings are held through a Link Group nominee entity, Qualifying WaterShare+ Shareholders and Qualifying CSN Shareholders will not be able to: (i) sell all or part of their Nil Paid Rights outside of the Special Dealing Service; or (ii) split their Provisional Allotment Letters. For the avoidance of doubt, Qualifying WaterShare+ Shareholders are not eligible to use the Special Dealing Service. The options available to each of the Qualifying Non-CREST Shareholders, Qualifying WaterShare+ Shareholders and Qualifying CSN Shareholders are set out in their respective Provisional Allotment Letters.

If you sell or transfer, or have sold or otherwise transferred, all of your Ordinary Shares (other than ex-rights) held in certificated form, through the Corporate Sponsored Nominee or through the WaterShare+ Nominee before 8:00 a.m. on 3 February 2025 (being the Ex-Rights Date), please send this document, together with the relevant Provisional Allotment Letter (if applicable and when received), as soon as possible to the purchaser or transferee, or to the relevant nominee entity, bank, stockbroker or other agent through whom the sale or transfer will be or was effected for onward delivery to the transferee, except that such documents should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of registration or of other local securities laws or regulations including any of the Excluded Territories. If you sell or transfer, or have sold or otherwise transferred, only part of your holding of Ordinary Shares (other than ex-rights) held in certificated form, through the WaterShare+ Nominee or through the Corporate Sponsored Nominee before the Ex-Rights Date, you should contact the Link Group shareholder helpline and/or refer to the instruction regarding split applications in section 3.6 (*Renunciation and splitting of Provisional Allotment Letters*) of this Part VIII and in the relevant Provisional Allotment Letter.

If you do not receive a Provisional Allotment Letter or you think that the holding of Ordinary Shares on which your entitlement to New Ordinary Shares in the Provisional Allotment Letter has been based does not reflect your holding of Ordinary Shares in certificated form, through the Corporate Sponsored Nominee or through the WaterShare+ Nominee as at close of business on the Record Date, please call the Link Group shareholder helpline between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (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 Rights Issue.

On the basis that dealings in Nil Paid Rights commence at 8:00 a.m. on 3 February 2025, the latest time and date for acceptance and payment in full will be 11:00 a.m. on 17 February 2025 (in the case of Qualifying Non-CREST Shareholders) and 11:00 a.m. on 13 February 2025 (in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders), unless otherwise announced by the Company.

3.2 Procedure for acceptance and payment

(A) Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders who wish to accept in full

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights (including Nil Paid Rights held by the Corporate Sponsored Nominee or the WaterShare+ Nominee on their behalf) may either: (i) contact the Link Group shareholder helpline where payment can be made over the telephone by debit card (credit cards will not be accepted) between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (charged at the applicable international rate) for the amount set out in Box 3 of the Provisional Allotment Letter (but do not need to complete or return the relevant Provisional Allotment Letter); or (ii) return the completed Provisional Allotment Letter in accordance with the instructions thereon, together with a cheque or banker's draft in pounds sterling made payable to "Link Market Services Limited re Pennon Group plc Rights Issue" and crossed "A/C payee only" for the full amount payable and with their Allotment Number and surname written on the reverse of the cheque or banker's draft, by post (or by hand during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL so as to be received as soon as possible and, in any event, by 11:00 a.m. on 17 February 2025 (in the case of Qualifying Non-CREST Shareholders) or by 11:00 a.m. on 13 February 2025 (in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders). Please refer to section 3.2(F) (*Payments*) of this Part VIII for further details relating to payment. The Provisional Allotment Letter does not need to be signed.

If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for use within the United Kingdom only. Once your Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, you will have accepted the offer to subscribe for the number of New Ordinary Shares specified on your Provisional Allotment Letter.

(B) Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders who wish to accept in part

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights (if applicable) or Fully Paid Rights (if applicable) (including, in each case, Nil Paid Rights or Fully Paid Rights held by the Corporate Sponsored Nominee or the WaterShare+ Nominee on their behalf) should refer to section 3.6 (*Renunciation and splitting of Provisional Allotment Letters*) of this Part VIII, regardless of whether they wish to sell some or all of those rights which they do not want to take up (if applicable) or not.

(C) Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders who wish to take action themselves to dispose of some or all of their Nil Paid Rights

Any Qualifying Non-CREST Shareholder who is permitted to and wishes to sell all or part of his, her or its Nil Paid Rights outside of the Special Dealing Service should contact their stockbroker or bank or other appropriate authorised independent financial adviser to arrange the sale of those Nil Paid Rights in the market. The stockbroker, bank or other authorised independent financial adviser will require the WHITE Provisional Allotment Letter to arrange such sale, and you will need to make arrangements with the stockbroker, bank or other authorised independent financial adviser for the completion of the Provisional Allotment Letter and its despatch to the stockbroker, bank or other authorised independent financial adviser. Further information about such sales by Qualifying Non-CREST Shareholders is set out in section 3.6 (*Renunciation and splitting of Provisional Allotment Letters*) of this Part VIII below. Nil Paid Rights may only be transferred in compliance with applicable securities laws and regulations of all relevant jurisdictions where the rights are not being taken up. Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders are not able to sell all or part of their Nil Paid Rights outside of the Special Dealing Service due to the fact they hold their Existing Ordinary Shares in the Company through the Corporate Sponsored Nominee and/or the WaterShare+ Nominee, as applicable.

Alternatively, individual Qualifying Non-CREST Shareholders and individual Qualifying CSN Shareholders whose registered addresses are in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that such shareholders have requested at their own exclusive initiative that the Special Dealing Service be provided to them) may be eligible to use the Special Dealing Service operated by Link Group described in section 3.7 (*Special Dealing Service*) of this Part VIII to exercise a Cashless Take-up or otherwise, sell all of their Nil Paid Rights (including Nil Paid Rights held by the Corporate Sponsored Nominee on their behalf). **Qualifying WaterShare+ Shareholders are not eligible to use the Special Dealing Service.**

(D) Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders who do not wish to take up their rights at all and do not wish to take action themselves to sell all or any of those rights

Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders who do not wish to take up their rights (including rights held on their behalf) at all and who do not wish to take action themselves to sell all or any of those rights do not need to do anything.

If Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders or Qualifying WaterShare+ Shareholders do not return their Provisional Allotment Letters by 11:00 a.m. on 17 February 2025 (in the case of Qualifying Non-CREST Shareholders) or by 11:00 a.m. on 13 February 2025 (in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders), the Company has made arrangements under which the Underwriters will try to find investors to take up such rights. If they do find investors who agree to pay a premium above the Rights Issue Price and the related expenses of procuring those investors (including any applicable commission and amounts in respect of related irrecoverable VAT), then Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders so entitled will be paid for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable commission and amounts in respect of related irrecoverable VAT), so long as the amount in question is at least £5.00, by cheque posted to their registered address in the case of Qualifying Non-CREST Shareholders or by payment to their bank account in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders (or to Qualifying Non-CREST Shareholders who have previously provided bank account instructions to Link Group). No payment will be made of individual amounts of less than £5.00, which will be aggregated and will accrue for the benefit of the Company and become part of the WaterShare+ Proceeds, as described in the paragraph titled 'Use of proceeds' in Part VI (*Letter from the Chair of Pennon Group plc*) of this document.

(E) The Company's discretion as to validity of acceptances

If payment by cheque or by debit card (as applicable) is not received in full by 11:00 a.m. on 17 February 2025 (in the case of Qualifying Non-CREST Shareholders) or by 11:00 a.m. on 13 February 2025 (in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders), the provisional allotment will, subject to the below, be deemed to have been declined and will lapse. However, the Company and the Underwriters may (in their absolute discretion) treat as valid: (i) Provisional Allotment Letters and accompanying remittances for the full amount that are received not later than 5:00 p.m. on 17 February 2025 (in the case of Qualifying Non-CREST Shareholders) or by 5:00 p.m. on 14 February 2025 (in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders); and (ii) in the case of New Ordinary Shares in nil paid form that are certificated, acceptances in respect of which a remittance is received before 5:00 p.m. on 17 February 2025 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be subscribed for and undertaking to lodge the relevant Provisional Allotment Letter, duly completed, in due course.

The Company and the Underwriters may also (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company to have been executed in, despatched from or that provides an address for delivery of share certificates for New Ordinary Shares in any Excluded Territory.

The Company, Link Group and/or their agents may each in their sole discretion interpret instructions (including handwritten markings) on a Provisional Allotment Letter, and none of the Company, the Underwriters, Link Group or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from the exercise of such discretion.

A Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or a Qualifying WaterShare+ Shareholder who makes a valid acceptance and payment in accordance with this section 3.2

(*Procedure for acceptance and payment*) of this Part VIII is deemed to request that the New Ordinary Shares to which they are entitled (through, in the case of Qualifying CSN Shareholders or Qualifying WaterShare+ Shareholders, the Corporate Sponsored Nominee or the WaterShare+ Nominee respectively) be issued to them (or to the Corporate Sponsored Nominee or the WaterShare+ Nominee (as applicable) on their behalf) on the terms set out in this document and the Provisional Allotment Letter and subject to the Articles of Association.

Holders of Provisional Allotment Letters who wish to take up any of their entitlements must also make the representations and warranties set out in section 7.6 (*Representations and warranties relating to overseas territories other than the Excluded Territories*) of this Part VIII and will be deemed to have done so by taking up their entitlement by completing the relevant Provisional Allotment Letter. All such Qualifying Shareholders will also be deemed by any such action to have agreed and acknowledged that:

- (i) the Underwriters: (a) are acting exclusively for the Company and no one else in connection with the Rights Issue and the listing of the New Ordinary Shares on the equity shares (commercial companies) category of the Official List; (b) will not regard any other person (whether a recipient of this document) as their respective clients in relation to the Rights Issue; and (c) will not be responsible to anyone other than the Company, nor for providing the protections afforded to their customers nor for giving advice in connection with the Rights Issue, Admission, the contents of this document, or any transaction or arrangement referred to herein;
- (ii) apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters, nor any of their respective affiliates, directors, officers, employees or advisers, accept any responsibility whatsoever for the contents of this document, or make any representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or regarding the legality of any investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Rights Issue, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. To the fullest extent permissible, the Underwriters accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement;
- (iii) such Qualifying Shareholders have not relied on the Underwriters or any person affiliated with any of the Underwriters in connection with any investigation as to the accuracy of any information contained in this document or their investment decision; and
- (iv) such Qualifying Shareholders have relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning the Group or the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

(F) Payments

All payments made by Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders or Qualifying WaterShare+ Shareholders must either be made by: (i) calling the Link Group shareholder helpline and paying over the telephone by debit card (credit cards will not be accepted) in the event such Qualifying Shareholder is taking up their Nil Paid Rights in full; or (ii) by cheque or banker's draft in pounds sterling made payable to "Link Market Services Limited re Pennon Group plc Rights Issue" and crossed "A/C payee only" for the full amount payable and with their Allotment Number and surname written on the reverse of the cheque or banker's draft.

Third-party cheques may not be accepted except building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or

endorsing the back of the cheque or banker's draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which is in the United Kingdom, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sort code number in the top right-hand corner. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Debit cards used for payment should be from an account in the name of the holder(s) of the relevant Provisional Allotment Letter and can only be used if a Qualifying Shareholder wishes to take up all of their Nil Paid Rights. Credit cards will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt. No interest will be allowed on payments. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of a Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

If payment is made by a building society cheque (not being drawn on account of the applicant) or a banker's draft, the building society or bank should insert details of the name of the account holder and have either added the building society or bank branch stamp, or have provided a supporting letter confirming the source of funds.

If a cheque or banker's draft sent by a Qualifying Shareholder is drawn for an amount different from that set out in Box 3 of that Qualifying Shareholder's Provisional Allotment Letter, that Shareholder's application shall be treated as an acceptance in respect of such whole number of New Ordinary Shares which could be acquired at the Rights Issue Price with the amount for which the cheque or banker's draft is drawn (and not the amount set out in Box 2 of the Provisional Allotment Letter). Any balance from the amount of the cheque will be retained for the benefit of the Company.

If New Ordinary Shares have already been allotted to (or on behalf of) a Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder before any payment in respect of such New Ordinary Shares failing to be honoured on first presentation (in the case of a cheque) or before acceptances made by such Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder being treated as invalid, the Company and the Underwriters may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder pursuant to the provisions of this Part VIII in respect of the acquisition of such shares) on behalf of such Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder. None of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder as a result.

3.3 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If an application is made by a United Kingdom regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, such agent should carry out the verification of identity requirements and the agent's stamp should be inserted on the Provisional Allotment Letter.

The return of a Provisional Allotment Letter shall constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the person lodging the Provisional Allotment Letter (the “**applicant**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations and agree for the Receiving Agent to make a search using a credit reference agency for the purposes of confirming such identity; where deemed necessary, a record of the search will be retained. The checks made at credit reference agencies leave an “enquiry footprint” — an indelible record so that the applicant can see who has carried out the check. The enquiry footprint does not have any impact on the applicant’s credit score or on their ability to get credit. Anti-money laundering checks appear as an enquiry/soft search on the applicant’s credit report. The report may contain a note saying “Identity check to comply with Anti Money Laundering Regulations”.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company or the Underwriters will be liable to any person for any loss, expense or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity (and in any event by 11:00 a.m. on 17 February 2025), the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn, or to the bank or building society from which the relevant amounts were deducted. None of the Receiving Agent, the Company or the Underwriters will be liable to any person for any loss, expense or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or
- (ii) if the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the applicant (not being an applicant who delivers his or her application in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (or its pounds sterling equivalent).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying such requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) If payment is made by cheque or banker’s draft in pounds sterling drawn on a branch of a bank or building society in the United Kingdom and bears a United Kingdom bank sort code number in the top right-hand corner, the following applies. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to “Link Market Services Limited re Pennon Group plc Rights Issue” and crossed “A/C payee only” and with their Allotment Number and surname written on the reverse of the cheque or banker’s draft. Third-party cheques may not be accepted except for building society cheques or banker’s drafts where the building society or bank has confirmed

the name of the account holder by stamping or endorsing the back of the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application. If payment is made by debit card, the debit card used for payment should be from an account in the name of the holder(s) of the relevant Provisional Allotment Letter.

- (ii) If the Provisional Allotment Letter is lodged with payment by an agent which is an organisation required to comply with the EU Money Laundering Directive ((EU) 2015/849) as amended, or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, the Cooperation Council for the Arab States of the Gulf (but not its individual Member countries), Hong Kong, Iceland, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, the Republic of Korea, the Russian Federation (whose membership has been suspended since 24 February 2023 and continues to be suspended as at the date of this document), Saudi Arabia, Singapore, South Africa, Switzerland, Turkey, the United Kingdom and the United States), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority.
- (iii) If a Provisional Allotment Letter is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address (for example, a utility bill).

To confirm the acceptability of any written confirmation referred to in subsection (ii) above, or in any other case, please call the Link Group shareholder helpline between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (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 Rights Issue.

3.4 Dealings in Nil Paid Rights

Subject to the fulfilment of the relevant conditions (summarised in section 1 (*Introduction*) of this Part VIII), dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at or as soon as practicable after 8:00 a.m. on 3 February 2025.

A transfer of Nil Paid Rights can be made by Qualifying Non-CREST Shareholders by renunciation of the WHITE Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the WHITE Provisional Allotment Letter to the transferee, up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is 11:00 a.m. on 17 February 2025.

The Company has also engaged Link Group to make available its Special Dealing Service to enable individual eligible Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders to either: (a) sell all of the Nil Paid Rights to which they are entitled (including Nil Paid Rights to which the Corporate Sponsored Nominee is entitled on their behalf); or (b) sell sufficient Nil Paid Rights represented by the Provisional Allotment Letter to enable them to take up their remaining entitlements (known as a Cashless Take-up). Further information about the Special Dealing Service is set out in section 3.7 (*Special Dealing Service*) of this Part VIII. **Qualifying WaterShare+ Shareholders are not eligible to use the Special Dealing Service.**

3.5 Dealings in Fully Paid Rights

After acceptance by a Qualifying Non-CREST Shareholder of the provisional allotment and payment in full in accordance with the provisions set out in this document and in the WHITE Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter as set out in section 3.6 (*Renunciation and splitting of Provisional Allotment Letters*) of this Part VIII. To do this, such Qualifying Non-CREST Shareholder will need to have their fully paid WHITE Provisional Allotment Letter returned to them after their acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be

returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking Box E on page 4 of the WHITE Provisional Allotment Letter.

After 8:00 a.m. on 18 February 2025, the New Ordinary Shares will be registered and transferable in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

It should be noted that Qualifying Non-CREST Shareholders who wish to sell their Fully Paid Rights will first have to take up their rights either by: (i) contacting the Link Group shareholder helpline and making payment by telephone; or (ii) by returning their Provisional Allotment Letter and cheque or banker's draft in the post by following the instructions in section 3.2 (*Procedure for acceptance and payment*) above.

3.6 Renunciation and splitting of Provisional Allotment Letters

The WHITE Provisional Allotment Letters are fully renounceable by the Qualifying Non-CREST Shareholders (save as required by the laws of certain overseas jurisdictions) and may be split up to 3:00 p.m. on 13 February 2025, nil paid and fully paid. The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom. Holders of PINK Provisional Allotment Letters or BLUE Provisional Allotment Letters will not be able to: (i) sell all or part of their Nil Paid Rights outside of the Special Dealing Service; or (ii) split their Provisional Allotment Letters.

(A) Renunciation of Provisional Allotment Letters in full

Qualifying Non-CREST Shareholders who are permitted to, and wish to, transfer all (and not some only) of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a WHITE Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the WHITE Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire WHITE Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a WHITE Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee. Alternatively, individual Qualifying Non-CREST Shareholders whose registered address is in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that such shareholders have requested at their own exclusive initiative that the Special Dealing Service be provided to them) may be eligible to use the Special Dealing Service operated by Link Group described in section 3.7 (*Special Dealing Service*) of this Part VIII to sell all of the Nil Paid Rights to which they are entitled.

The latest time and date for registration of renunciation of WHITE Provisional Allotment Letters is 11:00 a.m. on 17 February 2025 unless otherwise announced by the Company, and after such date the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system. Qualifying Non-CREST Shareholders should note that, in order to renounce Fully Paid Rights, a fully paid WHITE Provisional Allotment Letter (which is not sent to a Shareholder unless requested from the Receiving Agent) will be required.

Qualifying WaterShare+ Shareholders and Qualifying CSN Shareholders do not have this option due to their holdings in the Company being through the WaterShare+ Nominee or the Corporate Sponsored Nominee, as applicable.

(B) Partial Acceptance and/or Splitting Provisional Allotment Letters

Postal applications

Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders who wish to take up some of their Nil Paid Rights (including Nil Paid Rights held by the Corporate Sponsored Nominee or WaterShare+ Nominee on their behalf), without selling or transferring the remainder, can complete Box B in Part 1 on page 1 of the relevant Provisional

Allotment Letter making sure that the boxes in that section are also completed stating the number of New Ordinary Shares to acquire and the amount payable (at 264.00 pence per New Ordinary Share). They should then return the Provisional Allotment Letter by post (or by hand during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL, together with a cheque or banker's draft in pounds sterling for the appropriate amount made payable to "Link Market Services Limited re Pennon Group plc Rights Issue" and crossed "A/C payee only" and with their Allotment Number and surname written on the reverse of the cheque or banker's draft. In this case, the Provisional Allotment Letter and the cheque or banker's draft must be received by not later than 11:00 a.m. on 17 February 2025 (in the case of Qualifying Non-CREST Shareholders) and 11:00 a.m. on 13 February 2025 (in the case of Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders). Once the holder's Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the relevant number of New Ordinary Shares being taken up. The Provisional Allotment Letter does not need to be signed.

If a Qualifying Non-CREST Shareholder wishes to take up some, but not all, of the Nil Paid Rights and to transfer some or all of the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, they must have the Provisional Allotment Letter split, for which purpose he, or his agent, must complete and sign Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post (or by hand during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL by not later than 3:00 p.m. on 13 February 2025, to be cancelled and exchanged for the split Provisional Allotment Letters required. The relevant holder will need to request a split Provisional Allotment Letter in respect of each proposed transfer. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying cover letter. The aggregate number of Nil Paid Rights or (as appropriate) Fully Paid Rights comprised in the split Provisional Allotment Letters must equal the number of New Ordinary Shares set out in Box 2 on page 1 of the Provisional Allotment Letter (less the number of New Ordinary Shares representing rights he wishes to take-up if applicable). Form X on page 4 of split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The holder of the split Provisional Allotment Letters should then follow the instructions in the preceding paragraphs in relation to transferring the Nil Paid Rights or (as appropriate) the Fully Paid Rights represented by each split Provisional Allotment Letter. Once the holder's split Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on that split Provisional Allotment Letter. Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders cannot split their Provisional Allotment Letters.

Special Dealing Service

Individual Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders whose registered address is in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that such shareholders have requested at their own exclusive initiative that the Special Dealing Service be provided to them) may be eligible to use the Special Dealing Service operated by Link Group described in section 3.7 (*Special Dealing Service*) of this Part VIII sell sufficient Nil Paid Rights (including Nil Paid Rights held by the Corporate Sponsored Nominee on their behalf) represented by the Provisional Allotment Letter to enable them to take up their remaining entitlements (known as a Cashless Take-up). **Qualifying WaterShare+ Shareholders are not eligible to use the Special Dealing Service.**

3.7 Special Dealing Service

Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders who are individuals aged 18 or over (in the case of natural persons), who are resident in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that such shareholders have requested at their own exclusive initiative that the Special Dealing Service be provided to them) can use the Special Dealing Service to either: (i) sell all of the Nil Paid Rights to which they are entitled (including Nil Paid Rights to which the Corporate Sponsored Nominee is entitled on their behalf); or

(ii) sell a sufficient number of Nil Paid Rights to raise money to take up the remainder (that is, effect a Cashless Take-up). **Qualifying WaterShare+ Shareholders are not eligible to use the Special Dealing Service.**

(A) Instructions for effecting a Cashless Take-up or full disposal of Nil Paid Rights under the Special Dealing Service

Postal applications

Eligible individual Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders who wish to sell all of the Nil Paid Rights to which they are entitled (including Nil Paid Rights to which the Corporate Sponsored Nominee is entitled on their behalf) through the Special Dealing Service can tick Box C in Part 2A on page 1 of the relevant Provisional Allotment Letter, and should follow the instructions in that box. The identifier information in Part 2B should also be completed.

Eligible Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders who wish to effect a Cashless Take-up through the Special Dealing Service can tick Box D in Part 2A on page 1 of the relevant Provisional Allotment Letter and should follow the instructions in that box. The identifier information in Part 2B should also be completed.

Such Qualifying Shareholders should then sign and date the bottom of page 1 of the Provisional Allotment Letter and return their Provisional Allotment Letter by post (or by hand during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL by not later than 11:00 a.m. on 7 February 2025 (in the case of Qualifying Non-CREST Shareholder) and 11:00 a.m. on 7 February 2025 (in the case of Qualifying CSN Shareholders), the latest time and date for requesting a Cashless Take-up or full disposal of Nil Paid Rights under the Special Dealing Service. A reply-paid envelope is enclosed with the Provisional Allotment Letter for use within the United Kingdom only. If a Qualifying Shareholder intends to post their Provisional Allotment Letter within the United Kingdom by first class post, it is recommended that they allow at least four Business Days for delivery.

General

If a Qualifying Non-CREST Shareholder or Qualifying CSN Shareholder elects to use the Special Dealing Service to sell all of their Nil Paid Rights (including Nil Paid Rights held by the Corporate Sponsored Nominee on their behalf) or to effect a Cashless Take-up using their Provisional Allotment Letter, they are required to provide the following personal details in respect of the holder of the Provisional Allotment Letter: (i) full name; (ii) nationality; (iii); national client identifier or LEI (if your Ordinary Shares are registered in a corporate name); and (iv) date of birth. Additionally, when electing to use the Special Dealing Service by returning their Provisional Allotment Letter, all Qualifying Non-CREST Shareholders or Qualifying CSN Shareholders named in the Provisional Allotment Letter must sign it. Failure to do so will cause Link Group to reject any instructions electing to use the Special Dealing Service.

If a Qualifying Non-CREST Shareholder or Qualifying CSN Shareholder does not have a national client identifier or LEI (if their Ordinary Shares are registered in a corporate name), they should include “N/A” in respect of this information so that Link Group can generate an ID where possible. Without this information Link Group may not be able to carry out any instructions electing to use the Special Dealing Service.

For the avoidance of doubt, the Company accepts (and it is a term of the Rights Issue that it shall have) no responsibility or liability whatsoever to shareholders for or in respect of the Special Dealing Service operated by Link Group and, to the fullest extent permitted by law, disclaims any duty, liability or responsibility whatsoever (whether direct or indirect and whether arising in contract, tort, under statute or otherwise) in respect of such service or its operation.

(B) Terms of Special Dealing Service

Following receipt of a valid election or instruction under the Special Dealing Service provided using a Provisional Allotment Letter, the Provisional Allotment Letter to which such election or instruction relates will cease to be valid for any purpose. By making an election or giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder or Qualifying CSN Shareholder

will be deemed to have represented, warranted and undertaken that: (a) such Nil Paid Rights will be transferred with full title guarantee and free from liens, charges, or other third-party rights of any kind; (b) he or she and any underlying beneficial owner are entitled to sell the Nil Paid Rights; and (c) the use of the Special Dealing Service by him or her or the sale of the Nil Paid Rights pursuant to the Special Dealing Service does not and will not breach any applicable laws. By giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder will be deemed to have renounced their Nil Paid Rights, as applicable to their instruction.

Link Group will charge a commission of 1% of the gross proceeds of any sale of Nil Paid Rights effected using the Special Dealing Service, subject to a minimum of £15 per holding. Due to the minimum charge, the Special Dealing Service may not be cost effective for all Qualifying Non-CREST Shareholders or Qualifying CSN Shareholders. For example, in relation to Qualifying Non-CREST Shareholders or Qualifying CSN Shareholders selling a small holding, it is possible that in certain circumstances the administration charge may be more than the value of the sale proceeds.

Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders should be aware that by returning the Provisional Allotment Letter or electing to use the Special Dealing Service, they will be deemed to be agreeing to the Special Dealing Service Terms and Conditions and make a legally binding agreement with the Registrar on those terms. The Special Dealing Service Terms and Conditions will be set out in a document accompanying the Provisional Allotment Letter. Qualifying Shareholders using such service should note that they will be clients of the Receiving Agent and not of the Company when using this service.

A Qualifying Non-CREST Shareholder or Qualifying CSN Shareholder who is eligible and elects to use the Special Dealing Service, agrees to the terms and conditions of the Rights Issue set out in this document and the Special Dealing Service Terms and Conditions (including how the price for the sale of their Nil Paid Rights is calculated and the commissions that will be deducted from the proceeds of the sale of such Nil Paid Rights). Qualifying Non-CREST Shareholders and Qualifying CSN Shareholders using the Special Dealing Service should note that they will be clients of Link Group and not of the Company when using such service. Link Group's liability to such a Qualifying Non-CREST Shareholder or Qualifying CSN Shareholder and its responsibility for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided is as set out in the Special Dealing Service Terms and Conditions, and neither Link Group nor the Company shall have any liability or responsibility to such a person using the Special Dealing Service except as set out in those Special Dealing Service Terms and Conditions. None of the Company, the Underwriters or their agents shall be responsible for any loss, expense or damage (whether actual or alleged) arising from the terms or timing of any sale, any settlement issues arising from any sale, any exercise of discretion in relation to any sale, or any failure to procure any sale, of Nil Paid Rights pursuant to the Special Dealing Service or any other matter relating to the operation of the Special Dealing Service. Any instructions given by a Qualifying Non-CREST Shareholder or Qualifying CSN Shareholder in respect of use of the Special Dealing Service that have been received by Link Group may not be cancelled or amended.

The Company, Link Group and/or their agents shall each have discretion to determine the eligibility of Qualifying Shareholders, and may each in their sole discretion interpret instructions on a Provisional Allotment Letter, and none of the Company, the Underwriters, Link Group or their agents shall be responsible for any loss, expense or damage (whether actual or alleged) arising from any such exercise of discretion.

All remittances will be:

- (i) sent by post, at the risk of the Qualifying Non-CREST Shareholder entitled thereto, to the registered address of the relevant Qualifying Non-CREST Shareholder (or, in the case of joint holders, to the address associated with the relevant account as it appears on the register of Shareholders); or
- (ii) paid to the bank account of the relevant Qualifying CSN Shareholder notified to the Corporate Sponsored Nominee.

No interest will be payable on any proceeds received from the sale of Nil Paid Rights under the Special Dealing Service.

3.8 Registration in names of Qualifying Non-CREST Shareholders

A Qualifying Non-CREST Shareholder who wishes to have all their entitlement to New Ordinary Shares registered in their name must accept and make payment for such allotment before the latest time for acceptance and payment in full which is 11:00 a.m. on 17 February 2025 in accordance with the provisions set out in this document and the WHITE Provisional Allotment Letter, but need take no further action.

3.9 Registration in names of persons other than Qualifying Non-CREST Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Non-CREST Shareholder(s) originally entitled, the renounee or his agent(s) must complete Form Y on page 4 of the WHITE Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such New Ordinary Shares in uncertificated form, in which case, Form X and the CREST Deposit Form (both set out on page 4 of the WHITE Provisional Allotment Letter) must be completed (see section 3.10 (*Deposit of Nil Paid Rights or Fully Paid Rights into CREST*) of this Part VIII) and deliver the entire WHITE Provisional Allotment Letter (unless this is to be deposited into CREST), when fully paid, by post (or by hand during normal business hours only) to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL by not later than 11:00 a.m. on 17 February 2025. Registration cannot be effected unless and until the New Ordinary Shares comprised in a WHITE Provisional Allotment Letter are fully paid.

New Ordinary Shares comprised in two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders). To consolidate rights attached to two or more Provisional Allotment Letters in this way, Form Y should be completed on page 4 of one of the WHITE Provisional Allotment Letters (the “**Principal Letter**”) and all other relevant Provisional Allotment Letters delivered in one batch. Details of each relevant Provisional Allotment Letter (including the Principal Letter) should be listed in an attached cover letter and the Allotment Number (as shown on page 1 of each Provisional Allotment Letter) of the Principal Letter should be entered into the box provided in Form Y on page 4 of each WHITE Provisional Allotment Letter. Provisional Allotment Letters in respect of Ordinary Shares held in certificated form, Ordinary Shares held through the Corporate Sponsored Nominee and Ordinary Shares held through the WaterShare+ Nominee cannot be consolidated.

3.10 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or the Fully Paid Rights represented by a WHITE Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form (that is, withdrawn from CREST). Subject to as provided below or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures. Rights represented by a PINK Provisional Allotment Letter or BLUE Provisional Allotment Letter are not capable of being converted into uncertificated form.

The procedure for depositing the Nil Paid Rights or the Fully Paid Rights represented by a WHITE Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the WHITE Provisional Allotment Letter and/or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows:

- (i) Form X and the CREST Deposit Form (both set out on page 4 of the WHITE Provisional Allotment Letter) will need to be completed and the WHITE Provisional Allotment Letter deposited with the Crest Courier and Sorting Service (“**CCSS**”); and
- (ii) in addition, the normal CREST stock deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate “CREST Transfer Form” (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the

Nil Paid Rights or Fully Paid Rights represented by the WHITE Provisional Allotment Letter may be deposited into CREST.

The following should also be noted:

- (i) if you wish to deposit only some of the Nil Paid Rights or Fully Paid Rights represented by the WHITE Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters;
- (iii) if the rights represented by more than one WHITE Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited; and
- (iv) a Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of the Nil Paid Rights or the Fully Paid Rights represented by a WHITE Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or, if appropriate, the Fully Paid Rights in CREST following the conversion, to take all necessary steps in connection with taking up the entitlement before 11:00 a.m. on 17 February 2025. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights or, if appropriate, the Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement before 11:00 a.m. on 17 February 2025) is 3:00 p.m. on 12 February 2025.**

When Form X and the CREST Deposit Form (both set out on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the relevant Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form X on page 4 of such Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

3.11 Issue of New Ordinary Shares in definitive form

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by no later than 4 March 2025 at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders and renounces or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed in Box F on page 4 of the WHITE Provisional Allotment Letter or the CREST Deposit Form on page 4 of the WHITE Provisional Allotment Letter has been completed).

If the WHITE Provisional Allotment Letter is lodged, fully paid, with the lodging agent's name and address inserted in Box F on page 4 of the WHITE Provisional Allotment Letter, the definitive share certificate will be despatched to the lodging agent. If the CREST Deposit Form on page 4 of the WHITE Provisional Allotment Letter has been completed, a share certificate will not be issued but the relevant CREST account will be credited. Where the WHITE Provisional Allotment Letter has been renounced following full payment a definitive share certificate will be sent to the person named in Form X on page 4 of the WHITE Provisional Allotment Letter unless: (a) the CREST Deposit Form on page 4 of the WHITE Provisional Allotment Letter has been completed, in which case a share certificate will not be issued but the relevant CREST account will be credited; or (b) a lodging agent's stamp appears on page 4, in which case the certificate will be despatched to that agent. Where the CREST Deposit Form on page 4 of the WHITE Provisional Allotment Letter has been completed and deposited with the CCSS, New Ordinary Shares are expected to be credited to the

relevant CREST account on as soon as possible after 8:00 a.m. on 18 February 2025. All certificates will be despatched through the post at the risk of the persons entitled thereto.

After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register.

Statements in respect of New Ordinary Shares to be held by Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders are expected to be available by no later than 4 March 2025.

4. Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights or Fully Paid Rights in CREST

4.1 General

Except as provided in section 7 (*Overseas Shareholders*) of this Part VIII in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights at or as soon as possible after 8:00 a.m. on 3 February 2025. For Qualifying CREST Shareholders, the CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held at close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted. If a Qualifying CREST Shareholder sells or transfers, or has sold or otherwise transferred, all or some of their Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he or she receives a credit of entitlement into his or her stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is 1.

Each Nil Paid Right and Fully Paid Right will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights shortly after 8:00 a.m. on 3 February 2025, Provisional Allotment Letters shall, unless the Company and the Underwriters determine otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the Expected Timetable of Principal Events as set out in this document may, with the consent of the Underwriters, be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer, all or part of their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. CREST sponsored members should consult their CREST sponsor if they wish to take up their entitlement, as only their CREST sponsor will be able to take the necessary action to take up their entitlements or otherwise to deal with their Nil Paid Rights or Fully Paid Rights.

4.2 Procedure for acceptance and payment

(A) MTM instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear UK which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

- (ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the CREST RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in pounds sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in subsection (i) above; and
- (iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in subsection (i) above.

(B) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting CREST member;
- (iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 9RA01;
- (v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 22561PEN;
- (vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before 11:00 a.m. on 17 February 2025);
- (ix) the ISIN for the Nil Paid Rights. This is GB00BT3MB248;
- (x) the ISIN for the Fully Paid Rights. This is GB00BT3MB354;
- (xi) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- (xii) a contact name and telephone number in the shared note field; and
- (xiii) priority of at least 80.

(C) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents set out in "Contents of MTM instructions" of this section 4.2 (*Procedure for acceptance and payment*) of this Part VIII will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11:00 a.m. on 17 February 2025; or
- (ii) at the discretion of the Company: (a) the MTM instruction is received by Euroclear UK by not later than 11:00 a.m. on 17 February 2025; (b) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11:00 a.m. on 17 February 2025; and (c) the relevant MTM instruction settles by 2:00 p.m. on 17 February 2025 (or such later time and/or date as the Company has determined).

An MTM instruction will be treated as having been received by Euroclear UK for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear UK or the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.

The provisions of this section 4.2(C) (*Valid acceptance*) of this Part VIII and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company.

(D) Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes, or procures the making of, a valid acceptance in accordance with this section 4.2 (*Procedure for acceptance and payment*) of this Part VIII represents, warrants and undertakes to the Company and the Underwriters that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11:00 a.m. on 17 February 2025 and at all times thereafter until 2:00 p.m. on 17 February 2025 (or until such later time and date as the Company and the Underwriters may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11:00 a.m. on 17 February 2025 and at all times thereafter until 2:00 p.m. on 17 February 2025 (or until such later time and date as the Company and the Underwriters may determine) there will be sufficient "Headroom" within the "Cap" (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited, or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company, and the Underwriters may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part VIII in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of the Company, the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

A Qualifying CREST Shareholder will, by sending an MTM Instruction to Euroclear UK, be deemed to have made the representations and warranties set out in section 7.6(B) (*Qualifying CREST Shareholders*) of this Part VIII and the agreement and acknowledgement set out in section 3.2 (*Procedure for acceptance and payment*) of this Part VIII. All Qualifying Shareholders will also, by sending an MTM Instruction to Euroclear UK, be deemed to have agreed and acknowledged that:

- (i) the Underwriters: (a) are acting exclusively for the Company and no one else in connection with the Rights Issue and the listing of the New Ordinary Shares on the equity shares (commercial companies) category of the Official List; and (b) will not be responsible to anyone other than the Company, nor for giving the protections afforded to their customers for providing advice in connection with the Rights Issue, Admission or the contents of this document;
- (ii) apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters, nor any of their respective affiliates, directors, officers, employees or advisers, accept any responsibility whatsoever for the contents

of this document, or make any representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or regarding the legality of any investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Rights Issue, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. To the fullest extent permissible, the Underwriters accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement;

- (iii) such Qualifying Shareholders have not relied on the Underwriters or any person affiliated with any of the Joint Sponsors and/or the Underwriters in connection with any investigation as to the accuracy of any information contained in this document or their investment decision; and
- (iv) such Qualifying Shareholders have relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning the Group or the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Joint Sponsors or the Underwriters.

(E) CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11:00 a.m. on 17 February 2025. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(F) CREST member's undertaking to pay

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this section 4.2 (*Procedure for acceptance and payment*) of this Part VIII:

- (i) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the CREST RTGS payment mechanism (as defined in the CREST Manual) the creation of an RTGS settlement bank payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Receiving Agent the amount payable on acceptance); and
- (ii) requests that the Fully Paid Rights and/or New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association.

If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company and the Underwriters may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net

of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part VIII in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is the lower) on behalf of such CREST member or CREST sponsored member. None of the Company, the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(G) Company's discretion as to rejection and validity of acceptances

The Company may, in its absolute discretion (having consulted with the Underwriters):

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in section 4.2(D) (*Representations, warranties and undertakings of CREST members*) of this Part VIII. Where an acceptance is made as described in this section 4.2 (*Procedure for acceptance and payment*) of this Part VIII which is otherwise valid, and the MTM instruction concerned fails to settle by 11:00 a.m. on 17 February 2025 (or by such later time and date as the Company may determine), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this section 4.2(G) (*Company's discretion as to rejection and validity of acceptances*) of this Part VIII, that there has been a breach of the representations, warranties and undertakings set out or referred to in section 4.2(D) (*Representations, warranties and undertakings of CREST members*) of this Part VIII unless the Company is aware of any reason outside the control of the CREST member, or CREST sponsor (as appropriate), concerned for the failure of the MTM instruction to settle;
- (ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this section 4.2 (*Procedure for acceptance and payment*) of this Part VIII;
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company or the Underwriters may determine;
- (iv) treat an MTM instruction which constitutes a properly authenticated dematerialised instruction (the "**first instruction**") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear UK of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a CREST member or a CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

4.3 Money Laundering Regulations

If a person holding their Nil Paid Rights in CREST applies to take up all or part of their entitlement as agent for one or more persons and they are not a United Kingdom or European Union regulated person or institution (for example, a bank, a broker or another United Kingdom financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf such person is making

the application. Such person must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of identity requirements in the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company and the Underwriters, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other satisfactory evidence of identity has not been provided within a reasonable time, the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement, but without prejudice to the right of the Company and the Underwriters to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide satisfactory evidence.

4.4 Dealings in Nil Paid Rights in CREST

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8:00 a.m. on 3 February 2025. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be enabled in CREST as soon as possible after 8:00 a.m. on 3 February 2025. The Nil Paid Rights are expected to be disabled in CREST after the closure of CREST business on 17 February 2025.

4.5 Dealings in Fully Paid Rights in CREST

After acceptance and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11:00 a.m. on 17 February 2025. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 17 February 2025.

From 8:00 a.m. on 18 February 2025, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable by means of CREST in the usual way.

4.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form (that is, withdrawn from CREST). Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear UK of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4:30 p.m. on 11 February 2025, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement before 11:00 a.m. on 17 February 2025. You are recommended to refer to the CREST Manual or your CREST sponsor (as applicable) for details of such procedures.

4.7 Issue of New Ordinary Shares in CREST

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 17 February 2025 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at 5:30 p.m. on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear UK to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Business Day (expected to be 18 February 2025).

4.8 Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

5. Procedure in respect of rights not taken up (whether certificated, through the Corporate Sponsored Nominee, the WaterShare+ Nominee or in CREST)

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure and timelines laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. Subject to the terms and conditions of the Underwriting Agreement, the Underwriters acting severally and not jointly (or jointly and severally) will use reasonable endeavours to procure, by not later than close of business on the second dealing day after the last day for acceptances in the Rights Issue, subscribers for all (or, at the discretion of the Underwriters, as many as possible) of those New Ordinary Shares not taken up if a premium over the total of the Rights Issue Price and the expenses of procuring such subscribers (including any related commissions and related irrecoverable VAT) can be obtained.

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in the joint good faith opinion of the Underwriters, it is unlikely that any such subscribers can be so procured at such a price by such time. If and to the extent that subscribers cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be subscribed for by the Underwriters acting severally and not jointly (or jointly and severally) as principals pursuant to the Underwriting Agreement or by sub-Underwriters procured by the Underwriters, in each case at the Rights Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums, being any premium over the aggregate of the Rights Issue Price and the expenses of procuring subscribers (including any applicable brokerage fees and commissions and related irrecoverable VAT), if any, will be paid (without interest), as set out below, to those persons entitled to lapsed provisional allotments *pro rata* to the relevant provisional allotments not taken up:

- (i) where the Nil Paid Rights were, at the last time and date they could have been validly accepted in accordance with the procedure for acceptance and payment, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the relevant Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the last time and date they could have been validly accepted in accordance with the procedure for acceptance and payment, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to New Ordinary Shares was not (or was deemed not to have been) taken up by an Overseas Shareholder, to that Overseas Shareholder,

save that no payment will be made of amounts of less than £5.00 per holding, which will be aggregated and will accrue for the benefit of the Company and become part of the WaterShare+ Proceeds, as described in the paragraph titled 'Use of proceeds' in Part VI (*Letter from the Chair of Pennon Group plc*) of this document.

In relation to Qualifying Non-CREST Shareholders, cheques (for those Qualifying Non-CREST Shareholders who have not previously provided bank account mandates to Link Group) for the amounts due will be sent in pounds sterling, by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in

accordance with the RTGS payment mechanism or in such other manner as the Company (in its absolute discretion) determines. In relation to Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders, amounts due will be sent to the bank accounts notified to the relevant nominee.

Any transactions undertaken pursuant to this section 5 (*Procedure in respect of rights not taken up (whether certificated, through the Corporate Sponsored Nominee, the WaterShare+ Nominee or in CREST)*) of this Part VIII shall be deemed to have been undertaken at the request of the persons who did not take up their entitlement and none of the Company, the Underwriters nor any other person procuring subscribers shall be responsible or have any liability for any loss, expense or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above. The Underwriters will be entitled to retain any fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all New Ordinary Shares validly taken up by acquirers under the Rights Issue may be allotted to such acquirers in the event that not all of the New Ordinary Shares offered for purchase under the Rights Issue are taken up.

6. WITHDRAWAL RIGHTS

Persons who have the right to withdraw their acceptances under section 87Q(4) of FSMA after a supplementary prospectus (if any) in respect of this document has been published by the Company and who wish to exercise such right of withdrawal must send a written notice of withdrawal, which must include the full name and address of the person wishing to exercise such right of withdrawal, the Allotment Number set out on page 1 of the relevant Provisional Allotment Letter, and, if such person is a CREST member, the participant ID and the member account ID of such CREST member to Link Group, Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is received after expiry of such period will not constitute a valid withdrawal. The Company will not permit the exercise of withdrawal rights after payment by the relevant person for New Ordinary Shares in full and the allotment of such New Ordinary Shares to such person becoming unconditional, save as required by statute. In such circumstances, Shareholders are advised to consult their professional advisers.

Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined or to have lapsed. Such entitlements to New Ordinary Shares will be subject to the provisions of section 5 (*Procedure in respect of rights not taken up (whether certificated, through the Corporate Sponsored Nominee, the WaterShare+ Nominee or in CREST)*) of this Part VIII as if the entitlement had not been validly taken up.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by cheque by post to relevant Qualifying Shareholders, at their own risk and without interest, to the address set out in the Provisional Allotment Letter and/or the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. The provisions of this section 6 (*Withdrawal Rights*) of this Part VIII are without prejudice to the statutory rights of Qualifying Shareholders. In such event, Qualifying Shareholders are advised to seek independent legal advice.

7. OVERSEAS SHAREHOLDERS

7.1 General

The offer of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares and the distribution of this document or any other document relating to the Rights Issue (including a Provisional Allotment Letter) to persons located or resident in, or who are citizens of, or who have a registered address in a jurisdiction other than the United Kingdom or which are corporations, partnerships or other entities organised under the laws of countries other than the United Kingdom, or to persons who are nominees of or custodians, trustees or guardians for any such persons or entities, may be affected by the laws of the relevant jurisdiction. Those persons should consult their

professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. It is the responsibility of all persons outside the United Kingdom (including, without limitation, custodians, nominees and trustees) receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to take up rights under the Rights Issue to satisfy themselves as to the full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, compliance with all other requisite formalities and the payment of any issue, transfer or other taxes due in such territory. The comments set out in this section 7 (*Overseas Shareholders*) of this Part VIII are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult their own independent professional adviser without delay.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of Qualifying Shareholders in the Excluded Territories (subject to limited exceptions) to take up their rights under the Rights Issue due to the time and costs involved in the registration of this document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including all Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Excluded Shareholders (except, however, where the Company and the Underwriters are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction) and their entitlements to New Ordinary Shares will be treated as entitlements not taken up in accordance with the procedures set out in section 5 (*Procedure in respect of rights not taken up (whether certificated, through the Corporate Sponsored Nominee, the WaterShare+ Nominee or in CREST)*) of this Part VIII.

No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any jurisdiction other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to him and the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements. In such circumstances, this document and/or the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Accordingly, persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter and/or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer, Nil Paid Rights or Fully Paid Rights to any person in any Excluded Territory. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company and the Underwriters determine that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or a Provisional Allotment Letter or transfers Nil Paid Rights or Fully Paid Rights into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section 7 (*Overseas Shareholders*) of this Part VIII.

The Company and the Underwriters may (in their absolute discretion) treat as invalid, and the Company will not be bound to allot or issue any New Ordinary Shares in respect of, any acceptance or purported acceptance of the offer of New Ordinary Shares which appears to the Company, the Underwriters or their respective agents to have been executed, effected or despatched from the Excluded Territories or otherwise in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes, or they believe, that the same may violate applicable legal or regulatory requirements or if: (i) in the case of a Provisional Allotment Letter, it provides for an address for delivery of the definitive share certificates for New Ordinary Shares; or (ii) in the case of a credit of New Ordinary Shares in CREST, the CREST member's or a CREST sponsored member's registered address is in any of the Excluded Territories or any other jurisdiction

outside the United Kingdom in which it would be unlawful to make or accept an offer to subscribe for or acquire the New Ordinary Shares unless the Company and the Underwriters are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirements. The attention of Overseas Shareholders with registered addresses in, or who are located in, the United States is drawn to section 7.2 (*United States*) of this Part VIII.

Despite any other provision of this document or the Provisional Allotment Letters, the Company and the Underwriters reserve the right to permit any Qualifying Shareholder to take up his rights if the Company and the Underwriters in their absolute discretion are satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restriction in question. In such case, the Company in its absolute discretion (in consultation with the Underwriters) may either arrange for such Qualifying Shareholder to be sent a Provisional Allotment Letter if they are a Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder or, if they are a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in sections 3 (*Action to be taken by Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters*) and 4 (*Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights or Fully Paid Rights in CREST*) of this Part VIII. Overseas Shareholders should note that all subscription monies must be paid in pounds sterling by cheque or banker's draft and should be drawn on a bank in the United Kingdom, made payable to "Link Market Services Limited re Pennon Group plc Rights Issue" and crossed "A/C payee only".

The provisions of section 5 (*Procedure in respect of rights not taken up (whether certificated, through the Corporate Sponsored Nominee, the WaterShare+ Nominee or in CREST)*) of this Part VIII will apply generally to Overseas Shareholders who do not, or are unable to, take up the New Ordinary Shares provisionally allotted to them. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of section 5 (*Procedure in respect of rights not taken up (whether certificated, through the Corporate Sponsored Nominee, the WaterShare+ Nominee or in CREST)*) of this Part VIII and the provisions of that section, including in respect of the Underwriters' obligations to procure acquirers and the distribution of profits, will apply to such Shareholders.

7.2 United States

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been, and will not be, registered under the US Securities Act, or with any securities regulatory authority or under the relevant securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with the securities laws of any applicable state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares in the United States. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares being offered outside the United States are being offered in reliance on Regulation S.

Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from registration provisions under section 5 of the US Securities Act provided by Rule 144A thereunder.

Accordingly, the Company is not extending the offer under the Rights Issue into the United States unless an exemption from the registration requirements of the Securities Act is available and neither this document nor the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for, nor an offer or an invitation to acquire, any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States. Subject to certain limited exceptions, neither this document nor a Provisional Allotment Letter will be sent to any Qualifying Shareholder in, or with a registered address in, the United States. Subject to certain limited exceptions, Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be

invalid and all persons acquiring New Ordinary Shares and wishing to hold such Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain limited exceptions, any person who acquires Nil Paid Rights, Fully Paid Rights or New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document and the Provisional Allotment Letter, and taking up their entitlement or accepting delivery of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares that it is not (and that at the time of acquiring the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares it is not and will not be) in the United States or acting on behalf of, or for the account or benefit of, a person on a non-discretionary basis in the United States or any state of the United States.

The Company, in consultation with the Underwriters, reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter or exercising the Nil Paid Rights does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be transferred or renounced. In addition, the Company and the Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights and Provisional Allotment Letters to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of Shareholders in the United States reasonably believed to be QIBs, in offerings exempt from the registration requirements of the US Securities Act.

A QIB will be permitted to take up its entitlements to New Ordinary Shares under the Rights Issue only if the QIB executes a QIB Representation Letter in the form provided by the Company and delivers it to the Company, with a copy to the Underwriters. The QIB Representation Letter will require each such QIB to represent and agree that, amongst other things: (a) it is a QIB; and (b) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with applicable securities laws. The QIB Representation Letter contains additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares. Any such QIBs who hold Ordinary Shares through a bank, a broker or other financial intermediary should procure that the relevant bank, broker or financial intermediary submits a QIB Representation Letter on their behalf. The Company has the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed QIB Representation Letter or any other required additional documentation.

Any person with a registered address, or who is resident or located in the United States, who obtains a copy of this document and/or a Provisional Allotment Letter and who is not a QIB is required to disregard them.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

The Company is not subject to the periodic reporting requirements of the US Securities Exchange Act. In order to permit compliance with Rule 144A under the US Securities Act in connection with

resales of the New Ordinary Shares, the Company agrees to furnish upon the request of any holder or beneficial owner of a share, or any prospective purchaser of a share designated by a holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the US Securities Act if at the time of such request it is not subject to section 13 or section 15(d) of the US Securities Exchange Act and it is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

No representation has been, or will be, made by the Company or any of the Underwriters as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the reoffer, resale, pledge or transfer of the New Ordinary Shares.

None of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters, this document or any other offering document relating to the Ordinary Shares or to the New Ordinary Shares have been approved or disapproved by the SEC, any securities regulatory authority of any state of the United States nor any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Fully Paid Rights, the Nil Paid Rights, the New Ordinary Shares or the Rights Issue or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

The provisions of section 5 (*Procedure in respect of rights not taken up (whether certificated, through the Corporate Sponsored Nominee, the WaterShare+ Nominee or in CREST)*) of this Part VIII will apply to any Nil Paid Rights not taken up.

7.3 US Transfer Restrictions in Respect of Shares not Taken Up in the Rights Issue

Any person within the United States that subscribes for any New Ordinary Shares that were not taken up in the Rights Issue must meet certain requirements and will be deemed to have represented, acknowledged and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision and to have further represented, acknowledged and agreed as follows (terms defined in Rule 144A or Regulation S shall have the same meaning in this section):

- (A) it is a QIB and, if it is subscribing for or acquiring the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each such account is a QIB;
- (B) it is aware, and each beneficial owner of the New Ordinary Shares has been advised, that the New Ordinary Shares have not been, and will not be, registered under the US Securities Act or any securities laws of any state or other jurisdiction of the United States, and that the offer and sale to it (or such beneficial owner) is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;
- (C) it understands that the New Ordinary Shares are being offered and sold in the United States only in a transaction not involving a public offering within the meaning of the US Securities Act and that the New Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;
- (D) it is acquiring the New Ordinary Shares for its own account or for the account of a QIB as to which it has full investment discretion (and it has full power and authority to make, and does make, the acknowledgments, representations and agreements herein on behalf of each owner of such account), in each case for investment purposes and not with a view to, or for offer of sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;
- (E) it has made its own assessment concerning the relevant tax, legal, and other economic considerations relevant to its investment in the New Ordinary Shares. It will base its investment decision solely on this document, including the information incorporated by reference herein. It acknowledges that none of the Company, any of its affiliates or any other person (including any of the Underwriters or any of their respective affiliates) has made any representations, express or implied, to it with respect to the Company, the Rights Issue, the New Ordinary Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Rights Issue or the New Ordinary Shares, other than (in the

case of the Company and its affiliates only) the information contained or incorporated by reference in this document. It acknowledges and agrees that it will not hold the Underwriters or any of their affiliates or any person acting on their behalf responsible or liable for any misstatements in or omissions from any publicly available information relating to the Company. It acknowledges that it has not relied on any investigation that the Underwriters or any person acting on their behalf may or may not have conducted, nor any information contained in any research reports prepared by the Underwriters or any of their respective affiliates, and it has relied solely on its own judgment, examination and due diligence of the Company, and the terms of the transaction, including the merits and risks involved, and not upon any view expressed by or information provided by, or on behalf of, the Underwriters or any of their affiliates. It acknowledges that it has read and agreed to the matters set forth under section 7 (*Overseas Shareholders*) of this Part VIII;

- (F) it acknowledges that an acquisition of Securities by an employee benefit plan subject to the US Employee Retirement Income Security Act of 1974 (“**ERISA**”) or a plan subject to Section 4975 of the US Internal Revenue Code of 1986, as amended from time to time (the “**Code**”), or by any entity whose assets are treated as assets of any such plan, could result in severe penalties or other liabilities for the Company; and it represents, warrants and agrees that it is not (a) (1) an “employee benefit plan” as described in Section 3(3) of ERISA and subject to ERISA, (2) a “plan” subject to Section 4975 of the Code, (3) any entity whose assets are treated as assets of any such plan by reason of such employee benefit plan’s or plan’s investment in the entity, or (4) a “benefit plan investor” as such term is otherwise defined in the regulations promulgated by the US Department of Labor, and (b) if it is a governmental, church, non-US or other plan which is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its acquisition, holding or disposition of Securities will not constitute or result in a non-exempt violation under any such substantially similar law;
- (G) it is aware that the New Ordinary Shares will be “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act;
- (H) it is aware that the New Ordinary Shares may not be deposited, and it agrees that it shall not deposit any New Ordinary Shares, into any unrestricted depositary facility and that the New Ordinary Shares may not settle or trade, and it agrees that it shall not settle or trade such New Ordinary Shares, through the facilities of The Depositary Trust Company or any other US exchange or clearing system, unless at the time of deposit, settlement or trading such New Ordinary Shares are no longer “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act;
- (I) it will not reoffer, resell, pledge or otherwise transfer the New Ordinary Shares except: (i) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S; or (ii) to another QIB in compliance with Rule 144A; or (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 or any other exemption from the registration requirements of the US Securities Act, subject to its delivery to the Company of an opinion of counsel (and of such other evidence that the Company may reasonably require) that such transfer or sale is in compliance with the US Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. It understands that no representation has been made as to the availability of Rule 144 of the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the offer, resale, pledge or transfer of the securities;
- (J) it acknowledges and agrees that if the New Ordinary Shares are in certificated form, the certificates representing the New Ordinary Shares will contain substantially the following legend:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE RE-OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (I) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S, (II) TO A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES

ACT, IN ACCORDANCE WITH RULE 144A, (III) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (IV) IN A TRANSACTION PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THAT, IN EACH CASE, SUCH OFFER, PLEDGE OR TRANSFER MUST AND WILL BE MADE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE SECURITIES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITIES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.”;

- (K) it has not acquired the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television or as a result of any seminar or meeting whose attendees have been invited by general solicitation or general advertising; and
- (L) it understands that the foregoing acknowledgements, representations and agreements are required in connection with US securities laws and that the Company, the Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and it irrevocably authorises the Company and the Underwriters to produce the investor letter, the Provisional Allotment Letter and this document to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered herein.

7.4 Other Excluded Territories

Due to restrictions under the laws of the Excluded Territories, no Provisional Allotment Letters will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in any of the Excluded Territories (unless such Qualifying Shareholder can satisfy the Company and the Underwriters that receipt, and acceptance, of the offer in such jurisdiction will not breach applicable securities laws as described in this Part VIII) and their entitlements to New Ordinary Shares will be sold in the market as if they were New Ordinary Shares not taken up, in accordance with section 5 (*Procedure in respect of rights not taken up (whether certificated, through the Corporate Sponsored Nominee, the WaterShare+ Nominee or in CREST)*) of this Part VIII. The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters also have not been and will not be registered under the securities laws of any Excluded Territory and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption, from and in compliance with (or in a transaction not subject to), any applicable securities laws. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, or the New Ordinary Shares in any of the Excluded Territories and no offer of New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters into the Excluded Territories.

Notwithstanding the rest of this section 7.4 (*Other Excluded Territories*), if a Qualifying Shareholder with a registered address in any of the Excluded Territories can demonstrate to the satisfaction of the Company and the Underwriters that receipt and acceptance of the offer in such jurisdiction will not breach applicable securities laws then the Company in its absolute discretion (in consultation with the Underwriters) may either arrange for such Qualifying Shareholder to be sent a Provisional Allotment Letter if they are a Qualifying Non-CREST Shareholder, Qualifying CSN Shareholder or Qualifying WaterShare+ Shareholder or, if they are a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

7.5 Overseas territories other than the Excluded Territories

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders (other than subject to certain limited exceptions, those Qualifying Shareholders who have registered addresses in the Excluded Territories) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying CREST Shareholders who have registered addresses in the Excluded Territories). Such Qualifying Shareholders may, subject to the laws of their relevant jurisdictions, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional Allotment Letter.

If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal in Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser as soon as possible.

(A) Australia

This document, and any other document issued by the Company in connection with this offer, does not constitute a disclosure document under Part 6D.2 of the Corporations Act. Accordingly, this document does not necessarily contain and is not required to contain all of the information a prospective investor would reasonably expect to be contained in an offering document or which he/she may require to make an investment decision and has not been lodged with the Australian Securities and Investments Commission (“ASIC”).

The Rights Issue is made to Australian Shareholders under the ASIC Corporations (Foreign Rights Issues) Instrument 2015/356. This document, and any other document issued by the Company in connection with this offer, does not constitute an offer, invitation, or recommendation in Australia to any other person who is not a Qualifying Shareholder to subscribe for or purchase any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights and neither this document nor anything contained in it shall form the basis of any such contract or commitment.

The New Ordinary Shares not taken up under the Rights Issue may also be offered to Australian investors who are a “wholesale client” and either a “sophisticated investor” or “professional investor” (as those terms are defined in the Corporations Act) or otherwise entitled under the Corporations Act to lawfully receive and accept this offer without disclosure under Chapter 6D of the Corporations Act.

An investor that is not a Qualifying Shareholder subscribing for New Ordinary Shares not taken up under the Rights Issue may not transfer or offer to transfer their New Ordinary Share(s) to any person located in Australia within 12 months of their issue unless it is lawful to transfer or offer to transfer the shares without disclosure under Chapter 6D of the Corporations Act.

The Company only extends the Rights Issue and offer of New Ordinary Shares not taken up under the Rights Issue to investors in Australia who are eligible to receive and accept this offer in accordance with Australian securities laws.

Investors in Australia should consult their professional advisers if they are in any doubt as to whether or not they may receive and accept the offer under the Rights Issue.

(B) Switzerland

The New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights may not be publicly offered, sold or marketed, directly or indirectly, in or into Switzerland within the meaning of FinSA, except under the following exemptions under FinSA: (i) to any investor that qualifies as a professional client within the meaning of FinSA; (ii) to fewer than 500 investors that are not professional investors; or (iii) in any other circumstances falling within Article 36 of FinSA, provided, in each case, that no such offer of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights referred to in (i) through (iii) above shall require the publication of a prospectus pursuant to FinSA.

The New Ordinary Shares have not been and will not be admitted to trading on any trading venue in Switzerland.

Neither this document nor any other marketing or offering material relating to the New Ordinary Shares, Nil Paid Rights, or Fully Paid Rights constitutes a prospectus within the meaning of FinSA. This document has not been and will not be filed with, or reviewed or approved by, a Swiss review authority, and does not comply with the disclosure requirements applicable to a prospectus within the meaning of FinSA. Neither this document nor any other offering or marketing material relating to the New Ordinary Shares, Nil Paid Rights, or Fully Paid Rights may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus in Switzerland pursuant to FinSA.

(C) Taiwan

The shares issued in the Rights Issue have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in any manner which would constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or would otherwise require registration with, or the approval of, the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering or sale of the shares in Taiwan unless such offer, sale, giving advice or intermediation is permitted under applicable Taiwan laws and regulations.

(D) Canada

Pursuant to the exemption from the prospectus requirements of Canadian securities legislation set out in section 2.1.2 of National Instrument 45-106 Prospectus Exemptions ("**NI 45-106**") *Rights offering – issuer with a minimal connection to Canada*, the Company is extending the Rights Issue to its shareholders in the provinces and territories of Canada and such shareholders subscribing, or deemed to be subscribing, as principal are entitled to subscribe for New Ordinary Shares by exercising their Rights under the same terms and conditions as the public offering in the United Kingdom.

In respect of New Ordinary Shares for which a provisional allotment is deemed to have been declined and lapsed, the Underwriters may sell such New Ordinary Shares only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in NI 45-106 or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the New Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the placement of New Ordinary Shares for which a provisional allotment is deemed to have been declined and lapsed.

(E) Japan

The Nil Paid Rights have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan.

(F) United Arab Emirates (“UAE”)

The offering of the New Ordinary Shares has not been approved or licensed by the UAE Central Bank, UAE Securities and Commodities Authority (“SCA”) or any other relevant licensing authorities in the UAE and accordingly does not constitute a public offer of securities in the UAE in accordance with Federal Law No. 32 of 2021 Concerning Commercial Companies (as amended), SCA Board of Directors Resolution No. 13 BC of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms (the “SCA Rulebook”) or otherwise. Accordingly, the New Ordinary Shares may not be offered to the public in the UAE.

This document is strictly private and confidential and is being issued to a limited number of Professional Investors (as defined in the SCA Rulebook) and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. Nothing contained in this document is intended to constitute UAE investment, legal, tax, accounting or other professional advice. Prospective investors should consult with an appropriate professional for specific advice rendered on the basis of their situation.

(G) Member States of the EEA

In relation to each Member State of the EEA (each a “**Relevant State**”), no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that Relevant State prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that Relevant State at any time:

- (i) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Underwriters for any such offer; or
- (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall require the Company or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to be offered so as to enable an investor to decide to purchase or subscribe for any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights.

7.6 Representations and warranties relating to overseas territories other than the Excluded Territories

(A) Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of interests in New Ordinary Shares comprised therein represents and warrants to the Company and each of the Underwriters that, except where proof has been provided to the satisfaction of the Company and the Underwriters that such person’s use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing the Provisional Allotment Letter from within the Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such

person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within an Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept or renounce was given; and (iv) such person is not subscribing for or acquiring New Ordinary Shares with a view to the offer, sale, pledge, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into an Excluded Territory or any territory referred to in (ii) above.

The Company and the Underwriters may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (i) appears to the Company and the Underwriters to have been executed in or despatched from an Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they believe the same may violate any applicable legal or regulatory requirement; (ii) provides an address in an Excluded Territory for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates); or (iii) purports to exclude the warranty required by this section.

(B) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedure set out in section 4 (*Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights or Fully Paid Rights in CREST*) of this Part VIII represents and warrants to the Company and the Underwriters that, except where proof has been provided to the satisfaction of the Company and the Underwriters that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not within the Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for or acquire Nil Paid Rights, Fully Paid Rights or New Ordinary Shares; (iii) such person is not acting on a non-discretionary basis for a person located within any Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not subscribing for or acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, pledge, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into any Excluded Territory or any territory referred to in (ii) above.

The Company and the Underwriters may treat as invalid any MTM instruction which appears to the Company and the Underwriters to have been despatched from any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they or their agents believe the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this section.

7.7 Waiver

The provisions of this section 7 (*Overseas Shareholders*) of this Part VIII and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company and the Underwriters in their absolute discretion. Subject to this, the provisions of this section 7 (*Overseas Shareholders*) of this Part VIII supersede any terms of the Rights Issue inconsistent herewith. References in this section 7 (*Overseas Shareholders*) of this Part VIII to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this section 7 (*Overseas Shareholders*) of this Part VIII shall apply jointly to each of them.

8. TAXATION

Certain information on taxation in the United Kingdom and the United States with regard to the Rights Issue and the holding of New Ordinary Shares is set out in Part XIII (*Taxation*) of this document. The information contained in Part XIII (*Taxation*) is intended only as a general guide to certain aspects of the current tax position in the United Kingdom and the United States, and Shareholders in the United Kingdom and the United States should consult their own tax advisers regarding the tax treatment of the Rights Issue and the holding of New Ordinary Shares in light of their own circumstances. **Shareholders who are in any doubt as to their tax position or who**

are subject to tax in any other jurisdiction should consult an appropriate professional adviser as soon as possible.

Qualifying Shareholders should note that the tax legislation of their jurisdiction of tax residence may, for example, have an impact on the tax treatment of any dividends which they receive in respect of New Ordinary Shares.

9. TIMES AND DATES

Pennon shall, at its discretion and after consultation with the Underwriters, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall announce such amendment via a Regulatory Information Service and notify the FCA and, if appropriate, the Qualifying Shareholders. Qualifying Shareholders may not therefore receive any direct further written communication of any such amendment.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the date specified in this document as the latest date for acceptance and payment in full under the Rights Issue (or such later date as may be agreed between the Company and the Underwriters), the latest date of acceptance under the Rights Issue shall be extended to the date which is three Business Days after the date of issue of the supplementary prospectus (or such later date as may be agreed between the Company and the Underwriters), and the dates and times of principal events due to take place following such date shall be extended accordingly.

10. SHARE PLANS

Participants in the Share Plans will be contacted separately with further information on how their options and awards granted under the Share Plans may be affected by the Rights Issue.

11. EMPLOYEE SHAREHOLDERS

To the extent that employees are also Shareholders, their Ordinary Shares will be treated in the same way in the Rights Issue as Ordinary Shares held by any other Shareholder. Such treatment is detailed in this document, but any further queries should be directed to the Link Group shareholder helpline between 9:00 a.m. and 5:30 p.m. Monday to Friday (excluding United Kingdom 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(0)371 664 9234 from outside the United Kingdom (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 Rights Issue.

Employee Shareholders who hold Ordinary Shares through a nominee arrangement may need to instruct the nominee, for example, whether or not to accept the rights attaching to the employee's Ordinary Shares.

12. GOVERNING LAW

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter shall be governed by, and construed in accordance with, the laws of England and Wales (including, without limitation, any non-contractual obligations arising out of or in connection with the Rights Issue and, where appropriate, the Provisional Allotment Letter). The New Ordinary Shares will be created pursuant to the Articles of Association and under the Companies Act.

13. JURISDICTION

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter (including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter). By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders, Qualifying CSN Shareholders and Qualifying WaterShare+ Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably

submit to the jurisdiction of the courts of England and Wales (including, without limitation, in relation to any disputes relating to any non-contractual obligations arising out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter) and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

Part IX

Business and Market Overview

1. OVERVIEW

Pennon is an infrastructure group focused on the UK regulated water sector and complementary activities, providing clean water and wastewater services to a population of approximately 4.24 million customers in households, businesses and public sector organisations across the South of England. Additionally, Pennon has business interests in the small-scale renewable energy market in England and Scotland. Pennon is part of the FTSE 250 and is one of three water companies listed on the London Stock Exchange. For the financial year ended 31 March 2024, Pennon's statutory revenue was £907.8 million (financial year ended 31 March 2023: £797.2 million), its underlying EBITDA was £338.3 million (financial year ended 31 March 2023: £307.8 million), and its operating profit was £140.4 million (financial year ended 31 March 2023: £109.4 million). For the opening of the next regulatory period of 2025-2030, the Group's opening RCV is expected to be approximately £5.9 billion.

Pennon is the holding company for the Group and operates through the following brands:

- *South West Water*, which integrates the businesses operating under the South West Water, Bournemouth Water, Bristol Water and Isles of Scilly Water brands to provide (i) water and wastewater services to customers in Devon, Cornwall, the Isles of Scilly and small areas of Dorset and Somerset; and (ii) water-only services to customers across Dorset, Somerset, Hampshire, Wiltshire, Bristol and its surrounding areas. This business is appointed and licensed by Ofwat and services approximately 3.5 million people.
- *SES Water*, which provides regulated water-only services to over 750,000 people in Surrey, Kent and South London.
- *Pennon Water Services* (an 80:20 joint venture with South Staffordshire Plc), *Water2Business Limited* (a 30:70 joint venture with Wessex Water Limited) and *SES Business Water* (acquired as part of the acquisition of SES Water) each provide retail water, wastewater and value-added services to non-household customers in England and Scotland. Each of these businesses is required by applicable regulation to deal on arm's length terms with the water businesses operated by South West Water and SES Water, regardless of the fact that all of these water-related businesses are part of the same corporate group under Pennon. Together, these non-regulated retail businesses have a combined market share of c.15%.
- *Pennon Power* was established to develop the Group's clean energy generation business. To date, Pennon Power has acquired four sites in England and Scotland for the construction, development and operation of small-scale solar farms. Construction is underway at two sites equating to c.45% of targeted generation with first energisation expected on or around 1 April 2025. Once operational, the four sites are expected to generate enough electricity to power 50,000 homes (approximately 135 GW hours of future annual power generation).

The Group operates and reports through two segments, listed below:

- *Water business*. This segment comprises the regulated water and wastewater services undertaken by South West Water and the regulated water services undertaken by SES Water. For the financial year ended 31 March 2024, South West Water reported revenue of £745.8 million, underlying EBITDA of £335.8 million and underlying operating profit of £169.9 million. For the same period, SES Water Group reported revenue of £35.7 million and underlying EBITDA of £3.6 million. The results of SES Water Group are included in the water and non-household retail segment.
- *Non-household retail business*. This segment comprises the services provided by Pennon Water Services Limited and SES Business Water Limited. For the financial year ended 31 March 2024, this segment reported revenue of £253.5 million, underlying EBITDA of £7.7 million and underlying operating profit of £6.9 million. Although Water2Business Limited operates in this business segment, it is not reported on in this segment. It is treated as an associated company for financial reporting purposes as a result of the Group's minority stake.

As at 31 March 2024, the Group's operations spanned 52,000 kilometres of water pipes or sewers, 41 reservoirs and 721 water or wastewater treatment works, collectively involving 860 miles of

coastline. In the financial year ended 31 March 2024, the Group invested £369.3 million in clean water services, £213.6 million in wastewater services and £59.0 million in clean energy generation opportunities. With an approximately 4,000 strong workforce across its businesses, the Group is one of the largest private employers in the Greater South West region of the United Kingdom. The Group counts over one-third of its employees as shareholders and has issued approximately 140,000 shares to customers via the 2020 and 2022 WaterShare+ Schemes.

2. DEVELOPMENT OF THE GROUP

The Group's history can be traced back to 1989, following the privatisation of the water industry in England and Wales. Pennon, then known as South West Water plc, was one of ten water and sewerage companies whose shares were floated on the London Stock Exchange. The Company was incorporated and registered in England and Wales with the name South West Water plc on 1 April 1989 as a public company limited by shares with registered number 02366640. The Company's name was subsequently changed to Pennon Group plc on 1 August 1998.

Between 1993 and 1997, Pennon acquired its first waste management related companies including Haul Waste Limited (later renamed Viridor Waste Management Limited) for £28.7 million in 1993.

Following a review of the Group's strategic options to maximise shareholder value, Pennon disposed of its construction services company, T J Brent Limited, in 2000 as well as its UK-based designer and manufacturer of analytic water measurement instruments, Viridor Instrumentation Limited, for £103.6 million in 2002.

The Group expanded its waste management activities by acquiring a number of landfill, recycling and liquid waste treatment groups operational across England and Scotland between 2002 and 2010, including Reconomy Recycling Solutions Ltd for £23.8 million in 2010.

In 2010, the Group completed its £400 million clean water mains rehabilitation programme which relined or replaced 5,000 kilometres of water mains over ten years.

In 2011, the Group completed its 20-year, £13 billion "Clean Sweep" programme, which introduced wastewater services for the long-term transformation of bathing water quality at over 40 locations in the South West of England.

In 2015, the Group acquired Sembcorp Bournemouth Water Investments Limited (including its regulated and non-regulated subsidiaries) for £100.3 million. This business provided water supply services to household, retail and industrial customers as well as water hygiene and treatment services to local authorities and industry. The funds used for the acquisition were replenished by way of an equity placing in April 2015. This acquisition included the Bournemouth Water business, a regulated water-only business then serving approximately 440,000 customers, which was merged with South West Water with effect from April 2016.

In 2017, following the opening of the non-household water retail market to competition, the Group established Pennon Water Services Limited as an 80:20 venture providing retail services to non-household customers. The Group took an 80% stake (operationally combining Pennon Water Services and certain South West Water segments) and South Staffordshire Plc took a 20% stake (operationally utilising its own South Staffs Water and Cambridge Water).

Historically, the Group has consistently made significant investment in infrastructure across the waste value chain, including through the construction, development and operation of Energy Recovery Facilities and Energy from Waste plants in England and Wales. This includes the joint ventures entered into with Grundon Waste Management Limited in 2005 and 2019.

Following a review of the Group's strategic focus, growth options and capital allocation, which was announced in 2019, the Group disposed of its recycling and residual waste management business, Viridor Limited, to funds advised by Kohlberg Kravis Roberts & Co. L.P. (known as KKR) for net sale proceeds of £3.7 billion in 2020. Following the sale, the Board employed a structured approach to capital allocation to ensure the most efficient and effective use of capital in order to maximise shareholder value. This principally included: (i) returning £1.9 billion to shareholders through a special dividend of £1.5 billion and a share buy-back programme of £0.4 billion; (ii) acquiring Bristol Water Holdings UK Limited and its subsidiaries (including Bristol Water plc, a regulated provider of water-only services) for £425 million in 2021; and (iii) rationalising Pennon's balance sheet by de-gearing and retaining approximately £1.2 billion within the business.

In 2020, the Group launched its unique shareholder-approved customer scheme, WaterShare+, under which South West Water and Bournemouth Water customers could acquire Ordinary Shares or receive a reduction in their water bills. A second WaterShare+ Scheme was launched in 2022 and offered to customers of South West Water, Bournemouth Water and Bristol Water.

In 2023, Pennon acquired four renewable (solar) energy sites for development in England and Scotland with anticipated construction costs of £145 million in total. This acquisition is expected to significantly increase the Group's self-generation capacity, reduce future operating costs and uncertainty and meaningfully support the Group's stated ambitions to reach 50% renewable energy self-generation and Net Zero by 2030.

In January 2024, Pennon acquired Sumisho Osaka Gas Water UK Limited, the holding company of SES Water (a local water-only supplier business serving over 750,000 customers in the South East of England) and certain ancillary businesses, for consideration of c. £88.8 million. The Group concurrently completed an equity placing to raise £180 million in order to maintain the Group's leverage and capital structure within the established gearing range for regulated water businesses.

3. STRATEGY

The Group's strategic vision is to become a leader in the UK water industry, delivering long-term public and environmental value for the benefit of its customers, colleagues and communities. This vision reflects the Group's purpose – bringing water to life, by supporting the lives of people and the places they love for generations to come.

The Group is committed to its clear twin-track organic and acquisitive growth strategy, as well as its consolidation and integration strategy with respect to acquired businesses and assets. Efforts to accelerate and achieve its Net Zero goals remain a core pillar of the Group's strategic direction.

In addition, the Group is focused on strategic initiatives within its community: specifically, the implementation of the reframed Values (*Be you; Be rock solid; Be the future*) throughout the Group's ecosystem, as well as meaningful social stewardship as an employer.

The Group's 2025-2030 business plan reflects significant engagement with the Group's customers and is driven by efficiency and innovation, with commitments of a record £3.2 billion¹⁶ of investment and over 2,000 jobs to be created. It identifies the Group's four near-term strategic priorities:

- (i) *Building water resources and improving water quality.* With shifting weather patterns and a growing population, the Group is committed to continuing to transform how it protects and secures water resources with unrivalled water quality across the region that will last for generations. The Group's vision is to innovate to provide water storage and water quality and to change how people think about water usage. The plans include: investments to upgrade one-third of treatment works across the region, investment in new large reservoirs, accelerating the replacement of lead pipes across the Group's network so the region is lead-free by 2050, reducing water quantity taken from environmentally sensitive rivers by 12 million litres daily and targeting industry-leading leakage levels in the region.
- (ii) *Tackling the use of storm overflow and pollutions.* The Group shares its customers' sense of urgency in safeguarding the region's beaches, eliminating pollution incidents and reducing the use of storm overflows. The Group pledges to tackle 100% of storm overflows at its beaches by 2030 through a combination of nature-based and engineering solutions, comprehensive water monitoring and sample programmes which are expected to create local job opportunities and bolster the local economy. The plans include: targeting reduced pollution levels, installing sewerage networks and treatment facilities on the Isles of Scilly and establishing a new independent environmental advisory panel.
- (iii) *Delivering net zero and environmental gains.* The Group is focused on water efficiency, leak reduction and premium drinking water. Additionally, in support of the Group's stated ambition of Net Zero by 2030, the Group intends to invest in climate-dependent water sources, water reuse and enhanced transfer networks, as well as repurposing brown field sites, building new reservoirs and amplifying water resources. The plans include: maximising value from bioresources, transforming sludge treatment processes to prevent pollution, implementing habitat and vegetation restoration and naturalisation schemes across 12,500 hectares in the

¹⁶ Forecast outturn prices.

region and delivering nutrient neutrality at seven sites. Pennon Power's investment of £145 million in construction, development and operation of solar power farms, with the first site expected to commence energy generation on or around 1 April 2025, is central to accelerating achievement of the Group's Net Zero target of 50% self-generation by 2030.

- (iv) *Addressing affordability and delivering for customers.* The Group recognises the challenges faced by customers in the context of the cost-of-living crisis and is committed to championing water-saving initiatives, leak fixes and money-saving tips, as well as minimising the impact of its investment programme on customer bills. The plans include: a £200 million affordability package; delivery of further control to customers by targeting 1 in 10 customers participating in the WaterShare+ Scheme; and rolling out smart meters alongside new, fair tariffs to encourage responsible, efficient and affordable water usage by customers.

Looking ahead to the future, South West Water's Strategic Direction to 2050 sets out five long-term ambitions which reflect the priorities of its customers and stakeholders as well as the challenges facing the region and sector. These ambitions are underpinned by a focus on environmental protection and enhancement, recognising that a healthy environment is crucial to resilient and affordable services in the long term. The Group recognises that the plan for delivery of these ambitions may need to be responsive to new circumstances and opportunities.

- (i) *Resilient water resources through healthy catchments.* The Group intends to meet future demand and boost resilience through connected water resources, whilst balancing the needs of its customers, communities and the environment through careful management of its operating regions. This includes protecting and boosting river flows, reducing leakage in its network and creating greater capacity through interconnection.
- (ii) *Top quality drinking water.* The Group targets innovative low carbon treatment processes to provide high-quality water which is delivered to homes and businesses through resilient networks that continuously monitor quality and minimise supply interruptions.
- (iii) *Trusted by customers, stakeholders and communities.* The Group's goal is to work together with customers and stakeholders to create thriving, low-carbon communities and an ecologically rich local environment. The Group seeks to create excellent customer and community experiences through every interaction, as well as using progressive charging and making it easy for customers to reduce water consumption.
- (iv) *Controlled and managed wastewater flows.* The Group is focused on creating and maintaining resilient natural and built wastewater infrastructure (such as sustainable drainage and real time tracking in wastewater networks) that protects communities and the environment.
- (v) *Delivering nature recovery and net zero.* The Group targets the protection and enhancement of natural resources as well as working together to realise the wider value of water and wastewater to the environment, society and the economy. This includes increasing biodiversity, decarbonising operations, increasing renewable energy generation and transitioning to renewable energy sources to power the Group's assets. An ongoing priority for the Group is continued investment in renewable energy sources, including the delivery of floating solar and photovoltaic energy generation.

4. MARKET OVERVIEW

Overview of water and sewerage industry

The structure of the water and sewerage industry in England and Wales today derives from the privatisation of the industry in 1989. At that time, the assets and relevant personnel of the ten then publicly-owned regional water and sewerage authorities were transferred into ten limited companies whose shares were listed on the London Stock Exchange.

Alongside privatisation, independent regulators (such as Ofwat) were established for industry oversight. The regulatory framework has provided powerful incentives for the industry to innovate and transform, in order to drive efficiency, prioritise long-term resilience and facilitate a stable investment environment. Please refer to Part X (*Regulatory Environment*) for further detail on the regulatory landscape in which the Group operates.

Since 1989, £200 billion worth of investment has been put towards improving vital infrastructure, services and environmental protection in the water and sewerage industry, which has resulted in

significant improvements to customer service and the quality of rivers, lakes and coastal waters. Record investment in recent years has enabled industry players to keep customer bills affordable (around £1 per day) while pursuing longer-term strategic priorities. Today, the water and sewerage industry in England and Wales delivers water, sanitation and drainage services to over 50 million household and non-household consumers as a whole, of which Pennon supplies approximately 4.24 million customers in the South of England region.

As at the date of this document, Ofwat recognised 11 (typically large) regional companies providing water and sewerage services, five regional companies providing water services only and 39 water supply and/or sewerage Licensees offering regulated retail services to non-household customers and one infrastructure provider.

The water and sewerage sector in England and Wales can be broadly grouped into two parts:

i) Household retail and wholesale market

The provision of water supply and/or wastewater removal services to household customers is a regulated market which, in England and Wales, is characterised by regional suppliers who hold monopolies within specific regions. As at the date of this document, there are 16 appointed water companies serving retail household customers in their respective regions, of which 11 (including South West Water in respect of Devon and Cornwall) provide water and wastewater services and five (including South West Water in respect of its remaining regions as well as SES Water) provide water-only services.

Within each region, the appointed water company is also responsible for the wholesale supply of water and/or wastewater services. This market relates to the provision of water and/or wastewater services by water companies to retailers, who in turn supply those services to non-household customers (see paragraph ii) below). Water wholesalers abstract and treat water, maintain the water pipe networks, and manage the physical supply of water to customers; and wastewater wholesalers collect wastewater from customers using sewerage networks, treat this wastewater, and return it to the environment.

Wholesale and household retail activities in England and Wales are regulated by Ofwat.

ii) Non-household water retail market

The provision of water and sewerage services to non-household customers, which includes businesses, charities and public sector organisations, typically involves suppliers purchasing wholesale water supply and/or wastewater removal services from regional water companies and combining these in a package with other value-added services (such as billing and metering services, water efficiency and water quality testing, consultancy and technical support or multi-utility offerings) for their customers. This market is open to competition between retail suppliers (including new entrants to the market), or self-supply by eligible end-customers, in England and Scotland (and, in respect of larger supplies only, in Wales).

The non-household water retail market allows up to 1.2 million businesses and other non-household customers across England and, in certain cases, Wales to choose which retailer they buy water and wastewater services from and permits certain new retail entrants to participate in this market. This is due to the Water Act 2014, which liberalised and de-regulated this segment of the industry in order to strengthen the industry's ability to respond to the challenges of a growing population and to offer customers more choice (please refer to section 1 (*Overview of the water and wastewater sectors in England and Wales*) of Part X (*Regulatory Environment*) for further detail on this deregulation). In practical terms, the non-household market operates through a controlled portal operated by Market Operator Services Limited, which has therefore required the separation of the wholesale and retail arms of water businesses.

Pennon Water Services Limited, an 80:20 partnership between Pennon and South Staffordshire Plc, operates a non-retail household business venture in the water sector and holds 5.2% of the market share in the United Kingdom. The Group's reach into this market has grown through the acquisition of a 30% minority interest in Water2Business Limited (in the 2021 Bristol Water Holdings UK Limited acquisition) and SES Business Water Limited (in the SES Acquisition).

Power market

The Group also has interests in the clean energy generation market through Pennon Power Limited. It has acquired four sites, each with a capacity of less than 50MW, to be developed into electricity generation plants using solar photovoltaic technology. The four sites are expected to collectively generate over 135 GW hours annually once operational. Each of these projects is considered to be a small-scale solar development and Pennon Power Limited expects to be involved in the development, construction and operation of each. The energy market in the United Kingdom is independently regulated by Ofgem.

5. BUSINESS OVERVIEW

Overview

Pennon operates and invests in the areas of water and wastewater services in the South of England. The Group also has interests in sites for small-scale solar energy generation in England and Scotland.

South West Water

South West Water is the Ofwat-appointed and licensed water and wastewater service provider for its integrated businesses, which operate under the South West Water, Bournemouth Water, Bristol Water and Isles of Scilly Water brands to provide: (i) water and wastewater services to customers in Devon, Cornwall, the Isles of Scilly and small areas of Dorset and Somerset, and (ii) water-only services to customers across Dorset, Somerset, Hampshire, Wiltshire, Bristol and its surroundings. South West Water services approximately 3.5 million people across these regions in England.

Taking each branded business separately:

- (i) *South West Water (brand)* provides water and wastewater services to Cornwall, Devon and small areas of Dorset and Somerset. As of 31 March 2023, this business supplied approximately 490 million litres of drinking water per day to a population of approximately 1.8 million;
- (ii) *Bournemouth Water* was acquired in April 2015 and merged with South West Water Limited with effect from April 2016. This business provides water-only services to parts of Dorset, Hampshire and Wiltshire. As of 31 March 2023, this business supplied approximately 160 million litres of drinking water per day to a population of approximately 500,000;
- (iii) *Bristol Water* was acquired in June 2021 and merged with South West Water Limited, by way of statutory transfer mechanism, with effect from 1 February 2023. This business provides water-only services to the city of Bristol and its surroundings. As of 31 March 2023, this business supplied approximately 280 million litres of drinking water per day to a population of approximately 1.2 million; and
- (iv) *Isles of Scilly Water*, responsibility for which was assumed with effect from 1 April 2020 and which provides water and wastewater services to the Isles of Scilly. As of 31 March 2023, this business supplied approximately 700,000 litres of drinking water per day to a population of approximately 2,000.

South West Water manages its regions' drinking water and wastewater in an integrated way from source to sea, seeking to deliver high-quality services in the most efficient and sustainable way possible. The combined business serves a population of approximately 3.5 million people in total and treats 930 megalitres of raw water and 585 megalitres of sewage on a daily basis. The operational infrastructure to service the combined business includes 34 raw water reservoirs, 58 water treatment works and 25,600 kilometres of pipes (all for water services) as well as 25,300 kilometres of sewers, 1,223 pumping stations and 655 wastewater treatment works (all for wastewater services).

Since privatisation in 1989, South West Water has successfully delivered the largest capital investment programme per capita of any of the water and sewerage companies in England and Wales with an initial focus on improving coastal wastewater treatment and disposal through its £13 billion "Clean Sweep" programme which ran from 1991 to 2011.

As part of the Bournemouth Water acquisition, the Group acquired certain non-regulated businesses including: (a) Aquacare (BWH) Limited, which provides water hygiene and treatment services to local authorities, social housing and industry operating in parts of Dorset, Hampshire and Wiltshire; and (b) Avon Valley Water Limited, an appointed and licensed provider of water retail and private

network services to industrial customers. The trade and assets of Aquacare (BWH) Limited and Avon Valley Water Limited were transferred to South West Water in 2018.

SES Water

As part of the Group's continuing strategy of growth within the water sector, the Group acquired SES Water (through the acquisition of its holding company, Sumisho Osaka Gas Water UK Limited, and certain ancillary businesses) on 10 January 2024 and the CMA approved the merger of SES Water with South West Water on 14 June 2024. SES Water has been consolidated into the Group's financial results as of 10 January 2024.

SES Water is a local water-only supplier to household and business customers in Surrey, Kent and South London. It is appointed and licensed by Ofwat. SES Water is an established business with a long heritage in the region and the sector, which Pennon recognises as key to delivering for its customers and communities. As of 31 March 2024, SES Water supplied 160 million litres of drinking water per day to a population of approximately 750,000 people.

As part of the SES Acquisition, certain ancillary businesses were acquired by the Group. These include SES Business Water Limited (see below), SES Home Services Limited (which provides a full range of home and commercial plumbing, central heating, drainage and home emergency care services), Allmat Limited (a local builders' merchants in the South East of England), Advanced Minerals Limited (which processes and blends mineral additives, such as by-products of the water softening process operated by SES Water), Surrey Downs Property Investments Limited (a property management company in the South East of England), and others, all of which are immaterial relative to SES Water.

Pennon Water Services Limited

Pennon Water Services Limited provides water and wastewater retail services to non-household customers across the United Kingdom. It is owned by the Company (80%) and South Staffordshire Plc (20%), which owns South Staffordshire Water and Cambridge Water. Pennon Water Services Limited provides a range of value-added services to commercial retail customers, including billing, collections and account management services, as well as non-retail services, including leakage detection and repair, infrastructure and installation projects, alternative water sources and consultation services.

Pennon Water Services Limited's strategy is to acquire and retain long-term partnerships in a diverse range of business sectors. Since the market opened in 2017, Pennon Water Services Limited had serviced 95,000 customer accounts, including Rolls Royce, Pets at Home and Nuffield Health, and, as at 31 March 2024, it had a 5.2% market share in the United Kingdom.

Water2Business Limited

Water2Business Limited is a water retailer joint venture between Bristol Water Holdings Limited (30%), a subsidiary of the Company acquired as part of the Bristol Water acquisition in 2021, and Wessex Water Limited (70%). The venture operates in the same sector as Pennon Water Services Limited and provides services such as billing and account support, water supply advice and wastewater advisory and monitoring services. In the financial year ended 31 March 2024, Water2Business Limited secured an additional 5,100 customers, resulting in an aggregate of 115,000 customer accounts, including Aldi, Pirelli and Vision Express. As at 31 March 2024, Water2Business Limited had a market share of approximately 7% in the United Kingdom.

Water2Business Limited is treated as an associated company of the Group for financial reporting purposes. For the financial year ended 31 March 2024, Water2Business Limited contributed £0.7 million of profit after tax to the Group's financial results.

SES Business Water Limited

SES Business Water Limited was acquired by the Group as part of the SES Acquisition in January 2024. It operates in the same sector as Pennon Water Services Limited and Water2Business Limited, providing services such as billing and accounts management, leakage detection and efficiency and utilisation monitoring to customers in England and Scotland, including major high street retailers, supermarkets, hospitality and leisure, local and national government, the National Health Service, independent schools, manufacturing, food processing and an international airport.

Pennon Power Limited

Pennon Power Limited is a wholly-owned subsidiary of the Company established for the Group's clean energy generation projects. Through the development of renewable energy sources, Pennon Power Limited aims to accelerate the Group's transition to a low-carbon economy, and specifically to the Group's stated ambitions of 50% self-supply and Net Zero by 2030, while delivering attractive returns for the Group's stakeholders.

To date, Pennon Power Limited has acquired sites to build four small-scale (less than 50MW) solar development farms, using solar photovoltaic technology, in Fife (which site also includes a co-located battery storage asset), Buckinghamshire, Aberdeenshire and Cumbria. Pennon Power Limited will be responsible for the construction, development and operation of each project. Each site is ready to build, with planning consents obtained from the relevant local authorities and expected build costs of £145 million (of which approximately £59 million has already been incurred to acquire the sites and in the construction to date of the Fife project). The Aberdeenshire and Cumbria sites will enter construction, and the Fife site is expected to commence energy generation, on or around 1 April 2025. All four sites are expected to generate income in financial year 2026-27. Once operational, the projects will generate enough electricity each year to power approximately 50,000 homes.

5.1 Environmental, Social and Governance (ESG)

The Group's approach to ESG is guided by three principles:

- (i) *Strong and ethical financial governance.* The Group is committed to maintaining financial resilience based on an ethical approach and in compliance with its sustainable financing framework. This applies to both the Group's balance sheet (e.g., to maintain appropriate gearing consistent with a strong investment grade rating) and with respect to its ESG responsibilities (e.g., in the approach to executive pay and the Group's dividend policy). The Group's responsible approach to tax is reflected in its Fair Tax Mark accreditation for the financial year ended 31 March 2024, having been the first UK business in the water industry to achieve this status and holding the accreditation continuously since 2018.
- (ii) *Environmental delivery strategy.* Protection and enhancement of the environment is a priority for the Group. Among other things, the Group participates in public, private and third sector partnerships tackling climate change and nature recovery, and is working towards improved targets for active management of catchments to enhance biodiversity in those areas.
- (iii) *Investing in employees.* The Group recognises its social stewardship responsibility in its local regions and is focused on promoting social mobility, diversity and inclusion and creating new job, apprenticeship and leadership opportunities. Pennon's people strategy also includes prioritisation of employees' mental, physical, financial and community wellbeing, structured training and feedback opportunities and top-down implementation of the new Values.

Climate- and nature-related reporting

The Group regularly considers and assesses the impact of climate risks on its business, including detailed scenario planning and financial disclosures to Shareholders in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") and the Taskforce on Nature-related Financial Disclosures ("TNFD"). The Group is in its fifth year of TCFD reporting with improved disclosures year-on-year and its third year of voluntarily reporting against the TNFD framework. As of the financial year ended 31 March 2024, Pennon has addressed the 11 recommended disclosures and considered the latest best practice guidance from the TCFD. Pennon continues to monitor and enhance its assessment of physical risks, transition risks and climate-related opportunities, as well as the inclusion of nature-risks in UK sustainability disclosures, on an ongoing basis.

Net Zero Plan

In 2021, the Group published its Promise to the Planet, its plan to reduce the Group's operational carbon emissions to Net Zero by 2030. In the financial year ended 31 March 2024, the Group has built on this by setting out Science Based Targets ("SBTi") for: (i) scope 1, 2 and 3 greenhouse gas emissions; (ii) emissions reduction across its value chain; and (iii) an increase in its use of renewable electricity.

The Group is pursuing a three-pillar strategy to achieve these goals:

- (i) *Sustainable living*. Emissions reduction through changes to operational practices, increased energy efficiency and switching to lower-carbon fuel sources, as well as reducing leaks across the network and facilitating responsible water usage by customers. In the financial year ended 31 March 2024, this included replacement of fossil fuels with a lower-carbon product recycled from waste oil in the Group's wastewater back-up generators and an ongoing transition of the Group's transport fleet to electric vehicles.
- (ii) *Championing renewables*. The Group aims to maximise self-generation from renewable energy sources at its owned sites and otherwise purchase and use energy from renewable sources only.
- (iii) *Reversing carbon emissions*. The Group will support the development of innovative solutions to reverse carbon emissions from the Group's core activities or develop low-carbon footprint processes, including through collaboration and partnership opportunities. So far, this includes its catchment management programmes, peatland restoration, replanting and other nature-based solutions, which are expected to continue under the 2025-2030 business plan.

WaterShare+ Scheme

WaterShare was first introduced as part of South West Water's 2015-2020 business plan to enable the Group to share its outperformance against its business plan targets with its customers through bill reductions, service improvements and reinvestments during the regulatory cycle (rather than at the end of the regulatory cycle through Ofwat price reviews). This further evolved into the WaterShare+ Scheme as part of the Group's 2020-2025 "New Deal" business plan, in response to customer feedback which called for the benefits of the Group's success to be fairly shared with customers in an open and timely manner, comparable to investors. The WaterShare+ Scheme is a unique and pioneering arrangement, endorsed by Ofwat, that rewards the Group's customers when the business outperforms, by offering eligible customers Ordinary Shares in the Company or money off their water bill. In connection with this, the Group holds quarterly public meetings and a customer Annual General Meeting, and the WaterShare+ Group Panel (on which, see further below) publishes an annual report reflecting on its work over the prior year. The Group is proud to be the only water company to incentivise its customers in this way, enabling customers to share in the success of the Group and have a greater voice in how the Group operates.

The Company's first offering under the WaterShare+ Scheme was made to South West Water customers in 2020. A second WaterShare+ Scheme offering was launched in 2022 and offered to customers of South West Water (including Bournemouth Water and Bristol Water). To date, the Group has shared over £40 million with its customers through bill reductions or Ordinary Shares in the Company (2020: £20 per household and 2022: £13 per household). The Group has approximately 80,000 customer Shareholders via the 2020 and 2022 WaterShare+ Schemes and 1 in 14 South West Water customers are now Shareholders in the Group via both WaterShare+ Schemes, and we are looking to increase this in the next 5 years.

As explained in further detail in the paragraph titled 'Use of proceeds' in Part VI (*Letter from the Chair of Pennon Group plc*) of this document, in implementing the Rights Issue, the Directors recognise that, due to the Rights Issue Price and ratio that 13 New Ordinary Shares are being issued on the basis of 20 Existing Ordinary Shares, many WaterShare+ Shareholders will only be entitled to fractional entitlements to New Ordinary Shares under the Rights Issue, rather than the right to subscribe for any additional New Ordinary Shares.

Accordingly, to the extent net proceeds arising from the sale of fractional entitlements under the Rights Issue and the Rump Sale Proceeds are retained and accrue for the benefit of the Company, the Directors intend that, later during 2025, those proceeds of sale will be applied by the Company (subject to receiving the requisite Shareholder approval in due course) towards offering those WaterShare+ Shareholders who, because of the Rights Issue ratio, will not be entitled to subscribe for any New Ordinary Shares, the opportunity to receive a single further Ordinary Share in recognition of their not being able to participate in the Rights Issue.

The WaterShare+ Scheme is overseen by the independent WaterShare+ Group Panel.

The WaterShare+ Group Panel also represents and protects the interests of customers and wider stakeholders by providing independent review, scrutiny and challenge (with expert advisor support) of the Group's water businesses. The WaterShare+ Advisory Panel is chaired by Lord Matthew

Taylor and supported by eminent stakeholders from across the regions and has close links with the Pennon Board to support meaningful engagement and challenge. The WaterShare+ Group Panel is also recognised by Ofwat as the “Independent Challenge Group” (i.e., an independent customer and stakeholder group providing scrutiny and challenge to companies operating in a heavily regulated sector) for South West Water.

Highlights for the WaterShare+ Group Panel in the financial year ended 31 March 2024 included continued scrutiny and challenge of the Group’s performance and operations and meaningful engagement with the Group on the development of its PR24 business plan proposals for 2025-30. Through the current financial year, the WaterShare+ Group Panel will focus on: (i) implementation of its regional plans (including more opportunities for customer engagement and enhanced terms of reference), (ii) ensuring that any changes made to the PR24 business plan are responsive to the needs of the Group’s customers and the environment, and (iii) continued assessment of the Group’s performance against PR19 ODIs before March 2025.

5.2 Regulatory Matters and Developments

The water industry is subject to extensive legal and regulatory controls, and the Group must comply with all applicable laws, licence obligations, regulations and regulatory standards. The Group’s regulated activities are undertaken pursuant to, primarily, two Licences. The majority of such activities are undertaken pursuant to South West Water’s Licence, originally granted in August 1989. Since 2014, the Group has integrated two water-only businesses into South West Water’s Licence; namely, Bournemouth Water and Bristol Water. The remainder of the Group’s regulated activities are performed pursuant to the Licence held by SES Water, following the Group’s acquisition of Sumisho Osaka Gas Water UK Limited in January 2024.

Please refer to Part X (*Regulatory Environment*) for further detail on the regulatory matters and developments relevant to the Group.

5.3 Employees

Pennon’s goal is to be the Employer of Choice in its operating region and to create a Great Place to Work. Management believes that the Group’s employees are its greatest asset, and that they are essential to its ability to meet its regulatory and operational requirements and effectively deliver on its strategic vision.

For the financial year ended 31 March 2024, there were approximately 4,000 employees of the Group. As one of the largest private employers in the region, the Group considers that it has a duty to make a positive contribution to its communities. In 2023, the Group reframed its Values and these Values now set the tone for the cultural fabric of the organisation and its employees. Pennon is also keenly focused on its social stewardship responsibilities as an employer – including promoting social mobility and inclusivity, addressing racial and gender inequality, compensating employees fairly, prioritising employee wellbeing and creating opportunities for employment, apprenticeship, progression and leadership. In 2024 Pennon became a Disability Confident Employer. Pennon’s Employee Network Groups support the Group’s aspirations by raising awareness, providing support and driving change on these issues. The Group encourages participation in its training and development opportunities, including the Group’s flagship health and safety programme, HomeSafe, to ensure a safe working environment.

Pennon reviews and reports on gender and ethnicity pay gaps annually. The Group is a proud sponsor of the 10,000 Black Interns initiative and the Social Mobility Pledge, and has offered work experience placements to students through the 10,000 Black Interns initiative and the Social Mobility Business Partnership in recent years. The Group has been accredited as a Living Wage Foundation employer since 2021, which means that it aims to exceed the Living Wage requirements. In practice, remuneration for Group employees exceeds the real living wage by almost £1,000 annually.

Pennon regularly engages and consults with its employees to ensure they are up-to-date on the Group’s performance, plans and priorities and to create a dialogue where questions or concerns can be raised. One-third of the Group’s employees are also shareholders of the Company, which provides them with a stake in the success of the Group and another avenue to share their views on the Group’s operations. Pennon respects the right to freedom of association and ensures 100% employee representation through RISE employee forum or collective bargaining with trade unions

GMB and Unite. Employees are regularly consulted about changes which may affect them either through their trade union appointed representatives or consultation groups or by means of their elected representatives at the Employee Engagement Forum. In Devon and Cornwall, the Company is committed to a collective bargaining agreement which covers approximately 13.5% of the Group's employees. The Company also informally recognises GMB in Bristol and negotiates with them for pay for all Bristol-based employees (excluding senior managers). Such employees make up approximately 14.75% of the Group's employees. A 'Joint Negotiating and Consultative Committee' is consulted in respect of pay negotiations for all employees of SES Water (excluding those in leadership roles). There have been no material disruptions to the Group's operations from labour disputes during the past three years.

The Group is the only water company to have been recognised as a Top 100 employer for apprenticeships for the second year running and in November was accredited with platinum status by of the 5% Club, which demonstrates Pennon's long-term commitment to investing in structured apprenticeship and graduate programmes. With over 680 apprenticeships and graduates as at November 2024, the Group is ahead of its pledge to support 1,000 apprenticeship and graduate roles by 2030.

5.4 Pensions

The Group operates a number of defined benefit pension schemes and also defined contribution schemes. The principal plan within the Group is the PGPS, which is a funded defined benefit, final salary pension scheme in the UK. Following the acquisition of Bristol Water and SES Water, the Group also assumed defined benefit obligations through Bristol Water's and SES Water's membership of the WCPS.

The Group's pension schemes are established under trust law and comply with applicable UK legislation. The assets of the Group's pension schemes are held in separate trustee administered funds. The trustees of the funds are required to act in the best interest of the funds' beneficiaries, subject to the terms of the trust. The appointment of the schemes' trustees is determined by the schemes' trust documentation. The Group has a policy for the PGPS that 50% of all trustees, other than the Chair, are nominated by members of the schemes, including pensioners.

Bristol Water's membership of the WCPS is through a separate section of that scheme. The assets of the section are held separately from those of the Group and are invested by discretionary fund managers appointed by the trustees of the scheme. On and from 31 March 2016, the employees in this separate section ceased earning additional defined benefit pensions. There were no employer contributions to the scheme from that date and from 30 June 2016, with the agreement of the trustees, deficit contributions also ceased. All eligible employees were offered membership of a stakeholder pension scheme.

In 2018 the trustees of the Bristol Water section of the WCPS purchased a bulk annuity policy to insure the benefits for members of this separate section. Following this, the method for valuing the liabilities of the pension scheme has remained the same. However, the scheme assets, in the form of the insurance policy, now materially match the value of the liabilities. The process to buy up and wind up the scheme is continuing, including discussions regarding the release of the c. £9 million surplus on completion of this process.

SES Water's membership of the WCPS is through another separate section of that scheme. The assets of the section are held separately from those of the Group and are invested by discretionary fund managers appointed by the trustees of the scheme. On and from 31 March 2019, the employees in the section ceased earning additional defined benefit pensions.

With effect from 31 March 2023, the trustees of the SES Water section of the WCPS purchased a bulk annuity policy to insure the benefits for members of this separate section. Following this, the method for valuing the liabilities of the pension scheme has remained the same. However, the scheme assets, in the form of the insurance policy, now materially match the value of the liabilities.

The PGPS is closed to future accrual. The 2022 triennial actuarial valuation of the PGPS was agreed in 2024 with an actuarial valuation surplus of £7.6 million. No deficit recovery contributions are required as a result of the 2022 valuation. Additional contributions of £2.0 million were paid into the PGPS in respect of scheme expenses during the financial year ended 31 March 2024 (2023: £1.6 million). The Group monitors PGPS funding levels on an annual basis and the Group

expects to pay only scheme expenses of around £1.8 million during the financial year ending 31 March 2025.

The last formal actuarial valuation of the Bristol Water section of the WCPS was at 31 March 2017. The last formal valuation of the SES Water section of the WCPS was at 31 March 2022.

Pension costs for the Group's defined contribution schemes were £12.0 million for the financial year ended 31 March 2024 (2023: £9.4 million).

5.5 Insurance

The Group manages its financial exposure to property and third-party liability risks by purchasing insurance policies that mainly cover property and business interruption, motor, public liability, directors' and officers' liability and employers' liability. The Group's management believes that the Group's current insurance coverage is appropriate for the Group's business, in respect of the amount and applicable excesses and deductibles, considering the Group's business locations as well as the size and scope of the Group's business activities.

5.6 Legal and Regulatory Proceedings

From time to time, the Group is involved in lawsuits, claims, disputes with customers, suppliers or employees, as well as investigations, arbitrations and other proceedings (including administrative proceedings), which are handled in the ordinary course of business.

Please refer to section 12 (*Litigation and Investigations*) of Part XIV (*Additional Information*) for material litigation involving the Group.

6. Dividend Policy

The Group's 2020-25 dividend policy is growth in line with CPIH plus 2% per annum. For the financial year ended 31 March 2024, a final dividend of 44.37 pence was paid on 5 September 2024 to shareholders on the register of members of the Company on 26 July 2024. As in previous financial years, Shareholders that held their shares in CREST or in certificated form could elect to invest this dividend in a Dividend Reinvestment Plan administered by the Group's registrar, Link Group.

The Group is adopting a dividend policy designed to present an attractive combination of underlying asset growth and income to our shareholders, under which the total dividend amount for the year to 31 March 2024 of £129.3 million¹⁷ will be rebased on a dividend per share basis (taking into account the effect of the Rights Issue). Pennon intends to grow this rebased dividend per share, in absolute terms, by CPIH inflation from and in respect of the current financial year ending 31 March 2025 and each financial year thereafter to 31 March 2030.

The implied dividend per share dilution from the Rights Issue, once adjusted for the bonus factor for comparability purposes under accounting standard IAS33, is approximately 18.6%.

On 27 November 2024, the Board declared an interim dividend of 14.69 pence for the six months ended 30 September 2024 in respect of the Existing Ordinary Shares, which is payable on 4 April 2025 in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025. The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends, save for the right to receive the 2024 Interim Dividend which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025.

¹⁷ The base dividend for the year ended 31 March 2024 was £129.3 million, adjusted from the dividend paid in that year of £126.9 million to remove the £2.4 million one-off deduction in respect of the fine from the Environment Agency paid by South West Water.

Part X

Regulatory Environment

The water industry in England and Wales is subject to extensive legal and regulatory controls, including obligations imposed by way of primary and secondary legislation, licences and authorisations, regulations and regulatory standards. The application of these laws, licence obligations, regulations and regulatory standards, and the policies and decisions of Ofwat and other sectoral regulators are relevant to the activities of the Group.

1. Overview of the water and wastewater sectors in England and Wales

The structure of the water and wastewater industry in England and Wales dates from 1989, when the Water Act 1989 was enacted. Wholesale and household water and wastewater services are typically provided by private sector companies pursuant to Instruments of Appointment or licences granted by the Secretary of State, or Ofwat where it is so authorised by the Secretary of State. The Secretary of State has a duty to ensure that there is an **“Appointee”** for every area of England and Wales. The Instruments of Appointment specify the geographic area in which the Appointee is to be appointed to provide water and/or wastewater services and imposes conditions of appointment upon them.

As at the date of this document, there are 11 regional Appointees providing water and wastewater services, which includes South West Water in respect of its operations in Devon and Cornwall and the Isles of Scilly. In addition, there are five regional Appointees providing water services (only), which includes SES Water. South West Water is also responsible for providing water (but not wastewater) services in those areas previously served by Bournemouth Water and Bristol Water.

The Water Act 2014 sought to introduce a new market structure for the supply of retail water and wastewater services to non-household customers by opening the market in England to competition. From April 2017, non-household customers were entitled to choose their provider of retail water and wastewater services from among any of the 39 water supply and/or wastewater Licensees, who would in turn procure wholesale services from the relevant regional Appointees. Certain eligible non-household customers can also seek to self-supply their premises. See further section 5 (*Non-household retail services*) below.

2. Recent Developments: Water Commission

On 22 October 2024 the UK and Welsh Governments announced that an independent commission would be appointed to conduct a review of the UK water sector and its regulation, chaired by Sir Jon Cunliffe (the **“Water Commission”**). On 28 January 2025, the Water Commission appointed the members of its expert advisory group. The Water Commission has been tasked to report to the UK and Welsh Governments with recommendations designed to ensure that the regulatory system delivers the following outcomes:

1. Ensuring the water industry has clear objectives for future outcomes and a long-term vision to support best value delivery of environmental, public health, customer and economic outcomes;
2. Ensuring there is a strategic spatial planning approach to the management of water across sectors of the economy, tackling pollution and managing pressures on the water environment and supply at a catchment, regional and national scale. This approach should recognise the cross-border challenges that water can present;
3. Ensuring the water industry regulatory framework delivers long-term stability and enables the privatised water industry to attract investment, maintain resilient finances and contribute to economic growth;
4. Rationalising and clarifying requirements on water companies to achieve better environmental, customer, economic and financial outcomes;
5. Ensuring water industry regulators are effective, have a clear purpose and are empowered to hold water companies to account, with a ‘firm but fair’ approach and earned autonomy for companies that perform well. The Water Commission should consider transparency, predictability and accountability of regulatory decisions and performance. The Water

Commission should also clarify regulators' relationships with Parliament and both the UK and Welsh Governments, and consider how the regulators interact, including across borders;

6. Improving the industry's delivery capacity, including the supply chain and consideration of how to drive innovation;
7. Protecting the interests of consumers, including vulnerable and non-residential customers, and ensuring affordability. Companies' governance and decisions should be honest, transparent and fair, in order to deliver outcomes and value both for the environment and consumers. They should take account of the interests of customers, the public, and those who interact with and enjoy the water environment, and help to rebuild public trust in the water sector; and
8. Ensuring water companies are operationally, as well as financially, resilient and that they can deliver resilient and secure infrastructure within agreed timeframes and maintain it for the long term. This should include anticipating and investing to provide for future changes such as planned development and climate change.

While the ambit of the Water Commission's terms of reference is broad, the UK Government has excluded nationalisation of the water sector from its scope due to the high costs associated with this option, the lack of evidence that it would lead to improvements and the delays it would cause in achieving better outcomes for consumers and the environment.

In addition, as part of the UK Government's review of the sector, on 17 December 2024, the UK Government announced new regulations to provide for the payment of new and increased sums of compulsory compensation by water companies to customers and businesses in the event of issues like water supply outages, sewer flooding or low water pressure. For instance, compensation for internal sewer flooding will rise from £1,000 to £2,000 or more, and payments for low water pressure will increase from £25 to £250. Additionally, compensation will now be compulsory for incidents like boil water notices and missed meter services, which previously did not give rise to compulsory payments.

The Water Commission is to report by Q2 2025, after which the UK and Welsh Governments will respond and consult upon any proposals they intend to take forward. The outcome of the Water Commission's review, and any legislative response by the UK and Welsh Governments, is uncertain, and will not be known for the foreseeable future. As such, the remainder of this Part X describes the prevailing regulatory environment as at the date of this document.

3. Regulatory framework for Appointees

Water companies are subject to a regulatory framework overseen by the following public or regulatory bodies:

- (A) The **Department for Environment, Food & Rural Affairs** ("DEFRA") sets the overall water and wastewater policy framework in England, and the devolved Welsh Government sets the overall water and wastewater policy framework in Wales.
- (B) The **Water Services Regulation Authority** ("Ofwat") is the independent economic regulator of the water and wastewater sector. It is responsible for, among other things, setting price controls and monitoring and enforcing licence obligations. Ofwat can issue penalties, including fines, to companies that do not meet these conditions.
- (C) The **Environment Agency is an executive non-departmental body, sponsored by DEFRA, and is the environmental regulator of the water and wastewater sector in England. The Environment Agency's duties include the management and regulation of water abstraction from, and discharges to, controlled waters (which include rivers, coastal waters, territorial waters extending three miles from shore, inland freshwaters and groundwater).**
- (D) The **Drinking Water Inspectorate** (the "DWI") ensures that Appointees in England and Wales are fulfilling their statutory requirements under the WIA and the water quality regulations for the supply of wholesome drinking water. The DWI carries out technical audits of each water undertaker and licensee inputting water into an undertaker's network; this includes an assessment of the quality of water supplied, arrangements for sampling and analysis, and progress made in delivering schemes to improve water quality.

- (E) The **Consumer Council for Water** (the “**CCW**”) is the independent consumer council for the sector, representing and promoting the interests of consumers within the water and wastewater sectors; and
- (F) **Natural England** acts as the advisor to the Government on the natural environment.

Duties of the Secretary of State and Ofwat

Ofwat is established under section 1A of the WIA to carry out functions relating to the economic regulation of the water and sewerage sectors in England and Wales. The Secretary of State sets the strategic priorities and objectives for Ofwat.

Each of the Secretary of State and Ofwat, as the case may be, has a general duty under the WIA to exercise and perform its powers and duties under the WIA in the manner it considers best calculated to, *inter alia*:

- further the consumer objective, which is to protect the interests of consumers, wherever appropriate, by promoting effective competition between persons engaged in, or in commercial activities connected with, the provision of water and sewerage services;
- secure that the functions of Appointees are properly carried out throughout England and Wales;
- secure that Appointees are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of those functions;
- secure that the activities of Licensees are properly carried out; and
- further the resilience objective, which is to secure the long-term resilience of Appointees’ water supply and sewerage systems and secure that Appointees take steps to enable them, in the long term, to meet the need for water supplies and sewerage services,

(together, the “**Primary Duties**”).

Subject to the Primary Duties, each of the Secretary of State and Ofwat shall also exercise and perform, as the case may be, its powers and duties under the WIA in the manner it considers best calculated to, *inter alia*:

- promote economy and efficiency on the part of Appointees;
- secure that no undue preference is shown, and that there is no undue discrimination, in the fixing by Appointees of water and drainage charges;
- secure that no undue preference is shown, and that there is no undue discrimination, in the provision of services to Appointee group companies or to Licensees;
- secure that consumers are protected as respects the benefits that could be secured for them by the application of any of the proceeds of any disposal by Appointees of protected land (or of an interest or right in or over any of that land);
- ensure that consumers are also protected as respects any activities of the Appointee group companies which are not attributable to the exercise of the Appointee’s functions as an undertaker of water and/or sewerage services; and
- to contribute to the achievement of sustainable development,

(together, the “**Secondary Duties**”).

The Secretary of State and Ofwat shall also have regard to the principles of best regulatory practice (including the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed).

4. Instruments of Appointment

Under the WIA, each Appointee is appointed as a water and/or wastewater undertaker pursuant to an Instrument of Appointment, also commonly referred to as a Licence. Each Licence specifies the geographic area served by the Appointee and imposes conditions on the Appointee in a range of areas including, among other things: the operation of price controls (see 4.3 (*Price controls*) below); prohibitions on undue preference and discrimination in charges; regulatory accounting standards;

regulatory ring-fencing (see 4.3 (*Price controls*) below); service levels and targets; termination and replacement of appointments; disposals of land; and provision of information to Ofwat. Ofwat is responsible for monitoring compliance with the conditions of an Appointee's Licence and, where necessary, enforcing compliance through procedures laid down in the WIA (see section 4.4 (*Enforcement powers*) below).

4.1 Terminating a Licence

A Licence can be terminated or transferred from an Appointee in respect of all or part of its appointed area in the following circumstances:

- if the Appointee consents to the making of a replacement appointment or variation;
- by the Secretary of State upon the expiry of a notice period of 25 years pursuant to Condition O of the Licence;
- under the provisions for transfer of a business under the special administration regime (see section 4.5 (*Special Administration Regime*) below); or
- by Ofwat or the Secretary of State granting an "inset" appointment over a part of the Appointee's appointed area. This involves a new Appointee replacing an existing Appointee in respect of a specific geographic area, provided that: the existing Appointee consents; the area is not currently supplied by the existing Appointee; or the area to be carved out comprises premises each of which has an annual consumption of at least 50 megalitres and the customers at those premises consent to the new appointment. Before making an inset appointment, Ofwat or the Secretary of State must consider any representations or objections made by the existing Appointee and other consultees. They must also ensure, so far as may be consistent with their duties under the WIA, that the interests of the members and creditors of the existing Appointee are not unfairly prejudiced by the terms of any transfers of property, rights and liabilities to the new Appointee.

4.2 Modifying of a Licence

Subject to a power of veto exercisable in certain circumstances by the Secretary of State, Ofwat has the power under section 12A of the WIA to modify Licences without the Appointee's consent. Ofwat is required to publish a notice setting out the proposed modifications and to consult on this for a minimum period of 42 days. The notice must be served, at a minimum, on the Appointee, the Secretary of State, and the CCW, among others, and Ofwat must consider any representations received.

If Ofwat decides to proceed with the modifications, it must publish its decision and the final modifications (including an explanation of any changes and how it has taken the consultation responses into account). The modifications may take effect not less than 56 days after publication of Ofwat's decision, unless Ofwat considers it necessary or expedient that they become effective sooner.

Appointees (and certain other affected parties) may appeal against Ofwat's decision to the CMA on the grounds that:

- Ofwat failed properly to have regard to its duties, strategic priorities and objectives;
- Ofwat failed to give appropriate weight to its duties, strategic priorities and objectives;
- the decision was based, wholly or partly, on an error of fact;
- the modifications fail to achieve, in whole or in part, the effect stated by Ofwat;
- Ofwat did not follow the statutory procedure for modification of the Licence; and/or
- the decision was otherwise wrong in law.

It is also possible, although less common, for Licences to be modified pursuant to primary legislation and by the CMA (and the Secretary of State in certain circumstances) following a merger or market investigation under the Enterprise Act 2002.

4.3 Price controls

All Instruments of Appointment contain provisions enabling Ofwat to impose price controls. Since 2020 there have been five controls relevant to regulated activities of the Group, covering water resources, water network plus, residential retail, wastewater network plus and bioresources. Wastewater network plus and bioresources are not applicable to water-only Appointees.

Ofwat sets price controls in five-year cycles, known as “asset management periods” (“AMPs” also referred to by the Company as “K” periods). K7 will conclude on 31 March 2025. Ofwat recently completed its price review (referred to as “PR24”) in respect of the period from April 2025 – March 2030 (“K8”). It published its final methodology in December 2022, which in most respects represents an evolution of its approach in the last price review in 2019 (“PR19”).

Appointees were required to submit their business plans for K8 to Ofwat by 2 October 2023. Business plans should set out the Appointee’s plans for the next five-year cycle in terms of operations and investment, how it plans to improve services, and how this would impact expenditure and customer bills. Ofwat assesses these business plans and determines what each Appointee is able to recover from customers through their bills. Through its determinations, Ofwat seeks to challenge Appointees to improve performance and efficiency, relative to their peers and in general terms.

Ofwat’s PR24 draft determinations were released on 11 July 2024. Ofwat’s final determinations were published on 19 December 2024. Ofwat has proposed an increase in total permitted expenditure across the sector from £59 billion in respect of K7 to £104 billion in K8, although this is approximately £8 billion less than the sector had requested through the business plans. This reflects, in large part, Ofwat’s efficiency challenge to the sector. The difference between the total expenditure requested by water companies in their responses to Ofwat’s draft determinations and the allowances in Ofwat’s final determinations range from -16% to +5%. Factors that have led Ofwat to increase expenditure allowances (and may contribute towards positive variants towards the amounts requested by water companies) include expected future energy price increases, expected revaluation of water business rates, the costs of reinforcing the network to facilitate economic growth and the Government’s housebuilding targets, increases in projected costs associated with enhancement expenditure and enhancement expenditure required to meet new regulatory requirements. Ofwat has also reduced the number of company-specific PCs (from 281 at PR19 to 7 in the PR24 Final Determinations) and introduced more common PCs against which all Appointees will be assessed. This facilitates greater comparative assessment of performance by Ofwat and, in certain cases, ties rewards/penalties for outperformance/underperformance more closely to performance against the rest of the sector. Ofwat has also provided for an allowed return on capital of 4.03% in its Final Determinations (an increase of c.30bps from the Draft Determination).

Where water companies object to Ofwat’s final determination, they can require Ofwat to refer the matter to the CMA for re-determination. Water companies have two months following Ofwat’s publication of final PR24 determinations (i.e., until 18 February 2025) to give notice requiring Ofwat to refer to the CMA. Upon receipt of a referral, the CMA undertakes a redetermination, akin to a full merits review, by reference to the principles that applied to Ofwat’s original decision, i.e., the CMA is not limited to applying judicial review principles, for example. The Group considers the Final Determinations provide a sufficient, albeit challenging, basis upon which South West Water and SES Water may deliver their 2025-2030 business plans, and consequently has not requested a redetermination in respect of any of its Final Determinations.

Regulatory ring-fencing

To regulate the financial resilience of water companies, Ofwat maintains ring-fencing provisions as conditions of Appointees’ Licences. Their purpose is to ensure that the regulated company is protected from the activities of other group companies and maintains sufficient financial and management resources to enable it to carry out its functions in a sustainable manner.

After a series of consultations, Ofwat has recently modified Licences to strengthen the ring-fencing provisions. Of particular note are the changes to the cash lock-up and dividend policy conditions.

Cash lock-up

Under the so-called ‘cash lock-up’ provisions of the regulatory ring-fence, Appointees must ensure that they (or any Associated Company (as defined in the Licence) which issues debt on their

behalf) hold at least two investment grade credit ratings from two different credit rating agencies, save where Ofwat has consented to the maintenance of only one such rating. As at the date of this document, Ofwat has granted SES Water consent to maintain one rating until 31 March 2025. Cash lock-up is triggered where an Appointee (or any Associated Company which issues debt on its behalf): ceases to hold an investment grade credit rating; holds a credit rating below investment grade; or holds a rating at the lowest investment grade accepted by Ofwat and that rating has been placed on review for a possible downgrade, “credit watch” or “rating watch” with a negative designation, or otherwise has a negative outlook. The minimum investment grade rating required by Ofwat is currently BBB-/Baa3, but from 1 April 2025 this will increase to a minimum of BBB/Baa2 with negative outlook, lowering the threshold for triggering cash lock-up. In recent months, rating agencies have downgraded their assessment of the stability and predictability of the regulatory environment for the UK water sector as a whole and expect companies to operate with a gearing lower than c. 68% in order to meet a strong investment grade rating. At the date of this document, South West Water and SES Water’s investment grade credit ratings are Moody’s Baa1 (Negative outlook) / Fitch BBB+ (Stable outlook) and Moody’s Baa1 (Negative Outlook) respectively.

Were cash lock-up to be triggered, the Appointee would be unable to transfer, lease, license or lend any sum, asset, right or benefit to any Associated Company (as defined in the Licence) without Ofwat’s consent, subject to limited exemptions. This would, among other things, prevent the payment of dividends by the Appointee.

Dividend policy

Appointees may not declare or pay dividends other than in accordance with a dividend policy approved by their respective boards in compliance with their Licences. Ofwat also requires that those dividends:

- will not impair the ability of Appointees to finance their respective businesses, taking account of current and future investment needs and financial resilience over the longer term;
- take account of service delivery for customers and the environment over time, including performance levels and other obligations; and
- reward efficiency and the management of risk.

By way of illustration, on 19 December 2024, Ofwat fined Thames Water £18.2 million in connection with the payment of two dividends (a £37.5 million interim dividend payment made in December 2023 and a £158.3 million dividend payment made in March 2024) which Ofwat considered to be in breach of its licence condition. Ofwat acknowledged that this was the first time it had taken enforcement action in relation to the new licence condition concerning payment of dividends, and that the penalty imposed had taken this into account as a mitigating factor.

Maintaining compliance with such dividend policies may in turn affect whether, and at what level, Appointees (and in turn their wider groups) are willing or able to declare and pay dividends. For example, the Company adjusted its own dividend for financial year 2023-24 to reflect a £2.4 million fine received in May 2023. Where Appointees do not adopt an appropriate dividend policy, or fail to comply with the terms of that policy, this may also give rise to enforcement action.

4.4 Enforcement powers

As noted above, Ofwat is responsible for monitoring compliance with the conditions of an Appointee’s Licence and, where necessary, enforcing compliance through procedures laid down in the WIA. Where the Secretary of State or Ofwat is satisfied that an Appointee is contravening or is likely to contravene a condition of its Licence or a relevant statutory or other requirement, or has contravened the same and is likely to do so again, either the Secretary of State or Ofwat (whichever is the appropriate enforcement authority) is obliged, save in certain circumstances, to make a final enforcement order to secure compliance with that condition or requirement. The Secretary of State or Ofwat may make a provisional enforcement order if they consider that to be more appropriate than proceeding directly to a final enforcement order.

The Secretary of State and Ofwat are not required to make a final enforcement order or to confirm a provisional enforcement order where:

- the contraventions were, or the apprehended contraventions are, of a trivial nature;

- the Appointee has given, and is complying with, an undertaking pursuant to section 19 of the WIA, committing to secure or facilitate compliance with the condition or requirement in question. Subsequent breaches of such undertakings are enforceable in their own right;
- duties in the WIA preclude the making or confirmation of the order; or
- where it would be more appropriate to proceed under the Competition Act 1998.

The WIA also confers powers on the Secretary of State and Ofwat to impose financial penalties of up to 10% of the Appointee's turnover in the preceding business year if it has failed or is continuing to fail to comply with its Licence conditions, standards of performance or other obligations. The penalty must also be reasonable in all the circumstances. The time limit for imposing such financial penalties was extended by the Water Act 2014 from 12 months to five years. Where a final or provisional order has been made in respect of a contravention or failure, a penalty cannot be imposed unless a notice under section 22A(4) of the WIA is served within three months of the final order or confirmation of the provisional order, or within six months of the provisional order if it is not confirmed.

4.5 Special Administration Regime

Where an Appointee fails to comply with the conditions of its Instruments of Appointment or other statutory duties, as modified from time to time, or with any enforcement order (as well as upon the occurrence of certain other defaults, including where the Appointee is, or is reasonably likely to be, unable to pay its debts as they fall due), the Secretary of State or Ofwat (with the consent of the Secretary of State) may petition the High Court to make a special administration order (an "SAO") in relation to that Appointee. An SAO may also be made by the court as a mandatory alternative to granting a winding-up order in respect of the water company in question.

An SAO of the High Court would direct that, during the period for which the order is in force, the affairs, business and property of the Appointee are to be managed by a person appointed to do so by the High Court. The purposes of an SAO are to transfer to one or more regulated companies as a going concern as much of the Appointee's undertaking as is necessary to ensure that the functions which have been vested in the Appointee by virtue of its Instruments of Appointment may be properly carried out. Certain changes have been made to the special administration regime as it relates to water companies to introduce greater flexibility into its use and operation.

5. Non-household retail services

Since 1 April 2017, Licensees can provide water and wastewater retail services to any eligible non-household premises in England. This followed similar market reforms implemented in Scotland in 2008, and was accompanied by a more limited market opening in Wales. The non-household market in England operates through a controlled portal operated by Market Operator Services Limited.

Eligible non-household customers can now source their water and wastewater services from any Licensee, rather than the regional water and/or wastewater Appointee. The Licensee will in turn procure the necessary services from the relevant regional Appointees and provide its own value-added services. Within the Group, Water2Business, SES Business Water and Pennon Water Services are Licensees in relation to non-household retail services.

Where an Appointee is related to a Licensee, it is required to deal with the Licensee on arm's length terms, and not to show undue preference towards the related Licensee, nor to discriminate against other Licensees or their customers. Instruments of Appointment also contain provisions preventing certain types of information from passing between the Appointee and its related Licensee, and/or restricting the manner in which such information may be used by the recipient.

Part XI

Financial Information of the Group

1. Historical financial information

The audited consolidated financial statements for the Group as at and for the financial years ended 31 March 2024, 31 March 2023 and 31 March 2022, prepared in accordance with IFRS together with the independent auditor's reports and notes in respect of each such financial year, contained in the 2024 Annual Report and Accounts, the 2023 Annual Report and Accounts and the 2022 Annual Report and Accounts, and the unaudited consolidated interim financial statements for the Group as at and for the six months ended 30 September 2024, prepared in accordance with the Disclosure Guidance and Transparency Rules of the FCA, and UK adopted IAS 34, together with the independent review report and notes in respect of such period, contained in the 2024/2025 Half Year Results are incorporated into this Part XI described in Part XV (*Documents Incorporated by Reference*) of this document.

The independent auditor's reports in respect of the consolidated financial statements contained in the 2024 Annual Report and Accounts, the 2023 Annual Report and Accounts and the 2022 Annual Report and Accounts were unqualified. Investors should read the whole of this document and the documents incorporated herein by reference and should not rely solely on the financial information set out in this Part XI.

The tables below set out selected Group audited financial information as at and for the financial year ended 31 March 2024 and unaudited financial information as at and for the six months ended 30 September 2024. The audited data as at and for the financial year ended 31 March 2024 and the unaudited data as at and for the six months ended 30 September 2024 has been extracted without material adjustment from, and should be read together with, the relevant financial statements included in, and incorporated by reference into, this document except where otherwise indicated.

Table 1: Selected information from the Consolidated Income Statements

	Full year ended 31 March 2024	Six months ended 30 September 2024 (Unaudited)
<i>Expressed in £ millions</i>		
Revenue	907.8	527.2
Operating costs		
Employment costs	(115.5)	(80.5)
Raw materials and consumables used	(51.8)	(26.5)
Trade receivables impairment	(7.1)	(6.5)
Other operating expenses	(421.0)	(270.4)
Earnings before interest, tax depreciation and amortisation	312.4	143.3
Depreciation and amortisation	(172.0)	(94.0)
Operating profit	140.4	49.3
Finance income	12.6	7.9
Finance costs	(162.8)	(96.5)
Net finance costs	(150.2)	(88.6)
Share of post-tax profit from associated companies	0.7	0.5
(Loss) before tax	(9.1)	(38.8)
Taxation credit	0.6	8.8
(Loss) for the period	(8.5)	(30.0)
Attributable to:		
Ordinary shareholders of the parent	(9.5)	(30.3)
Non-controlling interests	1.0	0.3
(Loss) per ordinary share (pence per share)		
Basic	(3.6)	(10.6)
Diluted	(3.6)	(10.6)

Table 2: Consolidated Balance Sheet

	As at 31 March 2024	As at 30 September 2024 (Unaudited)
<i>Expressed in £ millions</i>		
Assets		
Non-current assets	5,663.4	5,908.6
Goodwill	179.5	179.5
Other intangible assets	67.7	70.3
Property, plant and equipment	5,361.6	5,601.0
Other non-current assets	8.7	8.7
Financial assets at fair value through profit and loss	0.9	0.6
Derivative financial instruments	17.4	15.6
Investments in associated companies	1.0	1.5
Retirement benefit assets	26.6	31.4
Current assets	567.7	558.7
Inventories	13.2	13.0
Trade and other receivables	353.7	342.9
Current tax receivable	6.0	—
Derivative financial instruments	23.4	18.3
Cash and cash equivalents ¹	134.0	137.0
Restricted funds ¹	37.4	38.1
Retirement benefit assets	—	9.4
Liabilities		
Current liabilities	(587.4)	(553.6)
Borrowings	(238.2)	(239.4)
Financial liabilities at fair value through profit and loss	(2.6)	(2.5)
Derivative financial instruments	(5.4)	(5.0)
Trade and other payables	(341.2)	(306.7)
Net current (liabilities)/assets	(19.7)	5.1
Non-current liabilities	(4,481.1)	(4,904.8)
Borrowings	(3,742.4)	(4,167.9)
Other non-current liabilities	(154.9)	(161.5)
Financial liabilities at fair value through profit and loss	(31.8)	(30.8)
Derivative financial instruments	(3.3)	(3.8)
Deferred tax liabilities	(548.3)	(540.4)
Provisions	(0.4)	(0.4)
Net assets	1,162.6	1,008.9
Shareholders' equity		
Share capital	174.6	174.6
Share premium account	398.2	398.0
Capital redemption reserve	157.1	157.1
Retained earnings and other reserves	431.3	277.5
Total shareholders' equity	1,161.2	1,007.2
Non-controlling interests	1.4	1.7
Total equity	1,162.6	1,008.9

Notes:

1. As at March 2024, restricted funds have been reclassified from cash and cash equivalents and presented separately.

Table 3: Consolidated statement of cash flows

<i>Express in £millions</i>	As at 31 March 2024	As at 30 September 2024 (Unaudited)
Cash flows from operating activities		
Cash generated/(outflow) from operations	261.7	125.4
Interest paid	(116.2)	(64.6)
Tax received/(paid)	3.4	3.0
Net cash generated/(outflow) from operating activities	148.9	63.8
Cash flows from investing activities		
Interest received	7.1	4.1
Movement in restricted funds	—	(0.7)
Purchase of property, plant and equipment	(555.1)	(352.1)
Acquisition of subsidiaries, net of cash acquired	(62.7)	—
Deposit of restricted cash	(4.3)	—
Purchase of intangible assets	(43.8)	(4.7)
Proceeds from sale of property, plant and equipment	0.8	0.9
Net cash (used in)/received from investing activities	(658.0)	(352.5)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	175.7	—
Purchase of ordinary shares by the Pennon Employee Share Trust	(1.4)	(1.2)
Proceeds from new borrowing	574.5	655.1
Repayment of borrowings	(168.7)	(246.9)
Cash inflows from lease financing arrangements	64.8	25.0
Lease principal repayments (including net recoverable VAT paid / recovered)	(22.4)	(13.4)
Dividends paid	(111.7)	(126.9)
Net cash received from/(used in) financing activities	510.8	291.7
Net increase/(decrease) in cash and cash equivalents	1.7	3.0
Cash and cash equivalents at beginning of period ¹	143.7	134.0
Cash and cash equivalents at end of period¹	145.4	137.0

Notes:

1. Cash and cash equivalents at the beginning and end of the periods presented exclude restricted funds. The 1 April 2024 opening balance cash and cash equivalents position has been amended to reflect a further £11.4 million of cash determined to be restricted funds. The summary statement of cash flows for the year ended 31 March 2024 has not been restated to reflect this change.

2. Capitalisation and indebtedness

The following tables set out the capitalisation and indebtedness of the Group as at 30 November 2024. The following tables do not reflect the impact of the Rights Issues on the Group's capitalisation and indebtedness.

The following table shows the capitalisation of the Group as at 30 November 2024:

Table 4: Capitalisation

<i>in £millions</i>	As at 30 November 2024 (Unaudited)
Shareholder's Equity	
Share capital	174.6
Legal reserves ¹	555.1
Other reserves ^{2, 3}	12.7
Total Capitalisation	742.4

Notes:

1. Legal reserves includes share premium account of £398.0 million and capital redemption reserve of £157.1 million.
2. Other reserves includes hedging reserve of £15.2 million and own shares reserve of (£2.5 million).
3. Other reserves exclude the Group's retained earnings of £244.3 million.

The following table sets out financial indebtedness of the Group as at 30 November 2024:

Table 5: Financial indebtedness¹

<i>Expressed in £millions</i>	As at 30 November 2024 (Unaudited)
Total current debt	291.4
Guaranteed	0.0
Secured ²	131.0
Unguaranteed and unsecured	160.4
Total non-current debt (excluding current portion of long-term debt)	4,135.2
Guaranteed	0.0
Secured ²	1,020.3
Unguaranteed and unsecured	3,114.9
Total Gross debt³	4,426.6

Notes:

1. All debt is ranked pari-passu.
2. Current and non-current secured debt comprises lease liabilities secured against the related right of use assets.
3. Does not include £200 million which the Company may, subject to the satisfaction of certain conditions, request Barclays Bank PLC to provide pursuant to the terms of a commitment letter dated 25 November 2024. Among other things, the commitment letter has a longstop date of 60 days following the date on which the Group issues any debt in any bond market.

The following table sets out the components of the Group's net indebtedness as at 30 November 2024:

Table 6: Components of net indebtedness

<i>Expressed in £millions</i>	As at 30 November 2024 (Unaudited)
Cash	67.8
Cash equivalents	0.0
Other current financial assets ¹	35.3
Liquidity	103.1
Current financial debt	291.4
Current portion of non-current debt	0.0
Current Financial Indebtedness	291.4
Net Current Financial Indebtedness	188.3
Non-current financial debt	2,206.4
Debt instruments	908.5
Non-current trade and other payables ²	1,020.3
Non-current Financial Indebtedness	4,135.2
Net Financial Indebtedness	4,323.5

Notes:

1. Other current financial assets includes restricted funds of £35.3 million which are deposited with lessors or held for bond interest, and are available for access, subject to being replaced by an equivalent valued security.
2. Non-current trade and other payables comprises lease liabilities secured against the related right of use assets.

Part XII

Operating and Financial Review

This Part XII should be read in conjunction with Pennon's consolidated financial information set out in Part XI (*Financial Information of the Group*) its unaudited consolidated interim financial statements for the Group as at and for the six months ended 30 September 2024 and its audited consolidated financial statements for the financial years ended 31 March 2024, 31 March 2023 and 31 March 2022 which are incorporated by reference into this document as described in Part XV (*Documents Incorporated by Reference*).

The following documents, which have been filed with, or notified to, the FCA and are available for inspection in accordance with section 17 (*Documents Available for Inspection*) of Part XIV (*Additional Information*) of this document, contain financial information about Pennon which is relevant to the Rights Issue:

- Half Year Results 2024/2025;
- 2024 Annual Report and Accounts;
- 2023 Annual Report and Accounts; and
- 2022 Annual Report and Accounts.

The table below sets out the sections of these documents which are incorporated by reference into, and form part of, this Part XII and only the parts of the documents identified in the table below are incorporated into, and form part of, this Part XII. The parts of these documents which are not incorporated by reference either are not relevant for investors or are covered elsewhere in this document. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

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Part XIII

Taxation

PART A: UNITED KINGDOM TAXATION

1. Introduction

The following paragraphs are intended to apply only as a general guide to certain UK tax considerations, are not exhaustive and are based on current UK tax law as applied in England and Wales and published HMRC practice (which may not be binding on HMRC) as at the date of this document, both of which are subject to change, possibly with retrospective effect. They summarise certain limited aspects of the UK tax position of Qualifying Shareholders who are resident (and in the case of individuals, resident and either domiciled or deemed domiciled) in (and only in) the UK for UK tax purposes, to whom “split year” treatment does not apply, who are the absolute beneficial owners of their Ordinary Shares and any dividends paid on them and who hold their Ordinary Shares as an investment (other than in an Individual Savings Account, a Self-Invested Personal Pension or as carried interest) and not as securities to be realised in the course of a trade. Certain categories of Shareholders, such as (but not limited to) traders, brokers, dealers in securities, market makers, intermediaries, banks or other financial institutions (including insurance companies), investment companies, charities, pension schemes, those that are exempt from taxation, those subject to UK tax on the remittance basis, Qualifying Shareholders who have (or who are deemed to have) acquired their Ordinary Shares by virtue of an office or employment, persons holding Ordinary Shares as part of hedging or conversion transactions, Qualifying Shareholders who are not domiciled or resident in the UK, collective investment vehicles, trusts or trustees, and those who hold 5% or more of the Ordinary Shares may be taxed differently and are not considered.

The material set out in the paragraphs below does not constitute tax or legal advice. If you are in any doubt as to your tax position or you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate professional adviser before taking any actions.

2. Dividends

Under current law, no tax will be withheld by the Company when it pays a dividend.

A Qualifying Shareholder's liability to tax on dividends will depend on the individual circumstances of the Qualifying Shareholder.

(A) *Individuals*

An individual Qualifying Shareholder who is resident and either domiciled or deemed domiciled in the UK for tax purposes does not currently have to pay income tax on the first £500 of dividend income they receive from the Company (or from other sources) each tax year (the “**Nil Rate Amount**”), regardless of the tax rate that would otherwise apply. Dividend income received will form part of the Qualifying Shareholder's total income for income tax purposes so income that falls within the Nil Rate Amount will count towards the Qualifying Shareholder's basic or higher rate income tax limits and so may affect the rate of tax due on any dividend income in excess of the Nil Rate Amount.

Any dividend income received will be treated as the highest part of the individual Qualifying Shareholder's income and any such dividend income in excess of the Nil Rate Amount will be taxed, subject to the availability of any income tax personal allowance, for the 2024/2025 tax year:

- (i) at 8.75%, to the extent it falls below the threshold for the higher rate of income tax;
- (ii) at 33.75%, to the extent it falls above threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- (iii) at 39.35%, to the extent it falls above the threshold for the additional rate of income tax.

(B) *Companies*

UK resident corporate Qualifying Shareholders which are “*small companies*” (for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009) will not generally be subject to tax on

dividends from the Company, provided certain conditions are met (including an anti-avoidance condition).

Other UK resident corporate Qualifying Shareholders will be subject to tax on dividends received from the Company unless the dividends fall within one of a number of statutory exemptions and certain conditions are met. Examples of dividends that should generally fall within such an exemption are (a) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to the company's assets on a winding-up, and (b) dividends paid to a person holding less than 10% of the issued share capital of the payer (or, where there is more than one class of share, the same class of that share capital in respect of which the dividends are paid) and who is entitled to less than 10% of the profits available for distribution to holders of the same class of shares and less than 10% of the assets available for distribution to holders of the same class of shares on a winding-up of the payer. The exemptions described above are not comprehensive and are subject to anti-avoidance rules. Where the conditions for an exemption are not met or cease to be satisfied, or such Qualifying Shareholder elects for an otherwise exempt dividend to be taxable, the Qualifying Shareholder will be subject to UK corporation tax on dividends received at the rate of corporation tax applicable to that Qualifying Shareholder (the main rate of UK corporation tax is currently 25%).

3. Taxation of Chargeable Gains

(A) *Qualifying Shareholders who subscribe for New Ordinary Shares*

For the purposes of UK taxation of chargeable gains, the issue of New Ordinary Shares to a Qualifying Shareholder that takes up their entitlement to the New Ordinary Shares under the Rights Issue should constitute a reorganisation of the Company's share capital on the basis that all shareholders are allotted New Ordinary Shares in proportion to their shareholdings in the Company. Therefore, a Qualifying Shareholder that takes up their entitlement to the New Ordinary Shares under the Rights Issue should not be treated as making a disposal of any part of their Existing Holding. For the purposes of taxation of chargeable gains, the New Ordinary Shares issued to a Qualifying Shareholder should be treated as the same asset acquired at the same time as the Qualifying Shareholder's Existing Ordinary Shares, and the amount paid for the New Ordinary Shares acquired under the Rights Issue should be added to the base cost of that Qualifying Shareholder's Existing Ordinary Shares when computing any gain or loss on any subsequent disposal. Accordingly, a Qualifying Shareholder should not be treated as acquiring a new asset or making a disposal of any part of their Existing Holding by reason of taking up all or part of their rights to New Ordinary Shares. Therefore, no liability to UK taxation of chargeable gains should arise in respect of the issue of New Ordinary Shares to the extent that a Qualifying Shareholder takes up their entitlement to New Ordinary Shares.

(B) *Qualifying Shareholders who sell or renounce their rights to subscribe for New Ordinary Shares or who allow their rights to subscribe for New Ordinary Shares to lapse*

If a Qualifying Shareholder sells or otherwise disposes of all or any of their rights to subscribe for the New Ordinary Shares provisionally allotted to them, or if a Qualifying Shareholder allows or is deemed to allow all or any of their rights to subscribe for the New Ordinary Shares to lapse and receives a cash payment in respect of them, this will, subject to the following paragraph, be treated as a capital distribution to the Qualifying Shareholder by the Company and be treated as a disposal of an interest in the Qualifying Shareholder's Existing Holding for the purposes of UK taxation of chargeable gains. Such a disposal may give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains depending on that Qualifying Shareholder's particular circumstances and subject to any available exemption or relief.

If the proceeds resulting from such a disposal or lapse are "small" as compared with the market value (on the date of lapse or sale) of a Qualifying Shareholder's Existing Holding in respect of which the rights arose, the Qualifying Shareholder should not generally be treated as making a disposal for the purposes of UK taxation of chargeable gains. Instead, the proceeds received will be deducted from the base cost of the Qualifying Shareholder's Existing Ordinary Shares, unless the disposal proceeds are greater than the base cost of the Qualifying Shareholder's Existing Ordinary Shares. HMRC's current practice is to regard a sum as "small" for these purposes where either (i) the proceeds of the disposal do not exceed 5% of the market value (at the date of the disposal

or lapse) of the Existing Holding in respect of which the rights to subscribe for the New Ordinary Shares arose or (ii) the sum received is £3,000 or less, regardless of whether the 5% test is satisfied. As noted, this treatment is dependent upon there being sufficient base cost in the Qualifying Shareholder's Existing Ordinary Shares from which to deduct the proceeds of the disposal or lapse of the rights. Whether proceeds are "small" needs to be considered on a case-by-case basis having regard to the circumstances of each case.

(C) Qualifying Shareholders who subsequently dispose of New Ordinary Shares

A disposal of New Ordinary Shares may, depending on the Qualifying Shareholder's circumstances and subject to any available exemption, allowance or relief, give rise to a chargeable gain (or an allowable loss) for the purposes of UK taxation of chargeable gains.

If the disposal gives rise to a chargeable gain for the purposes of UK taxation of chargeable gains, in the case of UK resident individual Qualifying Shareholders, subject to any available exemption, allowance or relief (including the annual exempt amount, where applicable), UK capital gains tax will apply to gains currently at a rate of 18% or 24% depending on the total amount of the individual's taxable income and gains in the tax year. Most individuals have an annual exempt amount (£3,000 for the tax year 2024/2025) such that UK capital gains tax is only chargeable on gains arising from all sources during the tax year in excess of that figure. No indexation allowance will be available to an individual Qualifying Shareholder in respect of the disposal of New Ordinary Shares.

Individuals who are temporarily not resident in the UK may, in certain circumstances, be subject to UK tax in respect of gains realised while they are not resident in the UK.

For a corporate Qualifying Shareholder within the charge to UK corporation tax, subject to any available exemption, allowance or relief, corporation tax at the rate applicable to that Qualifying Shareholder will apply to gains (the current main rate of UK corporation tax is 25%). It should be noted for the purposes of calculating any indexation allowance available on a disposal of New Ordinary Shares that generally the expenditure incurred in acquiring the New Ordinary Shares will be treated as incurred only when the Qualifying Shareholder made, or became liable to make payment, and not at the time those shares are otherwise deemed to have been acquired. For disposals on or after 1 January 2018, indexation allowance will be calculated only up to and including December 2017, irrespective of the date of disposal of New Ordinary Shares.

4. Stamp Duty and Stamp Duty Reserve Tax

(A) Issue of New Ordinary Shares and Issue or Crediting of Rights to New Ordinary Shares

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters, split Provisional Allotment Letters or definitive share certificates; on the crediting of Nil Paid Rights or Fully Paid Rights to accounts in CREST; or on the issue in uncertificated form of New Ordinary Shares.

Where New Ordinary Shares represented by such documents or rights are registered in the name of the Qualifying Shareholder entitled to such shares, or where New Ordinary Shares are credited in uncertificated form to CREST, no liability to stamp duty or SDRT will generally arise.

Where New Ordinary Shares are issued into a clearance service or depository receipt service, no stamp duty or SDRT will generally arise.

(B) Purchase of rights to New Ordinary Shares

Persons who purchase (or are treated as purchasing) rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil paid or fully paid), or Nil Paid Rights or Fully Paid Rights held in CREST, on or before the latest time for registration of renunciation, will not generally be liable to pay stamp duty. However, an unconditional agreement to transfer rights to New Ordinary Shares will be chargeable to SDRT. This is usually at the rate of 0.5% of the consideration. Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. Accountability for SDRT follows a strict hierarchy, so in other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters should be the accountable person and must therefore account for the SDRT to

HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for to HMRC by CREST. However, regardless of which party is the accountable person, the cost of any SDRT will generally be passed on to the purchaser, as the party ultimately liable for the tax.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or split Provisional Allotment Letters, whether by the original holders or their renounees.

(C) Subsequent Transfers of New Ordinary Shares

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply), any subsequent dealings in the New Ordinary Shares will be subject to stamp duty or SDRT in the normal way. Subject to an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares effected outside CREST will generally be liable to stamp duty at the rate of 0.5% of the amount or value of the consideration payable (rounded up to the nearest multiple of £5) or, if an unconditional agreement to transfer New Ordinary Shares is not completed by a duly stamped transfer, or where the transfer is effected in CREST, SDRT at the rate of 0.5% of the amount or value of the consideration payable. In cases where New Ordinary Shares are transferred to a connected company (or its nominee), SDRT (or stamp duty) may be chargeable on the higher of: (a) the amount or value of the consideration payable; and (b) the market value of the New Ordinary Shares, subject to any relief which may be available for intragroup transfers.

Where New Ordinary Shares are transferred to (or to a nominee or agent for) (a) a person whose business is or includes issuing depositary receipts (a “**depositary receipt system**”), or (b) a person whose business is or includes the provision of clearance services (a “**clearance service**”), stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration payable in respect of the New Ordinary Shares or, in certain circumstances, the value of the New Ordinary Shares (rounded up to the nearest multiple of £5 in the case of stamp duty). An exemption from 1.5% stamp duty or SDRT may, subject to certain conditions, be available where the transfer is made in the course of (a) capital-raising arrangements or (b) qualifying listing arrangements.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service or system, will generally be accountable by the operator of the clearance service or depositary receipt system or its nominee or agent, as the case may be, but in practice will typically be reimbursed by participants in the clearance service or depositary receipt system. The rules regarding the application of this higher rate of stamp duty and SDRT are complex, and specific professional advice should be sought before transferring shares to a person within the preceding paragraph.

PART B: US TAXATION

1. Certain United States Tax Considerations

The following discussion describes certain US federal income tax consequences to US Holders that are expected from the receiving, acquiring, owning, exercising and disposing of the Nil Paid Rights and Fully Paid Rights and the New Ordinary Shares received upon exercise of the Rights or acquired in this offering. This summary applies only to US Holders that hold their Existing Ordinary Shares, such Nil Paid Rights and Fully Paid Rights and New Ordinary Shares as capital assets within the meaning of Section 1221 of the Code (generally, assets held for investment) and have the US dollar as their functional currency. This summary applies only to US Holders that either beneficially own Existing Ordinary Shares, are entitled to receive Nil Paid Rights from the Company or purchase in this offering New Ordinary Shares not taken up in the Rights Issue.

This discussion is based on the tax laws of the United States as in effect on the date of this Offering Memorandum, including the Code, and US Treasury regulations in effect or, in some cases, proposed, as of the date of this document, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, and any such change could apply retroactively and could affect the US federal income tax consequences described below. The statements in this document are not binding on the US Internal Revenue Service (the “IRS”) or any court, and thus the Company can provide no assurance that the US federal income tax consequences discussed below will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. Furthermore, this summary does not address any estate or gift tax consequences, any state, local or non-US tax consequences or any other tax consequences other than US federal income tax consequences.

The following discussion does not describe all the tax consequences that may be relevant to any particular investor or to persons in special tax situations such as:

- banks and certain other financial institutions;
- regulated investment companies;
- real estate investment trusts;
- insurance companies;
- broker-dealers;
- traders that elect to mark the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to market;
- tax-exempt entities;
- persons liable for alternative minimum tax or the Medicare contribution tax on net investment income;
- US expatriates;
- persons holding Existing Ordinary Shares, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares as part of a straddle, hedging, constructive sale, conversion or integrated transaction;
- persons that actually, indirectly or constructively own 10% or more of the Company’s stock by vote or value;
- persons that are resident or ordinarily resident in or have a trade or business or permanent establishment in a jurisdiction outside the United States to which the Existing Ordinary Shares, Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are associated;
- persons who acquired Existing Ordinary Shares, Nil Paid Rights, Fully Paid Rights and New Ordinary Shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- persons holding Existing Ordinary Shares, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares through partnerships or other pass-through entities or arrangements.

HOLDERS OF EXISTING ORDINARY SHARES AND OTHER PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE US FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL AND NON-US TAX CONSEQUENCES TO THEM OF THE RECEIPT, PURCHASE, EXERCISE, OWNERSHIP AND DISPOSITION OF RIGHTS AND NEW ORDINARY SHARES.

As used herein, the term “**US Holder**” means a beneficial owner of Existing Ordinary Shares, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares that, for US federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation created or organised in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to US federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more US persons or (2) has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

The tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Existing Ordinary Shares, Nil Paid Rights, Fully Paid Rights and New Ordinary Shares generally will depend on such partner's status and the activities of the partnership. A prospective investor that is a partner in such partnership should consult its tax advisor.

Except as otherwise discussed under section 1.7 (*Passive Foreign Investment Company Considerations*) of this Part B (*US Taxation*) of this Part XIII, the following discussion assumes that the Company is not a passive foreign investment company (a “**PFIC**”) for US federal income tax purposes. If the Company were a PFIC, the tax consequences to US Holders of an investment in the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares would be materially different from those described below. US Holders should consult their tax advisors about the potential application of the PFIC rules to an investment in the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares.

1.1 Receipt of Nil Paid Rights

Under Section 305 of the Code, a shareholder of a corporation who receives a right to acquire shares from such corporation will, in certain circumstances, be treated as having received a taxable distribution in an amount equal to the value of such right. In general, a shareholder who receives a right to acquire shares will be treated as having received a taxable distribution if a shareholder's proportionate interest in the earnings and profits or assets of the corporation is increased and any other shareholder receives a distribution (or a deemed distribution) of cash or other property or if the shareholder can elect between receiving the right and receiving cash. Although no authority directly addresses the treatment to a US Holder that receives Nil Paid Rights in respect of its ownership of Existing Ordinary Shares and the application of Section 305 of the Code to the Nil Paid Rights is unclear, the Company intends to take the position, to the extent required to do so for US federal income tax purposes, that the distribution of the Rights pursuant to the Rights Issue should not be treated as taxable distribution for US federal income tax purposes. If the receipt of the Nil Paid Rights is not a taxable distribution for US federal income tax purposes, a US Holder's holding period in a Nil Paid Right will be deemed to have begun on the same date as that of the Existing Ordinary Shares with respect to which the US Holder received such Nil Paid Right. If the receipt of the Nil Paid Rights is not a taxable distribution, a US Holder receiving cash in respect of entitlements to New Ordinary Shares not taken up in the Rights Issue should be treated as having received a distribution of Nil Paid Rights from the Company and subsequently disposed of those Rights and such disposition should be taxed in the manner described below under section 1.3 (*Sale or Other Taxable Disposition of Nil Paid Rights and Fully Paid Rights*) of this Part B (*US Taxation*) of this Part XIII.

If the receipt of Nil Paid Rights were treated as a taxable distribution, the fair market value of the rights to acquire the New Ordinary Shares pursuant to Nil Paid Rights that a US Holder would receive in such taxable distribution is generally expected to be taxable to such US Holder as a dividend and subject to rules similar to those described in the discussion in section 1.5 (*Dividends*

and Other Distributions on New Ordinary Shares) of this Part B (*US Taxation*) of this Part XIII below, the US Holder's basis in such rights would equal their fair market value on the date of the distribution, and the US Holder's holding period for the rights would commence on the date following the date on which such rights are received.

Except where explicitly stated otherwise, the remainder of this discussion assumes that the receipt of the right to acquire the New Ordinary Shares pursuant to the Nil Paid Rights is not a taxable distribution for US federal income tax purposes.

If the fair market value of the Nil Paid Rights is less than 15% of the fair market value of the Existing Ordinary Shares with respect to which the Nil Paid Rights were received (determined on the date of distribution), the Nil Paid Rights will be allocated a zero basis for US federal income tax purposes, unless a US Holder that exercises its Nil Paid Rights affirmatively elects to allocate the basis between its Existing Ordinary Shares and the Nil Paid Rights in proportion to their relative fair market values (determined on the date the Nil Paid Rights are distributed). This irrevocable election must be made on the tax return for the taxable year in which the Nil Paid Rights are received. If on the date of distribution the fair market value of the Nil Paid Rights is 15% or more of the fair market value of the Existing Ordinary Shares with respect to which the Nil Paid Rights were received, then the tax basis in the US Holder's Existing Ordinary Shares must be allocated between its Existing Ordinary Shares and the Nil Paid Rights in proportion to their fair market values (as determined on the date of distribution). US Holders should consult their own tax advisers with respect to whether the receipt of the Nil Paid Rights will be taxable to them and any resulting US federal income tax consequences from the receipt of the Nil Paid Rights or cash in respect of entitlements to New Ordinary Shares not taken up in the Rights Issue.

If a US Holder receives Nil Paid Rights in the Rights Issue after the disposition of the Existing Ordinary Shares with respect to which such Nil Paid Rights were received in the Rights Issue, then certain aspects of the tax treatment of the Nil Paid Rights are unclear, including (1) the allocation of tax basis between the Existing Ordinary Shares previously sold and the Nil Paid Rights received, (2) the impact of such allocation on the amount and timing of gain or loss recognised with respect to the Existing Ordinary Shares previously sold, and (3) the impact of such allocation on the tax basis of New Ordinary Shares acquired through exercise of the Rights. If a US Holder receives Nil Paid Rights in the Rights Issue after the disposition of the Existing Ordinary Shares with respect to which the Nil Paid Rights were received, such US Holder is urged to consult with its tax advisers.

1.2 Exercise of Nil Paid Rights and Receipt of New Ordinary Shares

The exercise of the Nil Paid Rights by a US Holder and the receipt of Fully Paid Rights or the acquisition of New Ordinary Shares through Fully Paid Rights will not be a taxable transaction for US federal income tax purposes, except that a US Holder will recognise foreign currency gain or loss in an amount equal to the difference between its US dollar tax basis in the pounds sterling amount of the Rights Issue Price and the fair market value of such pounds sterling amount on the date that the US Holder exercises the Rights. The tax basis of Fully Paid Rights acquired upon payment of the Rights Issue Price (and New Ordinary Shares acquired through the ownership of Fully Paid Rights) will equal the sum of the US dollar value of the Rights Issue Price paid, determined at the spot rate on the date of exercise, and the US Holder's tax basis (as determined above, if any) in the Nil Paid Rights exercised. The holding period of Fully Paid Rights and the New Ordinary Shares generally should begin with and include the day the Nil Paid Rights are exercised.

Cash received by a US Holder in respect of fractional entitlements to New Ordinary Shares is expected to be treated as a taxable sale of the New Ordinary Shares for US federal income tax purposes as further discussed in section 1.6 (*Sale or Other Taxable Disposition of New Ordinary Shares*) of this Part B (*US Taxation*) of this Part XIII below.

1.3 Sale or Other Taxable Disposition of Nil Paid Rights and Fully Paid Rights

Upon a sale or other taxable disposition (including deemed disposition) of a Nil Paid Right, including in connection with a Cashless Take-up, or a Fully Paid Right, a US Holder will generally recognise capital gain or loss in an amount equal to the difference between the amount realised and the US Holder's adjusted tax basis in the Nil Paid Right or Fully Paid Right.

The amount realised on a sale or other taxable disposition of a Nil Paid Right, including in connection with a Cashless Take-up, or Fully Paid Right generally will be the amount of cash received in such sale or other disposition for such Nil Paid Right or Fully Paid Right. If the consideration received is not paid in US dollars, the amount realised will generally be the US dollar value of the consideration received (as determined on the date of the sale or other disposition). However, if the Nil Paid Rights or the Fully Paid Rights are treated as traded on an “established securities market” and the US Holder is a cash basis taxpayer, or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), the US Holder will determine the US dollar value of the cost in a foreign currency by translating the amount paid at the spot rate of exchange on the settlement date of the sale. An accrual basis taxpayer that does not make the special election may be required to recognise exchange gain or loss to the extent attributable to the difference between the exchange rates on the date of the taxable disposition and the settlement date of the taxable disposition, and such exchange gain or loss generally will constitute US-source ordinary income or loss. Any gain or loss a US Holder recognises on the sale or other disposition of a right to a third party will generally be long-term capital gain or loss if the US Holder’s holding period in the right is deemed to be greater than one year.

If the receipt of the Nil Paid Rights is a taxable distribution for US federal income tax purposes, the holding period for the Nil Paid Rights would begin on the day after receipt and the gain or loss recognised on the sale or other disposition of such Nil Paid Rights will be short-term capital gain or loss. Short-term capital gain or loss of a non-corporate US Holder is generally taxed at the same rates as ordinary income. Any gain or loss will generally be treated as US source gain or loss. The deductibility of capital losses is subject to limitations.

1.4 Expiration of Nil Paid Rights

Notwithstanding the foregoing, if the receipt of the Nil Paid Rights is not a taxable event for US federal income tax purposes, if a US Holder allows a Nil Paid Right to expire without the Nil Paid Right being exercised, sold or exchanged, and does not receive any amount with respect thereto, the US Holder should not recognise a gain or loss for US tax purposes. In addition, if the US Holder had previously allocated to the Nil Paid Rights a portion of the basis of the Existing Ordinary Shares held by the US Holder, that basis will generally be re-allocated to such Existing Ordinary Shares. If the receipt of the Nil Paid Rights is a taxable event for US federal income tax purposes, a US Holder should recognise a short-term capital loss for US tax purposes equal to its basis in the Nil Paid Rights if the US Holder allows a Nil Paid Right to expire without the Nil Paid Right being exercised, sold or exchanged, and does not receive any amount with respect thereto.

1.5 Dividends and Other Distributions on New Ordinary Shares

The gross amount of distributions made by the Company with respect to New Ordinary Shares (including the amount of any non-US taxes withheld therefrom, if any) generally will be includible as dividend income in a US Holder’s gross income in the year actually or constructively received, to the extent such distributions are paid out of the Company’s current or accumulated earnings and profits, as determined under US federal income tax principles. Because the Company does not maintain calculations of its earnings and profits under US federal income tax principles, a US Holder should expect that all cash distributions will generally be treated as dividends for US federal income tax purposes. Dividends received by non-corporate US Holders may be “qualified dividend income,” which is taxed at the lower applicable capital gains rate, provided that (1) the Company is eligible for the benefits of the tax treaty between the United States and United Kingdom (the “**Treaty**”), (2) the Company is not a PFIC (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year, (3) the US Holder satisfies certain holding period requirements and (4) the US Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. US Holders should consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to New Ordinary Shares.

The amount of any distribution paid in foreign currency will be equal to the US dollar value of such currency, translated at the spot rate of exchange on the date such distribution is (actually or constructively) received, regardless of whether the payment is in fact converted into US dollars at that time. If the dividend is converted into US dollars at the spot rate of exchange in effect on the

date of receipt, a US Holder should not be required to recognise foreign currency gain or loss in respect of the dividend income. A US Holder generally will have foreign currency gain or loss if the dividend is converted into US dollars at a different rate. In general, foreign currency gain or loss will be treated as US-source ordinary income or loss.

Dividends on New Ordinary Shares generally will constitute foreign source income in the “passive category income” basket for foreign tax credit limitation purposes. Subject to certain complex conditions and limitations, non-US taxes (if any) withheld on any distributions on the New Ordinary Shares at a rate not exceeding the rate provided in the Treaty (if applicable) may be eligible for credit against a US Holder’s federal income tax liability or, at such US Holder’s election, may be eligible for a deduction in computing such US Holder’s US federal taxable income. US Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances and the possibility of claiming a deduction (in lieu of the foreign tax credit) for any foreign taxes paid or withheld.

1.6 Sale or Other Taxable Disposition of New Ordinary Shares

Upon a sale or other taxable disposition of New Ordinary Shares, a US Holder will recognise capital gain or loss in an amount equal to the difference between the amount realised and the US Holder’s adjusted tax basis in such New Ordinary Shares. Any such gain or loss generally will be treated as long-term capital gain or loss if the US Holder’s holding period in New Ordinary Shares exceeds one year. Non-corporate US Holders (including individuals) generally will be subject to US federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations.

Gain or loss, if any, realised by a US Holder on the sale or other taxable disposition of New Ordinary Shares generally will be treated as US-source gain or loss for US foreign tax credit limitation purposes.

If the consideration received upon the sale or other taxable disposition of New Ordinary Shares is paid in foreign currency, the amount realised will be the US dollar value of the payment received, translated at the spot rate of exchange on the date of the taxable disposition. The New Ordinary Shares will be listed and traded on the London Stock Exchange. If the New Ordinary Shares are treated as traded on an established securities market for US federal income tax purposes and the relevant US Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), such US Holder will determine the US dollar value of the amount realised in foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the taxable disposition. An accrual basis taxpayer that does not make the special election may be required to recognise exchange gain or loss to the extent attributable to the difference between the exchange rates on the date of the taxable disposition and the settlement date of the taxable disposition, and such exchange gain or loss generally will constitute US-source ordinary income or loss.

A US Holder’s initial tax basis in New Ordinary Shares generally will equal the cost of such New Ordinary Shares, except that for a US Holder who acquires New Ordinary Shares by exercising Nil Paid Rights and through Fully Paid Rights, the initial tax basis would be determined as described above under section 1.2 (*Exercise of Nil Paid Rights and Receipt of New Ordinary Shares*) of this Part B (*US Taxation*) of this Part XIII.

If a US Holder used foreign currency to purchase the New Ordinary Shares, the cost of the New Ordinary Shares generally will be the US dollar value of the foreign currency purchase price on the date of purchase, translated at the spot rate of exchange on that date. If the New Ordinary Shares are treated as traded on an established securities market for US federal income tax purposes and the relevant US Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, the US Holder will determine the US dollar value of the cost of such New Ordinary Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

1.7 Passive Foreign Investment Company Considerations

A non-US corporation will be a PFIC for any taxable year if either: (a) at least 75% of its gross income is “passive income” for purposes of the PFIC rules or (b) at least 50% of the value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income includes interest, dividends, gains from transactions in commodities (other than certain active business gains from the sale of commodities) and other investment income, with certain exceptions. The PFIC rules also contain a look-through rule whereby the Company will be treated as owning its proportionate share of the gross assets and earning its proportionate share of the gross income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Based on the Company’s intended use of the proceeds from the Rights Issue, the current and anticipated composition of the income, assets and operations of the Company and the value of our assets (including the value of our goodwill, going-concern value or any other unbooked intangibles which may be determined based on the market capitalisation), the Company believes it was not a PFIC for the taxable year ended 31 March 2024 and does not expect that it would be treated as a PFIC for the current taxable year or in the foreseeable future. Whether the Company is treated as a PFIC is a factual determination that is made on an annual basis after the close of each taxable year. This determination will depend on, among other things, the composition of the Group’s income and assets, as well as the value of its assets (which may fluctuate with its market capitalisation), from time to time. Moreover, the application of the PFIC rules is unclear in certain respects. The IRS or a court may disagree with the Company’s determinations, including the manner in which the Company determines the value of the Company’s assets and the percentage of the Company’s assets that are passive assets under the PFIC rules. Accordingly, there can be no assurance that the Company will not be a PFIC for the current taxable year or for any future taxable year.

Under the PFIC rules, if the Company were considered a PFIC at any time during a US Holder’s holding period of the Rights or New Ordinary Shares, the New Ordinary Shares (including New Ordinary Shares acquired pursuant to the Rights) would continue to be treated as stock in a PFIC with respect to such US Holder unless (i) the Company ceases to be a PFIC and (ii) the US Holder made a “deemed sale” election under the PFIC rules.

If the Company is considered a PFIC at any time during a US Holder’s holding period of the Rights or New Ordinary Shares, any gain recognised by the US Holder on a sale or other disposition of the Rights or New Ordinary Shares (including, under certain circumstances, a pledge), as well as the amount of any “excess distribution” (defined below) received by the US Holder, would be allocated ratably over the US Holder’s holding period for the Rights or New Ordinary Shares. The amounts allocated to the taxable year of the sale or other disposition (or the taxable year of receipt, in the case of an excess distribution) and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. For the purposes of these rules, an excess distribution is the amount by which all distributions received by a US Holder on New Ordinary Shares exceed 125% of the average of the annual distributions on the New Ordinary Shares received during the preceding three years or the US Holder’s holding period, whichever is shorter. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) if the Company is considered a PFIC.

It is not entirely clear how various aspects of the PFIC rules apply to the Rights. However, a US Holder may not make certain elections with respect to its Rights. As a result, if a US Holder sells or otherwise disposes of such Rights (other than upon exercise of such Rights) and the Company were a PFIC at any time during the US Holder’s holding period of such Rights, any gain recognized generally will be treated as an excess distribution, taxed as described above. US Holders are urged to consult their tax advisors as to the application of the PFIC rules to the Rights.

If the Company is considered a PFIC, a US Holder will also be subject to annual information reporting requirements. US Holders should consult their tax advisors about the potential application of the PFIC rules to the Rights and an investment in New Ordinary Shares.

1.8 Information Reporting and Backup Withholding

Distributions with respect to New Ordinary Shares and proceeds from the sale or other taxable disposition of Rights or New Ordinary Shares and the receipt of cash in exchange for a fractional share in respect of entitlements to New Ordinary Shares not taken up in the Rights Issue may be subject to information reporting to the IRS and US backup withholding. A US Holder generally will be eligible for an exemption from backup withholding if the US Holder furnishes a correct taxpayer identification number and makes any other required certification or is otherwise exempt from backup withholding. US Holders who are required to establish their exempt status may be required to provide such certification on IRS Form W-9. US Holders should consult their tax advisors regarding the application of the US information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a US Holder's US federal income tax liability, and such US Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing of an appropriate claim for refund with the IRS and furnishing any required information.

1.9 Additional Information Reporting Requirements

US Holders who exercise the Nil Paid Rights and/or Fully Paid Rights to subscribe for New Ordinary Shares may be required to file an IRS Form 926 with the IRS and to supply certain information to the IRS if (i) such US Holder owns (directly or indirectly) immediately after the transfer, at least 10% by vote or value of the Company or (ii) the transfer to the Company, when aggregated with all related transfers under applicable regulations, exceeds US\$100,000. If a US Holder fails to comply with the reporting requirements, the US Holder may be subject to certain penalties up to US\$100,000 (except in cases involving intentional disregard).

Certain US Holders that hold an interest in "specified foreign financial assets" (which may include the New Ordinary Shares) are required to report information relating to such assets, subject to certain exceptions (including an exception for New Ordinary Shares held in accounts maintained by certain financial institutions). Penalties can apply if US Holders fail to satisfy such reporting requirements. US Holders should consult their tax advisors regarding the applicability of these and any other reporting or filing requirements that may apply to their acquisition and ownership of New Ordinary Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A US SHAREHOLDER. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF THE RECEIPT, PURCHASE, EXERCISE, OWNERSHIP AND DISPOSITION OF RIGHTS AND NEW ORDINARY SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

Part XIV

Additional Information

1. Responsibility Statement

The Directors, whose names appear on page 42 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

2. Incorporation and Activity of the Company

The Company was incorporated and registered in England and Wales with the name South West Water plc on 1 April 1989 as a public company limited by shares with registered number 02366640. The Company's name was subsequently changed to Pennon Group plc on 1 August 1998. The legal entity identifier of the Company is 213800V1CCTS41GWH423. The principal activity of the Company is to act as the ultimate holding company of the Group.

The Company is domiciled in England and Wales with its registered address at Peninsula House, Rydon Lane, Exeter, EX2 7HR, United Kingdom. The telephone number of the Company's registered office is +44(0)1392 446677.

3. Share Capital of the Company

As at the Latest Practicable Date, the share capital of the Company was £174,632,736.85, comprised of 286,048,710 shares issued in two classes:

- (A) 286,048,709 Ordinary Shares of 61.05 pence each; and
- (B) one non-cumulative redeemable preference share of one penny (issued in connection with the WaterShare+ Nominee's operation of the WaterShare+ Schemes) (the "**Preference Share**"),

all of which were fully paid or credited as fully paid. The Existing Ordinary Shares are listed on the equity shares (commercial companies) category of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

As at the Latest Practicable Date, the Company held 5,628 Ordinary Shares in treasury.

The issued and fully paid ordinary share capital of the Company immediately following completion of the Rights Issue, assuming that the maximum number of New Ordinary Shares is issued and that no Ordinary Shares are issued as a result of the exercise of any options between the Latest Practicable Date and the completion of the Rights Issue, is expected to be as follows:

	Number	Aggregate nominal value (£)
Ordinary Shares	471,971,083 ⁽¹⁾	288,138,346 ⁽¹⁾
Preference Share	1	£0.01

Note:

(1) Excludes any shares held in treasury.

The New Ordinary Shares will represent approximately 39.4% of the Ordinary Shares (excluding any shares held in treasury) that will be in issue immediately following the Rights Issue. The Company remains subject to the continuing obligations of the UK Listing Rules with regard to the issue of securities for cash, and the provisions of section 561 of the Companies Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the issue of Ordinary Shares by the Company which are not within a disapplication approved by Shareholders in a general meeting of the Company.

Pursuant to the Rights Issue, 185,928,002 New Ordinary Shares will be issued at a price of 264.00 pence per New Ordinary Share. This will result in the issued ordinary share capital of the

Company (excluding shares held in treasury) increasing by approximately 65.0%. Qualifying Shareholders who take up their *pro rata* entitlement in full will suffer no dilution to their interests in the Company as a result of the Rights Issue. Shareholders who do not (or are not permitted to) take up any of their rights to acquire the New Ordinary Shares will be diluted by up to 39.4% as a result of the Rights Issue (assuming no options granted under the Share Plans are exercised between the Latest Practicable Date and the completion of the Rights Issue).

The New Ordinary Shares which are the subject of the Rights Issue will be provisionally allotted (nil paid) to all Shareholders on the register at close of business on the Record Date by a resolution of a committee of the Board and created in accordance with the laws of England and Wales.

4. Information about the New Ordinary Shares

4.1 Description and type of securities

The New Ordinary Shares will be fully paid ordinary shares with a nominal value of 61.05 pence each. The New Ordinary Shares will be traded on the main market for listed securities of the London Stock Exchange under the ticker symbol “PNN”. The Nil Paid Rights and Fully Paid Rights will be traded on a multi-lateral trading facility of the London Stock Exchange. It is expected that Admission will become effective on 3 February 2025, that dealings in the Rights (Nil and Fully Paid) will commence as soon as practicable after 8:00 a.m. on that date, and that dealings in the New Ordinary Shares (fully paid) will commence on the London Stock Exchange at the time and date shown in the Expected Timetable of Principal Events set out in this document.

On Admission, the New Ordinary Shares will be registered with an ISIN of GB00BNNTLN49 and a SEDOL of BNNTLN4. The ISIN for the Nil Paid Rights will be GB00BT3MB248 and the SEDOL will be BT3MB24. The ISIN for the Fully Paid Rights will be GB00BT3MB354 and the SEDOL will be BT3MB35.

The New Ordinary Shares will be issued under the Companies Act.

The New Ordinary Shares will be freely transferable and there will be no restrictions on the transfer of New Ordinary Shares in the United Kingdom other than as set out in Article 17 of the Articles of Association which provides that the Board, in its absolute discretion, may refuse to register any transfer of a certificated share over which the Company has a lien or where the instrument of transfer of a certificated share is not: (i) left at the office, or at such other place as the Board may decide, for registration; (ii) accompanied by the relevant share certificate and other evidence reasonably required by the Board to prove title; and (iii) in respect of only one class of shares.

All New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Ordinary Shares, save for the right to receive the 2024 Interim Dividend which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025.

The New Ordinary Shares do not carry any rights to participate in a distribution of capital (including on a winding-up) other than those that exist as a matter of law. On a distribution of capital (including on a winding-up), the Preference Share ranks in priority (as to the nominal value paid up on the Preference Share) to holders of Ordinary Shares (but does not carry any further right of participation in the assets of the Company).

On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per New Ordinary Share.

4.2 Form and currency of the New Ordinary Shares

The New Ordinary Shares will be in registered form and will be capable of being held in certificated and uncertificated form. The registrar of the Company is Link Group.

The New Ordinary Shares on Admission will be denominated in pounds sterling.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will be evidenced by entry in the

operator register maintained by the Registrar (which will form part of the register of members of the Company).

No share certificates will be issued in respect of New Ordinary Shares in uncertificated form. No temporary documents of title have been or will be issued in respect of the New Ordinary Shares.

It is currently anticipated that the New Ordinary Shares will be eligible to join CREST, the computerised, paperless system for settlement of sales and purchases of shares in the London securities market, with effect immediately upon Admission and the commencement of dealings of the New Ordinary Shares (fully paid) on the London Stock Exchange at the time and date shown in the Expected Timetable of Principal Events set out in this document..

4.3 Rights attached to the securities

The rights attaching to the New Ordinary Shares will, once issued, be uniform in all respects and they will form a single class for all purposes, including with respect to voting, pre-emption rights and for all dividends and other distributions thereafter declared, made or paid on the Ordinary Share capital of the Company. Subject to the provisions of the Companies Act, any equity securities issued by the Company for cash must first be offered to the holders of Ordinary Shares in the capital of the Company in proportion to their holdings. On a show of hands, every Shareholder who is present in person shall have one vote, and on a poll, every Shareholder present in person or by proxy shall have one vote per Ordinary Share held by it. Except as provided by the rights and restrictions attached to the Ordinary Shares, upon Admission of the New Ordinary Shares, Shareholders will under law be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. The New Ordinary Shares will not have the right to receive the 2024 Interim Dividend, which shall only be paid in respect of the Existing Ordinary Shares on the register as at the 2024 Interim Dividend record date of 31 January 2025.

5. Shareholder Authorities

It was resolved by Shareholders at the 2024 Annual General Meeting, among other things, that:

- (A) in accordance with section 551 of the Companies Act, the Directors be generally and unconditionally authorised to allot shares comprising equity securities up to a maximum nominal amount of £58,209,077, representing approximately one third of the Company's existing issued share capital as at that time, and up to £116,418,155, representing approximately two thirds of the Company's existing issued share capital, as at that time where such authority is to be applied to a pre-emptive offer including a rights issue. This authority will expire on the earlier of: (i) the end of the 2025 Annual General Meeting; and (ii) 1 October 2025, except insofar as offers or agreements to allot shares have been entered into before that date; and
- (B) pre-emption rights under section 561 of the Companies Act are disapplied in connection with a rights issue or other pre-emptive offer up to the corresponding nominal amount set out in the authority above (being £116,418,155) and the Directors may impose such exclusions, limits or restrictions and make any other arrangements as they consider expedient, necessary or appropriate in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, any legal, regulatory or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter.

6. Major Shareholders

As at the Latest Practicable Date, the Company had been notified in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules of the following interests in its issued ordinary share capital:

Name of shareholder	Percentage of total voting rights
Lazard Asset Management Ltd.	9.30%
KBI Global Investors Ltd.	7.97%
Impax Asset Management Ltd.	6.09%
Nuance Investments, LLC	5.98%
BlackRock Advisors (UK) Ltd.	4.68%
Pictet Asset Management (Geneva)	4.43%
ClearBridge Investments Limited	3.83%
Vanguard Group, Inc.	3.56%
Legal & General Investment Management Ltd.	3.08%

None of the Company's major shareholders has different voting rights from any other holder of Ordinary Shares.

7. Directors and Senior Management

7.1 Directors

The Directors and their principal functions within the Company, together with a brief description of their management experience and expertise and principal business activities outside the Company, are set out below. The business address of each of the Directors (in such capacity) is Peninsula House, Rydon Lane, Exeter, EX2 7HR, United Kingdom.

Name	Position
David Sproul	Chair
Susan Davy	Chief Executive Officer
Laura Flowerdew	Chief Financial Officer
Iain Evans CBE	Senior Independent Director
Dorothy Burwell	Independent Non-Executive Director
Jon Butterworth MBE	Independent Non-Executive Director
Lorraine Woodhouse	Independent Non-Executive Director

Note: following Claire Ighodaro's retirement on 31 December 2024, the Company has not yet appointed a new Chair of the Remuneration Committee.

(A) David Sproul (Chair)

Mr. Sproul was appointed to the Board in July 2024 and assumed the role of Chair of the Board after the 2024 Annual General Meeting. He is a Chartered Accountant who has spent the majority of his career in professional services with Deloitte LLP and prior to that Arthur Andersen LLP serving a diverse range of UK and international clients. He concluded his executive career at Deloitte in summer 2021 as Global Deputy CEO having previously been elected for two terms as Senior partner and Chief Executive of Deloitte UK and North West Europe from 2011 to 2019. During his leadership, the firm became the largest and most profitable professional services firm globally and in the UK, driven in part by significant investments in technology services, as well as differentiating itself as the Audit quality leader with a strong inclusive culture. His over 30 years' practice includes experience in strategy development, risk management and governance. Mr. Sproul is also Chair of Starling Bank Limited and non-executive director of Safanad Limited. Mr. Sproul is also a senior adviser to Bridgepoint Europe and he sits on the Board of Governors as chair of the University of Hertfordshire.

(B) Susan Davy (Chief Executive Officer)

Ms. Davy has served as Group Chief Executive Officer since July 2020, having previously served as Chief Financial Officer since 2015. Ms. Davy's knowledge of the industry, coupled with her financial and regulatory expertise, has underpinned the development of Pennon's strategy which has included the value creating acquisitions of Bournemouth Water, Bristol Water and SES Water, as well as the successful Viridor disposal process, all of which she has led. In her 27+ years' experience in the listed utility sector, Ms. Davy has also held a number of other senior roles in the water sector, including at Kelda Group plc. Ms. Davy's FTSE experience, alongside significant corporate, operational and financing expertise, brings a diversity of experience to Pennon. She is also a Non-Executive Director and Audit Chair of Restore Plc, a Director of the Institute of Water, a member of the Water UK Board and was previously a member of the A4S (Accounting for Sustainability) CFO leadership network.

Ms. Davy is a member of Pennon's ESG Committee and Health and Safety Committee.

(C) Laura Flowerdew (Chief Financial Officer)

Ms. Flowerdew was appointed as Chief Financial Officer in July 2024. She was previously the Chief Customer and Digital Officer of Pennon between September 2022 and July 2024. She was also an executive director and Chief Financial Officer of Bristol Water plc from October 2018. Alongside her financial responsibilities, her role also encompassed acting as CEO during the 2020-21 financial year, supporting the company's appeal to the CMA and leading the company's operational and financial transformation programme.

Ms. Flowerdew previously worked in a number of executive positions in utilities and natural resources businesses including Anglo American plc, De Beers UK Limited, Bristol Energy Limited and Tribal Group plc. She qualified with Arthur Andersen LLP, and subsequently Deloitte LLP where she provided advice to clients predominantly in the energy and utilities sector. Ms. Flowerdew is a Fellow of the Institute of Chartered Accountants for England and Wales.

(D) Iain Evans CBE (Senior Independent Director)

Mr. Evans has served as Senior Independent Director since 2023. He was appointed to the Board as an Independent Non-Executive Director in 2018. Mr. Evans has 40 years of global experience in advising companies and governments on issues of complex corporate strategy. In 1983, he co-founded L.E.K. Consulting in London and built it into one of the world's largest and most respected corporate strategy consulting firms with a global footprint and activity in a wide range of industries. Mr. Evans was appointed as a non-executive director of Welsh Water plc in 1989 and served on the board for nearly ten years, including five years as chair. He is also a non-executive director of Bologna Topco Limited and HSM Advisory Limited and continues to act as an independent corporate strategy consultant.

Mr. Evans is the chair of Pennon's ESG Committee and a member of its Nomination Committee, Health and Safety Committee, Remuneration Committee and Audit Committee.

(E) Dorothy Burwell (Independent Non-Executive Director)

Ms. Burwell has served as an Independent Non-Executive Director since 2022. She has over 20 years' experience in banking and communications, specialising in natural resources and advising clients around issues of sustainability, strategy, and corporate communications. Ms. Burwell is well known for driving substantive diversity and inclusion agendas. Between 2002 and 2006, Ms. Burwell held analyst and senior roles at Goldman Sachs, in the investment banking division, in both London and New York, as well as in the firmwide Strategy Group, where she focused on proprietary mergers and acquisitions and new business development. She graduated from the Florida Agricultural and Mechanical University, USA with a Bachelor and Master of Business Administration, Finance and Management. Ms Burwell is currently Partner at FGS Global and non-executive director at Post Holdings Inc..

Ms. Burwell is a member of Pennon's Nomination Committee, Health and Safety Committee, Remuneration Committee and ESG Committee.

(F) Jon Butterworth MBE (Independent Non-Executive Director)

Mr. Butterworth has served as an Independent Non-Executive Director since 2020. He has a distinguished track record and an immense depth of experience and knowledge within the utility sector, having begun his career over 40 years ago as an apprentice at British Gas. Mr. Butterworth was previously managing director of National Grid Ventures Limited, driving growth across a range of commercial ventures outside the regulated energy sector in the UK and the US. He has also been managing director of Northwest Gas, Global Environment and Sustainability manager of Transco North, National Operations director of National Grid plc, Group Safety, Resilience and Environmental director of National Grid plc and formerly chief executive officer of National Grid Ventures Limited. Mr. Butterworth is an ex-chair of the CORGI board, an ex-ambassador of the HM Young Offenders Programme and trustee of the National Gas Museum Trust. He is currently chief executive officer at National Gas Transmission plc, president of the Pipeline Industries Guild and a director of E.Tapp & Co Limited, Shopfittings Manchester Limited and TMA Property Limited.

Mr. Butterworth is the chair of Pennon's Health and Safety Committee and a member of its Nomination Committee and ESG Committee.

(G) Loraine Woodhouse (Independent Non-Executive Director)

Ms. Woodhouse has served as an Independent Non-Executive Director since 2022. She is an experienced finance executive, with her experience focused in the retail and consumer sector, and more recently in real estate and infrastructure through her roles with Intu Properties plc and British Land Company PLC. Ms. Woodhouse was the chief financial officer of Halfords Group plc until June 2022, before which she spent five years in executive and senior finance roles within John Lewis Partnership, including Waitrose. Prior to that, she was chief financial officer of Hobbs Limited, finance director of Capital Shopping Centres Limited (subsequently Intu Properties plc) and finance director of Costa Coffee Limited. Ms. Woodhouse is currently non-executive director and chair of the Audit Committee of British Land Company PLC. Ms. Woodhouse is currently non-executive director at Associated British Foods plc and a member of its Audit and Remuneration Committees.

Ms. Woodhouse is the chair of Pennon's Audit Committee and a member of its Nomination Committee and Remuneration Committee.

7.2 Senior Managers

The Senior Managers, in addition to the Executive Directors listed above, are as follows:

Name	Position
Andrew Garard	Group General Counsel and Company Secretary
Adele Barker	Group Chief People Officer
Richard Price	Managing Director of Wastewater Services
David Harris	Managing Director Water Services
Sarah Williams	Chief of Strategy and Regulation
Graham Murphy	Chief Engineering Officer
Paul Ringham	Managing Director of Pennon Power

(A) Andrew Garard (Group General Counsel and Company Secretary)

Mr. Garard has served as Group General Counsel and Company Secretary since December 2022, and is responsible for legal, legal compliance and the Group Secretariat. He is a qualified solicitor in England and Wales and Hong Kong and a CEDR accredited mediator. Mr. Garard founded the Legal Social Mobility Partnership in 2014 before creating the Social Mobility Business Partnership in 2017. He joined Meggitt PLC as Group General Counsel and Director, Corporate Affairs in September 2019 where he was a member of the Group Executive and responsible for legal, commercial, trade compliance, government relations, ethics and contract management. Previously, he was Group General Counsel and Company Secretary at ITV plc where he was a member of the Executive Board and led a global team responsible for legal and business affairs, secretariat, compliance, insurance, health & safety, rights management and corporate responsibility. Mr. Garard started his career at Clifford Chance and also Freshfields. He is a Non-Executive Director at Zinc Media Group plc where he is Chair of the Remuneration Committee.

(B) Adele Barker (Group Chief People Officer)

Ms. Barker joined Pennon in 2017 and was appointed as Group Chief People Officer in July 2020. Her areas of responsibility include the Group-wide Human Resources function, Health & Safety and Corporate Communications. Her remit includes the implementation of the Group's people strategy, diversity and inclusion initiatives, talent development, people engagement, leadership and cultural change. Her background includes senior roles in FTSE organisations including Marks and Spencer P.L.C., Orange Group and John Lewis Partnership plc. Prior to joining Pennon, Ms. Barker spent 11 years at British Gas Limited. She is also a member of the board of NHS Professionals Limited (NHSP) as a non-executive director.

(C) Richard Price (Managing Director – Wastewater Services)

Mr. Price was appointed Managing Director, Wastewater Services on 11 July 2024. Previously, he held the position of Group Chief Engineering Director from 1 September 2022, having joined Bristol Water in February 2018. He is a Chartered Civil Engineer and Fellow of the Institution of Civil Engineers and Institute of Water. Mr. Price has over 30 years' experience engineering, constructing and operating water and wastewater infrastructure, having previously held senior roles at other water companies. Mr. Price was instrumental in the transformation of Bristol Water as Chief Operating Officer. He is passionate about safety and customer excellence, embedding leading practices whilst transforming operating and delivery functions.

Mr. Price is also a director of Pelican Business Services (the trading name of Bristol Wessex Billing Services Limited), a joint venture, providing combined billing services to Bristol Water and Wessex Water customers.

(D) David Harris (Managing Director – Water Services)

Mr. Harris joined the Group as Group Drought and Resilience Director in 2022. He was appointed as Managing Director, Water Services (National) in July 2024.

With over 25 years of executive experience, he has successfully led performance and growth of large infrastructure businesses, both in the regulated water market and the competitive energy market in Australia. Mr. Harris brings experience from his time leading one of Australia's largest and fully vertically integrated water companies through the worst droughts in the country's history, ensuring the constant supply of water and the building of additional water resources.

(E) Sarah Williams (Chief of Strategy and Regulation)

Ms. Williams was appointed Chief Strategy and Regulation Officer in July 2024 after initially joining Pennon as Group Director of Regulation, Strategy and Net Zero in April 2024.

Ms. Williams brings with her huge expertise and knowledge from 28 years in the utilities sector and, most recently, as Director of Regulation, Asset Strategy, and HS&E at Wales and West Utilities Limited. She has an impressive track record of leading price reviews as well as several senior leaderships roles in Asset Management, Net Zero, Customer Service, Health & Safety and successful implementation of major change programmes.

(F) Graham Murphy (Chief Engineering Officer)

Mr Murphy joined South West Water in 1991 and has held a number of positions within engineering, operations and HR. He was appointed to his current role as Chief Engineering Officer in July 2024 and has full responsibility for the timely and efficient delivery of the South West Water's capital investment programme. Prior to joining South West Water, he undertook a variety of operational management roles within British Gas.

(G) Paul Ringham (Managing Director of Pennon Power)

Mr Ringham joined the Group as Managing Director of Pennon Power, the newly formed renewable energy division, in September 2024. Mr Ringham qualified as an accountant at Coopers & Lybrand and is a member of the Institute of Chartered Accountants of England and Wales. Earlier in his career, Mr Ringham was the Director of Corporate Finance for BT plc and later became the Commercial Director of BT Global Services, the group's International division. In 2014, Mr Ringham joined Viridor Waste Management Limited as Commercial Director and worked closely with the Pennon Executive team during the sale of the business to the US global investment company,

Kohlberg Kravis Roberts & Co (“KKR”) in 2020. He then spent 24 months working with KKR to restructure the business. Following the completion of this divestment program, Mr Ringham worked with the new owner of Viridor’s landfill and landfill gas division to develop its renewable energy strategy.

7.3 Directorships and partnerships outside the Group

The details of those companies and partnerships outside the Group of which the Directors and Senior Managers are currently directors or partners, or have been directors or partners at any time during the five years prior to the publication of this document, are as follows:

Name	Current directorships and partnerships	Previous directorships and partnership
Directors		
David Sproul	Starling Bank Limited – Chair Safanad Limited – Non-executive director University of Hertfordshire – Chair of Board of Governors	BusinessLDN – Director Deloitte LLP – LLP Designated Member Deloitte NSE LLP
Susan Davy	CREWW Executive Board Limited – Director Restore plc – Non-Executive Director and Audit Chair Institute of Water – President of Board of Directors Water UK – Director	Viridor Limited – Director
Laura Flowerdew	Bristol Wessex Billing Services Limited – Director	—
Iain Evans CBE	Bologna Topco Limited – Non-executive director HSM Advisory Limited – Non-executive director	—
Dorothy Burwell	FGS Global – Partner Post Holdings Inc. – Non-executive director London (UK) Chapter of the Links, Incorporated – Director	Consumers’ Association – Director
John Butterworth MBE	National Gas Transmission Plc – Chief Executive Officer The National Gas Museum Trust – Director E.Tapp & Co Limited – Director TMA Property Limited – Director IGEM Future Energy Networks Ltd – Director	National Gas Metering Limited – Director Corgi Trust – Director Energy Safety Trust – Director Mainwaring Gardens Management Company Limited – Director Shopfittings Manchester Limited – Director National Grid IFA 2 Limited – Director Thamesport Interchange Limited – Director HGS Metering Limited – Director National Grid Grain LNG Limited – Director The Co Research Trust – Director

Name	Current directorships and partnerships	Previous directorships and partnership
Loraine Woodhouse ¹⁸	British Land Company PLC – Non-executive director and Chair of Audit Committee Associated British Foods plc – Director	Britned Development Limited – Director Droylsden Metering Services Limited – Director Nemo Link Limited – Director National Grid Interconnectors Limited – Director National Grid North Sea Link Limited – Director National Grid Interconnector Holdings Limited – Director National Grid Smart Limited – Director National Grid Viking Link Limited – Director National Gas Metering Limited – Director The Restaurant Group plc – Non-executive director and member of Audit, Remuneration and Nomination Committees Halfords Group plc – Chief Financial Officer Avayler Trading Limited – Director Boardman Bikes Limited – Director Boardman International Limited – Director Giant (Wales) Limited – Director Gordon's Auto Centre (Castleford) Limited – Director Gordon's Auto Centre (Sheffield) Limited – Director Gordon's Auto Centre (Wakefield) Limited – Director Gordon's Tyres (Leeds) Limited – Director G W Autoserve (Ipswich) Limited – Director G.W. Commercial Tyres Ltd – Director Halfords Autocentres Acquisitions Limited – Director Halfords Autocentres Development Limited – Director Halfords Autocentres Funding Limited – Director Halfords Autocentres Holdings Limited – Director Halfords Autocentres Limited – Director

¹⁸ On 17 January 2025, the Company announced that Loraine Woodhouse had notified the Company that she will become the Senior Independent Director for British Land Company PLC, with effect from 31 January 2025.

Name	Current directorships and partnerships	Previous directorships and partnership
		<p>Halfords Finance Limited – Director</p> <p>Halfords Group Holdings Limited – Director</p> <p>Halfords Holdings (2006) Limited – Director</p> <p>Halfords Holdings Limited – Director</p> <p>Halfords IP Management Limited – Director</p> <p>Halfords Limited – Director</p> <p>Halfords Payment Services Limited – Director</p> <p>Halfords Vehicle Management Limited – Director</p> <p>McConechy's Tyre Service Limited – Director</p> <p>McConechy's Tyre Services Holdings Limited – Director</p> <p>NW Autocentres Limited – Director</p> <p>Performance Cycling Holdings Limited – Director</p> <p>Performance Cycling Limited – Director</p> <p>Stop N' Steer Management Limited – Director</p> <p>Strathclyde Tyre Services Limited – Director</p> <p>The Universal Tyre Company (Deptford) Limited – Director</p> <p>Tredz Limited – Director</p> <p>Wheelies Direct Limited – Director</p>
Senior Managers		
Andrew Garard	<p>CREWW Executive Board Limited – Director</p> <p>Water 2 Business Limited – Director</p> <p>Zinc Media Group plc – Non-Executive Director and Chair of the Remuneration Committee</p> <p>Social Mobility Partnership – Chair of Trustees and Founder</p>	<p>Meggitt Aerospace Limited – Director</p> <p>Meggitt Investments Limited – Director</p> <p>HiETA Technologies Ltd – Director</p> <p>Meggitt International Limited – Director</p> <p>Meggitt International Holdings Limited – Director</p> <p>Meggitt (UK) Limited – Director</p> <p>Meggitt Properties Limited – Director</p> <p>Meggitt Acquisition Limited – Director</p> <p>Meggitt USA – Director</p> <p>Phoenix Travel (Dorset) Limited – Director</p> <p>Avica Aerospace Ducting Limited – Director</p>

Name	Current directorships and partnerships	Previous directorships and partnership
Adele Barker	NHS Professionals – Non-executive director	—
Richard Price	Bristol Wessex Billing Services Limited – Director Richard Price Consulting Limited – Director 2nd Steyning Scout Group, West Sussex – Trustee & Chair	—
David Harris	South West Lakes Trust – Director	WaterNSW – Chief Executive Officer and Director Water NSW Infrastructure Pty Limited – Director Water Services Association of Australia Limited – Director
Sarah Williams	—	Warm Wales – Cymru Gynnes Cwmni Buddiant Cymunedol Net Zero Industry Wales Limited Institute of Gas Engineers and Managers
Graham Murphy	—	—
Paul Ringham	PSR Consulting Limited	Dragon Waste Limited – Director Viridor Waste (Collections) Limited – Director Viridor Waste (Greater Manchester) Limited – Director Viridor Clyde Valley Limited – Director Valencia Waste Management Limited – Director Viridor Waste (Electrical 1) Limited – Director Viridor Waste (Electrical 2) Limited – Director Viridor Limited – Director INEOS Runcorn (TPS) Holdings Limited – Director INEOS Runcorn (TPS) Limited – Director Lakeside Energy From Waste Limited – Director Ford Energy From Waste Limited – Director Lakeside Energy From Waste Holdings Limited – Director

7.4 Directors' and Senior Managers' interests

The number of Ordinary Shares that the Directors and Senior Managers, and their respective immediate families, hold on the date of this document and the number they are expected to hold immediately following the Rights Issue of the New Ordinary Shares, including as a percentage of the Company's issued ordinary share capital prior to and following the issue (reflecting the expected take up by the Directors and the Senior Managers of their entitlements under the Rights Issue and assuming no options granted under the Share Plans are exercised between the Latest Practicable Date and the completion of the Rights Issue), are as follows:

Name	Ordinary Shares beneficially held at the date of this document ⁽¹⁾		Ordinary Shares beneficially held immediately following completion of the Rights Issue ⁽¹⁾	
	No.	%	No.	% ⁽⁵⁾
Directors				
David Sproul	—	—	—	—
Susan Davy ⁽²⁾	239,443 ⁽⁴⁾	0.084	354,750	0.124
Laura Flowerdew	285	0.000	470	0.000
Iain Evans CBE	—	—	—	—
Dorothy Burwell	2,054	0.001	3,389	0.001
Jon Butterworth MBE	2,054 ⁽³⁾	0.001	2,524	0.001
Lorraine Woodhouse	2,054	0.001	3,389	0.001
Senior Managers				
Andrew Garard	274 ⁽⁴⁾	0.000	336	0.000
Adele Barker	94,277	0.033	115,858	0.041
Richard Price	368	0.000	452	0.000
David Harris	273	0.000	335	0.000
Sarah Williams	—	—	—	—
Graham Murphy	108,033 ⁽⁴⁾	0.038	132,763	0.046
Paul Ringham	6,173	0.002	7,586	0.003

Notes

(1) This does not include any interests in Ordinary Shares which the relevant Director holds through the Share Plans.

(2) In respect of the Nil Paid Rights arising by virtue of Susan Davy's beneficial holding of Ordinary Shares set out in this table, her intention is to subscribe for 115,308 New Ordinary Shares, which includes taking up in full a part of her entitlement and tail swallowing the remaining, i.e. she intends to sell as many of such Nil Paid Rights as will allow her to take up the remainder of the Nil Paid Rights. The number and percentage of Ordinary Shares beneficially held by Susan Davy immediately following completion of the Rights Issue assumes the sale of 40,330 Nil Paid Rights at the Rights Issue Price, which may not be the price for which such Nil Paid Rights are sold.

(3) In respect of the Nil Paid Rights arising by virtue of Jon Butterworth MBE's beneficial holding of Ordinary Shares set out in this table, his intention is to sell as many of such Nil Paid Rights as will allow him to take up the remaining Nil Paid Rights to which he is entitled. The number and percentage of Ordinary Shares beneficially held by Jon Butterworth MBE immediately following completion of the Rights Issue assumes the sale of 865 Nil Paid Rights at the Rights Issue Price, which may not be the price for which such Nil Paid Rights are sold.

(4) Includes 1 share held through the WaterShare+ Nominee which is treated as a separate holding.

(5) This table excludes any shares held in treasury.

7.5 Conflicts of interest

Save for their capacities as persons legally and beneficially interested in Ordinary Shares, there are:

- (A) no actual or potential conflicts of interest between the duties owed by the Directors or the Senior Managers to the Company and their private interests and/or other duties that they may also have; and
- (B) no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director or Senior Manager was selected.

Each of the Directors has a statutory duty under the Companies Act to avoid conflicts of interests with the Company and to disclose the nature and extent of any such interest to the Board. Under

the Articles of Association and as permitted by the Companies Act, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest and may attach to any such authorisation such conditions and/or restrictions as the Board deems appropriate (including in respect of the receipt of information or restrictions on participation at certain Board meetings), in accordance with the Articles of Association.

7.6 Directors' and Senior Managers' confirmations

- (A) As at the date of this document, no Director or Senior Manager has during the last five years:
- (i) had any convictions in relation to fraudulent offences;
 - (ii) been associated with any bankruptcy, receivership, liquidation or companies put into administration while acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager of any company;
 - (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
 - (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.
- (B) No Director or Senior Manager was selected to act in such capacity pursuant to any arrangement or understanding with any shareholder, consumer, supplier or any other person having a business connection with the Group.
- (C) There are no family relationships between any of the Directors and/or the Senior Managers.
- (D) There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors or Senior Managers.

8. Frustrating Actions

The Company is subject to the City Code on Takeovers and Mergers (the “**City Code**”). Other than as provided by the City Code and Chapter 3 of Part 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Ordinary Shares.

9. Related Party Transactions

Save as disclosed in the information incorporated by reference into this document referred to below, the Company entered into no transactions with related parties during the financial year ended 31 March 2024 or the half-year ended 30 September 2024:

- Note 42 of the notes to the audited consolidated financial statements for Pennon for the financial year ended 31 March 2024, which can be found on page 236 of the 2024 Annual Report and Accounts.

No member of the Group entered into any Related Party Transactions between 30 September 2024 and the Latest Practicable Date, other than the irrevocable undertakings which the Company entered into with each of the Directors in connection with the Rights Issue (as described at section 10.2 of this Part XIV).

10. Material Contracts

The contracts listed below have been entered into by the Company or another member of the Group: (i) within the two years immediately preceding publication of this document which are material to the Company or any member of the Group; or (ii) at any time and contain any provision under which the Company or any member of the Group has any obligation or entitlement which is material to the Company or any member of the Group as at the date of this document, in each case not including contracts entered into in the ordinary course of business.

10.1 Underwriting Agreement

On the date of this document, the Company and the Underwriters entered into the Underwriting Agreement pursuant to which the Company has appointed Barclays and Morgan Stanley as joint sponsors, joint global co-ordinators, joint bookrunners and underwriters in connection with the Rights Issue and Admission.

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters (as agents for the Company) have severally agreed to use reasonable endeavours to procure subscribers for the New Ordinary Shares which are not taken up (or, at their discretion, for as many New Ordinary Shares in respect of which subscribers can be so procured) as soon as reasonably practicable and in any event by no later than 4:30 p.m. on the second dealing day after the last date for acceptances under the Rights Issue, for an amount which is not less than the total of the Rights Issue Price multiplied by the number of such New Ordinary Shares for which subscribers are so procured and the expenses of procurement (including any applicable brokerage and commissions and related amounts in respect of VAT).

If and to the extent that the Underwriters are unable to procure subscribers on the basis outlined in the previous paragraph, the Underwriters, each in their Due Proportion, have agreed to subscribe on a several basis (each in accordance with their due proportion, being, in the case of Barclays 50% and in the case of Morgan Stanley 50%), for any remaining New Ordinary Shares at the Rights Issue Price.

In consideration for their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, the Underwriters will be paid an underwriting fee of 2.50% of the gross proceeds of the Rights Issue in respect of the New Ordinary Shares (plus VAT, if applicable) (the “**Base Commission**”), which shall be allocated to the Underwriters in their Due Proportions. The Company may also, in its sole and absolute discretion, pay to the Underwriters a discretionary fee of up to 0.25% of the gross proceeds of the Rights Issue (plus VAT, if applicable). In addition, subject to and conditional on the Underwriters procuring payment to the Company (or the Receiving Agent) in accordance with the Underwriting Agreement, in consideration of their respective obligations as sponsors under the Underwriting Agreement, the Company shall pay a sponsor fee of £250,000 to each of the Joint Sponsors.

Out of the Base Commission, the Underwriters will pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Underwriters may procure to acquire New Ordinary Shares. The Company has also agreed, regardless of whether the Underwriters’ obligations under the Underwriting Agreement become unconditional or the Underwriting Agreement is terminated, that the Company (or one or more persons other than the Underwriters) shall pay all costs, charges and expenses payable in connection with the Rights Issue and Admission, and the Company shall pay, or as applicable, reimburse all costs, charges and expenses reasonably and properly incurred by the Underwriters in connection with the Rights Issue and Admission (subject to certain caps).

The Company has given certain customary representations, warranties and undertakings to the Underwriters, including a 180-day lock-up on issues of new shares from the date of settlement (save for permitted issuances in connection with the Rights Issue and existing employee share schemes). In addition, the Company has agreed to certain customary consultation and/or consent rights in favour of the Underwriters in respect of entry into certain commitments and the making of certain announcements which are material in the underwriting of the New Ordinary Shares, the Rights Issue and/or Admission. The Company has also given certain customary indemnities to the Underwriters and to certain persons connected with them. The liabilities of the Company thereunder are unlimited as to time and amount.

The obligations of the Underwriters under the Underwriting Agreement are subject to certain customary conditions including, among others: (i) the representations and warranties given by the Company in the Underwriting Agreement being true and accurate and not misleading on the dates on which they are given or repeated; (ii) Admission occurring not later than 8:00 a.m. on 3 February 2025 (or such later time and/or date as the Company and the Underwriters each acting in good faith may agree in writing); and (iii) in the opinion of the Underwriters (acting jointly and in good faith), there having been no material adverse change with respect to the Group at any time between 29 January 2025 and Admission.

If any condition is not satisfied (unless, where permissible, extended or waived by the Underwriters in their absolute discretion), or becomes incapable of being satisfied, by the required time and date then, save for certain exceptions, the parties' obligations under the Underwriting Agreement shall cease and terminate, without prejudice to any liability for any prior breach of the Underwriting Agreement. The Underwriters' obligations under the Underwriting Agreement will become unconditional after Admission of the Nil Paid Rights has occurred.

In addition, the Underwriters (acting jointly) are entitled to terminate the Underwriting Agreement prior to Admission if certain circumstances occur, including, among others, where, in the good faith opinion of the Underwriters (acting jointly) there has been a material adverse change with respect to the Group or the occurrence of certain force majeure-style events which would, in the good faith opinion of the Underwriters, be likely to have an adverse effect on the financial or trading position or the business of the Group which is material in the context of the Group as a whole or renders the Rights Issue, the underwriting of the New Ordinary Shares and/or Admission impracticable or inadvisable in any material respect. The Underwriters are not entitled to exercise any right of termination, and no right of termination applies, once Admission has occurred.

10.2 Irrevocable Undertakings

In connection with the Rights Issue, those Directors who hold Ordinary Shares have irrevocably undertaken to take up in full their rights to subscribe for New Ordinary Shares under the Rights Issue or to sell a sufficient number of their Nil Paid Rights during the nil paid dealing period to meet the costs of taking up the balance of their entitlements to New Ordinary Shares.

10.3 Financing Arrangements

In July 2024, Pennon launched a £2.5 billion EMTN programme to facilitate further public issuance and maintain its diverse financing portfolio. South West Water Finance plc is the issuer under the programme with South West Water as the guarantor. As part of this, South West Water Finance plc entered into an agency agreement. On 1 August 2024, pursuant to this programme, South West Water Finance plc issued £400,000,000 6.375% guaranteed notes due August 2041. A supplementary prospectus, supplementing the terms of the base prospectus published on 23 July 2024, was published on 28 November 2024. Most recently, on 9 December 2024, South West Water Finance plc issued £250 million 5.750% fixed rate notes due 2032 under the programme.

10.4 SES Water Sale and Purchase Agreement

On 10 January 2024 pursuant to the terms and conditions of a sale and purchase agreement dated 10 January 2024 between the Company as purchaser and Summit Water Limited and Osaka Gas UK, Ltd as sellers (the "**SES Sellers**") (the "**SES Sale and Purchase Agreement**"), the Company completed the acquisition of the entire issued share capital of Sumisho Osaka Gas Water UK Limited, the holding company of SES Water and certain other ancillary businesses, from the SES Sellers for a total enterprise value of £380 million (the "**SES Acquisition**").

The total consideration payable to the SES Sellers under the SES Sale and Purchase Agreement was c. £88.8 million.

Pursuant to the SES Sale and Purchase Agreement, the SES Sellers gave certain customary warranties in favour of the Company, which are backed by a customary warranty and indemnity insurance policy in favour of the Company.

On 8 January 2024, an initial enforcement order with respect to the SES Acquisition was issued by the CMA, requiring the Group and SES Water to remain operationally separate, but not preventing the SES Acquisition from taking place. The SES Acquisition completed on 10 January 2024. On 7 March 2024, the CMA announced the launch of a merger inquiry into the SES Acquisition. On 14 June 2024, the Company announced that the CMA had published its clearance of the acquisition of SES Water by the Company following the CMA's acceptance of the Company's proposed undertakings in relation to the separate reporting of SES Water's costs and performance.

10.5 January 2024 Placing Agreement

On 10 January 2024, Pennon, Barclays and Morgan Stanley entered into a placing agreement, pursuant to which the Company appointed each of Barclays and Morgan Stanley as its joint global co-ordinator, joint bookrunner and agent in connection of the placing of 23,711,998 new Ordinary Shares by the Company (the “**Placing Agreement**”), raising gross proceeds of approximately £173 million. Admission of such shares to the Official List and to trading on the Main Market took place on 12 January 2024.

Subject to the terms and conditions of the Placing Agreement, each of Barclays and Morgan Stanley severally agreed, as agent for the Company, to use its reasonable endeavours to procure placees for new Ordinary Shares and, to the extent that any placee defaulted in paying the offer price in respect of placing shares allocated to it, to subscribe for such defaulted placing shares at the offer price.

11. Pennon Regulatory Disclosures

Below is a summary of the information disclosed in accordance with the Company’s obligations under Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, as it forms part of retained EU law by virtue of the EUWA, as amended from time to time (“**UK MAR**”) over the last 12 months which is relevant as at the date of this document.

- (A) On 29 January 2025, the Company announced that its subsidiaries, South West Water and SES Water, would not apply for Ofwat’s Final Determinations to be referred to the CMA.
- (B) On 21 January 2025, the Company released a notification relating to the SIP monthly purchases on behalf of PDMRs.
- (C) On 20 December 2024, the Company released a notification relating to the Company’s Share Incentive Plan (“**SIP**”) monthly purchases on behalf of Persons Discharging Managerial Responsibilities (“**PDMR**”).
- (D) On 20 November 2024, the Company released a notification relating to the SIP monthly purchases on behalf of PDMRs.
- (E) On 22 October 2024, the Company released a notification relating to the SIP monthly purchases on behalf of PDMRs.
- (F) On 26 September 2024, the Company gave a trading update for the period from 1 April 2024 to 26 September 2024, ahead of announcing its half-year results. The Company announced that it had received clearance from the CMA in June for its acquisition of SES Water, that Draft Determinations from Ofwat for South West Water and SES Water had been received in July, that there had been operational progress on a number of areas, that financial results for the half year ending 30 September 2024 would reflect the inclusion of SES Water and that interest costs were broadly aligned with the six months ended 30 September 2024.
- (G) On 20 September 2024, the Company released a notification in relation to the SIP monthly purchases on behalf of PDMRs.
- (H) On 11 September 2024, the Company released a notification relating to the reinvestment of dividend into the SIP on behalf of a PDMR.
- (I) On 20 August 2024, the Company released a notification relating to the SIP monthly purchase on behalf of a PDMR.
- (J) On 19 July 2024, the Company released a notification relating to conditional awards of shares pursuant to the Company’s Long Term Incentive Plan (“**LTIP**”) on behalf of PDMRs.
- (K) On 19 July 2024, the Company released a notification relating to the SIP monthly purchase on behalf of a PDMR.
- (L) On 5 July 2024, the Company released a notification relating to a grant of options to acquire shares under the Company’s Sharesave Scheme on behalf of a PDMR.
- (M) On 5 July 2024, the Company released a notification relating to a sale of shares to cover certain liabilities following the vesting of shares pursuant to the Company’s Annual Incentive Bonus Plan on behalf of a PDMR.

- (N) On 5 July 2024, the Company released a notification relating to an acquisition of shares for the release of conditional awards pursuant to the LTIP, and subsequent sale of shares to cover certain liabilities, on behalf of a PDMR.
- (O) On 20 June 2024, the Company released a notification in relation to the SIP monthly purchase on behalf of a PDMR.
- (P) On 21 May 2024, the Company released a notification in relation to the SIP monthly purchase on behalf of a PDMR.
- (Q) On 21 May 2024, the Company announced its annual results for the financial year ended 31 March 2024. This contained a summary of its financial and operating performance. The Company announced that its overall performance for the 12-month period ended 31 March 2024 was in line with its expectations, with an underlying revenue of £907.8 million and underlying operating profit of £166.3 million.
- (R) On 22 April 2024, the Company released a notification in relation to the SIP monthly purchase on behalf of a PDMR.
- (S) On 21 March 2024, the Company released a notification in relation to the SIP monthly purchase on behalf of a PDMR.
- (T) On 20 February 2024, the Company released a notification in relation to the SIP monthly purchase on behalf of a PDMR.
- (U) On 8 February 2024, the Company released a notification in relation to the grant of a conditional award of shares pursuant to the LTIP on behalf of a PDMR.

12. Litigation and Investigations

Other than as set out below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the period covering the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

- (A) On 18 November 2021, Ofwat and the Environment Agency announced an industry-wide investigation into sewage treatment works. On 27 June 2022, Ofwat announced enforcement action against South West Water. The Group continues to work openly with Ofwat to comply with the notice as part of this ongoing investigation and has undertaken its own internal investigation. Investment interventions have also been undertaken at a small number of the Group's sites. Ofwat have yet to formally respond on the investigation. It is not possible to quantify the financial impact of the investigation at this time.
- (B) On 23 May 2023, Ofwat announced an investigation into South West Water's 2021-22 operational performance data relating to leakage and per capital consumption as reported in its Annual Performance Report 2021-22. The Group continues to work openly and constructively to comply with the formal notice issued to South West Water as part of this investigation. It is not possible to quantify the financial impact of the investigation at this time.
- (C) On 2 February 2024, summons were received by South West Water from the Environment Agency in relation to alleged illegal water discharge activities at seven locations with a total of 30 charges. The initial court hearing took place on 16 April 2024 at which South West Water entered no plea. At the next court hearing on 14 November 2024 the Environment Agency withdrew six of the 30 charges and South West Water entered a guilty plea on five of the charges (concerning certain matters in 2019 and 2020). No plea was entered on the remaining 19 charges and South West Water subsequently offered remedial undertakings which were not accepted. South West Water submitted an application for 12 of the remaining charges to be stayed for abuse of process which was heard on 8 January 2025. The District Judge will provide an indication of her decision regarding the applications for stay on 7 February 2025, with written judgment to follow at a later date. A hearing for South West Water's plea in relation to the other 7 charges has not yet been scheduled. Sentencing for all remaining charges is scheduled for 25 and 26 September 2025. It is not possible to quantify the financial impact of these proceedings at this time.

- (D) In May 2024, South West Water was notified by the UK Health Security Agency of cryptosporidium cases in the Brixham and Kingswear areas of Devon, and following two positive cryptosporidium water samples, South West Water issued approximately 16,300 boil water notices, including approximately 14,000 which were issued on a precautionary basis. These precautionary notices were lifted three days later following clear testing results. Between 10 June 2024 and 8 July 2024, South West Water lifted all remaining boil water notices. Household customers received compensation from South West Water. The DWI is currently investigating the matter and an interview by the DWI of South West Water under caution took place on 8 November 2024.
- (E) In August 2024, the Environment Agency stated that it is considering what legal approach to take in respect of a burst sewer in Exmouth which is part of South West Water's sewer network. On 17 October 2024, the Group became aware of a public announcement, made by Leigh Day, that a number of residents and businesses in the affected areas of Exmouth have launched a claim for legal action against South West Water. A letter of claim has not been received and it is not possible to quantify the financial impact of any potential claim at this time. Whether Leigh Day will issue a letter of claim against South West Water, or take any other action in relation to the incident, is unclear as at the date of this document.

13. Working Capital

In the opinion of the Company, taking into account the net proceeds of the Rights Issue (being approximately £470 million, after deduction of estimated commissions, fees and expenses), the working capital available to the Group is sufficient for its present requirements (that is, for at least 12 months following the date of this document).

14. No Significant Change

There has been no significant change in the financial position or financial performance of the Group in the period since 30 September 2024, being the date to which the latest financial information in relation to the Group was published.

15. Expenses

The total costs and expenses payable by the Company in connection with the Rights Issue (including the listing fees of the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £20 million (excluding amounts in respect of VAT).

16. Auditor

The independent auditor of the Company since July 2024 has been PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

The independent auditor of the Company for the periods covered by the 2024 Annual Report and Accounts, the 2023 Annual Report and Accounts and the 2022 Annual Report and Accounts was Ernst & Young LLP of 1 More London Place, London SE1 2AF.

17. Documents Available for Inspection

Copies of the following documents may be inspected on the Company's website at <https://www.pennon.com> for a period of 12 months from the date of publication of this document:

- (A) the Articles of Association;
- (B) the documents incorporated by reference into this document, as listed in Part XV (*Documents Incorporated by Reference*); and
- (C) a copy of this document.

For the purposes of the Prospectus Regulation Rules, this document will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays,

Sundays and public holidays excepted) for a period of 12 months following Admission at the Company's registered office, being Peninsula House, Rydon Lane, Exeter, EX2 7HR, United Kingdom. In addition, the document will be published in electronic form and be available on the Company's website at <https://www.pennon-group.com>.

Part XV

Documents Incorporated by Reference

The table below sets out the documents of which certain parts are incorporated by reference into, and form part of, this document. Only the parts of the documents identified in the table below are incorporated into, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this document. To the extent that any information incorporated by reference itself incorporates any information by reference, either expressly or by implication, such information will not form part of this document for the purposes of the Prospectus Regulation Rules, except where such information is stated within this document as specifically being incorporated by reference or where the document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

1. Information Incorporated by Reference from the 2024/2025 Half Year Results

The following pages are incorporated by reference from the 2024/2025 Half Year Results:

Document information incorporated by reference	Pages
Financial Performance	2 – 5
Group Chief Executive Officer's Review	6 – 11
Group Chief Financial Officer's Review	12 – 20
Technical Guidance for FY 2024/2025	21
Principal Risks and Uncertainties	22
Consolidated income statement	25
Consolidated statement of comprehensive income	26
Consolidated balance sheet	27
Consolidated statement of changes in equity	28
Consolidated statement of cash flows	29
Notes to condensed half year information	30 – 49
Independent review report	51 – 52
Alternative performance measures	53 – 56

2. Information Incorporated by Reference from the 2024 Annual Report and Accounts

The following pages are incorporated by reference from the 2024 Annual Report and Accounts:

Document information incorporated by reference	Pages
Our operational review	32 – 41
Our KPIs – non-financial metrics	42 – 44
Our KPIs – financial metrics	45 – 46
Our CFO's review	47 – 54
Our risk management	55 – 64
Independent Auditor's report	175 – 184
Consolidated income statement	185
Consolidated statement of comprehensive income	186
Balance sheets	187
Statement of changes in equity	188 – 189
Cash flow statements	190
Notes to the consolidated financial statements	191 – 238
Five-year financial summary	243

The 2024 Annual Report and Accounts can be accessed at <https://annualreport.pennon-group.co.uk>.

3. Information Incorporated by Reference from the 2023 Annual Report and Accounts

The following pages are incorporated by reference from the 2023 Annual Report and Accounts:

Document information incorporated by reference	Pages
Key performance indicators	17 – 21
Operational review	22 – 26
Group Chief Financial Officer's review	44 – 51
Risk management and principal risks	52 – 62
Independent Auditor's report	162 – 169
Consolidated income statement	170
Consolidated statement of comprehensive income	171
Balance sheets	172
Statement of changes in equity	173 – 174
Cash flow statements	175
Notes to the consolidated financial statements	176 – 219
Five-year financial summary	224

The 2023 Annual Report and Accounts can be accessed at: www.annualreport.pennon-group.com/

4. Information Incorporated by Reference from the 2022 Annual Report and Accounts

The following pages are incorporated by reference from the 2022 Annual Report and Accounts:

Document information incorporated by reference	Pages
Key performance indicators	14 – 15
Operational reviews	67 – 73
Group Chief Finance Director's report	74 – 83
Risk management and principal risks	96 – 105
Independent Auditor's report	183 – 189
Consolidated income statement	190
Consolidated statement of comprehensive income	191
Balance sheets	192
Statement of changes in equity	193 – 194
Cash flow statements	195
Notes to the consolidated financial statements	196 – 249
Five-year financial summary	255

The 2022 Annual Report and Accounts can be accessed at: <https://annualreport.pennon-group.co.uk>.

DEFINITIONS

“2022 Annual Report and Accounts”	means the annual report and audited consolidated financial statements (including the notes thereon) of the Group as at and for the financial year ended 31 March 2022;
“2023 Annual Report and Accounts”	means the annual report and audited consolidated financial statements (including the notes thereon) of the Group as at and for the financial year ended 31 March 2023;
“2024 Annual General Meeting”	means the annual general meeting of the Company held on 24 July 2024;
“2024 Annual Report and Accounts”	means the annual report and audited consolidated financial statements (including the notes thereon) of the Group as at and for the financial year ended 31 March 2024;
“2024/2025 Half Year Results”	means the unaudited condensed consolidated interim financial statements of the Group as at, and for the six months ended, 30 September 2024 (including the unaudited comparative financial information as at, and for the six months ended, 30 September 2023);
“2024 Interim Dividend”	means the Company’s interim dividend of 14.69 pence per Existing Ordinary Share proposed to be paid in respect of the six months ended 30 September 2024 which shall only be paid in respect of the Existing Ordinary Shares on the register as at the interim dividend record date of 31 January 2025;
“2025 Annual General Meeting”	means the annual general meeting of the Company expected to be held on or around 24 July 2025;
“Admission”	means Admission of the New Ordinary Shares and Admission of the Rights (Nil and Fully Paid);
“Admission of the New Ordinary Shares”	means the admission of the New Ordinary Shares to: (i) listing on the equity shares (commercial companies) category of the Official List; and (ii) trading on the London Stock Exchange’s main market for listed securities;
“Admission of the Rights (Nil and Fully Paid)”	means the admission of the Rights (Nil and Fully Paid) to trading on a multi-lateral trading facility of the London Stock Exchange;
“Allotment Number”	means the number set out on page 1 of each Provisional Allotment Letter ;
“AMPs” or “K Period”	means the asset management period beginning 1 April and lasting for five years during which Ofwat conducts a periodic price review, each an “AMP” or “K Period” ;
“APMs”	means alternative performance measures;
“Appointee”	means a water undertaker authorised by Ofwat to operate a water and/or sewerage network in a specified area pursuant to an Instrument of Appointment ;
“Articles of Association”	means the articles of association of the Company from time to time;
“Board”	means the board of directors of the Company from time to time;
“Business Day”	means any day on which banks are generally open in London for the transaction of business, other than a Saturday or Sunday or public holiday;
“Cashless Take-up”	means the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto);

“CCSS”	means the CREST Courier and Sorting Service established by Euroclear UK to facilitate, amongst other things, the deposit and withdrawal of securities;
“CCW”	means the Consumer Council for Water;
“certificated” or “in certificated form”	means a share or other security which is not in uncertificated form (that is, not in CREST);
“Chair”	means the chair of the Company;
“City Code”	means the City Code on Takeovers and Mergers, as amended from time to time;
“Closing Price”	means the closing, middle market quotation in pounds sterling of an Existing Ordinary Share, as published in the Daily Official List;
“CMA”	means the UK Competition and Markets Authority;
“Code”	means the US federal statutory tax law, the Internal Revenue Code of 1986 (as amended from time to time);
“Companies Act”	means the Companies Act 2006 of England and Wales, as amended from time to time;
“Company” or “Pennon”	means Pennon Group plc, a public limited company incorporated in England and Wales with registered number 02366640;
“Corporate Sponsored Nominee”	means the Corporate Sponsored Nominee operated by Link Market Services Trustees (Nominees) Limited and administered by Link Market Services Trustees Limited on behalf of the Company to hold Ordinary Shares in CREST on behalf of CSN Shareholders;
“Corporations Act”	means the Australian Corporations Act 2001, as amended, modified or re-enacted from time to time;
“COVID-19”	means the infectious disease caused by severe acute respiratory syndrome SARS-CoV-2, the resulting pandemic and related public health events;
“CPIH”	means the consumer prices index including owner-occupiers’ housing costs;
“CREST”	means the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear UK;
“CREST Manual”	means the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CREST CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996, as amended from time to time);
“CREST member”	means a person who has been admitted by Euroclear UK as a system-member (as defined in the CREST Regulations);
“CREST Regulations”	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“CREST Shareholders”	means Shareholders holding Ordinary Shares in uncertificated form;
“CREST sponsor”	means a CREST participant admitted to CREST as a CREST sponsor;

“CREST sponsored member”	means a CREST member admitted to CREST as a sponsored member;
“CSN Shareholders”	means Shareholders who hold Ordinary Shares indirectly through the Corporate Sponsored Nominee;
“Daily Official List”	means the daily official list of the London Stock Exchange;
“DEFRA”	means the Department for Environment, Food & Rural Affairs;
“Directors”	means the directors of the Company as at the date of this document, and “Director” means any one of them;
“Disclosure Guidance and Transparency Rules”	means the disclosure guidance and transparency rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
“Draft Determinations”	means Ofwat’s drafts determinations in its 2024 price review for South West Water and SES Water published on 11 July 2024;
“DWI”	means the Drinking Water Inspectorate;
“EBITDA”	has the meaning ascribed to it in section 6 (<i>Alternative Performance Measures</i>) of Part III (<i>Important Notices</i>);
“EEA”	means the European Economic Area first established by the agreement signed at Oporto on 2 May 1992;
“ERISA”	means the US Employee Retirement Income Security Act of 1974;
“ESG”	means environmental, social and governance;
“EU” or “European Union”	means the European Union first established by the treaty made at Maastricht on 7 February 1992;
“Euroclear UK”	means Euroclear UK & International Limited, the operator of CREST;
“EUWA”	means the European Union (Withdrawal) Act 2018, as amended from time to time;
“Excluded Shareholders”	means, subject to certain exceptions, Shareholders who have registered addresses in, who are incorporated in, registered in, or otherwise resident or located in, any Excluded Territory;
“Excluded Territories”	the United States, New Zealand, China, Singapore, Hong Kong, South Africa, Japan and the United Arab Emirates (subject to certain limited exceptions), and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation, and “Excluded Territory” means any one of them;
“Executive Directors”	means the executive directors of the Company as at the date of this document and “Executive Director” means any one of them;
“Existing Holding”	means a Qualifying Shareholder’s holding of Ordinary Shares on the Record Date;
“Existing Ordinary Shares”	means, the existing Ordinary Shares in issue immediately preceding the Rights Issue, but excluding any shares held in treasury (each an “Existing Ordinary Share”);
“Ex-Rights Date”	means the date on which Ordinary Shares are marked “ex-rights”, which is expected to occur at 8:00 a.m. on 3 February 2025;
“FCA”	means the Financial Conduct Authority;
“FCA Handbook”	means the FCA’s Handbook of Rules and Guidance, as amended from time to time;
“FinSA”	means the Swiss Financial Services Act;

“Final Determinations”	means Ofwat’s final determinations in its 2024 price review for South West Water and SES Water published on 19 December 2024;
“FSMA”	means the Financial Services and Markets Act 2000 of England and Wales, as amended from time to time;
“Fully Paid Rights”	means rights to subscribe for New Ordinary Shares, fully paid;
“Group”	means the Company and each of its direct and indirect subsidiaries from time to time (where “subsidiary” shall have the meaning ascribed to it in the Companies Act);
“Historical Financial Information”	means the historical financial information of the Group referred to in Part XI (<i>Financial Information</i>);
“HMRC”	means HM Revenue and Customs;
“IAS 34”	means the UK-adopted International Accounting Standards 34 “Interim Financial Reporting”;
“IFRS”	means the UK-adopted International Accounting Standards applied as at, and for each of, the financial years ended 31 March 2024, 31 March 2023 and 31 March 2022 in conformity with the requirements of the Companies Act;
“Instruments of Appointment”	means the document issued under Sections 11 and 14 of the Water Act 1989, authorising a water undertaker to operate a water and/or sewerage network in a specified area (as varied from time to time);
“IRS”	means the US Internal Revenue Service;
“ISIN”	means International Securities Identification Number;
“Joint Bookrunners”	means Barclays Bank PLC and Morgan Stanley & Co. International plc;
“Joint Global Co-ordinators”	means Barclays Bank PLC and Morgan Stanley & Co. International plc;
“Joint Sponsors”	means Barclays Bank PLC and Morgan Stanley & Co. International plc;
“K7”	means the seventh AMP since the privatisation of the water industry in 1989, running from April 2020 to March 2025;
“K8”	means the eighth AMP since the privatisation of the water industry in 1989, running from April 2025 to March 2030;
“Latest Practicable Date”	means 27 January 2025, being the latest practicable date prior to publication of this document;
“Licence”	means an Instrument of Appointment;
“Licensees”	means holders of new water supply and/or sewerage licences which provide supplies of water and sewerage services to eligible non-household premises;
“Link Group”	means Link Market Services Limited;
“London Stock Exchange”	means London Stock Exchange Group plc or its successor(s);
“Member State”	means a member state of the EEA;
“Money Laundering Regulations”	means the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended from time to time;
“New Ordinary Shares”	means the Ordinary Shares to be issued by the Company pursuant to the Rights Issue;
“Nil Paid Rights”	means rights to subscribe for New Ordinary Shares, nil paid;

“Non-CREST Shareholders”	means Shareholders holding Ordinary Shares in certificated form;
“Non-Executive Directors”	means the non-executive directors of the Company as at the date of this document and “Non-Executive Director” means any one of them;
“non-underlying items”	means those items that, in the Directors’ view, are required to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Group’s financial performance in the period and business trends over time;
“ODIs”	means outcome delivery incentives which are financial payments to water undertakers from customers for performing beyond the water undertakers’ performance commitments or from the water undertakers’ to customers for performing below the water undertakers’ performance commitments;
“Official List”	means the official list maintained by the FCA pursuant to FSMA;
“Ofwat”	means the Water Services Regulation Authority;
“Ordinary Shares”	means the ordinary shares of 61.05 pence each in the share capital of the Company;
“Overseas Shareholders”	means Shareholders with registered addresses outside the United Kingdom or who are incorporated in, registered in, or otherwise resident or located in, countries outside the United Kingdom;
“PCs”	means the metrics Ofwat uses to measure the service of water undertakers, set by the price reviews undertaken at the end of AMPS;
“Pennon Power”	means Pennon Power Limited, a private limited company incorporated in England and Wales with registered number 00736732;
“Pennon Water Services”	means Pennon Water Services Limited, a private limited company incorporated in England and Wales with registered number 09902835;
“Permitted US Shareholders”	means Qualifying Shareholders resident in the United States permitted by the Company to participate in the Rights Issue (which for these purposes, where a Qualifying Shareholder holds as nominee, may be either the Qualifying Shareholder or the person for whom it is acting, directly or indirectly, as nominee);
“PFAS”	means per- and polyfluoroalkyl substances;
“PFIC”	means a passive foreign investment company for the purposes of US federal income tax;
“PGPS”	means the Pennon Group Pension Scheme;
“Placing Agreement”	means the agreement entered into by Pennon, Barclays Bank PLC and Morgan Stanley & Co. International plc on 10 January 2024 pursuant to which Pennon placed 23,711,998 new Ordinary Shares;
“PPE”	means plant, property and equipment;
“PR19”	means the Ofwat price review in respect of the period “K7” ;
“PR24”	means the Ofwat price review in respect of the period “K8” ;
“PRA” or “Prudential Regulation Authority”	means the Prudential Regulation Authority of the United Kingdom;
“premiums”	means any premium over the aggregate of the Rights Issue Price and the expenses of procuring subscribers (including any applicable brokerage fees and commissions and related irrecoverable VAT);

"Preference Share"	means the non-voting, non-cumulative, redeemable preference share of one penny in the share capital of the Company (issued in connection with the WaterShare+ Nominee's operation of the WaterShare+ Schemes);
"Principal Letter"	means, where consolidating New Ordinary Shares comprised in two or more Provisional Allotment Letters, the WHITE Provisional Allotment Letter on which Form Y on page 4 has been completed;
"Principal Operating Subsidiaries"	means South West Water and SES Water;
"Prospectus Regulation"	means the Prospectus Regulation (EU) 2017/1129, and the delegated acts, implementing acts and technical standards thereunder;
"Prospectus Regulation Rules"	means the Prospectus Regulation Rules of the FCA as from time to time amended and includes, where appropriate, relevant provisions of the UK Prospectus Regulation as referred to or incorporated within the Prospectus Regulation Rules and " PRR " is a reference to any one of the Prospectus Regulation Rules;
"Provisional Allotment Letter"	means a provisional allotment letter to be issued in connection with the Rights Issue and includes the WHITE Provisional Allotment Letter, the PINK Provisional Allotment Letter and the BLUE Provisional Allotment Letter, and each or all of them;
"QIB"	a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act;
"QIB Representation Letter"	the letter executed by a QIB and delivered to the Company, certifying that, among other things: (a) it is a QIB and (b) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with applicable securities laws;
"Qualifying CREST Shareholders"	means Qualifying Shareholders holding Ordinary Shares in uncertificated form;
"Qualifying CSN Shareholders"	means Shareholders who hold Ordinary Shares indirectly through the Corporate Sponsored Nominee;
"Qualifying Non-CREST Shareholders"	means Qualifying Shareholders holding Ordinary Shares in certificated form;
"Qualifying Shareholders"	means holders of Existing Ordinary Shares on the register of members of the Company at the Record Date;
"Qualifying WaterShare+ Shareholders"	means Shareholders who hold WaterShare+ Shares indirectly through the WaterShare + Nominee;
"RCV"	means regulatory capital value;
"Receiving Agent"	means Link Group;
"Record Date"	means the date specified in the Expected Timetable of Principal Events;
"Registrar"	means Link Group;
"Regulation S"	means Regulation S under the US Securities Act;
"Regulatory Information Service"	means one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information from listed companies;
"Related Party Transaction"	has the meaning ascribed to it in paragraph 9 of IAS 24, being the standard adopted according to Regulation (EC) No. 1606/2002;
"Rights"	means the Nil Paid Rights and the Fully Paid Rights;

"Rights Issue"	means the offer by way of rights to Qualifying Shareholders to subscribe for New Ordinary Shares, on the terms and conditions set out in this document;
"Rights Issue Price"	means 264.00 pence per New Ordinary Share;
"Risk Factors"	means risk factors set out in Part I (<i>Risk Factors</i>) of this document;
"RORE"	has the meaning ascribed to it in section 6 (<i>Alternative Performance Measures</i>) of Part III (<i>Important Notices</i>);
"Rule 144A"	means Rule 144A under the US Securities Act;
"Rump Sale Proceeds"	means the proceeds due to the relevant Shareholders who have not (or are not permitted to) take up their Nil Paid Rights, where, as described in more detail in Part VIII (<i>Terms and Conditions of the Rights Issue</i>), such rights are aggregated and sold in the market for such Shareholders' benefit with any proceeds of sale (net of related expenses (including any applicable brokerage fees and commissions and amounts in respect of related irrecoverable VAT)) due to each relevant Shareholder of less than £5.00 being aggregated and accruing for the benefit of the Company and becoming part of the WaterShare+ Proceeds;
"SBTI"	means Science Based Targets;
"SDRT"	means stamp duty reserve tax;
"SEC"	means the United States Securities and Exchange Commission;
"SEDOL"	means Stock Exchange Daily Official List;
"Senior Managers"	means the senior managers of the Group as at the date of this document, and "Senior Manager" means any one of them;
"SES Acquisition"	means the acquisition of the entire issued share capital of Sumisho Osaka Gas Water UK Limited, the holding company of SES Water and certain other ancillary businesses, from the SES Sellers pursuant to the terms and conditions of a sale and purchase agreement among the Company and the SES Sellers, dated 10 January 2024;
"SES Sellers"	means Summit Water Limited and Osaka Gas UK, Ltd;
"SES Water"	means Sutton and East Surrey Water plc, a public limited company incorporated in England and Wales with registered number 02447875, trading as SES Water;
"SES Water Group"	means the group of companies comprising Sutton and East Surrey Group Holdings Limited (a holding company), SES Water (a regulated water only company) and certain other ancillary businesses;
"Share Plans"	means: (i) the Pennon Group Sharesave Scheme 2024; (ii) the Pennon Group Long-Term Incentive Plan 2017; (iii) the Pennon Group Share Incentive Plan 2014; (iv) the Pennon Group Annual Incentive Bonus Plan for Directors and Executives; and (v) the Pennon Group Annual Incentive Bonus Plan for Senior Management, each as amended from time to time;
"Shareholder Helpline"	means the telephone helpline for Shareholders, on 0371 664 9234 (from inside the United Kingdom) and on +44(0)371 664 9234 (from outside the United Kingdom);
"Shareholders"	means the holder(s) of Ordinary Shares from time to time (including those who hold Ordinary Shares indirectly through the Corporate Sponsored Nominee and/or the WaterShare+ Nominee) and "Shareholder" means any one of them;

“South West Water”	means South West Water Limited, a private limited company incorporated in England and Wales with registered number 02366665;
“South West Water Group”	means South West Water together with its subsidiaries (including Bristol Water Plc);
“Special Dealing Service”	means the service operated by Link Group that can be used to dispose of Nil Paid Rights by individual certificated Shareholders or individual Shareholders who hold Ordinary Shares through the Corporate Sponsored Nominee aged 18 or over (in the case of natural persons), who are resident in the UK, Channel Islands or the Isle of Man (or any other country confirmed by Link Group in writing provided that such shareholders have requested at their own exclusive initiative that the Special Dealing Service be provided to them), excluding in relation to holdings of WaterShare+ Shares;
“stock account”	means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“Target Market Assessment”	has the meaning ascribed to it in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook;
“Taiwan”	means the Financial Supervisory Commission of Taiwan, the Republic of China;
“TCFD”	means the Taskforce on Climate-related Financial Disclosures;
“TNFD”	means the Taskforce on Nature-related Financial Disclosures;
“UK Listing Rules”	means the listing rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
“UK MAR”	means Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, as it forms part of retained EU law by virtue of the EUWA, as amended from time to time;
“UK Prospectus Regulation”	means the Prospectus Regulation as it forms part of the domestic law of the United Kingdom by virtue of EUWA, as amended from time to time;
“uncertificated” or “in uncertificated form”	means a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“Underwriters”	means Barclays Bank PLC and Morgan Stanley & Co International plc;
“Underwriting Agreement”	means the underwriting and sponsors’ agreement dated 29 January 2025 between the Company and the Underwriters in relation to the Rights Issue, further details of which can be found in section 10 (<i>Material Contracts</i>) of Part XIV (<i>Additional Information</i>) of this document;
“United Kingdom” or “UK”	means the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US Holder”	means a beneficial owner of Existing Ordinary Shares, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares that, for US federal income tax purposes, is or is treated as: <ul style="list-style-type: none"> • an individual who is a citizen or resident of the United States;

	<ul style="list-style-type: none"> • a corporation created or organised in or under the laws of the United States, any state thereof or the District of Columbia; • an estate whose income is subject to US federal income taxation regardless of its source; or • a trust that (1) is subject to the supervision of a court within the United States and the control of one or more US persons or (2) has a valid election in effect under applicable US Treasury regulations to be treated as a US person.
"US Securities Act"	means the US Securities Act of 1933, as amended from time to time;
"US Securities Exchange Act"	means the US Securities Exchange Act of 1934, as amended from time to time;
"VAT"	means value added tax;
"Water Commission"	means the independent commission to be appointed by the UK and Welsh Governments to conduct a review of the UK water sector and its regulation, as announced on 22 October 2024;
"Water (Special Measures) Bill"	means the Water (Special Measures) Bill introduced in the House of Lords on 4 September 2024, subsequently amended and introduced in the House of Commons on 27 November 2024;
"WaterShare+ Nominee"	means the WaterShare+ nominee arrangement operated by Link Market Services Trustees (Nominees) Limited and administered by Link Market Services Trustees Limited on behalf of the Company to hold Ordinary Shares in CREST on behalf of WaterShare+ Shareholders;
"WaterShare+ Proceeds"	has the meaning given in the paragraph titled 'Use of proceeds' in Part VI (<i>Letter from the Chair of Pennon Group plc</i>) of this document;
"WaterShare+ Schemes"	means the WaterShare+ schemes launched by the Company in 2020 and 2022;
"WaterShare+ Shareholder"	means a holder of WaterShare+ Shares; and
"WaterShare+ Shares"	means the Ordinary Shares held by WaterShare+ Shareholders through the WaterShare+ Nominee pursuant to the WaterShare+ Schemes and subject to those specific terms and conditions of those schemes;
"WCPS"	means the Water Companies Pension Scheme;
"WIA"	means the Water Industry Act 1991 (as amended from time to time); and
"Working Capital Statement"	means the working capital statement in section 13 (<i>Working Capital</i>) of Part XIV (<i>Additional Information</i>) of this document.

