

This document is important and requires your immediate attention. If you are in any doubt about the action you should take, you should immediately consult your stockbroker, solicitor, accountant, bank manager or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares please send this document, together with the accompanying proxy form, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. The Form of Proxy, if used, should be lodged with the Company's Registrar, Capita Asset Services, not less than 48 hours before the time fixed for the meeting.

Dear Shareholder

Annual General Meeting 2016 and financial results for the year ended 31 March 2016

Please find attached to this letter the Notice of our 2016 Annual General Meeting (AGM), together with notes explaining the business of the meeting. The AGM will be held on Friday, 1 July 2016, starting at 11.00am at **Sandy Park Conference Centre, Sandy Park, Exeter, Devon EX2 7NN**. Details of how to reach this venue are set out on the first page of the Notice. Free parking will be available.

If you are unable to attend the AGM, please register your vote with us electronically via capitashareportal.com. Registering your vote electronically is entirely secure and ensures the privacy of your personal information. Alternatively, please complete and return your proxy form by post.

Your Directors consider that all the proposals to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and recommend shareholders to vote in favour of the resolutions as they intend to do so in respect of their own shareholdings.

Electronic communications

The Company's policy is to provide all shareholder documents electronically whenever possible. As a consequence, you will receive copies of the Annual Report and certain other shareholder communications by post only if you have specifically opted to do so or if you became a shareholder on the register after 29 April 2016. For those of you who have not requested to receive shareholder communications by post you can now view a copy of the Company's Annual Report on the Company's website www.pennon-group.co.uk/investor-information

Using our website allows us to offer you greater choice on how you receive your shareholder communications. Electronic communications are not only secure, but they are also quicker, more cost effective, and are in line with the Company's sustainable development objectives as less resources are required compared with traditional printing and distribution methods.

If you previously elected to receive a written copy of the Annual Report, a copy is enclosed. If a copy of the Annual Report is not enclosed and you wish to receive a copy rather than viewing it on the Company's website, a copy may be obtained on request from our Registrar, Capita Asset Services, by telephoning 0371 664 9234 (lines are open 8.30am-5.30pm Monday-Friday) or +44 371 664 9234 (from outside the UK) and quoting your Investor Code which can be found on your proxy form.

If you have not already done so and now wish to sign up to receive future shareholder communications electronically, you can do so via the share portal service provided by our Registrar. To register simply go to capitashareportal.com and select 'Account Registration' and then follow the on-screen instructions by inputting your surname and your Investor Code. You will also need to input your postcode as well as entering an e-mail address and selecting a password.

Yours sincerely

Sir John Parker
Chairman



NOTICE OF ANNUAL GENERAL MEETING 2016

The twenty-seventh Annual General Meeting (AGM) of Pennon Group Plc will be held at
**Sandy Park Conference Centre,
Sandy Park Way, Exeter, Devon EX2 7NN**
on Friday, 1 July 2016 at 11am.

This document is important and requires your immediate attention. If you are in any doubt about the action you should take you should immediately consult your stockbroker, solicitor, accountant, bank manager or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares please send this document, together with the accompanying proxy form, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. The proxy form, if used, should be lodged with the Company's Registrar, Capita Asset Services, not less than 48 hours before the time fixed for the meeting.

This Notice of AGM should be read in conjunction with Pennon Group Plc's Annual Report and Accounts in respect of the year ended 31 March 2016.

Copies of this Notice of AGM and the Annual Report and Accounts are available to view and download from the Company's website:

pennon-group.co.uk

How to get to the Pennon Group Plc AGM at Sandy Park Conference Centre, adjacent to Sandy Park Stadium, Sandy Park Way, Exeter, Devon EX2 7NN

By road:

From junction 30 on the M5 take the A379 for Exeter and Dawlish: Sandy Park is the first exit left off the dual carriageway.

Free parking will be available within a designated area at Sandy Park.

By rail:

The nearest rail station is Digby and Sowton, which is a 10 minute walk from the venue. The nearest mainline station is Exeter St David's, which is 4 miles from the venue. Direct trains from Exeter St David's to Digby and Sowton run every 30 minutes with a journey time of 10 minutes.

By bus:

The No. 52 bus service from Exeter bus station to Sidmouth stops at Sandygate, which is a 5 minute walk from the venue.

ANNUAL GENERAL MEETING 2016

The twenty-seventh AGM of Pennon Group Plc will be held at **Sandy Park Conference Centre, Sandy Park Way, Exeter, Devon EX2 7NN** on Friday, 1 July 2016 at 11am for the transaction of the following business:

The following resolutions will be proposed as ordinary resolutions:

REPORT AND ACCOUNTS

Resolution 1

That the Directors' report and the financial statements for the year ended 31 March 2016 be received and adopted, together with the report of the auditor.

DIVIDEND

Resolution 2

That a final dividend of 23.12 pence per ordinary share recommended by the Directors for the year ended 31 March 2016 be declared for payment on 2 September 2016.

ANNUAL REPORT ON REMUNERATION

Resolution 3

That the annual report on remuneration for the financial year 2015/16, as contained in the Company's Annual Report 2016, be approved.

DIRECTORS

Resolution 4

To re-elect Sir John Parker as a Director.

See biography on page 9

Resolution 5

To re-elect Martin Angle as a Director.

See biography on page 9

Resolution 6

To re-elect Neil Cooper as a Director.

See biography on page 9

Resolution 7

To re-elect Susan Davy as a Director.

See biography on page 10

Resolution 8

To re-elect Christopher Loughlin as a Director.

See biography on page 10

Resolution 9

To re-elect Ian McAulay as a Director.

See biography on page 10

Resolution 10

To re-elect Gill Rider as a Director.

See biography on page 10

RE-APPOINTMENT OF AUDITOR

Resolution 11

That Ernst & Young LLP be re-appointed auditor of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company.

AUDITOR'S REMUNERATION

Resolution 12

That the Audit Committee be authorised to determine the remuneration of the auditor on behalf of the Board.

POLITICAL DONATIONS

Resolution 13

That in accordance with Section 366 of the Companies Act 2006 the Company, and all companies that are subsidiaries of the Company at any time during the period for which the resolution has effect, be generally and unconditionally authorised to:

- (a) make political donations to political parties and/or independent election candidates not exceeding £75,000 in total;
- (b) make political donations to political organisations other than political parties not exceeding £75,000 in total; and
- (c) incur political expenditure not exceeding £75,000 in total,

during the period from the date of this resolution to the date of the next AGM of the Company in 2017, or if earlier at the close of business on 1 October 2017, provided that the aggregate amount of any such donations and expenditure shall not exceed £75,000 and that for the purpose of this resolution the terms 'political donations', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' have the meanings set out in Sections 363 to 365 of the Companies Act 2006.

It continues to be the policy of the Company and its subsidiaries not to make political donations, but as explained in more detail under the 'Political Donations' section of the Explanatory Notes on page 11 of this Notice, it is considered to be necessary to obtain such authorisation to avoid any possible technical breach of the Companies Act 2006 due to the uncertainty created by the wide definitions in the Act of what can be regarded as a political donation or political expenditure.

AUTHORITY TO ALLOT SHARES

Resolution 14

That:

- (a) the Directors be generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006, to exercise all powers of the Company to allot shares in the Company and grant rights to subscribe for, or convert any security into, shares in the Company:
 - (i) up to a maximum nominal amount of £55,978,817 (such amount to be reduced by the nominal amount of any equity securities (as defined in Section 560 of the Companies Act 2006) allotted under paragraph (ii) below in excess of £55,978,817); and
 - (ii) comprising equity securities (as defined in Section 560 of the Companies Act 2006) up to a maximum nominal amount of £111,957,635 (such amount to be reduced by any shares allotted or rights granted under paragraph (i) above) in connection with an offer by way of a rights issue:
 - (A) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - (B) to holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities;

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

- (b) this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 1 October 2017;
- (c) the Company may, before this authority expires, make an offer or enter into an agreement which would or might require shares to be allotted or rights to be granted after it expires and the Directors may allot shares or grant rights in pursuance of such offer or agreement as if this authority had not expired; and
- (d) all previous unutilised authorities under Section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to Section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

The following resolutions will be proposed as special resolutions:

GENERAL AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS

Resolution 15

That:

- (a) the Directors be given power:
 - (i) subject to the passing of Resolution 14 above, to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority conferred on them by that resolution under Section 551 of that Act; and
 - (ii) to allot equity securities as defined in Section 560(3) of that Act (sale of treasury shares) for cash, in either case as if Section 561 of that Act did not apply to the allotment or sale, but this power shall be limited:
 - (A) to the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under Resolution 14 (a)(ii), by way of a rights issue only) to or in favour of:
 - (I) holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - (II) holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities;
 - and so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter; and
 - (B) to the allotment of equity securities pursuant to the authority granted under Resolution 14(a)(i) and/or by virtue of Section 560(3) of the Companies Act 2006 (in each case otherwise than under paragraph (A) above) up to a maximum nominal amount of £8,396,822;
- (b) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 1 October 2017; and
- (c) the Company may, before this power expires, make an offer or enter into an agreement, which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS IN CONNECTION WITH AN ACQUISITION OR SPECIFIED CAPITAL INVESTMENT

Resolution 16

That:

- (a) the Directors, in addition to any authority granted under Resolution 15 above, be given power:
 - (i) subject to the passing of Resolution 14 on page 3, to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority conferred on them by that resolution under Section 551 of that Act; and
 - (ii) to allot equity securities as defined in Section 560(3) of that Act (sale of treasury shares) for cash, in either case as if Section 561 of that Act did not apply to the allotment or sale, but this power shall be:
 - (A) limited to the allotment of equity securities up to a maximum nominal amount of £8,396,822; and
 - (B) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;
- (b) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 1 October 2017; and
- (c) the Company may, before this power expires, make an offer or enter into an agreement, which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

AUTHORITY TO PURCHASE OWN SHARES

Resolution 17

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

- (a) the maximum number of ordinary shares that may be purchased under this authority is 41,262,027 (being no more than 10% of the issued share capital exclusive of treasury shares of the Company as at 24 May 2016);
- (b) the minimum price which may be paid for each ordinary share is 40.7p (exclusive of expenses payable by the Company in connection with the purchase);
- (c) the maximum price which may be paid for each ordinary share purchased under this authority shall not be more than the higher of (i) an amount equal to 105% of the average of the middle market quotations for such ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading system (in each case exclusive of expenses payable by the Company in connection with the purchase);
- (d) this authority will, unless previously varied, revoked or renewed, expire at the conclusion of the next AGM of the Company or, if earlier, on 1 October 2017, but the Company may make a contract or contracts to purchase ordinary shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of this authority and may make purchases of ordinary shares pursuant to any such contract; and
- (e) all existing authorities for the Company to make market purchases of ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has or have not yet been executed.

NOTICE OF GENERAL MEETINGS

Resolution 18

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

The Directors believe that all the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and recommend shareholders to vote in favour of the resolutions in respect of their own shareholdings as the Directors intend to do so in respect of their own shareholdings.

By Order of the Board

Helen Barrett-Hague

Group General Counsel and Company Secretary

Pennon Group Plc

Registered Office: Peninsula House, Rydon Lane, Exeter EX2 7HR

Registered in England and Wales No. 2366640

24 May 2016

IMPORTANT NOTES

The following notes explain your general rights as a shareholder and your rights to attend and vote at this meeting or to appoint someone else to attend and vote on your behalf.

Only those shareholders registered on the register of members of the Company as at 6pm on 29 June 2016 (or, if this meeting is adjourned, at 6pm on day that is two days prior to date fixed for the adjourned meeting), shall be entitled to attend or vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6pm on 29 June 2016 or, if this meeting is adjourned, at 6pm on the day that is two days prior to the adjourned meeting, shall be disregarded in determining the rights of any shareholder to attend or vote at the AGM.

A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of his or her rights to attend, speak and vote provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. A proxy need not be a shareholder but must attend the meeting for the shareholder's vote to be counted. Appointing a proxy does not prevent a shareholder from attending and voting in person if he or she so wishes. If a share is held by joint shareholders, and more than one of the joint shareholders votes (including by way of proxy), the only vote that will count for that share is the vote of the person whose name is listed before the other shareholders on the register of members.

A proxy form is enclosed with this Notice of AGM. A shareholder can appoint a proxy only using the procedures set out in these notes and the notes to the proxy form. Details of how to appoint the Chairman of the meeting or another person as a shareholder's proxy using the proxy form are set out in the notes to the proxy form. If a shareholder wishes his proxy to speak on his behalf at the meeting, he or she will need to appoint his own choice of proxy (not the Chairman) and give his/her instructions directly to the proxy. A shareholder may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, a shareholder must complete a separate proxy form for each proxy or, if appointing multiple proxies electronically, follow the instructions given on the relevant electronic facility. Shareholders may copy their original proxy form, or alternatively additional proxy forms may be obtained by telephoning Capita Asset Services on 0371 664 9234 (lines are open 8.30am -5.30pm Monday-Friday) or +44 371 664 9234 (for outside the UK). For both UK and overseas shareholders calls are charged at a standard rate. A shareholder appointing more than one proxy should indicate on the relevant proxy forms the number of shares for which each proxy is authorised to act on his or her behalf.

To be valid any proxy form must be received by the Company's Registrars, Capita Asset Services, at the address shown on the proxy form or received via capitashareportal.com if the appointment is made electronically, no later than 11am on 29 June 2016, or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or lodged using the CREST proxy voting service, details of which are given overleaf. Any power of attorney or any other authority under which the proxy form is signed (or a certified copy of such authority) must be included with the proxy form.

Completion of a proxy form does not preclude a shareholder from attending and voting in person at the AGM. The "Vote Withheld" option on the proxy form is provided to enable shareholders to abstain on any particular resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

As an alternative to completing a paper copy of the proxy form, shareholders may register a proxy appointment or voting directions electronically by visiting capitashareportal.com. If you have already registered to receive all shareholder communications electronically you may also submit your proxy form via this website. Shareholders will need their Investor Code number printed under their name on the proxy form. Full instructions are given on the website. The proxy appointment and instructions should reach Capita Asset Services not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. If you return more than one proxy appointment, either by paper or electronic communication, that received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Any electronic communication found to contain a computer virus will not be accepted. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

Any corporation, which is a member, can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in the notes above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company.

Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

As soon as practicable following the AGM the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulated Information Service and also placed on the Company's website pennon-group.co.uk. As at 24 May 2016 (being the last practicable date prior to the publication of this Notice of AGM), the Company's issued share capital consists of 412,630,634 ordinary shares of 40.7p each, of which 10,356 ordinary shares are held in treasury. Therefore, the total voting rights in the Company as at 24 May 2016 are 412,620,278.

Electronic Proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 1 July 2016 and any adjournment(s) thereof by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction as described in the CREST Manual (available via euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid be transmitted so as to be received by the Company's Registrar, Capita Asset Services (ID RA10) by no later than 11am on 29 June 2016, or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting. For this purpose the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) at which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instruction to proxies appointed through CREST should be communicated to the appointees through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings euroclear.com/CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006 and which the members propose to raise at the meeting. The Company may not require the members requesting the publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Any statement placed on the website must also be sent to the Company's auditor not later than the time it makes its statement available on the website. The business, which may be dealt with at the AGM, includes any statement under Section 527 of the Companies Act 2006 that the Company has been required to publish on its website.

A member attending the meeting has the right to ask questions. Pursuant to Section 319A of the Companies Act 2006 the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website:

pennon-group.co.uk/investor-information/shareholderservices/agm

Please note you may not use any electronic address provided either in this Notice of AGM or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Documents available for inspection

Copies of the Executive Directors' service contracts and the Chairman's and the Non-executive Directors' contracts for service are available for inspection during normal business hours at the Registered Office of the Company. They will also be available for inspection at the AGM from 10am on 1 July 2016 until the conclusion of the AGM.

Directors' remuneration policy

The Directors' remuneration policy, which sets out the Company's forward-looking policy on Directors' remuneration, was approved by a shareholder vote at the AGM in 2014. The Company is therefore only able to make remuneration and loss of office payments to Directors within the permitted limits of the policy, unless the payment has been approved by a separate shareholder resolution.

The Company is required to ensure that a vote on its remuneration policy takes place at least every three years unless it is proposed that the policy is to be changed before the expiry of the three-year period. In such circumstances the Company would produce a new resolution to approve the amended policy.

The Company intends to seek shareholder approval for the remuneration policy at the end of the normal three year cycle, in line with the remuneration reporting requirements. We are therefore not seeking approval for our remuneration policy at the 2016 AGM. The Board will undertake a review of the policy during 2016/17 which will then be submitted for shareholder approval at the 2017 AGM.

EXPLANATORY NOTES ON CERTAIN BUSINESS OF THE AGM

ANNUAL REPORT ON REMUNERATION

Resolution 3 proposes the approval of the Annual report on remuneration, which is set out on pages 77 to 98 inclusive of the Annual Report. It is a requirement, pursuant to Section 439 of the Companies Act 2006, that the Directors' remuneration report be submitted to shareholders for approval. The result of Resolution 3 is advisory only and the Directors' entitlement to remuneration is not conditional on this resolution being passed.

RE-ELECTION OF DIRECTORS

Resolutions 4, 5, 6, 7, 8, 9, and 10 propose the re-election of Sir John Parker, Martin Angle, Neil Cooper, Susan Davy, Christopher Loughlin, Ian McAulay, and Gill Rider as Directors of the Company.

The Company's Articles of Association require Directors to retire and submit themselves for reappointment by shareholders at the first AGM following their appointment and for reappointment at least every three years. Irrespective of this provision, in accordance with the UK Corporate Governance Code, all Directors will stand for reappointment at the AGM as they have at each AGM since 2011.

The Directors' biographies are set out below and details of the Directors' remuneration are set out in the Annual Report.

Sir John Parker GBE, FREng, DSc (Eng), ScD (Hon), DSc (Hon), DUniv (Hon), FRINA

Chairman / Non-executive Director

Committees: Nomination (Chairman)

Sir John was appointed to the Board as Deputy Chairman on 1 April 2015 and became Chairman on 1 August 2015.

Sir John is recognised as a highly experienced and independent chairman and brings a wealth of leadership experience across a range of industries. He was previously the chairman of National Grid Plc, senior non-executive director and chair of the Court of the Bank of England, deputy chairman of DP World, joint chair of Mondi and chair of BVT and P&O Plc.

Sir John is the chairman of Anglo American Plc. He is also a non-executive director of Carnival Corporation and Airbus Group. Sir John is a Visiting Fellow of the University of Oxford and was president of the Royal Academy of Engineering from 2011 to 2014.

Martin Angle BSc Hons, FCA, MCSI

Independent Non-executive Director

Committees: Audit, Nomination, Remuneration (Chairman), Sustainability

Appointed on 1 December 2008.

Formerly Martin had senior positions with Terra Firma Capital Partners and various of its portfolio companies, including the executive chairmanship of Waste Recycling Group Limited. Before that he was the group finance director of TI Group Plc having previously held a number of senior investment banking positions with SG Warburg & Co Ltd, Morgan Stanley and Dresdner Kleinwort Benson.

During the year, having completed his full terms of office, he retired from the boards of OAO Severstal, Shuaa Capital psc and the National Exhibition Group where he was chairman.

Martin is currently the senior independent director at Savills Plc, the vice chairman and non-executive director of the FIA Foundation, and the adviser to the board of the Commercial Bank of Dubai.

Neil Cooper BSc Hons, FCMA

Independent Non-executive Director

Committees: Audit (Chairman), Nomination and Remuneration

Appointed on 1 September 2014.

Neil was previously group finance director of William Hill Plc and before that he was group finance director of Bovis Homes Group Plc. He also held senior finance roles with Whitbread Plc, worked for PricewaterhouseCoopers as a management consultant and held a number of roles with Reckitt & Colman Plc.

Neil is currently the chief financial officer of Barratt Developments Plc.

Susan Davy BSc Hons, ACA

Chief Financial Officer

Appointed on 1 February 2015.

Susan is a member of the Pennon Executive Management Board.

Susan is a graduate qualified chartered accountant with 20 years experience in the utility sector. She was previously finance and regulatory director of South West Water Limited, a position to which she was appointed in August 2007. Prior to joining Pennon Group she held a number of senior posts with Yorkshire Water including head of regulation and head of finance in its Waste Water Unit and was head of finance for Brey Utilities, a joint venture company owned by Yorkshire Water and Earthtech Engineering Limited.

Susan is a council member of CBI South West.

Christopher Loughlin BSc Hons, MICE, CEng, MBA

Group Chief Executive Officer

Committees: Sustainability

Appointed on 1 August 2006, upon joining Pennon Group as Chief Executive of South West Water Limited. He became the Group Chief Executive on 1 January 2016. Chris is chairman of the Pennon Executive Management Board.

Chris was previously chief operating officer with Lloyds Register and earlier in his career was an executive director of British Nuclear Fuels Plc and executive chairman of Magnox Electric Plc. He was also a senior diplomat in the British Embassy, Tokyo. Chris started his career as a chartered engineer working in both the consulting and contracting sectors and subsequently held a number of senior positions with British Nuclear Fuels. Between April 2008 and March 2012 he was chairman of Water UK.

Currently Chris is vice chairman of the Cornwall Local Enterprise Partnership and a trustee and member of the audit committee of WaterAid. He is a board member (and past president) of the Institute of Water.

Ian McAulay BEng, CEng, MICE, MCIWEM

Chief Executive, Viridor

Committees: Sustainability

Appointed on 9 September 2013.

Ian is chairman of the Viridor Executive Management Board and a member of the Pennon Executive Management Board.

Ian was previously chief of global strategy and corporate development with MWH Global based in the US and before that he was the managing director, capital programmes, at United Utilities Plc. Ian started his career as a consulting civil engineer and held a number of positions with Crouch & Hogg in Glasgow and subsequently Montgomery Watson, which merged in 2001 with Harza to form MWH Global.

Ian is a member of the board of the Environmental Services Association, the Greater Manchester Low Carbon Hub board and the Scottish Government's 2020 Climate Group.

Gill Rider CB, PhD, CCIPD

Senior Independent Director

Committees: Audit, Nomination, Remuneration, Sustainability (Chairman)

Appointed on 1 September 2012.

Formerly Gill was head of the Civil Service Capability Group in the Cabinet Office reporting to the Cabinet Secretary and prior to that held a number of senior positions with Accenture LLP culminating in the post of chief leadership officer for the global firm. She was previously president of the Chartered Institute of Personnel & Development and a non-executive director of De La Rue Plc.

Gill currently holds non-executive directorships with Charles Taylor Plc, where she is senior independent director, and Intertek Group Plc. She is chairman of both their remuneration committees. She is also chair of the council (board) of the University of Southampton.

Statement in support of re-election of Directors

The Board supports the re-election of each Director, as it believes that the particular knowledge and experience of each Director assists in ensuring that the Board has an appropriate balance of skills and experience for the requirements of the business. The Chairman confirms that, following the formal annual performance evaluation, each Non-executive Director continues to perform effectively and demonstrates commitment to his or her role, including commitment to time for Board and Committee meetings and other duties as they are likely to arise. The Board has determined that each of the Non-executive Directors is independent.

RE-APPOINTMENT OF AUDITOR

Resolution 11 proposes the re-appointment of Ernst & Young LLP as auditor of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company.

AUDITOR'S REMUNERATION

Resolution 12 proposes that the Audit Committee be authorised to determine the level of the auditor's remuneration.

POLITICAL DONATIONS

Whilst **Resolution 13** requests shareholder approval by way of an ordinary resolution to approve donations to political parties, please note that the Company and all its subsidiaries have a policy that they do not make donations to, or incur expenditure on behalf of, political parties. However, the Companies Act 2006 contains restrictions on companies making donations or incurring political expenditure and defines these terms very widely, such that activities that form part of the normal relationship between the Company and its subsidiaries and bodies concerned with policy review, law reform and other business matters affecting the Company may be included. These types of activities, which are in the shareholders' interests for the Company and its subsidiaries to conduct, are not designed to support, or implement support for, a particular political party.

The Company believes that the authority proposed under this resolution (which is the same as that agreed by shareholders at the AGM last year and in previous years) is necessary to ensure that it, and its subsidiaries, do not commit any technical breach that could arise from the uncertainty generated by the wide definitions contained within the Companies Act when carrying out activities in the furtherance of their legitimate business interests.

AUTHORITY TO ALLOT SHARES

Resolution 14 requests shareholder approval by way of an ordinary resolution to renew (in compliance with published institutional guidelines) until 1 October 2017 or, if earlier, the conclusion of the next AGM of the Company, the Directors' authority to allot ordinary shares or grant rights to subscribe for or convert any security into shares in the Company in accordance with Section 551 of the Companies Act 2006. It is the Directors' intention to seek to renew this authority annually in accordance with investor guidelines.

The Investment Association (IA) guidelines on Directors' authority to allot shares state that IA members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to one-third of a company's issued share capital or up to two-thirds of existing issued share capital where such authority is to be applied for a fully pre-emptive rights issue.

Paragraph (a)(i) of Resolution 14 will allow the Directors to allot ordinary shares up to a maximum nominal amount of £55,978,817 representing approximately one third (33.33%) of the Company's existing issued share capital (excluding shares held in treasury) and calculated as at 24 May 2016 (being the latest practicable date prior to publication of this Notice of AGM).

In accordance with the guidelines issued by the IA, paragraph (a)(ii) of Resolution 14 will allow Directors to allot, including the ordinary shares referred to in paragraph (a)(i) of Resolution 14, further of the Company's ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £111,957,635 representing approximately two thirds (66.67%) of the Company's existing issued share capital (excluding shares held in treasury) and calculated as at 24 May 2016 (being the latest practicable date prior to publication of this Notice of AGM).

The Directors have no present intention of exercising this authority (other than pursuant to the Company's scrip dividend alternative and employee share schemes) but they do consider that they should have this authority in order to be able to take advantage of opportunities as they arise and to retain flexibility. If they do exercise this authority, the Directors intend to follow best practice as regards its use (including as regards the Directors standing for re-election in certain cases), as recommended by the IA.

As at 24 May 2016, the Company held 10,356 ordinary shares in treasury, which represents approximately 0.0025% of the total ordinary share capital in issue (excluding shares held in treasury) as at 24 May 2016 (being the latest practicable date prior to publication of this Notice of AGM).

GENERAL AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS

Resolution 15 requests shareholder approval by way of a special resolution to renew until 1 October 2017, or if earlier, the conclusion of the next AGM of the Company, the Directors' authority to allot equity securities for cash without first being required to offer such securities to existing shareholders. If approved, the Directors will be authorised to issue shares in connection with a rights issue or other pre-emptive offer and otherwise to issue shares for cash up to a maximum nominal amount of £8,396,822 which includes the sale on a non pre-emptive basis of any shares for cash the Company may hold in treasury. The maximum nominal amount of equity securities to which this authority relates represents not more than 5% of the issued share capital of the Company (excluding shares held in Treasury) as at 24 May 2016 (being the latest practicable date prior to publication of this Notice of AGM).

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

It is the Directors' intention to seek to renew this authority annually in accordance with investor guidelines.

AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS IN CONNECTION WITH AN ACQUISITION OR SPECIFIED CAPITAL INVESTMENT

Resolution 16 requests further shareholder approval, by way of a separate special resolution in line with the best practice guidance issued by the Pre-Emption Group, for the Directors to allot equity securities or sell treasury shares for cash without first being required to offer such securities to existing shareholders. The proposed resolution reflects the Pre-emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the "Statement of Principles") and will expire on 1 October 2017 or at the conclusion of the AGM in 2017, whichever is the earlier.

The authority granted by this resolution, if passed:

- (i) will be limited to the allotment of equity securities and sale of treasury shares for cash up to an aggregate nominal value of £8,396,822, which represents not more than 5% of the issued share capital of the Company (excluding shares held in treasury) as at 24 May 2016 (being the latest practicable date prior to publication of this Notice of AGM); and
- (ii) will only be used in connection with an acquisition or other capital investment of a kind contemplated by the Statement of Principles, and which is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The authority granted by this resolution would be in addition to the authority under Resolution 15. The maximum nominal value of equity securities which could be allotted if both authorities were used would be £16,793,644, which represents not more than 10% of the issued share capital (excluding shares held in treasury) of the Company as at 24 May 2016 (being the latest practicable date prior to publication of this Notice of AGM).

AUTHORITY TO PURCHASE ORDINARY SHARES OF THE COMPANY

Resolution 17 requests shareholder approval by way of a special resolution to renew the Company's authority to purchase up to 10% of its ordinary shares in issue (excluding treasury shares) at or between the minimum and maximum prices specified in the resolution. In relation to the maximum price, the Directors note that the Listing Rules will be amended when Article 5 of the Market Abuse Regulation (EU) No.596/2014 comes into force on 3 July 2016. Any share buy-backs on or after 3 July 2016 would comply with the terms of Resolution 17 and with the Listing Rules in force at the relevant time. This authority is requested in order to increase the Company's flexibility to optimise the long-term financial and tax efficiency of its capital structure. It can lead to increases in future earnings per share on those shares not purchased. This resolution complies with investor protection guidelines, which limit share purchases to 10% of the issued share capital (excluding treasury shares) per annum. The Directors confirm that they will only purchase shares where they believe the effect would be to increase earnings per share and would be in the best interests of shareholders. The Directors have no current plans to exercise such authority.

The Companies Act 2006 allows companies to hold shares acquired by way of market purchase in treasury, rather than having to cancel them. In addition to shares already held in treasury, the Directors may decide to hold further of the Company's own shares that may be purchased pursuant to the authority conferred by this resolution as treasury shares as an alternative to cancelling them. Shares held in treasury may subsequently be cancelled, sold for cash or issued for the purposes of satisfying share options and share awards under the Company's employee share schemes. The Directors believe that holding shares in treasury provides the Company with greater flexibility in management of its share capital. No dividends may be paid on shares held in treasury and no voting rights are exercisable in respect of treasury shares.

The total number of options to subscribe for ordinary shares that were outstanding as at 24 May 2016 (being the latest practicable date prior to publication of this Notice of AGM) was 2,794,366. The proportion of issued share capital that they represented at that time was 0.68% and the proportion of issued share capital that they will represent if the full authority to purchase shares is used is 0.75%.

CALLING OF GENERAL MEETINGS

Resolution 18 requests shareholder approval by way of a special resolution to enable Directors to continue to be able to call general meetings, other than AGMs, on 14 clear days' notice. A similar resolution has been passed by shareholders at each AGM since 2011. This resolution is required to reflect the changes made to the Companies Act 2006 by the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") which increased the notice period of listed companies to call general meetings on at least 21 clear days' notice unless shareholder approval has been obtained for the holding of such meetings on not less than 14 clear days' notice, as sought by Resolution 18. The Company undertakes to meet the requirements for electronic voting under the Shareholders' Rights Regulations before calling a general meeting on 14 clear days' notice. If given, the approval will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed. The Directors will only consider taking advantage of the flexibility permitted by this authority where there is a need for urgency if (taking into account the circumstances, and noting the recommendations of the UK Corporate Governance Code 2014), it is appropriate and considered necessary to do so in the interests of the Company and shareholders as a whole.

NOTICE OF MEETING

This Notice provides details of the Resolutions to be proposed at the AGM on Friday 1 July 2016.

KEY DATES

Date and time	What happens?
11am Wednesday 29 June 2016	Deadline for receipt of online or postal proxy appointment and voting instructions to our Registrars, Capita Asset Services
11am Friday 1 July 2016	AGM held at Sandy Park Conference Centre, Sandy Park Way, Exeter EX2 7NN
8 July 2016	Record date for entitlement to the 2016 final dividend
2 September 2016	Payment of the 2016 final dividend to holders of ordinary shares

CONTACT INFORMATION

Telephone

Shareholder helpline – for general enquiries call:

0371 664 9234 (lines are open 8:30am to 5:30pm)

+44 371 664 9234 (for outside the UK)

For both UK and overseas shareholders, calls are charged at a standard rate.

Email

pennon@capita.co.uk

You can find information on how to manage your shareholding at www.capitashareportal.com

You will need to register to use the capita share portal service. For this you will need your investor code. The investor code is up to 11 digits long and can be found on recent communications such as your dividend confirmation or a share certificate.

You may not use any electronic address provided either in this Notice of meeting or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

Post

Capita Asset Services,

The Registry, 34 Beckenham Road,
Beckenham, Kent, BR3 4TU