

**THIRTY-FIRST ANNUAL GENERAL MEETING  
OF  
PENNON GROUP PLC  
FRIDAY 31 JULY 2020, 1pm  
CHAIRMAN'S STATEMENT AND FORMAL BUSINESS**

**INTRODUCTION**

Good afternoon everyone and welcome to Pennon's 2020 Annual General Meeting.

My name is John Parker, Chairman of the Group, and I am joined at today's AGM by all my Board colleagues, some of whom are present with me today and others who have dialled in. Those attending either in person or by telephone today are Gill Rider, our Senior Independent Director, and also Jon Butterworth, Neil Cooper, Iain Evans and Claire Ighodaro all of whom are Pennon Non-Executive directors.

Also attending are South West Water Non-Executive Directors, Matthew Taylor and Martin Hagen.

Chris Loughlin, Pennon's Chief Executive and Susan Davy, Pennon's Chief Financial Officer are also with us today. Finally, we have with us Paul Boote who is our new Finance Director, Louise Rowe, the South West Water finance director and Simon Pugsley our Group General Counsel and Company Secretary. Those of us who are physically together here in Exeter are sufficient to form a quorum. We are all appropriately socially distanced and COVID risk assessments have been done of the arrangements here today.

As you'll appreciate, this year's meeting is being carried out in a very different format to previous years.

I very much regret that we can't all be together in the same room but hope you have been able to dial in without any issues. If you are in front of a computer or tablet I hope you will have before you the presentation slides on the WebEx link which will summarise what I am saying.

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**REFLECTION ON COVID-19**

Before I reflect on this year's performance and developments within Pennon, I would like to take a minute to express my gratitude to everyone within the Group, South West Water and Viridor for their efforts in recent months.

It has been a challenging time due to Covid-19, and it is testament to the hard work and dedication of our teams that we have continued to deliver for our customers and communities and remained resilient throughout.

Health, safety and wellbeing continues to be Pennon's top priority and I am proud of how Pennon has risen to these unprecedented challenges.

Thank-you to you all for your sterling efforts.

## **PERFORMANCE OVERVIEW**

*(Now, global pandemics aside...)*

The year itself was characterized by solid financial and operational performance.

I am pleased to report that in the water side of the business, South West Water finished the 2015-20 or "K6" period with sector-leading return on regulated equity. The company continued to deliver efficiencies in 2019/20, amounting to 297 million pounds of efficiency savings over the K6 period.

Furthermore, South West Water made a great deal of progress in key areas and is very well-positioned for the K7 period and the delivery of its unique 'New Deal' business plan.

Drinking water remains excellent in the regions served, leakage targets were met, and significant investment has been made in wastewater operations with a renewed focus on reducing the risk of pollutions. Customer satisfaction levels remained high and environmental performance improved in a range of areas including the expansion of catchment management programmes and a greater proportion of energy from renewable sources.

Meanwhile on the waste management and recycling side of the business, our key priorities were achieved with high levels of performance and availability maintained in Viridor's portfolio of Energy Recovery Facilities.

The year culminated with the announcement in March of the proposed sale of Viridor, and its successful completion at the start of July - which I will come on to shortly.

Other important developments during the year included the implementation of the sustainability strategy announced in 2019, further work to embed Pennon's 'HomeSafe' health and safety programme, and ongoing investment in apprenticeships and graduate training, ensuring a pipeline of talent for Pennon's future.

The proposed final dividend is 30.11 pence per share, which we will vote on later. This is in line with our policy of the past ten years of increasing our dividend by RPI plus 4% year on year, and will bring the total dividend paid for the year to 43.77 pence.

## **HEALTH AND SAFETY**

As I mentioned with regards to Covid-19, Pennon's top priority is the health, safety and wellbeing of our people and we are very proud of those who have been working safely and responsibly as key workers during this period.

More broadly, we have been encouraged by improving trends as a result of the HomeSafe programme, which is designed to deliver the highest health and safety standards across all operations and workplaces.

However, in the past year we were shocked and saddened by the loss of two Viridor colleagues due to two separate tragic accidents – one in Northamptonshire; the other here in Devon.

Our thoughts remain with the loved ones, friends and colleagues of Mick and Mark.

Going forwards, Pennon remains committed to its ambition to be a health and safety leader in our sector.

## **OUTCOME OF STRATEGIC REVIEW**

*(Now..)* As you are all aware, on the 8<sup>th</sup> of July we announced the completion of the sale of Viridor to American global investment firm KKR for an enterprise value of 4.2 billion pounds.

The sale recognizes the strategic value that has been created in Pennon's waste operations over many years and follows the strategic review announced by the Board back in September last year.

Moving forwards, Pennon will be focussed solely on delivering excellence in our water and wastewater services.

As such it has been an appropriate time to consider the structure and leadership of the Group as it moves forwards with its ambitious plans for the future.

After 5 years as Chairman and completion of the Strategic Review it is a natural time for me to step down.

Given the sale of Viridor and the start of the new five-year regulatory cycle, Chris Loughlin, our Group Chief Executive, has also decided it is the appropriate time to step down as CEO.

I thank Chris for his dedicated fourteen years of service to the Group – first as Chief Executive of South West Water and more recently as Chief Executive of Pennon.

Thank you Chris.

The Viridor sale has also meant saying our farewells to Phil Piddington, the Managing Director of Viridor, his leadership and management teams and all the employees of Viridor.

We thank them for their collective commitment over many years in building Viridor into the successful business it is today and wish them every future success.

Sadly, we also say our farewells to Lord Matthew Taylor and Martin Hagen who have both served on the South West Water Board for some 10 years to provide continuity through to the K7 regulatory period.

Both have rendered exemplary service and deserve our heartfelt thanks.

### **NEW APPOINTMENTS**

In line with our internal succession plan, the new Pennon Chief Executive Officer will be Susan Davy, our current Group Chief Financial Officer.

Susan's leadership has impressed the Board, not just as CFO, but in the project management of a range of strategic workstreams and in her work with the regulator and our shareholders.

Paul Boote will take on the role of Group Finance Director. Paul's significant financial experience of Pennon and the Group will prove invaluable during this next phase.

(Congratulations to both Susan and Paul).

We are delighted to welcome Jon Butterworth to the Pennon Board as a Non-Executive Director. Jon has a distinguished track record within the utility industry that spans over 40 years. He is currently Chief Executive Officer of National Grid Ventures and a member of the National Grid Plc Executive Committee, and has been a non-executive director of South West Water since 2017.

This is also a natural time for me to hand over the Chair to Gill Rider our Senior Non-Executive Director. Gill has rendered superb service to the Group and is a Devon resident like me. Thank-you Gill, for all your support over the years and I wish you very well in your new role which I am sure you will fulfil superbly.

### **FINAL REFLECTIONS**

It has been an honour and a privilege to have served as the Chairman of a great Company, with a talented Board which has delivered significant value to our Shareholders.

Pennon is extremely well-placed for the future and I am confident the new Board will forge ahead with the vision and vigour necessary to deliver the ambitious plans set out for South West Water and the broader strategic goals of the Group as a whole.

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## **SHAREHOLDER QUESTIONS**

Now we come to the part of the meeting for shareholder questions and answers. As we explained in the Notice of Meeting and other communications, we invited shareholders to submit questions in advance, our intention being to provide answers during the meeting and publish them on our website. In fact, no questions have been received. However, I understand that the Company hopes to organise a shareholder event in the future, once government restrictions have been lifted, as the Board is keen to engage with the Company's shareholders in person, and deal with any questions that you may have been reluctant to raise in this "virtual" setting.

## **FORMAL BUSINESS**

Now I'd like to move to the formal business of the Meeting.

I will first of all explain the voting arrangements for this formal part of the Meeting.

We informed Shareholders in the Notice of AGM that Voting this year will be by way of a Poll rather than on a show of hands.

A Poll provides a more accurate reflection of the views of shareholders by ensuring that every Vote is recognised, including all Votes of shareholders who give proxy instructions. On a Poll, each Shareholder present in person or by proxy has one Vote for every ordinary share held. A proxy must attend the meeting for a shareholder's vote to be counted. Therefore, we have encouraged Shareholders to appoint the chairman of the meeting as their proxy, and to provide their Voting instructions.

In ordinary circumstances, a Poll would be conducted at the AGM and the Registrar present at the meeting would count the Votes and carry out checks against the share register during the meeting. The results would then be announced to the Stock Exchange at the conclusion of the meeting.

Because we are unfortunately having to conduct our AGM this year with only limited attendance, our Registrar has been able to calculate the Poll results in advance. As a formality, I will still need to open the Poll for Voting, following which a summary of the results of the Poll will be shown on the presentation slides on the WebEx link in front of you.

Having given that explanation of the proceedings, I would now like to open the Poll, to allow the voting to be carried out.

I am therefore opening the Poll.

I will cast the votes entrusted to me in the way each shareholder has directed. Any votes left for me to cast at my own discretion, I cast in favour of all resolutions.

That I have now done and I declare the Poll now closed.

As I mentioned a moment ago, a summary of the results of the Poll are now displayed on the presentation slides on the WebEx link in front of you.

I can confirm each resolution has been passed with at least a 91% majority in favour.

Lastly I can confirm that the voting results will be made available on the Company's web-site and will be announced to the London Stock Exchange following the conclusion of this meeting.

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Ladies and Gentlemen, that concludes the formal business of the Meeting.

I have been informed that your new Chair, Gill Rider, would like to say a few words before I close the meeting.

*Gill Rider:*

Sir John, on behalf of the Board, all our employees and our shareholders, I want to record our thanks for your exceptional contribution and stewardship of Pennon.

In the last 5 years, you have steered us through many decisions, driven the formulation of our organisation model and strategy, and overseen our transformation through the sale of Viridor. As we have all heard today the sale has strengthened Pennon and provides us with clear strategic direction for the future.

We are all grateful for your leadership, your wisdom, experience, and "calm hand on the tiller".

Your legacy is a reshaped Pennon, focussed on our sustainable future, financially well positioned and with a strong and diverse leadership team energised about our opportunities.

Working with you has been a great pleasure. All of us who have worked with you have learnt enormously through the process, watching you work and through your gentle coaching. You are one of the UK's most highly regarded businessmen and a role model to us all.

I know all our shareholders will join with me to wish you much future happiness and success.

Thank you Sir John, and now back to you.

*Sir John Parker:*

Thank you Gill, for your kind words.

All that remains is for me to declare the meeting closed.

May I thank you very much for your attendance.

I wish you all the best of health and success for the future.