



DNV

WHEN TRUST MATTERS

Independent Limited Assurance Report

to the Directors of Pennon Group plc

Pennon Group plc ('Pennon') commissioned DNV Business Assurance Services UK Limited ('DNV', 'us' or 'we') to conduct a limited assurance engagement over Selected Information presented in their Annual Report and Accounts 2021 (the 'Report') for the reporting year ended 31st March 2021.



Our Conclusion: Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria.

This conclusion relates only to the Selected Information, and is to be read in the context of this Independent Limited Assurance Report, in particular the inherent limitations explained overleaf.

Our observations and areas for improvement will be raised in a separate report to Pennon's Management. Selected observations are provided below. These observations do not affect our conclusion set out above.

- Overall, for the Selected Information and based on the work we performed, we had confidence in the processes and systems to ensure the information presented in the Report was correct. Data collection processes were documented in some areas and this should be extended to cover all of the complex data sets, to help ensure continuity and consistency in reporting.
- This year injury data continued to be collected in a single group-wide system, providing an efficient data collection process. Working hours for calculating frequency rates, continued to be consolidated manually although we understand there is still an intention to include these in the group-wide system in future. In the interim we recommend the working hours calculation is subject to a second check to reduce the risk of manual transfer error.
- It was positive to see that diversity expanded its disclosure beyond gender to also cover race this year. We would encourage Pennon to continue to expand its reporting on diversity.
- The expansion of the disclosure on estimated Scope 3 greenhouse gas (GHG) emissions to include downstream transportation and distribution (category 9) for the water business is a positive development. We recommend continuing to work on improving the accuracy of the data in these estimates.

Selected Information

The scope and boundary of our work is restricted to the key performance indicators for 2020/21 included within the Report (the 'Selected Information'), listed below.

For Pennon Continuing Group:

- Greenhouse gas (GHG) emissions: Scope 3 (categories 3 and 6 only) (tonnes CO₂e) (Page 132)
- Energy usage (MWh) (Page 133)
- Lost time injury frequency rate (LTIFR) (per 200,000 hours worked) and Lost time injuries (LTI) (number) (Pages 4, 17, 26, 47, 69)
- Gender diversity: employees; senior management; board (% male and % female) (Pages 44, 93)

For Viridor up to the point of sale (8th July 2020):

- Greenhouse gas (GHG) emissions: Scope 1 and Scope 2 (location-based) (tonnes CO₂e) (Page 131)
- Energy usage (MWh) (Page 133)

For Pennon Group (including discontinued business) review of the preparation of South West Water ('SWW') data was excluded from our scope, as this is subject to a separate audit for regulatory purposes. However, the consolidation of that SWW data into total Pennon data was in scope:

- Greenhouse gas (GHG) emissions: Scope 1 and Scope 2 (location-based) (tonnes CO₂e) (Pages 17, 133)

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used the Pennon Sustainability Indicator definitions (the 'Criteria'), which can be found on the [Pennon website](#). We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Pennon's website for the current reporting period or for any information relating to previous reporting periods.

Our competence, independence and quality control

DNV established policies and procedures are designed to ensure that DNV, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV holds other contracts with Pennon, none of which conflict with the scope of this work. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

Standard and level of assurance

We performed a **limited** assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced but not reduced to very low.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Assessing the appropriateness of the Criteria for the Selected Information;
- Conducting interviews with Pennon management to obtain an understanding of the key processes, systems and controls in place to generate, aggregate and report the Selected Information;
- Interviews with data owners at Head Office and elsewhere to review process for checking and consolidating data;
- Reviewing that the evidence, measurements and their scope provided to us by Pennon for the Selected Information is prepared in line with the Criteria; and
- Reading the Report and narrative accompanying the Selected Information within it with regard to the Criteria.

DNV Business Assurance Services UK Limited

London, UK
18th June 2021

Inherent limitations

All assurance engagements are subject to inherent limitations as selective testing (sampling) may not detect errors, fraud or other irregularities. Non-financial data may be subject to greater inherent uncertainty than financial data, given the nature and methods used for calculating, estimating and determining such data. The selection of different, but acceptable, measurement techniques may result in different quantifications between different entities. Our assurance relies on the premise that the data and information provided to us by Pennon have been provided in good faith. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Limited Assurance Report.

Responsibilities of the Directors of Pennon and DNV

The Directors of Pennon have sole responsibility for:

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to Pennon in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

DNV Business Assurance

DNV Business Assurance Services UK Limited is part of DNV – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.

www.dnv.co.uk/BetterAssurance