



Northumbrian Water Finance Plc

(Incorporated in England and Wales with limited liability)

£6,000,000,000

**Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by**

Northumbrian Water Limited

(Incorporated in England and Wales with limited liability)

Under this £6,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Northumbrian Water Finance Plc (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payment of all amounts owing in respect of the Notes will be unconditionally and irrevocably guaranteed by Northumbrian Water Limited (the "**Guarantor**"). The obligations of the Guarantor in this respect (the "**Guarantee**") are contained in an amended and restated Trust Deed, as amended or supplemented as at the date of issue of the Notes (the "**Trust Deed**").

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme (including any Notes which, upon issue, are immediately purchased by or on behalf of the Issuer ("**Retained Notes**") will not exceed £6,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Prospective investors should have regard to the factors described in the "*Risk Factors*" section in this Base Prospectus.

This Base Prospectus has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**") (the "**UK Prospectus Regulation**"). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, the Guarantor or the quality of any Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes (including any Retained Notes) issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's main market. References in this Base Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's main market and have been admitted to the Official List. The London Stock Exchange's main market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**").

This Base Prospectus (as supplemented as at the relevant time, if applicable) will be valid as a Base Prospectus under the UK Prospectus Regulation for 12 months from its date in relation to Notes which are to be admitted to trading on the London Stock Exchange's main market. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Each Series (as defined in "*Overview of the Programme – Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("**Global Certificates**"). If a Global Certificate is held under the New Safekeeping Structure (the "**NSS**") the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depository**").

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in the "*Summary of Provisions Relating to the Notes while in Global Form*" section in this Base Prospectus.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms (the "**Final Terms**") which will be delivered to the FCA and the London Stock Exchange. Copies of the Final Terms will also be published on the website of the London Stock Exchange through a regulatory information service.

The Issuer and the Programme have been rated Baa1 by Moody's Investors Service Ltd. ("**Moody's**"). The Programme has been rated BBB+ by Fitch Ratings Limited ("**Fitch**"). Moody's and Fitch are established in the United Kingdom (the "**UK**") and are registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Tranches of Notes (as defined in "*Overview of the Programme – Method of Issue*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

Barclays

Dealers

Bank of China

Barclays

Lloyds Bank Corporate Markets

NatWest

RBC Capital Markets

Base Prospectus dated 6 March 2025

IMPORTANT NOTICES

This Base Prospectus comprises a Base Prospectus for the purposes of the UK Prospectus Regulation.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus makes no omission likely to affect its import.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*” below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*” below), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the FCA.

Neither the Arranger, the Dealers, the Trustee (as defined below) or any of their respective affiliates have independently verified the information contained in this Base Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Arranger, the Dealers, the Trustee or any of their respective affiliates to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. None of the Arranger, the Dealers, the Trustee or any of their respective affiliates accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by either the Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or any of their respective affiliates (as defined in “*Overview of the Programme*”) to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Arranger, any of the Dealers, the Trustee or any of their respective affiliates.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by the Issuer, the Guarantor, the Arranger, any of the Dealers, the Trustee or any of their respective affiliates that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial and business condition and affairs, and its own independent appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, the Arranger, any of the Dealers, the Trustee or any of their respective affiliates to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus (as supplemented in accordance with Article 23 of the UK Prospectus Regulation, if relevant) nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein (or in a supplement to this Base Prospectus, as the case may be) concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof (or the date of a supplement to this Base Prospectus, as the case may be) or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, Dealers, the Trustee and their respective affiliates expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

In the case of any Notes which are to be admitted to trading on a regulated market within the United Kingdom or the European Economic Area (“EEA”) or offered to the public in the United Kingdom or a Member State of the EEA in circumstances which require the publication of a prospectus under the Regulation (EU) 2017/1129 (the “Prospectus Regulation”) or the UK Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Guarantor, the Dealers, the Arranger and their respective affiliates to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or under any relevant securities laws of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account of, U.S. persons (as defined in Regulation S under the Securities Act “Regulation S”) (see “*Subscription and Sale*” below).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any parent company or affiliate of the Dealers is a licensed broker or dealer in that jurisdiction and so agrees, the offering shall be deemed to be made by the Dealers or such parent company or affiliate on behalf of the Issuer in such jurisdiction.

OFFER RESTRICTIONS

MiFID II product governance / target market – If applicable, the Final Terms in respect of any Notes will include a legend entitled “**MiFID II PRODUCT GOVERNANCE**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU on markets in financial instruments (as amended, “EU MiFID II”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor any Dealer nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance / target market – If applicable, the Final Terms in respect of any Notes will include a legend entitled “UK MiFIR PRODUCT GOVERNANCE” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor any Dealer nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPs REGULATION / EEA RETAIL INVESTORS - If the Final Terms in respect of any Notes include a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION / UK RETAIL INVESTORS - If the Final Terms in respect of any Notes include a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (“UK MiFIR”); or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation.

Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined,

and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or any of their respective affiliates do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, any of the Dealers, the Trustee or any of their respective affiliates which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA, the United Kingdom, France, Japan and Singapore (see "*Subscription and Sale*" below).

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by

certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

In this Base Prospectus, references to the “Group” refer to the Guarantor and its subsidiaries taken as a whole.

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

STABILISATION

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (in such capacity, the “Stabilisation Manager(s)”) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

GENERAL

Amounts payable under Floating Rate Notes issued under the Programme may be calculated or otherwise determined by reference to (i) the Euro Interbank Offered Rate (“EURIBOR”) which is provided by the European Money Markets Institute (the “EMMI”), (ii) the UK Retail Prices Index (“RPI”), which is provided by the Office for National Statistics, (iii) the UK Consumer Prices Index (“CPI”), which is provided by the Office for National Statistics, (iv) the UK Consumer Prices Index including Owner Occupiers’ Housing costs and Council Tax (“CPIH”), which is provided by the Office for National Statistics or (v) Sterling-Overnight Index Average (“SONIA”), which is provided by the Bank of England. As at the date of this Base Prospectus, the EMMI appears on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of Regulation (EU) 2016/1011 (the “EU Benchmarks Regulation”) as it forms part of UK domestic law by virtue of the EUWA (the “UK Benchmarks Regulation”).

As far as the Issuer and the Guarantor are aware, as at the date of this Base Prospectus, the RPI, CPI, CPIH and SONIA do not fall within the scope of the UK Benchmarks Regulation by virtue of Article 2 of the UK Benchmarks Regulation.

The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update this Base Prospectus to reflect any change in the registration status of the administrator.

All references in this document to “U.S. dollars” refers to the currency of the United States, “Sterling” and “£” refer to the currency of the United Kingdom and “euro” refers to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

FORWARD-LOOKING STATEMENTS

This Base Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and include, but are not limited to, statements regarding the intentions of the Issuer and/or the Guarantor, beliefs or current expectations concerning, among other things, the business, results of operations, financial position and/or prospects of the Issuer and/or the Guarantor.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Group, and the development of the markets and the industries in which members of the Group operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Base Prospectus. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements. See “*Risk Factors*” below.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, a new Base Prospectus will be published.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980 as it forms part of domestic law by virtue of the EUWA.

Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this overview.

Issuer:	Northumbrian Water Finance Plc
Issuer Legal Entity Identifier (LEI):	213800JTFA6F3S7XX781
Guarantor:	Northumbrian Water Limited
Guarantor Legal Entity Identifier (LEI):	213800PWPM9HZIEEO670
Website of the Guarantor:	https://www.nwl.co.uk/
Risk Factors:	<p>There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. There are also certain factors that may affect the Guarantor’s ability to fulfil its obligations under the Guarantee. All these factors are set out under “<i>Risk Factors</i>” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are also set out under “<i>Risk Factors</i>” and include certain risks relating to the structure of particular Series of Notes and certain market risks.</p>
Description:	Euro Medium Term Note Programme
Arranger:	Barclays Bank PLC
Dealers:	Bank of China Limited, London Branch Barclays Bank PLC Lloyds Bank Corporate Markets plc NatWest Markets Plc RBC Europe Limited and any other Dealers appointed in accordance with the amended and restated dealer agreement dated 6 March 2025.
Issuing and Paying Agent:	HSBC Bank plc
Trustee:	HSBC Corporate Trustee Company (UK) Limited
Method of Issue:	<p>The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other</p>

Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the “**Final Terms**”).

Certain Restrictions:

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*”) including the following restrictions applicable at the date of this Base Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in other currencies, see “*Subscription and Sale*”.

Programme Size:

Up to £6,000,000,000 (or its equivalent in other currencies) calculated as described in the Dealer Agreement outstanding at any time (including, for the avoidance of doubt, any Retained Notes). The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

Distribution:

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies:

Euro, Sterling, U.S. dollars and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer, the Guarantor and the relevant Dealers.

Maturities:

The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealers, as specified in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price:

Notes will be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.

Form of Notes:

The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year (determined

taking into account any unilateral right to extend or rollover) and are being issued in compliance with the D Rules (as defined in “*Selling Restrictions*” below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “Global Certificates”. Registered Notes will not be exchangeable to Bearer Notes and vice versa.

Fixed Rate Notes:

Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the relevant Dealer as set out in the applicable Final Terms and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined separately for each Series:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”), and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) or the 2021 ISDA Definitions (the latest version of the ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes) as set out in the applicable Final Terms; or
- (ii) on the basis of a reference rate set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes:

Zero Coupon Notes may be offered and sold at a discount to their nominal amount and will not bear interest.

Retained Notes:

If so specified in the applicable Final Terms, Notes may be immediately purchased by or on behalf of the Issuer upon issue. Any Notes so purchased are referred to as “**Retained Notes**”. A custodian will be appointed by the Issuer or a member of its Group and specified in the applicable Final Terms (the “**Custodian**”) to hold any Retained Notes on behalf of the Issuer (or such Group

member) on the terms of a custody agreement to be entered into between the Issuer, the Trustee and the Custodian at the time of such Custodian's appointment (each, a "**Custody Agreement**").

Retained Notes will not be treated as outstanding when determining quorum or voting at meetings of Noteholders or for the purposes of passing a resolution in writing or the giving of consent by way of electronic consents but will count towards the programme limit of £6,000,000,000 referred to above.

The Issuer may, subject to applicable laws and regulations, sell or dispose of (or procure the sale or disposal of) any Retained Notes at any time and on any terms. Upon sale or disposal to a third party investor, the Retained Notes will cease to be Retained Notes. Notes which have ceased to be Retained Notes shall carry the same rights and be subject in all respects to the same conditions as other Notes of the same Series.

Index Linked Notes:

Payments of interest and principal in respect of Index Linked Notes will be calculated by multiplying an Index Ratio, derived from either:

- (i) the UK Retail Prices Index (the "**RPI**") (all items) published by the Office for National Statistics or the relevant successor index ("**RPI Linked Notes**");
- (ii) the UK Consumer Prices Index (the "**CPI**") (all items) published by the Office for National Statistics or the relevant successor index ("**CPI Linked Notes**"); or
- (iii) the UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax ("**CPIH**") (all items) published by the Office for National Statistics or the relevant successor index ("**CPIH Linked Notes**"),

in each case by an amount specified in the applicable Final Terms.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

If Make-Whole Amount or Spens Amount are stated as being applicable in the relevant Final Terms, the Issuer may redeem all or some only of the Notes during such period as is specified in the applicable Final Terms at the Make-Whole Redemption Amount or Spens Amount, as the case may be, in accordance with Condition 6(d). If Clean-Up Call is stated as being applicable in the relevant Final Terms, the Issuer may redeem or (at its option) purchase or procure the purchase of, all, but not some only, of the Notes at the Early Redemption Amount together, if appropriate, with interest

accrued to (but excluding) the date fixed for redemption or purchase (as applicable), in accordance with Condition 6(f).

Early redemption at the option of the Noteholders will be permitted for taxation reasons or (a) at the option of the Noteholders if a Put Option is specified as being applicable in the applicable Final Terms, (b) in certain circumstances upon a Change of Control Put Event (as defined under “*Terms and Conditions of the Notes*”) if a Change of Control Put Option is specified as being applicable in the applicable Final Terms, or (c) in the case of Index Linked Notes only, for reasons related to the relevant index.

Denomination of Notes:

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer or such other amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “*Certain Restrictions — Notes with a maturity of less than one year*” above, and save that in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation or admitted to trading on a regulated market in the UK or offered to the public in the UK in circumstances which would otherwise require the publication of a prospectus under the UK Prospectus Regulation, the minimum specified denomination of each Note shall be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “*Certain Restrictions — Notes having a maturity of less than one year*” above.

Taxation:

All payments in respect of the Notes and Coupons will be made without withholding or deduction for or on account of Taxes imposed by the United Kingdom or any political subdivision or any authority or agency thereof or therein having power to tax unless required by law, as provided in Condition 9. In the event that any such withholding or deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain circumstances provided in Condition 9, be required to pay such additional amounts as will result in receipt by the holders of the Notes or Coupons of such amounts as would have been received by them had no such withholding or deduction been required.

Negative Pledge:

The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Status of the Notes and the Guarantee:

The Notes, and the obligations of the Guarantor under the Guarantee, will constitute (subject to the provisions of Condition 3) unsecured obligations of the Issuer or, as the case may be, the Guarantor and will rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer in

respect of the Notes and Coupons, and of the Guarantor under the Guarantee, shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all their other present and future unsecured and unsubordinated obligations.

Ratings:

The Issuer and the Programme have been rated Baa1 by Moody's. The Programme has been rated BBB+ by Fitch.

Moody's and Fitch are established in the UK and are registered under the UK CRA Regulation.

Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and admission to trading:

Application has been made for Notes (including for any Retained Notes) issued under the Programme to be admitted to the Official List of the FCA and to be admitted to trading on the London Stock Exchange's main market.

Clearing Systems:

Euroclear, Clearstream, Luxembourg and in relation to any Tranche, such other clearing system as may be specified in the applicable Final Terms.

Governing Law:

The Notes will be governed by, and construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the UK, France, Japan and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "Subscription and Sale".

Category 2 selling restrictions will apply to the Notes for the purposes of Regulation S under the Securities Act.

Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

The factors described below are presented in categories with the most material risk factor in each category, in the assessment of the Issuer and the Guarantor, taking into account the expected magnitude of their negative impact and the probability of their occurrence, presented first. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Corporate Structure

Issuer is a special purpose finance vehicle

The Issuer is a special purpose finance vehicle that has no assets or operations of its own and so is wholly reliant on funds it receives from the Guarantor to meet its obligations under the Notes. As a result, in considering the risks that may affect the Issuer's ability to fulfil such obligations, potential investors should focus on the risk factor analysis set out below in respect of the Guarantor and its ability to fulfil its obligations under the Guarantee, which is equally meaningful to the Issuer's ability to fulfil its obligations under the Notes. The Guarantor will receive the proceeds from the issue of the Notes.

FACTORS THAT MAY AFFECT THE GUARANTOR'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE

Legal, Regulatory and Competition

Price Control and Price Determination risk

The Water Services Regulation Authority ("OFWAT") sets price controls for water undertakings by means of determinations pursuant to powers provided in the conditions of their appointments. The determinations are based on a review of water undertakings' price limits and expenditure plans every five years (a "Price Review") in respect of five year regulatory planning cycles, known as Asset Management Plan periods ("AMP"). AMP7 (the seventh cycle since the water industry was privatised in 1989) started on 1 April 2020 and ends on 31 March 2025, and AMP8 (the eighth cycle) is due to start on 1 April 2025 and end on 31 March 2030. In the lead up to each AMP, OFWAT publishes a methodology (in draft for consultation and then in final form) setting out the key parameters for how price controls for each category of activities will be set; water undertakings then submit their business plans setting out their proposals for expenditure and performance commitments; and then OFWAT publishes determinations (again, by way of draft determinations, "DDs", for consultation and then final determinations, "FDs") confirming each company's allowed revenue for each price control and performance commitments for the AMP.

The Price Review pursuant to which price controls were set for AMP7 is known as "PR19".

With respect to the Price Review for AMP8 (“**PR24**”), OFWAT published its DDs (including in respect of the Guarantor) on 11 July 2024 and its FDs on 19 December 2024.

OFWAT has a number of statutory general duties in carrying out its functions (see the last paragraph of “*Risk of modification to or loss of the Guarantor’s Instrument of Appointment and Special Administration Order*” below), including Price Review determinations. One of these duties is to ensure that water and sewerage companies are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of their functions including allowing shareholders to earn a reasonable return on the capital invested. This has been consistently interpreted as an assessment with respect to a notionally efficient company. A failure by the Guarantor to comply with its statutory general duties may lead to a fine or result in an enforcement order by OFWAT, which could have an adverse impact on the Guarantor’s business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee

Established approach for PR19 and key developments for PR24

OFWAT sets out its approach to setting price controls in the methodologies, determinations and guidance for each Price Review. OFWAT determines matters including the efficient total capital and operating expenditure of each water undertaking (“**Totex**”) for both base activities and enhancements, which expenditure should be recovered within the AMP (referred to as the pay as you go ratio) and which should be allocated to the undertaking’s Regulatory Capital Value (“**RCV**”) for recovery over time, and the performance commitments of each water undertaking. This information then feeds into the revenue allowances set for the water undertaking’s wholesale and retail water and wastewater activities within the relevant AMP.

The revenue allowances are indexed against CPIH inflation and based on building blocks including the following:

- Amounts of expenditure recoverable within the AMP;
- Run-off of the RCV;
- A return on the RCV, at a rate expressed as a weighted average cost of capital, based on notional gearing and financing assumptions; and
- An allowance for tax.

Adjustments to revenue allowances and the RCV can be made via regulatory “uncertainty mechanisms”, designed to allocate risk between companies and customers and to incentivise performance. Such adjustments can be reconciled either within the relevant AMP or as part of Price Reviews for subsequent AMPs.

OFWAT’s PR24 FDs confirmed key changes to parameters for setting price controls compared with PR19. The PR24 FDs’ salient changes include:

- an increase in Totex allowance to reflect increased costs of maintaining existing infrastructure, increased energy and environmental compliance costs and business rates and a step change in investments in network enhancement. For the Guarantor, the proposed Totex allowance for PR24 is £6.1 billion (as against its allowance of £3.6 billion for PR19). This equates to well over 95 per cent. of the funding requested in the Guarantor’s business plan.
- an increase in the appointed allowed return on capital from 2.96 per cent. for PR19 to 4.03 per cent. (CPIH real) for PR24, largely based on movements in interest rates over AMP7 and an increased return on equity to support the extent of the new equity funding that water undertakings have identified as being required to deliver investments at the required scale.
- as part of the cost of debt element of allowed return on capital, a 30bps premium has been added to the allowance for new debt, with the existing ex-post adjustment for the difference in the iBoxx A/BBB index between the cost of raising new debt compared to allowances to incorporate this fixed premium.
- an increase in the scope of risk protection reopeners to include uncertainty mechanisms for energy prices and for increased material, plant and equipment costs for enhancement projects, to be reconciled in PR29.
- a reduction in the percentage share of overspend that undertakings can recover via additions to their RCV (and corresponding increase in the percentage share of underspend that will be subtracted from RCV),

from around 50 per cent. in PR19 to 40 per cent. for some enhancement projects and 25 per cent. for large complex enhancement projects. This reduces the risk to the Guarantor for large projects if they overspend.

- a reduction in the level of notional gearing from 60 per cent. for PR19 to 55 per cent. for PR24.
- the ringfencing of certain revenues for the delivery of specific investments, referred to as “price control deliverables”.
- provision for clawback of revenues where undertakings are behind in the delivery of enhancement investments, referred to as the “delayed delivery cashflow mechanism”.
- enhancement of the regime in which performance against service levels is measured against performance commitment levels (“PCLs”). The majority of these PCLs have associated financial Outcome Delivery Incentives (“ODIs”) and enhancement of the PCL regime includes a greater use of ODIs and in some cases enhancing these ODIs. These tougher ODIs are to some extent balanced by:
 - recalibration of performance commitments to sector median levels (as opposed to upper quartile targets set at PR19), albeit “stretching” targets taking into account the increased levels of allowed expenditure; and
 - confirmation of the introduction of a new ‘Outturn Adjustment Mechanism’ that would adjust company revenues at the end of the 2025-30 price control period as a “failsafe” in cases of significant sector-wide underperformance.
- introduction of “gated” allowances for large schemes with higher levels of scope and cost uncertainty, affecting two of the Guarantor’s projects.
- for certain water undertakings (which include the Guarantor), a requirement to provide board assurance and supporting evidence that adequate levels of financial resilience will be maintained. OFWAT confirmed that the Guarantor has satisfied this requirement.
- for certain water undertakings, the introduction of a “delivery mechanism” by which the approval of certain expenditures for the purposes of the undertaking’s allowed revenues is contingent on demonstration that it is capable of delivering the associated scheme.
- for certain water undertakings performing persistently poorly, a “turnaround oversight regime” whereby measures including enhanced monitoring and more restrictive appointment conditions with respect to ringfencing may be imposed on the undertaking.

Risk following decision to refer to the CMA

On 18 February 2025 the Guarantor’s Board unanimously decided to request that OFWAT refer its PR24 FD to the Competition and Markets Authority (the “CMA”). Although the Guarantor does not believe its existing PR24 FD, which currently applies between 1 April 2025 and 31 March 2030, would have a material adverse effect on the Guarantor’s operations and financial condition, in its opinion the FD for AMP8 does not appropriately balance the need for investment with the pressure on bills. In rejecting certain elements of the Guarantor’s initial business plan, the Guarantor believes the FD does not provide the necessary funding for asset health investment, which could increase risks around the resilience of the Guarantor’s assets and prevent it from responding to the impacts of climate change.

The Guarantor must provide its statement of case to the CMA by mid-April 2025, after which the CMA has six months to provide a re-determination or seek an extension for a further six months. The CMA must provide a complete redetermination of the Guarantor’s PR24 FD, and between the start of AMP8 and the effective date for any redetermination by the CMA, the Guarantor’s existing PR24 FD will apply.

The conditions of the Guarantor’s Instrument of Appointment (as defined below) relating to the prices the Guarantor can charge its customers are subject to redetermination by OFWAT either with the Guarantor’s agreement or following references to the CMA under Section 12 of the Water Industry Act 1991. Any such modifications or determinations by OFWAT or decisions or rulings by the CMA could have a material adverse impact on the Guarantor’s operations and financial condition.

Risk of exposure to failure of non-household retailers

Retail competition for non-household customers was introduced in April 2017, and the Guarantor exited the non-household retail market at that time. In its function as a provider of wholesale services to non-household

customers, the Guarantor has some exposure to the failure of non-household retailers, although this is limited by the credit support arrangements set out in OFWAT's Market Arrangements Code and the Wholesale Retail Code which require retailers to post collateral or pre-pay. The failure of non-household retailers to which the Guarantor is exposed may lead to a fine, which could have an adverse impact on the Guarantor's business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee.

Risk of modification to or loss of the Guarantor's Instrument of Appointment and Special Administration Order

The right to conduct the business of the Guarantor and to charge customers derives from the Guarantor's instrument of appointment granted by the Secretary of State for the Environment, Food and Rural Affairs (the "**Secretary of State**") under sections 11 and 14 of the Water Act 1989, having effect from 1 September 1989 and as subsequently varied from time to time ("**Instrument of Appointment**"). The Guarantor's Instrument of Appointment may be terminated upon 25 years' notice. No such notice has been issued to date and the Guarantor is not aware of any intention on the part of the Secretary of State to issue such a notice. The Instrument of Appointment may also be transferred from the Guarantor at any time following the making of a special administration order pursuant to sections 23 to 25 of the Water Industry Act 1991. The termination or transfer of the Instrument of Appointment could have a material adverse impact on the Guarantor, and, consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Notes.

Under section 9(4) of the Water Industry Act 1991 if the Secretary of State or OFWAT were to make an appointment or variation replacing the Guarantor as the regulated water and sewerage undertaker for its currently appointed area, they would have a duty to ensure (so far as consistent with their other duties under the Water Industry Act 1991) that the interests of the Guarantor's creditors were not unfairly prejudiced by the terms on which the successor could accept transfers of property, rights and liabilities from the Guarantor.

In certain circumstances, 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 in relation to the Guarantor. These circumstances include where: (a) the Guarantor contravenes, or is likely to contravene, any principal duty (including its duty under section 37 of the Water Industry Act 1991 to develop and maintain an efficient and economical system of water supply within its area and its duty under section 94 of that Act to provide, improve, maintain and extend its system of public sewers) as is serious enough to make it inappropriate for the Guarantor to continue to hold its Instrument of Appointment; or (b) the Guarantor contravenes, or is likely to contravene, any enforcement order as is serious enough to make it inappropriate enough for the Guarantor to continue to hold its Instrument of Appointment; or (c) the Guarantor is unable, or is likely to be unable, to pay its debts; or (d) the Secretary of State has given certain certifications relating to the winding up of the Guarantor; or (e) the Guarantor is unable, or unwilling, to participate adequately in certain arrangements certified by the Secretary of State.

A special administration order is an order of the High Court that directs that, during the period for which the order is in force, the affairs, business and property of the Guarantor shall be managed by a person appointed by the High Court. The purposes of a special administration order are (subject to the recent amendment referred to in the paragraph below where insolvency is the trigger) to transfer to one or more regulated companies as a going concern as much of the Guarantor's undertaking as is necessary to ensure that the functions which have been vested in the Guarantor by virtue of its Instrument of Appointment may be properly carried out. It is not certain whether or not the obligations under the Guarantee are necessary to the Guarantor's functions as a water and sewerage undertaker under its Instrument of Appointment and would, therefore, be transferred to a new company under a transfer scheme. Any such transfer scheme may, accordingly, have a material adverse effect on the Guarantor's business, financial condition and results of operation and, consequently, its ability to fulfil its obligations under the Guarantee.

Certain changes were made to the special administration regime as it relates to water companies through the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024, which came into effect on 12 January 2024, and The Water Industry (Special Administration) Regulations 2024 (amending the provisions of Schedule B1 Insolvency Act 1986), The Water Industry Act 1991 (Amendment) Order 2024 and The Water

Industry (Special Administration) (England and Wales) Rules 2024, which came into effect on various dates in March 2024. In brief, the special administration regime legislation has been amended to: provide for the special administration purpose (where insolvency is the trigger) to be amended so that the primary purpose is the rescue of the relevant company as a going concern, with the prior transfer purpose only applying where this is not possible; provide for an express power for the special administrator to use a hive-down of business and assets to a subsidiary as part of the transfer process; and empower the special administrator to propose certain rescue procedures (such as restructuring plans, schemes of arrangement and company voluntary arrangements). The above-mentioned new Regulations largely align the water special administration regime with up to date insolvency legislation. Furthermore, the new Regulations have made a significant change to the administration expenses regime as it relates to water special administration and any Government funding (whether by way of grant loan or guarantee) now receives priority treatment in a special administration, ranking repayment to government in priority ahead of floating chargeholders and the special administrator's own remuneration and *pari passu* with all debts or liabilities arising out of contracts entered into by the special administrator in the currency of the administration.

Further changes to the water special administration regime are envisaged pursuant to The Water (Special Measures) Bill (the "**Water (Special Measures) Bill**") introduced to the House of Lords on 4 September 2024, including: a requirement, where special administration is triggered by a winding up petition, for the Government and OFWAT to have been given at least 14 days' notice of the petition before the court can proceed to make a special administration order; and a new power for the Government, where it has provided financial assistance in connection with special administration, to modify appointment conditions to require or enable the water undertaking to recover charges for the purpose of reimbursing the Government for that financial assistance.

Thus far there is no precedent to indicate how compulsory terminations of a water company's appointment or a special administration order would work in practice, nor is there any precedent by which to indicate the extent to which creditor's interests would be protected. On 22 March 2023, the House of Lords Industry and Regulators Committee (the "**Committee**") published a report on its inquiry into the work of OFWAT. The Committee recommended OFWAT to be more proactive in using its special administration powers to change the management of continued poor performers in the sector. On the Committee's recommendation, OFWAT acknowledged in May 2023 that where appropriate, it would be more proactive in the use of its special administration powers, in particular where this would best enable it to fulfil its various duties.

Under section 12A of the Water Industry Act 1991, OFWAT has the power to modify the conditions of the Guarantor's Instrument of Appointment, subject to the procedural requirements set out in sections 12A to 12I. The Guarantor may appeal against any such modification to the CMA. In addition, the Secretary of State has a power to veto certain proposed modifications agreed by OFWAT and the Guarantor. Other proposed modifications which have been agreed by OFWAT and the Guarantor may be vetoed if it appears to the Secretary of State that such modifications should only be made after a reference to the CMA. Modifications could also result from a decision on a merger or market investigation reference by the CMA. Finally, primary legislation can create powers for the making of modifications by OFWAT without the consent of the Guarantor. Section 55 of the Water Act 2014 provides for modification of a licence where necessary and expedient as a consequence of a provision made by or under Part 1 of the Water Act 2014. The power of OFWAT to modify a licence pursuant to Section 55 of the Water Act 2014 is limited to a period of two years beginning with the day on which the provision in question came into force.

OFWAT has a number of general statutory duties with respect to performance of its regulatory functions (such functions including appointing water undertakings, imposing and modifying the conditions of such appointments and determining price controls for water undertakings). These duties include furthering the protection of consumer interests, ensuring that water and sewerage companies are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of their functions and securing the proper performance of the functions of appointed water and wastewater undertakings. OFWAT's duties have recently been developed by the extension of the so-called "growth duty" (under section 108 of the Deregulation Act 2015) to apply to OFWAT from 21 May 2024. Further changes to OFWAT's regulatory duties are envisaged as a possible outcome of the Government's cross-regulator "Smarter Regulation" workstream.

A failure by the Guarantor to comply with the conditions of its Instrument of Appointment or certain statutory duties, each as modified from time to time, may also lead to a fine or result in an enforcement order by OFWAT or the Secretary of State, which could have an adverse impact on the Guarantor's business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee.

Competition in the water industry

OFWAT has powers alongside the CMA to enforce competition law in the water sector in England and Wales.

In March 2017, OFWAT published guidance on its approach to the application of the Competition Act 1998 (the "**Competition Act**") in the water and wastewater sector in England and Wales, with the stated aim of providing more clarity on how the competition law prohibitions may apply in the sector. OFWAT has stated that it will use its powers under the Competition Act, which provides OFWAT and the CMA with the power to investigate and prohibit anticompetitive agreements and conduct relating to the water and water recycling. These powers include the power to impose penalties of up to 10 per cent. of worldwide group-wide turnover for the business year preceding the finding of the infringement. Any agreement which infringes the Competition Act may be void and unenforceable. Breaches of the Competition Act may also give rise to claims for damages from third parties. The Enterprise Act 2002 (the "**Enterprise Act**") adds further remedies for breach of competition law. The Enterprise Act contains criminal sanctions, including the possibility of imprisonment of individuals who have been involved in certain cartels and directors involved in breach of competition law may be disqualified. Consumer groups are able to bring actions on behalf of customers (including for damages).

In addition, OFWAT has taken steps to introduce competition into the water supply and sewerage services markets via inset appointments. Inset appointments allow one company to replace another as the statutory undertaker for water or water recycling in a specified geographical area previously within another water undertaker's appointed territory. These appointments give rise to a potential adverse impact with the Guarantor facing increased competition for business customers and developers and the provision of services as a result of inset appointments affecting its water supply area and sewerage services area.

Further market reforms and the introduction of competition into upstream activities are under consideration for future implementation. The actions of its competitors and the general competitive landscape of the markets in which the Guarantor operates could adversely affect the ability of the Guarantor to maintain and grow its business and profits and its ability to perform its obligations under the Guarantee.

Competition Appeal Tribunal proceedings

Applications have been filed with the Competition Appeal Tribunal (the "**CAT**") on behalf of a Proposed Class Representative (the "**PCR**") regarding the Guarantor and its immediate parent company, Northumbrian Water Group Limited (together referred to as "**Northumbrian Water**"). A certification hearing has been held, and Northumbrian Water is awaiting the outcome of the stand-alone opt-out collective proceedings for household customers under section 47B of the Competition Act 1998 (the "**HH Claim**").

In summary, as part of the HH Claim:

- The PCR alleges that the Guarantor has abused, and continues to abuse, its dominant position by providing OFWAT and the environmental regulator for England (the "**Environment Agency**") with "*misleading information*" relating to the number of pollution incidents that have occurred which are attributable to the Guarantor in breach of Section 18 of the Competition Act 1998. The PCR alleges that this has led to OFWAT permitting the Guarantor to charge higher prices to its customers for wastewater services than would have been the case if this information provided had been "*accurate*".
- The PCR has filed with the CAT an application regarding Northumbrian Water and a number of water companies. The PCR has estimated that the industry-wide class action consists of circa 2.06 million members spread across the water undertakings. The PCR has estimated likely total

damages from the affected water undertakings to be “*at least £35.2 million and as high as £225.1 million including interest under the enhanced regime*”.

- The collective proceedings are at an early stage and a decision on certification of the proceedings is awaited from the CAT. Certification will only be granted where the CAT considers that the claim qualifies for the collective proceedings regime.

Northumbrian Water has also received a letter before action on behalf of a PCR to commence stand-alone opt-out collective proceedings in respect of non-household customers (the “**NHH Claim**”). The NHH Claim is a parallel claim made pursuant to section 47B of the Competition Act 1998 and argues that non-household customers are equally affected by Northumbrian Water’s failure to report accurately the true number of pollution incidents on its network as described above. The NHH Claim has not been served on Northumbrian Water.

If any of these claims is successful, or if any claim materialises from the collective proceedings which is ultimately successful or if any future claim arises and is successful, these could potentially have an adverse impact on the Guarantor’s business, financial condition and ability to fulfil its obligations under the Guarantee.

Changes in law or regulation

The Guarantor is a “relevant undertaker” (as defined in section 219(1) of the Water Industry Act 1991) and as such is regulated by the Secretary of State, the Environment Agency, OFWAT and the Drinking Water Inspectorate (as amended from time to time). The water industry is subject to extensive legal and regulatory obligations and control and the Guarantor must comply with all applicable law, regulations and regulatory standards.

The application of and changes to these laws, regulations and regulatory standards and policies could materially adversely affect the Guarantor’s operations and financial condition and, consequently, the Issuer’s ability to meet its obligations under the Notes. Decisions or rulings of any of the Environment Agency, OFWAT, the Drinking Water Inspectorate or changes in UK policy could have a material adverse effect on the Guarantor’s business, financial condition and results of operations as well as its ability to develop its business in the future.

The water sector in England and Wales has been increasingly opened to third party access arrangements (in the non-household sector) and in the longer term there may be further changes to industry structure (such as extending the non-household reforms to household customers). There can be no assurance that these developments will not adversely affect the business or financial condition of the Guarantor and adversely affect its ability to fulfil its obligations under the Guarantee.

Potential risk of enforcement action

Under section 22A of the Water Industry Act 1991, OFWAT and the Secretary of State may impose financial penalties on water and sewerage companies where the company is in breach of its statutory, licence obligations or appointment conditions or where the company has caused or contributed to a contravention by a person holding a water supply licence or sewerage licence.

The maximum penalty that can be imposed is 10 per cent. of a company’s turnover in the preceding business year. The penalty must also be reasonable in all circumstances. There are notice requirements that must be complied with before a penalty is imposed and the company has the opportunity to make representations and objections (which the enforcement authority is required to consider). An appeal against the imposition of a penalty (including the amount thereof and the date on which it is due to be paid) lies to the High Court. There are time periods and other administration requirements that apply in respect of the appeal process. If a penalty has not been paid by the due date, the enforcement authority may recover the penalty as a civil debt, including interest.

Enforcement action is potentially likely to be taken by OFWAT or the Secretary of State against water and sewerage companies only in the event of serious or persistent breaches, but a fine, depending on the amount, could have a material adverse effect on the Guarantor’s results of operations in the relevant year and therefore affect its financial position and its ability to perform its obligations under the Guarantee.

Financial resilience modifications to licence conditions

On 20 March 2023, OFWAT published its decision to modify the following appointment conditions of the largest water undertakers which includes the Guarantor and the Issuer:

- Appointment condition P26, requiring the Guarantor or the Issuer to maintain investment grade issuer credit ratings from at least two (rather than one) credit rating agencies and providing for certain related notification provisions in respect of this. These modifications took effect from 17 May 2023. OFWAT has discretion to provide an exemption in written agreement for water companies to maintain only one credit rating rather than two.
- Appointment condition P28, raising the cash lock-up trigger to BBB/Baa2 with a negative outlook from 1 April 2025. The cash lock-up trigger for the Guarantor or the Issuer's monitored ratings is currently set at BBB-/Baa3 with a negative outlook. The modification provides a 3-month grace period between the point that a rating falls to the new trigger level of BBB/Baa2 with negative outlook and the cash lock-up being applied. During this period, companies can submit a request to OFWAT to determine (or OFWAT may determine on its own initiative) that the cash lock-up should not apply on the basis that the company's financial resilience is not at risk. If a relevant credit rating were to fall to BBB-/Baa3 or lower, then the cash lock-up would automatically apply.
- Appointment condition P30, requiring the Guarantor to declare or pay dividends only in accordance with a dividend policy which has been approved by the Guarantor's board and which complies with the following principles: (i) that dividends declared or paid will not impair the ability of the Guarantor to finance the business, taking account of current and future investment needs and financial resilience over the longer term; (ii) that dividends declared or paid should take account of service delivery for customers and the environment over time, including performance levels and other obligations; and (iii) that dividends declared or paid should reward efficiency and the management of risks to the Guarantor. These modifications to the ring-fencing conditions in the Guarantor's Instrument of Appointment could increase the likelihood of the Guarantor being unable to pay a dividend and consequently resulting in the Guarantor being less able to attract future investment.

These factors could potentially increase cost of equity and have an adverse effect on the Guarantor's business, financial condition and ability to comply with its obligations under the Guarantee.

Non-recovery of customer debt

The Guarantor is responsible for the billing, cash collection and debt management activities for its household water and waste water customers, and the Water Industry Act 1991 prohibits the Guarantor from disconnecting domestic water supplies for non-payment. The failure to recover its debts is therefore a risk to the Guarantor and may have an adverse impact on profitability.

OFWAT and The Department for Environment, Food and Rural Affairs ("**DEFRA**") both recognise the impact of bad debt on companies. This has been noted in various consultations and reports from DEFRA and OFWAT regarding the recovery of bad debt. The most recent of these is OFWAT's publication "Paying fair – guidelines for water companies in supporting residential customers pay their bill, access help and repay debts", published in May 2022. These OFWAT guidelines attempt to draw a reasonable balance between allowing companies sufficient flexibility to devise and manage effective revenue collection systems while setting out OFWAT's views on reasonable protections for customers.

OFWAT's assessment of efficient base expenditure for residential retail services takes into account bad debt modelled costs. If an appointee has exceptionally high levels of bad debt, at each Periodic Review, it could submit a "cost adjustment claim" to OFWAT, which would require it to demonstrate that OFWAT's economic modelling does not adequately capture its circumstances and it has additional efficient costs,

In general, although the Guarantor may make an application to OFWAT for an adjustment to account for its levels of bad debt, there can be no assurance that either OFWAT would permit an adjustment or that, if permitted, the amount allowed by OFWAT will be adequate for the Guarantor, and as such there is a risk of an adverse effect on the Guarantor's business, financial condition and results of operation.

Water sector regulatory reforms

The Government announced in July 2024 some “initial steps” towards reforming the water sector, designed to increase regulatory scrutiny with respect to performance of water undertakings, particularly with respect to pollution incidents and financial resilience.

Water undertakings have obligations under the Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008 to make limited payments to customers when they fail to adhere to specific standards on matters including supply restoration, low pressure, sewer flooding and complaints handling, known as the Guaranteed Standards Scheme (“GSS”). The Government ran an eight-week consultation from 12 August 2024 regarding reforms to the GSS, including roughly doubling the amounts of payments due for service failures. Any reforms to the GSS regime resulting from this consultation may adversely affect the Guarantor’s business, financial condition and results of operation.

The Water (Special Measures) Bill provides for measures including: requiring OFWAT to issue rules on remuneration and fitness and propriety for directors and senior personnel of water undertakings, including prohibiting performance-related pay where the water undertaking fails to meet specified standards; a new requirement to publish a plan for the reduction of pollution incidents attributable to sewerage systems on an annual basis; a new obligation to publish information on emergency overflows from sewerage systems; amendment of the standard of proof from “beyond reasonable doubt” to “on the balance of probabilities” and introduction of automatic penalties for certain pollution, abstraction, impounding and drought offences; and hardening sentencing for the offence of impeding investigation by an environmental regulator to include imprisonment.

The Government published terms of reference for a wide-ranging independent commission on the water sector regulatory system on 23 October 2024 (the “**Commission**”). The Commission will consider the regulatory framework, the regulators and the incentives that govern the water industry model and strategic water planning, with a view to attracting necessary investment, improving environmental performance and rebuilding public trust and confidence. While the Commission is not expected to make recommendations that impact PR24, future reform of the Price Review framework is within the scope of the review. Depending on the outcome of the Price Review process review by the Commission, it could have an adverse effect on the Guarantor’s business, financial condition and results of operation and affect its ability to perform its obligations under the Guarantee.

Operational Risks

There are a number of principal risks which the Guarantor faces in its operating environment as set out below. In respect of each of these risks listed below, the Guarantor takes steps on an ongoing basis to mitigate such risks. However, a failure to manage such risks may adversely affect the Guarantor’s business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee and consequently, the Issuer’s obligations under the Notes.

Restrictions on security

The Water Industry Act 1991 and the Guarantor’s Instrument of Appointment restrict both the Guarantor’s ability to grant security over its assets and the enforcement of such security. For example, disposal of interests in (or the creation of a charge or mortgage over) land determined by OFWAT under the Instrument of Appointment to be protected land will need OFWAT’s consent. Both the Secretary of State and OFWAT have rights under the Water Industry Act 1991 to appoint a special administrator in certain circumstances in respect of the Guarantor and its business. The appointment of a special administrator affects the ability of the business to dispose of assets subject to security and prevents the holder of security from enforcing that security. While these considerations do not affect the Notes which are unsecured, the restrictions adversely affect the ability of the Issuer and the Guarantor to incur any secured indebtedness which could potentially increase the associated funding costs and could potentially have an adverse effect on the Issuer’s and the Guarantor’s business and financial condition and the Guarantor’s ability to fulfil its obligations under the Guarantee.

Sewerage service failure

A problem in the Guarantor's sewerage system could cause either significant environmental pollution or flooding of customer properties.

The Guarantor's sewerage systems can reach capacity in certain circumstances, such as prolonged heavy rainfall, resulting in flooding. It is not possible to accurately forecast the occurrence or impact of sewer flooding, and so it is not practical to make full or reliable provision for the effects, or the alleviation of the risk, of sewer flooding. This means that there is a risk that the Guarantor may overspend its Totex allowance to cover the financial cost of measures to deal with sewer flooding (including any compensation payments to its affected customers), if, for example, rainfall is significantly higher than expected. In addition, underperformance against the Guarantor's internal sewer flooding performance commitments may lead to financial ODI penalties for the Guarantor.

Loss of data or interruptions to key business systems

The volume and complexity of cyber security threats are increasing and constantly evolving. Loss of, or misuse of, data could result in breaches of legislation, including, but not limited to, data protection legislation which could have an adverse impact on the Guarantor's operational assets, performance and customer service metrics. This could also potentially lead to significant penalties and/or reputational damage.

As an operator of essential services, the Guarantor is required to comply with the Network and Information Systems Regulations (2018) in relation to cyber security. The Guarantor's operations, including the efficient management and accurate billing of customers, effective asset operations, and successful treasury activities rely on sensitive and highly complex information systems and networks, including systems and networks provided by and interconnected with those of third-party providers. It is critical for the Guarantor to maintain a high degree of focus on the effectiveness, availability, integrity and security of information systems to assure financial, customer service performance metrics.

As a water utility company, the Guarantor collects and processes personal data (including name, address, age, bank details and other personal data) from its customers, business contacts and employees. Despite the controls put in place, there remains a risk that this data could be stolen, lost, corrupted and/or misused as a result of an intentional or unintentional act by parties internal or external to the Guarantor, including through the hacking of its IT systems and failure to adequately encrypt data. This could result in fines, the need to compensate customers, the cost of remediation and reputational damage and consequently adversely impact its results of operations.

The Guarantor is required to comply with data protection and privacy laws and industry standards in the UK and the countries of residence of the Guarantor's customers. This includes compliance with the General Data Protection Regulation ((EU) 2016/679) as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018.

There is a risk that data collected by the Guarantor and its third-party service providers is not processed in accordance with notifications made to, or obligations imposed by, data subjects, regulators, or other counterparties or applicable law. Failure to operate effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs as well as result in potential inaccurate rating of risks or overpayment of claims.

If the Guarantor or any of the third-party service providers on which it relies fails to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Guarantor could face liability under data protection laws. This could also result in damage to the Guarantor's reputation which could have a material adverse effect on the Guarantor's business, financial condition and results of operations.

Failure of the Guarantor's assets, processes or systems

There is a risk that the Guarantor could endanger the health and safety of staff, contractors and members of the public, as well as negatively impact the local and wider environment, due to deteriorating asset health as

a result of insufficient allowances for asset maintenance and/or inadequate information resulting in sub-optimal decision-making with respect to asset maintenance.

Some of the Guarantor's assets are critical to the provision of water to large populations for which there are limited alternative means of supply. If a failure were to occur, such as the failure or contamination of one of the Guarantor's reservoirs or water treatment works for instance due to extreme weather or loss of power, this could result in the Guarantor being temporarily unable to continue to serve customers and potentially impact the safety of staff, contractors and members of the public.

Core operational capabilities may also be compromised through physical, human or technological threats. The Guarantor may experience loss of data or interruptions to key business systems as a result of cyber attacks. The risks arising from loss of one or more of the major systems or corruption of data held in those systems could have a negative impact on the Guarantor's reputation, operations, regulatory, compliance or finances. Furthermore, the Group's operational sites could be the subject of a targeted cyber attack, threatening the Group's ability to provide a continuous supply of clean water and to safely take waste water away within the Guarantor's licence areas. The Guarantor's ability to fulfil its obligations under the Guarantee may be adversely affected as a result of such failure of the Group's assets, processes or systems.

Supply chain failure

The Guarantor faces a risk of disruption to supply continuity if there is an over-dependence on a limited number of suppliers, a failure to meet increased expectations for sustainable procurement due to a lack of co-ordination with supplier partners and/or if the Guarantor is unable to deliver effective supplier selection and in-life management of contracts due to limitations in organisational capability. Failure to manage suppliers could result in reputational damage, disruption to water and/or wastewater services, commercial loss and regulatory fines.

Environmental risks

Environmental considerations

The Guarantor's water supply and sewerage operations are subject to a significant number of regulations relating to the protection of the environment and human health, including provisions recently introduced under the Environment Act 2021 in relation to storm overflows. For instance, legally binding targets have been published (which include specific storm overflows reduction and water pollution targets), and a storm overflows discharge reduction plan, which requires water companies to ensure progressive reduction in the adverse impacts of discharges from storm overflows to protect people and the environment. Recent amendments to the Environment Act 2021, place obligations on sewerage undertakers (including the Guarantor) to report on discharges from storm overflows and to publish management plans.

The Guarantor, like other similar companies in the water industry, may incur significant costs in order to comply with such requirements imposed under existing or future environmental laws and regulations. Generally these costs are considered by OFWAT in its Price Review process who will generally seek to incorporate the cost of meeting new and existing legal obligations as part of setting the revenue cap. Where such costs were not considered as part of a Price Review, in certain limited circumstances, the Guarantor may apply for an interim determination. It is possible that OFWAT may determine that the cost of fulfilling certain obligations is likely to be less than the costs actually incurred by the Guarantor in fulfilling such obligations. In such circumstances, the funding allowed by OFWAT may not cover the actual total costs and the Guarantor would be required bear additional costs.

In practice, the funding allowed by OFWAT is set for a package of obligations and some will cost more and some less. Because of the frequency of legislative changes, it is not always certain how future environmental laws will impact the Guarantor and the financial condition of the Guarantor.

In the event of environmental incidents such as the escape of sewage or a breach of water quality standards, the scope of environmental legislation governing the Guarantor's business means that the Guarantor is at risk of civil claims and regulatory of enforcement action, which may result in prosecution, substantial fines and penalties, requirements to deal with the effects of contamination and/or requirements to upgrade plant and

equipment. Any such enforcement action could adversely affect the Guarantor's reputation, business and financial condition.

Risk arising from the Guarantor's obligations following extreme weather

Recent case law has indicated that OFWAT will not necessarily be compelled in the event of extreme weather conditions to relieve water undertakings from their performance commitments. The Guarantor was impacted by Storm Arwen in winter 2021 in meeting its performance commitments, and asked OFWAT to discount these impacts on the basis that the storm was a civil emergency. OFWAT relieved the Guarantor of only 50 per cent. of the impacts, citing an expectation that water undertakings are responsible for mitigating the impacts of even such extreme weather events. The Guarantor brought judicial review proceedings to challenge OFWAT's decision, but the High Court found in favour of OFWAT and the Guarantor's appeal was dismissed in the Court of Appeal in July 2024. The occurrence of extreme weather could impact the Guarantor's obligations to maintain its performance commitments as determined by OFWAT. A failure by the Guarantor to comply with such obligations may lead to a fine, which could have an adverse impact on the Guarantor's business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee.

Environmental Permitting

The Guarantor is subject to environmental permitting requirements as they apply under UK legislation. To ensure compliance, the Guarantor will, or may, incur costs and expenditure in applying for relevant environmental permits, meeting permit conditions (including investment in the maintenance of the network to comply with Best Available Techniques requirements) and/or in responding to and actioning any permit-related compliance issues. Any significant unexpected costs or compliance issues with any environmental permitting requirements could have an adverse effect on the Guarantor's business, financial condition, and results of operations. Failure to obtain an environmental permit where a permit is required and/or to comply with the conditions of any environmental permit granted, may also result in enforcement action, including the potential for prosecution and the imposition of fines and penalties.

Environmental pollution offences

Due to the extent and location of the Guarantor's waste network and assets, there is a risk that, from time to time, unlawful waste discharges/disposals may take place (whether into controlled waters or onto land).

Such unlawful discharges may constitute criminal offences under UK environmental legislation (including, for example, the Environmental Permitting Regulations (England and Wales) 2016 (as amended), the Control of Pollution (Amendment) Act 1989, Waste (England and Wales) Regulations 2011 (as amended) and the Environmental Protection Act 1990 (as amended)) and, depending on the assessed levels of culpability and harm, as well as any aggravating and/or mitigating factors, could result in enforcement action including prosecution by the Environment Agency and attract significant fines, or the imposition of civil sanctions (including variable monetary penalties, which since 1 December 2023 are uncapped in England). The Water (Special Measures) Bill extends the sentencing power of the courts and lowers the standard of proof for certain offences (among other new powers for the Environment Agency), giving rise to the potential for additional civil sanctions and penalties.

Pursuant to the Sentencing Council's Definitive Guideline for Environmental Offences issued in February 2014 (the "**Sentencing Council's Definitive Guideline**"), for those cases involving the highest levels of culpability (whether assessed as negligent, reckless or deliberate) and harm, the courts have the power to impose significant fines depending on the relevant company's assessed culpability and harm, any aggravating and mitigating factors and the relevant company's annual turnover (or equivalent). There is currently a Sentencing Guideline consultation which includes consideration of how those companies deemed to be "very large organisations" (for the purposes of the Sentencing Council's Definitive Guideline) should be dealt with under the environmental guideline. Whilst the proposed change largely reflects the approach taken in current case law, it is possible that this could result in higher fines in a number of cases.

It is also important to note the current heightened level of political, regulatory and public scrutiny and media attention on water companies. For example, the ongoing Environment Agency investigation into non-compliance of environmental permit conditions by water companies may result in increased enforcement action, in particular, regarding the discharge and treatment of sewage, which in turn could have an adverse effect on the Guarantor's business, reputation, financial condition, and results of operations. In November 2021, the Guarantor, along with all other wastewater companies, was contacted by the Environment Agency and OFWAT in relation to measures to ensure permitted 'Flow to Full Treatment' ("**FFT**") requirements were being achieved at wastewater treatment works. The Guarantor submitted a significant volume of data in response. Initial investigations identified a small number of sites where the required level of FFT may not have always been achieved and an action plan was implemented to address these sites. These sites have now all been remedied (as of September 2022). In early March 2022, OFWAT issued a formal Section 203 notice requiring further information to be provided. Having progressed its enforcement case, OFWAT published notice of its intent to impose financial penalties and enforcement orders on a number of water undertakings including the Guarantor on 6 August 2024. In respect of the Guarantor, the amount of the proposed financial penalty is £17 million and the proposed enforcement order requires the remedy of the contraventions OFWAT has identified and the taking of steps aimed at ensuring future compliance with the relevant obligations. These OFWAT proposals were subject to public consultation which closed on 10 September 2024, with OFWAT required to consider any representations or objections it has received before making any final enforcement order or imposing any financial penalty.

Further, a recent ruling of the Supreme Court in July 2024 (*The Manchester Ship Canal Company v United Utilities Water Ltd*) could lead to an increased risk of nuisance claims being brought against sewerage undertakers by the owners of watercourses where it is established that water has been polluted by discharges of untreated water.

There is a risk that any formal action taken by the Environment Agency and/or OFWAT (and any such claims) could have an adverse effect on the Guarantor's business, financial condition and results of operations.

Contamination of water supplies

Water supplies may become contaminated, emanating from naturally occurring compounds or pollution resulting from man-made sources. Although the Guarantor has established contingency plans, incident management procedures and has controls in place in respect of water supplies, if one of the Guarantor's water supplies becomes contaminated and the Guarantor is unable to substitute a supply or to treat the contaminated water source adequately, there is likely to be an adverse operational impact which may consequently have an adverse effect on its reputation, operating results and financial position.

Some or all of the remedial costs may be recoverable through future Price Reviews. The Guarantor could also be held liable for human exposure to hazardous substances in water supplies or other environmental damage, which may adversely affect the Guarantor's business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee.

Environmental Quality Standards

The Guarantor is subject to the environmental quality standards referred to in the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 (the "**Water Framework Regulations**"). If the Guarantor is unable to secure sufficient funding for investment projects under PR24 to enable compliance, this could have a negative impact on the financial condition of the Guarantor. The Government has responded to recommendations made by the Office for Environmental Protection in September 2024 that not enough progress has been made to meet the objectives under the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 and is committed to accelerating this, including the introduction of possible future reforms following a review of the water sector regulatory system, which may lead to additional

obligations on the Guarantor which may adversely affect the Guarantor's business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee.

Biodiversity

Measures to tackle loss of biodiversity and policies intended to protect local habitats may also impact the Guarantor's future access to water resources in areas deemed to be ecologically sensitive, which in turn could affect the Guarantor's business, financial condition, and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee. There may also be additional statutory obligations, such as in relation to land designated as a Site of Specific Scientific Interest, the condition of protected sites, bio-diversity net gain and nature-related performance.

Climate change risks

Climate change represents a long-term risk to the Guarantor. In the short term, climate change may cause more volatile weather conditions which could impact on customer service through disrupting water supply or causing sewer flooding. Over the longer term, climate change could impact on water resources resilience and the integrity of our assets. This may be exacerbated by growing population and ongoing urbanisation. Such impact on the Guarantor's service performance could give rise to potential penalties, the need to pay compensation to customers, third party claims or other regulatory action.

In December 2024, NWL published its Climate Adaptation Report, which was submitted to the UK Government, setting out an assessment of key climate risks, how the business is responding to cope with climate change and the adaptive approach being adopted. The key climate risks identified related to flooding, drought, wind storms and extreme temperatures. These risks have been assessed and an action plan developed to mitigate them. Long term planning is carried out through Water Resources Management Plans (including NWL's plan titled "*Shaping our future: our long-term strategy 2025-50*"), and Drainage and Wastewater Management Plans. A failure to deliver the solutions and adequately manage the risks identified in these plans could result in added reputational risk, reputational damage, legal proceedings or other measures taken against the Guarantor which may, in turn, could potentially have an adverse effect on the Guarantor's business, financial condition and ability to fulfil its obligations under the Guarantee.

Increased water demand, water resource availability and climate change impacts may require the Guarantor to take measures to adapt its operations and may result in the need for new resources to be developed. Existing water infrastructure may not be adequate for the future and may be vulnerable to flooding which may necessitate additional investment. Stated regulatory policy indicates continuing mandatory developments in demand management, sustainable water use, reduction of leakage in supply, implementation of household metering, the integration of catchment management, sustainable abstraction, possible water efficiency commitments and the achievement of water quality objectives in respect of surface water and groundwater pursuant to the Water Framework Regulations.

There can be no assurance that the developments proposed in the Water Framework Regulations and summarised above will not adversely affect the Guarantor's business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee.

In addition, laws and regulation to address to the causes and impacts of climate change may impose more onerous obligations on the Guarantor's business and may affect business conditions and demand for services in the medium to long term. A failure to adhere to such laws and regulations could result in reputational damage, legal proceedings or other measures taken against the Guarantor which may, in turn, adversely affect the Guarantor's business, financial condition and results of operation and, consequentially, its ability to fulfil its obligations under the Guarantee.

Health and Safety risks

The Guarantor is subject to laws and regulations in England and Wales governing health and safety matters protecting its employees and the public, which expose the Guarantor to costs and liabilities relating to the Guarantor's operations.

Breaches of applicable health and safety laws or regulations may expose the Guarantor to penalties, claims for financial compensation, adverse regulatory consequences and/or reputational damage. There is no cap on fines for breaching health and safety laws and one can expect levels of fines issued to continue to rise in the years to come. Importantly, fines are non-insurable and are a business cost and not a customer cost. The Sentencing Council's Definitive Guideline for health and safety offences requires the court to undertake a step-by-step approach to sentencing, which involves an analysis of the overall seriousness of the offence (i.e. culpability of the offender, harm (including consideration of the risk of harm and likelihood of harm arising)), consideration of any mitigating and aggravating and takes into account the turnover of the business.

Furthermore, there can be no assurance that the costs of compliance with applicable health and safety standards and regulations will not increase, and any such increased costs could adversely affect the Guarantor's financial condition.

Customer and stakeholder trust and confidence

The Guarantor may be unable to meet the needs of its customers and/or other stakeholders or anticipate changing expectations in respect of the level of customer experience it provides. For instance, the Guarantor's people, culture, suppliers and processes may not adapt in response to a changing environment and may be unable to take advantage of technological enhancements to deliver enhanced business performance and an inadequate understanding of changing customer and/or other stakeholder expectations may cause the business to offer services that do not align with customer demands. Such failure to anticipate and respond to evolving customer expectations could negatively impact the customer experience offered by the Group and result in an increase in unresolved complaints or long response times.

Failure to deliver on commitments to customers and/or maintain high levels of customer service, in particular in relation to the Guarantor's most vulnerable customers, and the environment, or negative media coverage resulting in a poor public perception of the Guarantor's customer service, could lead to financial penalties, reputational damage and loss of trust and confidence of customers and other stakeholders. If the Guarantor is unable to provide the level of service required to meet customers' expectations, it may also suffer financial penalties under OFWAT's customer measure of experience ("**C-MeX**") and reduced levels of associated ODIs. Such penalties may have an adverse effect on the Guarantor or on the Guarantor's business, financial condition and ability to meet its obligations under the Guarantee.

Funding and liquidity

There is a risk that the Issuer and the Guarantor may not have access to funds to meet ongoing commitments and finance the business appropriately. The Guarantor has a large funding requirement for AMP8 to refinance the Group's maturing debt and support its approved investment programme. There is a risk that the Issuer and/or the Guarantor will not be able to raise sufficient funds, or funds at a suitable interest rate, or on suitable terms, at the requisite time. The Guarantor's ability to fulfil its obligations under the Guarantee may be adversely affected if it does not have access to sufficient or suitable external debt funding.

Changes in the rate of inflation

In AMP7, the Guarantor's wholesale revenue is linked to CPIH, a variant of the Consumer Price Index, and RCV growth is linked to a mix of CPIH and RPI. OFWAT has confirmed as part of PR24 that RCV growth will become fully linked to CPIH in AMP8.

Since PR19, OFWAT's price limits and, consequently, the Guarantor's revenues are directly linked to the November CPIH figure issued by the Office for National Statistics. As a result, most of the Guarantor's costs are hedged but there remains the possibility that costs could rise above (or fall below) CPIH.

In 2022 and 2023, the UK experienced a significant increase in inflation which has impacted the costs of the Guarantor. In particular, power prices increased to unprecedented levels and this resulted in increases in other costs, such as chemicals and fuel, and increased expectations on pay increases both directly and through the supply chain. The cost of living crisis has also seen significantly increased household energy bills which may have an adverse impact on revenue collection and bad debt risk. This inflationary impact on costs will be partially mitigated by higher inflation on wholesale revenues. For AMP8 OFWAT has confirmed in the

PR24 FDs that greater risk protection will be provided with respect to power price inflationary spikes like those experienced in 2022-23 (in addition to wage costs).

In November 2020, the UK government and the UK Statistics Authority announced that from February 2030 the RPI will be calculated using the data and methods of the CPIH.

As with any organisation, changes in the rate of inflation are likely to impact on the operating costs and capital expenditure of the Guarantor and on customers' ability to pay any increased charges. The exposure to fluctuations in inflation creates an element of unpredictability and could lead to adverse consequences and financial cost pressures for the Guarantor. This may impact and have an adverse effect on the Guarantor's business, financial condition and ability to meet its obligations under the Guarantee.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of certain types of Notes which may be issued under the Programme

Notes subject to optional redemption by the Issuer

The Issuer may issue Notes that are callable, at the option of the Issuer, either at certain times or at any time during the life of the Notes. An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Potential investors should also note that if Clean-Up Call is specified in the relevant Final Terms as applicable, the Issuer in certain circumstances has the ability to exercise a "clean-up" call in relation to the relevant series of Notes. If the Issuer, the Guarantor (if applicable) and/or any of their subsidiaries has/have in the aggregate purchased and cancelled or redeemed a series of Notes in aggregate principal amount equal to or in excess of 80 per cent. in the principal amount of such series of Notes initially issued (which shall for this purpose include any further Notes of such series issued pursuant to Condition 16), the Issuer may then redeem or (at its option) purchase or procure the purchase of all, but not some only, of the remaining outstanding Notes of that series at the Early Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the date fixed for redemption or purchase (as applicable).

Index Linked Notes

The Issuer may issue Notes with principal or interest determined by reference to movements in RPI, CPI or CPIH (each an "Index") during a reference period. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time than expected;
- (iv) the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero and as such, investors may lose the value of their entire investment or part of it where there is a decrease in the relevant Index;
- (v) an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (vi) the timing of changes in an index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant index, the greater the effect on yield.

Moreover, the methodology used by the Office for National Statistics for calculating RPI, CPI or CPIH may change over time. Such change in the methodology for calculating RPI, CPI or CPIH may affect the actual RPI, CPI or CPIH figure. Consequently, the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of Index Linked Notes may increase, or decrease, as a result of such a change to the RPI, CPI or CPIH methodology or basis of the calculation of the applicable index.

In particular, in March 2020, a public consultation was launched on proposals issued by the UK Statistics Authority (“UKSA”) to cease the publication of RPI, and, in the interim, to change the methodology used for calculating the RPI with the aim of it converging with the methodology for calculating CPIH. In November 2020, the UK government and the UKSA published their response to the consultation confirming that the methodology used for RPI will be aligned with the methodology for calculating CPIH no earlier than 2030.

If the relevant Index ceases to be published or where there is a fundamental change in the rules governing such Index, adjustments to such Index may be made, or a substitute index may be agreed. If an adjustment to such Index cannot be made or any substitute for such Index found then, in specified circumstances, the Issuer may redeem the Index Linked Notes early. See Conditions 8.5 and 8.6 for further detail.

The application of Conditions 8.5 and 8.6 may have a positive or negative impact on the amount of interest payable on each interest payment date and/or the amount to be repaid upon, or the timing of, any redemption of Index Linked Notes.

More information on RPI, CPI and CPIH, including past and current levels, can be found at the following website: <https://www.ons.gov.uk/economy/inflationandpriceindices>.

The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”

Interest rates or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory review and reform, with further changes anticipated. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

The EU Benchmarks Regulation and the UK Benchmarks Regulation apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU and in the UK, respectively. The EU Benchmarks Regulation and/or the UK Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of such regulation. In each case, such changes could, among other things, have the effect of reducing or increasing the rate or level, or affect the volatility of, the published rate or level of the benchmark.

There is continued regulatory scrutiny of use of inter-bank offered rates and increasing pressure and momentum for banks and other financial institutions to transition relevant products to replacement rates.

For example, in the case of floating rate Eurobonds, bonds which would traditionally have referenced EURIBOR may move towards referencing the new €STR (although a reformed EURIBOR rate will continue to be published).

€STR and other replacement risk-free rates, such as SONIA operate on a backward-looking basis (predominantly on the basis of a daily compounding calculation, although weighted average alternatives have been seen in certain rates), rather than forward-looking term rates. While forward-looking term rates based on certain of these risk-free rates have been or are being developed, it is uncertain whether the capital markets will move to referencing those term rates for public bond issues, or if the regulators will allow such adoption.

More broadly, any of the international or national reforms, or the general increase in regulatory scrutiny of benchmarks, could increase the costs and risks of administering or participating in the setting of a benchmark and complying with any such regulations or requirements. Specifically, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021 the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates. The recommended fallback triggers include both cessation and pre-cessation triggers, including, *inter alia*, permanent cessation, non-representativeness and (potentially) unlawfulness triggers (the working group recommended against a material change in the EURIBOR methodology as defined by the European Money Markets Institute being an automatic trigger). For debt securities, based on support for the proposals from the public consultation and issuances already observed in the capital markets, the working group recommended the replacement rate to be €STR with a backward-looking lookback period methodology (with an observation shift methodology, although use of the lag approach was considered a robust alternative) and applying an adjustment spread based on a five-year historical median methodology.

For Notes which reference any affected benchmark, uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to such benchmark may adversely affect such benchmark rates during the term of such Notes and the return on, value of and the trading market for such Notes.

In accordance with the Conditions, Notes which reference any affected benchmark may be subject to the adjustment of the interest provisions in certain circumstances, such as the potential elimination of the relevant benchmark, an inability to obtain authorisation or registration by the administrator of the relevant benchmark, changes in the manner of administration of such benchmark or the availability of a successor or replacement benchmark. The circumstances which could trigger such adjustments are beyond the Issuer's control. The subsequent use of a replacement benchmark may result in changes to the Conditions (which could be extensive) and/or interest payments that are lower than or that do not otherwise correlate over time with the payments that could have been made on such Notes if the relevant benchmark remained available in its current form.

Although pursuant to the Conditions spread adjustments may be applied to any such replacement benchmark in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. There is no assurance that the characteristics of any replacement benchmark would be similar to the affected benchmark, that any replacement benchmark would produce the economic equivalent of the affected benchmark or would be a suitable replacement for the affected benchmark. The choice of replacement benchmark is uncertain and could result in the use of risk-free rates (see "The market continues to develop in relation to SONIA as a reference rate " for the risks relating to the use of such rates) and/or in the replacement benchmark being unavailable or indeterminable.

The Conditions provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate such as EURIBOR or SONIA (including any page on which such benchmark may be published (or any successor service)) becomes unavailable or a Benchmark Event (as defined in the Conditions) otherwise occurs, including the possibility that the rate of interest or other amounts payable under the Notes could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. In certain circumstances, the fallback for the purposes of calculation of interest or other amounts payable under the Notes may be based upon a determination to be made by an Independent Adviser appointed by the Issuer. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the

involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time and in the event of a permanent discontinuation of any benchmark, the Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may be unable to determine a successor rate or alternative rate. In these circumstances, where any benchmark has been discontinued, the Rate of Interest will revert to the Rate of Interest applicable as at the immediately preceding Interest Determination Date.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation or the UK Benchmarks Regulation reforms in making any investment decision with respect to any Notes referencing a benchmark.

The market continues to develop in relation to SONIA as a reference rate

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets.

This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of Notes referencing SONIA, but also how widely such rates and methodologies might be adopted.

In addition, the manner of adoption or application of SONIA in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SONIA.

In particular, investors should be aware that SONIA may fail to gain widespread market acceptance which could adversely affect the return on, value of and market for the Notes.

Notes referencing SONIA or SONIA Compounded Index may also have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing such risk-free rates, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Notes may be lower than those of later-issued indexed debt securities as a result. Further, if SONIA or SONIA Compounded Index do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing rates that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SONIA or SONIA Compounded Index.

Risk-free rates differ from interbank offered rates in a number of material respects

Risk-free rates may differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking in most cases, calculated on a compounded or weighted average basis, risk-free and overnight rates, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future.

Furthermore, interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes

which reference such risk-free rates to reliably estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking SONIA are redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

The administrators of SONIA may make changes that could change the value of or discontinue SONIA

The Bank of England (or its successors) as administrator of SONIA (and SONIA Compounded Index) may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such rates and/or indices are calculated, eligibility criteria applicable to the transactions used to calculate such rates and/or indices, or timing related to the publication of SONIA or SONIA Compounded Index.

In addition, an administrator may alter, discontinue or suspend calculation or dissemination of SONIA or SONIA Compounded Index, in which case a fallback method of determining the interest rate on the Notes will apply in accordance with the Conditions. An administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

If the manner in which SONIA or SONIA Compounded Index is changed, that change may result in a reduction or other change in the Rate of Interest and may adversely affect any payment on the Notes.

Fixed/Floating Rate Notes

The Issuer may issue Fixed/Floating Rate Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes issued at a substantial discount or premium

The Issuer may issue Zero Coupon Notes or interest paying notes which are issued at a discount, and may issue notes at a premium to par. The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Exchange rate risks and exchange controls

The Issuer may issue Notes in any currency. The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Issuer may issue Notes which pay a fixed rate of interest. Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Risks related to all Notes issued under the Programme

Modification, waivers and substitution

The Trust Deed and the Conditions of the Notes contain provisions for calling meetings (including by way of conference call or by use of videoconference platform) of Noteholders to consider matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents.

These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or did not sign the written resolution or did not give their consent electronically (as the case may be), and including Noteholders who voted in a manner contrary to the majority.

The Trust Deed and the Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes; or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such; or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 12.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Furthermore, if Retained Notes are held by or on behalf of the Issuer, there can be no assurance of sales of the Retained Notes to third parties, and accordingly any trading market in respect of the Notes may be further reduced or fail to establish.

These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Any ratings decline could adversely affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the “**EU CRA Regulation**”) from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Further information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus shall be incorporated in, and form part of, this Base Prospectus:

- (a) the Terms and Conditions set out on pages 33 to 76 of the Base Prospectus dated 20 March 2024 (https://www.nwg.co.uk/globalassets/corporate/debt-issuance/2024/nwl__emtn_base_prospectus_2024.pdf);
- (b) the Terms and Conditions set out on pages 33 to 76 of the Base Prospectus dated 19 October 2022 (https://www.nwg.co.uk/globalassets/corporate/debt-issuance/1.--emtn-base-prospectus-2022__final.pdf);
- (c) the auditor’s report and unconsolidated audited annual financial statements for the financial year ended 31 March 2024 of the Issuer (<https://www.nwg.co.uk/globalassets/corporate/debt-issuance/2024/northumbrian-water-finance-plc-march-2024.pdf>);
- (d) the auditor’s report and unconsolidated audited annual financial statements for the financial year ended 31 March 2023 of the Issuer (<https://www.nwg.co.uk/globalassets/corporate/debt-issuance/2024/northumbrian-water-finance-plc---financial-statements-31st-march-2023.pdf>);
- (e) the auditor’s report and consolidated audited annual financial statements for the financial year ended 31 March 2024 of the Guarantor (the “**Guarantor’s 2024 Annual Report and Financial Statements**”) (<https://www.nwg.co.uk/globalassets/corporate/apr/2024/nwl-annual-report-and-financial-statements-2023-24.pdf>); and
- (f) the auditor’s report and unconsolidated audited annual financial statements for the financial year ended 31 March 2023 of the Guarantor (the “**Guarantor’s 2023 Annual Report and Financial Statements**”, and, together with the Guarantor’s 2024 Annual Report and Financial Statements, the “**Guarantor’s Annual Reports and Financial Statements**”) (<https://www.nwg.co.uk/globalassets/corporate/debt-issuance/2024/northumbrian-water-limited---annual-report-and-financial-statements-31st-march-2023.pdf>).

The table below sets out the relevant page references for the auditor’s report and unconsolidated audited annual financial statements for the financial year ended 31 March 2023 and 31 March 2024 in respect of the Issuer, each of which are incorporated by reference herein:

<i>Auditor’s report and unconsolidated audited financial statements of the Issuer</i>	2023	2024
Independent auditor’s report to the members of Northumbrian Water Finance PLC	8	8
Statement of comprehensive income	17	17
Balance sheet	18	18
Statement of changes in equity	19	19
Notes to the Financial Statements	20 - 26	20 - 26

The table below sets out the relevant page references for the auditor’s report and unconsolidated audited annual financial statements for the financial year ended 31 March 2023 and the auditor’s report and consolidated audited annual financial statements for the financial year ended 31 March 2024 in respect of the Guarantor, each of which are incorporated by reference herein:

Auditor’s report and unconsolidated audited financial	Auditor’s report and consolidated audited financial
--------------------------------------------------------------	------------------------------------------------------------

	statements of the Guarantor - 2023	statements of the Guarantor - 2024
Income statement	111	125
Statement of comprehensive income	111	126
Balance sheet	112	127
Statement of changes in equity	113	128
Cash flow statement	114	129
Notes to the Financial Statements	115-154	130-180
Independent auditor's report to the members of Northumbrian Water Limited	155-163	181-190

Any documents or information that are incorporated by reference in the documents referred to above do not form part of this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

For the avoidance of doubt, other than in relation to the documents which are deemed to be incorporated by reference referred to above, the information on any website to which this Base Prospectus refers to does not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to above do not form part of this Base Prospectus and are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes to be issued, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

Amendments to the Guarantor's Annual Reports and Financial Statements

The Guarantor has identified overstatements in the accrued accretion charges for the index-linked arrangements of certain borrowings in the Guarantor's Annual Reports and Financial Statements. The Guarantor's financial performance and position, net debt and cash flows have not been adversely impacted.

As a result, in its financial statements for its financial year ending 31 March 2025, the Guarantor intends to restate certain information in the Guarantor's 2024 Annual Report and Financial Statements, including restating the relevant figures relating to the year ended 31 March 2024 and the comparative figures on a consolidated basis relating to the year ended 31 March 2023, as set out in the following table:

		31 March 2024 ¹	Change ²	Restated 31 March 2024 ³	31 March 2023 ⁴	Change ⁵	Restated 31 March 2023 ⁶
		£m	£m	£m	£m	£m	£m
Income Statement							
Finance costs:							
Accretion on index-linked bonds	Net finance costs	99.4	(24.2)	75.2			
Deferred taxation	Taxation	(11.7)	6.0	(5.7)			
Balance sheet:							
Non-current liabilities:							
Borrowings	Borrowings	(3,864.0)	111.2	(3,752.8)	(3,645.0)	87.0	(3,558.0)
Deferred taxation liabilities	Taxation	(591.1)	(27.8)	(618.9)	(604.0)	(21.8)	(625.8)
Capital and reserves:							
Profit and loss account	Reserves	(68.5)	83.4	14.9	39.2	65.2	104.4

¹ The figures in the "31 March 2024" column are taken from and included in the Guarantor's 2024 Annual Report and Financial Statements in respect of each of the "Income Statements" and "Balance sheet", as applicable.

² The figures in the "Change" column in respect of the financial year ended 31 March 2024 are not included in the Guarantor's 2024 Annual Report and Financial Statements and are unaudited figures.

³ The figures in the "Restated" column in respect of the financial year ended 31 March 2024 are not included in the Guarantor's 2024 Annual Report and Financial Statements and are unaudited figures.

⁴ The figures in the "31 March 2023" column in respect of the financial year ended 31 March 2023 are taken from and included in the Guarantor's 2023 Annual Report and Financial Statements in respect of each of the "Income Statements" and "Balance sheet", as applicable.

⁵ The figures in the "Change" column in respect of the financial year ended 31 March 2023 are not included in the Guarantor's 2023 Annual Report and Financial Statements and are unaudited figures.

⁶ The figures in the "Restated" column in respect of the financial year ended 31 March 2023 are not included in the Guarantor's 2023 Annual Report and Financial Statements and are unaudited figures.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by an amended and restated Trust Deed, as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”) (the “**Trust Deed**”) dated 20 March 2024 between Northumbrian Water Finance Plc (the “**Issuer**”), Northumbrian Water Limited (the “**Guarantor**”) and HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 19 October 2022 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, HSBC Bank plc as initial issuing and paying agent (the “**Issuing and Paying Agent**”), paying agent (the “**Paying Agent**” which expression shall include the Issuing and Paying Agent), registrar (the “**Registrar**”), transfer agent (the “**Transfer Agent**” which expression shall include the Registrar) and calculation agent (the “**Calculation Agent**”) and the other agents named in it. Electronic copies of the Trust Deed and the Agency Agreement are available upon request to the Issuing and Paying Agent.

The Noteholders and the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects, including as to Issue Date.

Each Tranche is subject to the relevant final terms (the “**Final Terms**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown in the applicable Final Terms.

Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis as specified in the applicable Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered in the Register (as the case may be) and capitalised terms have the meanings given to them in these Conditions, the absence of any such meaning indicating that such term is not applicable to the Notes.

If so specified in the applicable Final Terms, some of the relevant Tranche of Notes may immediately be purchased by or on behalf of the Issuer on the Issue Date thereof. Such Notes are referred to as “**Retained Notes**”. Any Retained Notes may (in each case, together with the related Coupons and Talons, if applicable) be purchased by and held by or for the account of the Issuer or any Subsidiary of it and may be sold or otherwise disposed of in whole or in part by private treaty at any time, and shall cease to be Retained Notes to the extent of and upon such sale or disposal.

Retained Notes shall, pending sale or disposal by or on behalf of the Issuer, carry the same rights and be subject in all respects to the same terms and conditions as the other Notes of the relevant Series, except that Retained Notes will not be treated as outstanding for the purposes of determining quorum or voting at meetings of Noteholders, passing a resolution in writing, the giving of consent by way of electronic consents or of considering the interests of the Noteholders save as otherwise provided in the Trust Deed. Notes which have ceased to be Retained Notes shall carry the same rights and be subject in all respects to the same terms and conditions as the other Notes of the relevant Series.

Retained Notes will be held by a custodian appointed by the Issuer or any Subsidiary of it and specified in the applicable Final Terms (the “**Custodian**”). At the time of such appointment, the Issuer (or a relevant Subsidiary of it, as the case may be), the Trustee and the Custodian will enter into a custody agreement to specify how the Custodian will hold such Retained Notes on behalf of the Issuer.

2 No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(g)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d) or Condition 6(e), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date.

3 Guarantee and Status

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and the Coupons. Its obligations in that respect (the "**Guarantee**") are contained in the Trust Deed.
- (b) **Status of Notes and Guarantee:** The Notes and the Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall rank *pari passu* and without any preference among themselves. In the event of the bankruptcy, insolvency, winding up or dissolution of the Issuer, the payment obligations of the Issuer under the Notes and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, create, or have outstanding, any mortgage, charge, lien (other than a lien arising by

operation of law), pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness of the Issuer or the Guarantor or to secure any guarantee or indemnity given by it in respect of any Relevant Indebtedness of any other person, without at the same time according to the Notes, to the satisfaction of the Trustee, at least the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other security as the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In this Condition:

“Relevant Indebtedness” means any indebtedness for borrowed money which is in the form of, or represented or evidenced by, bonds, notes, loan stock or other securities which, with the agreement of the Issuer or the Guarantor are quoted, listed, dealt in or traded on a stock exchange, or over the counter or other recognised securities market, other than such bonds, notes, loan stock or other securities which (i) have an initial maturity of greater than twenty years, and (ii) are denominated in sterling.

5 Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from, and including, the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f).
- (b) **Interest on Floating Rate Notes:**
- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from, and including, the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either as specified in the applicable Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period specified in the applicable Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Final Terms and

the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) if the Final Terms specify either “2006 ISDA Definitions” or “2021 ISDA Definitions” as the applicable ISDA Definitions:
 - (1) the Floating Rate Option (as defined in the relevant ISDA Definitions) is as specified in the applicable Final Terms;
 - (2) the Designated Maturity (as defined in the relevant ISDA Definitions), if applicable, is a period specified in the applicable Final Terms;
 - (3) the relevant Reset Date (as defined in the relevant ISDA Definitions) is as specified in the applicable Final Terms;
 - (4) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the relevant ISDA Definitions), Compounding is specified to be applicable in the relevant Final Terms and:
 - (I) Compounding with Lookback is specified as the Compounding Method in the applicable Final Terms, then (a) Compounding with Lookback is the Overnight Rate Compounding Method and (b) Lookback is the number of Applicable Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Final Terms;
 - (II) Compounding with Observation Period Shift is specified as the Compounding Method in the applicable Final Terms, then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method and (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Final Terms and (c) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions), if applicable, are the days specified in the applicable Final Terms; or
 - (III) Compounding with Lockout is specified as the Compounding Method in the applicable Final Terms, then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the relevant ISDA Definitions) specified in the Final Terms and (c) Lockout Period Business Days, if applicable, are the days specified in the applicable Final Terms; and
 - (5) if the specified Floating Rate Option is an Index Floating Rate Option (as defined in the relevant ISDA Definitions) and Index Provisions are specified to be applicable in the relevant Final Terms, the Compounded Index Method with Observation Period Shift shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant

ISDA Definitions) specified in the applicable Final Terms and (b) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions) are the days, if applicable, specified in the applicable Final Terms);

(6) references in the relevant ISDA Definitions to:

- (I) "Confirmation" shall be deemed to be references to the applicable Final Terms;
- (II) "Calculation Period" shall be deemed to be references to the relevant Interest Accrual Period;
- (III) "Termination Date" shall be deemed to be references to the Maturity Date; and
- (IV) "Effective Date" shall be deemed to be references to the Interest Commencement Date; and

(y) if the Final Terms specify "2021 ISDA Definitions" as the applicable ISDA Definitions:

- (1) Administrator/Benchmark Event shall be disapplied; and
- (2) if the Temporary Non-Publication Fallback for any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback– Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate".

(B) Screen Rate Determination referencing EURIBOR

(x) Subject to Condition 5(j), where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and the Reference Rate is specified as being "EURIBOR", the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation or rate; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Screen Rate Determination for Floating Rate Notes referencing SONIA

- a. Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, Index Determination is specified in the relevant Final Terms as not applicable and the Reference Rate specified in the relevant Final Terms is SONIA:
- (A) where the Calculation Method in respect of the relevant Series of Notes is specified in the relevant Final Terms as being “Compounded Daily”, the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5(e) and Condition 5(j) and subject as provided below) be the Compounded Daily Reference Rate plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined by the Calculation Agent on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.000005 being rounded upwards.
 - (B) where the Calculation Method in respect of the relevant Series of Notes is specified in the relevant Final Terms as being “Weighted Average”, the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5(e) and Condition 5(j) and subject as provided below) be the Weighted Average Reference Rate plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined by the Calculation Agent on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.000005 being rounded upwards.
- b. Where “SONIA” is specified as the Reference Rate in the relevant Final Terms, subject to Condition 5(j), if, in respect of any Business Day, the Calculation Agent determines that the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be:
- (A) (i) the Bank of England’s Bank Rate (the “Bank Rate”) prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant Business Day; plus (ii) the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or
 - (B) if the Bank Rate is not published by the Bank of England at 5.00 p.m. (or, if earlier, close of business) on the relevant Business Day, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors),

and, in each case, “r” shall be interpreted accordingly.

Notwithstanding the paragraph above, and without prejudice to Condition 5(j), in the event of the Bank of England publishing guidance as to (i) how the SONIA rate is to be determined or (ii) any rate that is to replace the SONIA rate, the Calculation Agent shall, in accordance with the instructions of the Issuer, follow such guidance to the extent practicable and to the extent such guidance does not increase obligations or duties of the Paying Agent in order to determine the SONIA rate, for purposes of the Notes, for so long as the SONIA rate is not available or has not been published by the authorised distributors.

- c. In the event that the Rate of Interest for the relevant Interest Period cannot be determined in accordance with the foregoing provisions by the Paying Agent, subject to Condition 5(j), the Rate of Interest for such Interest Period shall be (i) that determined

as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the relevant Final Terms) is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period), (ii) if there is no such preceding Interest Determination Date and the relevant Interest Period is the first Interest Period for the Notes, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period) or (iii) if there is no such preceding Interest Determination Date and the relevant Interest Period is not the first Interest Period for the Notes, the Rate of Interest which applied to the immediately preceding Interest Period.

- d. If the relevant Series of Notes becomes due and payable in accordance with Condition 11, the last Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.
- e. For the purposes of this Condition 5(b)(C):

If “**Payment Delay**” is specified as the Observation Method in the relevant Final Terms, all references in these Conditions to interest on the Notes being payable on an Interest Payment Date shall be read as reference to interest on the Notes being payable on an Effective Interest Payment Date instead;

“**Applicable Period**” means,

- (A) where “Lag”, “Lock-out” or “Payment Delay” is specified as the Observation Method in the relevant Final Terms, Interest Period; and
- (B) where “Observation Shift” is specified as the Observation Method in the relevant Final Terms, Observation Period;

“**Business Day**” or “**BD**” means, where “SONIA” is specified as the Reference Rate, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Calculation Method**” has the meaning given in the relevant Final Terms;

“**Compounded Daily Reference Rate**” means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate (as indicated in the relevant Final Terms and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Calculation Agent as at the relevant Interest Determination Date as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{r_{i-pBD} \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

“**D**” is the number specified in the relevant Final Terms;

“**d**” means, for the relevant Applicable Period, the number of calendar days in such Applicable Period;

“**d_o**” means, for the relevant Applicable Period, the number of Business Days in such Applicable Period;

“**Effective Interest Payment Date**” means any date or dates specified as such in the relevant Final Terms;

“**i**” means, for the relevant Applicable Period, a series of whole numbers from one to **d_o**, each representing the relevant Business Day in chronological order from, and including, the first Business Day in such Applicable Period;

“**Lock-out Period**” means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

“**n_i**”, for any Business Day “**i**” in the Applicable Period, means the number of calendar days from, and including, such Business Day “**i**” up to but excluding the following Business Day;

“**Observation Method**” shall be as set out in the relevant Final Terms;

“**Observation Period**” means, in respect of the relevant Interest Period, the period from, and including, the date falling “**p**” Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is “**p**” Business Days prior to the Interest Payment Date for such Interest Period (or the date falling “**p**” Business Days prior to such earlier date, if any, on which the Notes become due and payable);

“**p**” means, for any Interest Period:

- (A) where “Lag” is specified as the Observation Method in the relevant Final Terms, the number of Business Days included in the Observation Look-back Period specified in the relevant Final Terms (or, if no such number is specified five Business Days unless otherwise agreed by the Calculation Agent);
- (B) where “Lock-out” is specified as the Observation Method in the relevant Final Terms, zero;
- (C) where “Observation Shift” is specified as the Observation Method in the relevant Final Terms, the number of Business Days included in the Observation Look-back Period specified in the relevant Final Terms (or, if no such number is specified, five Business Days unless otherwise agreed by the Calculation Agent);

“**r**” means:

- (A) where in the relevant Final Terms “SONIA” is specified as the Reference Rate and either “Lag” or “Observation Shift” is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day;
- (B) where in the relevant Final Terms “SONIA” is specified as the Reference Rate and “Lock-out” is specified as the Observation Method:
 - (i) in respect of any Business Day “**i**” that is a Reference Day, the SONIA rate in respect of the Business Day immediately preceding such Reference Day, and
 - (ii) in respect of any Business Day “**i**” that is not a Reference Day (being a Business Day in the Lock-out Period), the SONIA rate in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);

- (C) where in the relevant Final Terms “SONIA” is specified as the Reference Rate and “Payment Delay” is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, “r” shall be the SONIA rate in respect of the Rate Cut-off Date;

“**Rate Cut-off Date**” has the meaning given in the relevant Final Terms;

“**Reference Day**” means each Business Day in the relevant Interest Period, other than any Business Day in the Lock-out Period;

“ r_{i-pBD} ” means the applicable Reference Rate as set out in the definition of “r” above for, (i) where, in the relevant Final Terms, “Lag” is specified as the Observation Method, the Business Day (being a Business Day falling in the relevant Observation Period) falling “p” Business Days prior to the relevant Business Day “i” or, (ii) otherwise, the relevant Business Day “i”;

“**SONIA**” means, in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors in each case on the Business Day immediately following such Business Day;

“**Weighted Average Reference Rate**” means:

- (A) where “Lag” is specified as the Observation Method in the relevant Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day; and
- (B) where “Lock-out” is specified as the Observation Method in the relevant Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Interest Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period, **provided however that** for any calendar day of such Interest Period falling in the Lock-out Period, the relevant Reference Rate for each day during that Lock-out Period will be deemed to be the Reference Rate in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall, subject to the proviso above, be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day.

- (D) Index Determination

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined and Index Determination is specified in the relevant Final Terms as being applicable, the Rate of Interest applicable to the Notes for each Interest Period will be the SONIA compounded index rate for the relevant Interest Period, calculated in accordance with the following formula and to the Relevant Decimal Place, all as determined and calculated by the Calculation Agent on the relevant Interest Determination Date plus or minus (as indicated in the relevant Final Terms) the Margin:

$$\left(\frac{\text{Compounded Index End}}{\text{Compounded Index Start}} - 1 \right) \times \frac{\text{Numerator}}{d}$$

where:

“**Compounded Index**” shall mean SONIA Compounded Index;

“**Compounded Index End**” means the SONIA Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which, by its definition or the operation of the relevant provisions, is excluded from such Interest Period);

“**Compounded Index Start**” means the SONIA Compounded Index value on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period;

“**d**” is the number of calendar days from (and including) the day on which the SONIA Compounded Index Start is determined to (but excluding) the day on which the SONIA Compounded Index End is determined;

“**Index Days**” means London Banking Days;

“**London Banking Day**” means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Numerator**” shall, unless otherwise specified in the relevant Final Terms, be 365;

“**Relevant Decimal Place**” shall, unless otherwise specified in the relevant Final Terms, be the fourth decimal place rounded up or down, if necessary (with 0.000005 or, as the case may be, 0.00000005 being rounded upwards);

“**Relevant Number**” shall be five unless otherwise agreed by the Calculation Agent;

“**SONIA Compounded Index**” means the index known as the SONIA Compounded Index administered by the Bank of England (or a successor administrator thereof); and

Provided that a Benchmark Event has not occurred in respect of SONIA, if, with respect to any Interest Period, the Compounded Index Start and/or Compounded Index End is not published by the administrator, the Calculation Agent shall calculate the Rate of Interest for that Interest Period in accordance with Condition 5(b)(C) as if Index Determination was not specified in the relevant Final Terms as being applicable. For these purposes, (i) the Reference Rate shall be deemed to be SONIA (ii) the Calculation Method shall be deemed to be Compounded Daily, (iii) the Observation Method shall be deemed to be Observation Shift, (iv) the Observation Look-back Period shall be deemed to be the Relevant Number, (v) D shall be deemed to be the Numerator and (vi) the Relevant Screen Page will be determined by the Issuer in consultation with the Calculation Agent. If a Benchmark Event has occurred in respect of SONIA, the provisions of Condition 5(j) shall apply mutatis mutandis in respect of this Condition 5(b)(D).

(E) Linear Interpolation

Where Linear Interpolation is specified in the applicable Final Terms in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified in the applicable Final Terms), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time

next shorter or, as the case may be, next longer, then the Issuer (acting in good faith and in a commercially reasonable manner, and in consultation with an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer) shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Applicable Maturity” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 9).
- (e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**
- (i) If any Margin is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the applicable Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes **“unit”** means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts:** The Calculation Agent

shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed and/or admitted to trading on a stock exchange and the rules of such exchange or other relevant authority so require, the Issuer shall notify such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, any day on which the T2 is open for the settlement of payments in euro (a **“TARGET Business Day”**); and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **“Calculation Period”**):

- (i) if **“Actual/Actual”** or **“Actual/Actual - ISDA”** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Fraction} = \frac{-(Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

- (viii) if “**Actual/Actual-ICMA**” is specified in the applicable Final Terms,
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Interest Payment Date(s);

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the applicable Final Terms.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Final Terms or, if none is so specified, the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Period” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified in the applicable Final Terms.

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the applicable Final Terms.

“ISDA Definitions” means (i) if “2006 ISDA Definitions” is specified in the applicable Final Terms, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if “2021 ISDA Definitions” is specified in the applicable Final Terms, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable Final Terms.

“Reference Rate” means the rate specified as such in the applicable Final Terms. **“Relevant Screen Page”** means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms (or any successor or replacement page, section, caption, column or other part of a particular information service).

“Specified Currency” means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Notes are denominated.

“T2” means the real time gross settlement system operated by the Eurosystem, or any successor system.

- (i) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through

its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(j) **Benchmark Discontinuation:**

(i) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(j)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(j)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(j) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of gross negligence, wilful default, bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 5(j).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(j)(i) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest determined using the Original Reference Rate last displayed on the relevant Screen Page prior to the relevant Interest Determination Date. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(j)(i).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

- (a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(j)); or
- (b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(j)).

(iii) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for

determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(j) and the Independent Adviser, determines (i) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(j)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 5(j)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions, the Agency Agreement or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

Notwithstanding any other provision of this Condition 5(j), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(j) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(j)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(j) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 17, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by two Authorised Signatories of the Issuer:

- (a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(j); and

- (b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(j), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(j), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

- (vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(j)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(B) will continue to apply unless and until a Benchmark Event has occurred.

- (vii) Definitions

As used in this Condition 5(j):

"Adjustment Spread" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (b) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied)
- (c) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(j)(ii) is customarily applied in international

debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(j)(iv).

“**Benchmark Event**” means:

- (a) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (e) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (f) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (i) in the case of sub-paragraphs (b) and (c) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (ii) in the case of sub-paragraph (d) above, on the date of the prohibition of use of the Original Reference Rate and (iii) in the case of sub-paragraph (e) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

“**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Calculation Agent.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(j)(i).

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof.

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6 Redemption, Purchase and Options

(a) Final Redemption:

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Final Terms at its Final Redemption Amount (which, unless otherwise provided in the applicable Final Terms, is its nominal amount).

(b) Early Redemption:

(i) Zero Coupon Notes:

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f), Condition 6(g) or Condition 6(h) or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below by an independent advisor appointed by the Issuer) of such Note unless otherwise specified in the applicable Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is specified in the applicable Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f), Condition 6(g) or Condition 6(h) or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the applicable Final Terms.

- (ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f), Condition 6(g) or Condition 6(h) or upon it becoming due and payable as provided in Condition 11, shall be the Final Redemption Amount unless otherwise specified in the applicable Final Terms.

- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if
- (i) the Issuer (or the Guarantor, as the case may be) satisfies the Trustee immediately before the giving of such notice that it has or will on the occasion of the next payment due under the Notes become obliged to pay additional amounts as described under Condition 9 as a result of any change in, or amendment to, the laws or regulations of the country of incorporation of the Issuer, or the Guarantor (in case of a payment by the Guarantor), or any political subdivision, any authority or agency thereof or therein having power to tax, or any change in the official application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes, and
 - (ii) such obligation is continuing and cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept and rely on such certificate without liability to any person and without further enquiry as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.
- (d) **Redemption at the Option of the Issuer (Call Option):**
- (i) If Call Option is specified in the applicable Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Final Terms) redeem all or, if so provided, some of the Notes on any Optional Redemption Date (provided that if the Issuer Maturity Par Call is specified in the applicable Final Terms, such Optional Redemption Date falls on or before the Par Call Period Commencement Date). Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable Final Terms (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the relevant Optional Redemption Date.
- If Spens Amount or Make-Whole Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount per Note shall be equal to:
- (a) if Spens Amount is specified in the applicable Final Terms, the higher of (i) the nominal amount of the Note; and (ii) the nominal amount of the Note multiplied by the price (as reported in writing to the Issuer and the Trustee by the Determination Agent) expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards) at which the Gross Redemption Yield on the Notes on the date which is two Business Days before the Optional Redemption Date (the "**Determination Date**") (assuming for this purpose the Notes are to be redeemed at their nominal amount on the Spens Call Reference Date) is equal to the Gross Redemption Yield at 11:00 a.m. (London time) on the Determination Date of the Reference Bond plus any applicable Redemption Margin specified in the applicable Final Terms;
 - (b) if Make-Whole Amount is specified in the applicable Final Terms, the higher of (i) the nominal amount of the Note; and (ii) the sum of the then present values of the remaining

scheduled payments of principal and Remaining Term Interest (assuming for this purpose the Notes are to be redeemed at their nominal amount on the Make-Whole Reference Date), in each case discounted to the relevant Optional Redemption Date on either an annual or a semi-annual basis as specified in the applicable Final Terms (based on the Day Count Fraction specified in the applicable Final Terms) at the Reference Dealer Rate plus any applicable Redemption Margin specified in the applicable Final Terms, all as determined by the Determination Agent;

in each case together with interest accrued to (but excluding) the relevant Optional Redemption Date.

Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms. Any notice of redemption given under Condition 6(c) or Condition 6(f) will override any notice of redemption given (whether previously, on the same date or subsequently) under this Condition 6(d).

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate/in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

In this Condition:

“Determination Agent” means an investment banking, accountancy, appraisal or financial advisory firm with international standing that has (in the reasonable opinion of the Issuer) appropriate expertise relevant to the determination required to be made under this Condition 6(d) selected by the Issuer.

“Gross Redemption Yield” means a yield expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts”; “Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published on 8 June 1998 and updated on 15 January 2002 and as further updated or amended from time to time) on a semi-annual compounding basis (converted on an annualised yield and rounded up (if necessary) to four decimal places) or, if such formula does not reflect generally accepted market practice at the time of redemption, a gross redemption yield calculated in accordance with generally accepted market practice at such time as determined by the Determination Agent.

“Make-Whole Reference Date” or **“Spens Call Reference Date”** means the earliest of (i) the Maturity Date, (ii) the Par Call Period Commencement Date (if applicable), and (iii) and other date specified in the applicable Final Terms.

“Reference Bond” means the government security specified in the applicable Final Terms, or (if such security is no longer in issue or, in the determination of the Determination Agent, with the advice of the Reference Dealers, is no longer appropriate by reason of illiquidity or otherwise), such other government security with a maturity date as near as possible to the Make-Whole Reference Date or the Spens Call Reference Date, as applicable, as the Determination Agent may, with the advice of the Reference Dealers, determine to be appropriate by way of substitution for the original Reference Bond.

“Reference Dealers” means each of three banks selected by the Issuer which are (A) a primary government securities dealer, or (B) a market maker in pricing corporate bond issues; and

“Reference Dealer Rate” means with respect to the Reference Dealers and any Optional Redemption Date the average of the three quotations of the mid-market annual yield to maturity of the Reference Bond specified in the applicable Final Terms at 11:00 a.m. (London time) on the Determination Date and quoted in writing to the Determination Agent and the Trustee by the Reference Dealers.

“Remaining Term Interest” means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term to the Make-Whole Reference Date determined on the basis of the rate of interest applicable to such Note from and including the relevant Optional Redemption Date.

- (e) **Redemption at the Option of the Issuer (Issuer Maturity Par Call):** If Issuer Maturity Par Call is specified in the applicable Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days’ irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Final Terms), redeem all or, if so provided, some of the Notes at any time during the period commencing on (and including) the day that is, unless otherwise specified in the applicable Final Terms, 90 days prior to the Maturity Date (the **“Par Call Period Commencement Date”**) to (but excluding) the Maturity Date, at the Final Redemption Amount specified in the applicable Final Terms together with interest accrued (if any) to (but excluding) the date fixed for redemption.
- (f) **Redemption at the Option of the Issuer (Clean-up Call):** If Clean-up Call is specified in the applicable Final Terms, the Issuer may, if 80 per cent. or more in nominal amount of the Notes issued have been redeemed or purchased pursuant to the operation of (unless otherwise specified in the applicable Final Terms) any of Condition 6(e) and/or Condition 6(g) and/or Condition 6(h), on giving not less than 15 nor more than 30 days’ irrevocable notice to Noteholders (or such other notice period as may be specified in the applicable Final Terms) (such notice being given within 30 days after the relevant redemption or purchase, as the case may be), redeem or purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes at their Early Redemption Amount together with interest accrued to (but excluding) the date fixed for such redemption or purchase.
- (g) **Redemption at the Option of Noteholders (Put Option):** If Put Option is specified in the applicable Final Terms, (unless prior to the giving of the relevant Exercise Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) above), the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified in the applicable Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Final Terms (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (**“Exercise Notice”**) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (h) **Redemption at the Option of Noteholders (Change of Control Put Option):** If Change of Control Put Option is specified in the applicable Final Terms and if at any time while any Note remains outstanding a Change of Control Put Event occurs, the holder of any such Note will have the option (a **“Change of Control Put Option”**) (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) above) to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of) that Note on the Change of Control Put Date (as defined below) at the Change of Control Redemption Amount specified in the applicable Final

Terms together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Change of Control Put Date.

A “**Change of Control Put Event**” will be deemed to occur if:

- (i) the appointment of the Guarantor (the “**Appointment**”) as the water undertaker and sewerage undertaker for the areas described in the Instrument of Appointment dated 1 September 1989 made by the Secretary of State under Sections 11 and 14 of the Water Act 1989 (as in effect on 1 September 1989) as varied and modified from time to time is terminated; or
- (ii) a Restructuring Event (as defined below) occurs and, within the Restructuring Period (as defined below), either (a) if at the time the relevant Restructuring Event occurs there are Rated Securities, a Rating Downgrading (both as defined below) in respect of that Restructuring Event also occurs; or (b) if at such time there are no Rated Securities, the Issuer or the Guarantor fails to obtain (whether by failing to seek a rating or otherwise) a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer or the Guarantor having an initial maturity of five years or more, from a Rating Agency (as defined below) of at least investment grade (BBB-/Baa3, or its equivalent for the time being) (a “**Negative Rating Event**”), and in the case of either (a) or (b), such Restructuring Event is certified in writing by an Independent Financial Adviser as being in its opinion materially prejudicial to the interests of the Noteholders (a “**Negative Certification**”) (that Restructuring Event and the relevant Rating Downgrading or, as the case may be, Negative Rating Event and, in each case, the Negative Certification together constituting the Change of Control Put Event); or
- (iii) any Subsidiary (as defined below) of the Guarantor being, at the date of issue of the Notes, a Material Subsidiary (as defined below) ceases to be wholly-owned by the Guarantor.

Promptly upon becoming aware that a Change of Control Put Event has occurred, and in any event not later than 21 days after the occurrence of the Change of Control Put Event, the Issuer shall, and at any time upon the Trustee having express notice thereof, the Trustee may, and if so requested by the holders of at least one quarter in outstanding principal amount of the Notes then outstanding (provided in either case it shall have been indemnified and/or secured and/or pre-funded to its satisfaction), shall, give notice (a “**Put Event Notice**”) to the Noteholders in accordance with Condition 17, specifying the nature of the Change of Control Put Event and the procedure for exercising the option contained in this Condition 6(h). Any Negative Certification shall, in the absence of manifest error, be conclusive. The Trustee will be under no duty to monitor whether there has been the occurrence of a Change of Control Put Event.

To exercise the option to require the Issuer to redeem or purchase or procure the purchase of a Note under this Condition 6(h), the Noteholder must deliver such Note, on any business day (as defined in Condition 7) falling within the period (the “**Put Period**”) of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a “**Put Notice**”). The Note must be delivered to the Paying Agent together with all Coupons appertaining thereto maturing after the date (the “**Put Date**”) being the seventh day after the date of expiry of the Put Period, failing which such redemption or purchase, as the case may be, shall be made only against such indemnity as the Issuer may reasonably require. The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt (a “**Receipt**”) in respect of the Note so delivered. Payment by the Issuer in respect of any Note so delivered shall be made, if the holder duly specified in the Put Notice a bank account to which payment is to be made, by transfer to that bank account on the Put Date, and in every other case, on or after the Put Date against presentation and surrender of such Receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of Conditions 10, 11, 12 and 16 and certain other purposes specified in the Trust Deed, Receipts issued pursuant to this Condition 6(h) shall be treated as if they were Notes.

In these Conditions:

“Rated Securities” means the Notes, if at any time and for so long as they shall have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of the Guarantor having an initial maturity of five years or more which is rated by a Rating Agency.

“Rating Agencies” means S&P Global Ratings UK Limited, Moody’s Investors Service Limited and Fitch Ratings Limited or any of their respective successors, or any rating agency substituted for S&P Global Ratings UK Limited, Moody’s Investors Service Limited or Fitch Ratings Limited (or any permitted substitute of either of them) and **“Rating Agency”** means any one of them.

A **“Rating Downgrading”** shall be deemed to have occurred in respect of a Restructuring Event if the current rating assigned to the Rated Securities by any Rating Agency (whether provided by a Rating Agency at the invitation of the Issuer or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3, or its equivalent for the time being, or better) to a non-investment grade rating (BB+/Ba1, or its equivalent for the time being, or worse), or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating is withdrawn or lowered one full rating category.

“Restructuring Event” means either (i) the modification of any material rights, benefits or obligations of the Guarantor as a water undertaker or sewerage undertaker arising under the Appointment or the Water Industry Act 1991 or (ii) any material modification made to the Appointment or the Scheme (being a scheme made under Schedule 2 of the Water Industry Act 1991 pursuant to which property, rights and liabilities of the water authority to which the Guarantor is the successor were transferred to the Guarantor), regardless of whether or not such modification is made with the consent of the Guarantor and whether pursuant to the Water Industry Act 1991 or otherwise or (iii) any legislation (whether primary or subordinate) is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for the Environment, Food and Rural Affairs and/or the Water Services Regulation Authority (or any successor) (including without limitation any such legislation removing, reducing or qualifying such duties or powers under or pursuant to Sections 2, 9 or 24 of the Water Industry Act 1991) in each case as compared to those in force on the Issue Date.

“Restructuring Period” means, whether or not there are Rated Securities at the time a Restructuring Event occurs, the period of 45 days starting from and including the day on which a Restructuring Event occurs.

“Subsidiary” means, in relation to any entity, a subsidiary of such entity within the meaning of Section 1159 of the Companies Act 2006, and **“Material Subsidiary”** means any Subsidiary of the Guarantor (not being an Excluded Subsidiary as defined in Condition 11) (a) whose profits on ordinary activities before tax or whose net assets (in each case consolidated in respect of a Subsidiary which itself has Subsidiaries, and in each case attributable to the Guarantor) all as shown in the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary represent 20 per cent. or more of the consolidated profits on ordinary activities before tax or, as the case may be, consolidated net assets (in each case attributable to the shareholders of the Guarantor) of the Guarantor and its Subsidiaries (other than Excluded Subsidiaries, as defined in Condition 11) all as shown in the latest audited accounts of the Guarantor (as adjusted); or (b) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall become a Material Subsidiary until publication of its next audited accounts when whether or not it shall continue to be a Material Subsidiary shall be determined pursuant to sub-paragraph (a). A certificate signed by two directors for the time being of the Guarantor that in their opinion a Subsidiary is or is not or was or was not at any

particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

- (i) **Purchases:** Each of the Issuer, the Guarantor and their Subsidiaries as defined in the Trust Deed may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

The Issuer will purchase (or procure the purchase of) any Retained Notes on the Issue Date.

- (j) **Cancellation:** All Notes (other than Retained Notes) purchased by or on behalf of the Issuer, the Guarantor or any of their Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

The Issuer may cancel (or procure the cancellation of) any Retained Notes held by it or on its behalf at any time.

7 Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the T2.
- (b) **Registered Notes:**
 - (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
 - (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “Record Date”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the holder with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (d) **Payments subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental agreement or approach thereto.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed and/or admitted to trading in each case, as approved by the Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Unmatured Coupons and unexchanged Talons:**
- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).
- (h) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” in the applicable Final Terms and:
 - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

8 Indexation

This Condition 8 is applicable only if the relevant Final Terms specifies the Notes as Index Linked Notes.

8.1 Definitions

For the purposes of Conditions 8.1 to 8.6, unless the context otherwise requires, the following defined terms shall have the following meanings:

“**Base Index Figure**” means (subject to Condition 8.3(i)) the base index figure as specified in the relevant Final Terms;

“**CPI**” means the UK Consumer Prices Index (for all items) published by the Office for National Statistics (January 2015 = 100) or any comparable index which may replace the UK Consumer Prices Index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

“**CPIH**” means the all items consumer prices index including owner occupiers’ housing costs and council tax for the United Kingdom published by the Office for National Statistics (January 2015 = 100) or any comparable index which may replace the all items consumer prices index including owner occupiers’ housing costs and council tax for the United Kingdom for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

“**Expert**” means a gilt-edged market maker, an independent bank or other expert in London appointed by the Issuer;

“**His Majesty’s Treasury**” means His Majesty’s Treasury or any officially recognised party performing the function of a calculation agent (whatever such party’s title), on its or its successor’s behalf, in respect of the Reference Gilt;

“**Index**” or “**Index Figure**” means, subject as provided in Conditions 8.3, 8.5 and 8.6, either RPI, CPI or CPIH as specified in the relevant Final Terms;

Any reference to the "Index Figure applicable" to:

- (i) a particular month (“**m**”) shall, subject as provided in Conditions 8.3, 8.5 and 8.6, be construed as a reference to the Index Figure (RPI, CPI or CPIH, as applicable) published in the month falling N months prior to month m and relating to the month before that of publication, where “N” is specified in the applicable Final Terms (or, if not so specified, seven); or
- (ii) a particular date (“**d**”) in a particular month (“**m**”), shall, subject as provided in Conditions 8.3, 8.5 and 8.6, be construed as a reference to the Index Figure (RPI, CPI or CPIH as applicable) calculated in accordance with the following formula:

$$IFA_d = IF_{m-N} + \left[\left(\frac{D_1}{D_2} \right) (IF_{m-(N-1)} - IF_{m-N}) \right]$$

Where:

IFA_d is the Index Figure applicable to date d;

N is the figure specified in the applicable Final Terms (or, if not so specified, two);

IF_{m-N} is the Index Figure (RPI, CPI or CPIH, as applicable) published in the month falling N months prior to month m and relating to the month before that of publication;

$IF_{m-(N-1)}$ is the Index Figure (RPI, CPI, or CPIH, as applicable) published in the month falling (N-1) months prior to month m and relating to the month before that of publication;

D_1 is the actual number of days from (and including) the first calendar day of month m to (but excluding) date d in that month (provided that if d is the first calendar day of the month, D_1 shall be zero); and

D_2 is the actual number of days in month m;

“**Indexed Benchmark Gilt**” means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange whose average maturity most closely matches that of the Notes as a gilt-edged market maker or other adviser selected by the Issuer (an “**Indexation Adviser**”) shall determine to be appropriate;

“**Index Ratio**” applicable to any month or date, as the case may be, means the Index Figure applicable to such month or date, as the case may be, divided by the Base Index Figure and rounded to the nearest fifth decimal place;

“**Limited Index Ratio**” means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

“**Limited Indexation Date**” means any date falling during the period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“**Limited Indexation Factor**” means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, twelve

months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

“**Limited Indexation Month**” means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“**Limited Index Linked Notes**” means Index Linked Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies;

“**Redemption Date**” means any date on which the Notes are redeemed in accordance with Condition 8.6, Condition 6(a), Condition 6(b), Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f), Condition 6(g) or Condition 6(h);

“**Reference Gilt**” means the index-linked Treasury Stock/Treasury Gilt specified as such in the relevant Final Terms for so long as such gilt is in issue, and thereafter such issue of index-linked Treasury Stock/Treasury Gilt determined to be appropriate by an Indexation Adviser; and

“**RPI**” means the UK Retail Prices Index (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the UK Retail Prices Index for the purpose of calculating the amount payable on repayment of the Reference Gilt.

8.2 Application of the Index Ratio

Each payment of interest and principal in respect of the Notes shall be the amount provided in, or determined in accordance with, Conditions 5(a) and 5(f), multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Index Linked Notes applicable to the month or date, as the case may be, in or on which such payment falls to be made and rounded in accordance with Condition 5(e).

8.3 Changes in Circumstances Affecting the Index

- (i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (1) the definition of “Index” and “Index Figure” in Condition 8.1 shall be deemed to refer to the new date, or month or year (as applicable) in substitution for January 1987 (where RPI is specified as the Index in the relevant Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the relevant Final Terms) (or, as the case may be, to such other date, month or year as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.
- (ii) Delay in publication of relevant Index: If the Index Figure relating to any month (the “**calculation month**”) which is required to be taken into account for the purposes of the determination of the Index Figure applicable for any date is not published on or before the fourteenth business day before the date on which such payment of interest, principal or any other amount is due (the “**date for payment**”), the Index Figure applicable to the calculation month in which the date for payment falls shall be (1) such substitute index figure (if any) as the Indexation Adviser considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or the Index Benchmark Gilt (as applicable) or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 8.3(i)) before the date for payment.

8.4 Application of Changes

Where the provisions of Condition 8.3(ii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 8.3(ii)(2), the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while a Note is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Note other than upon final redemption of such Note, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 8.3(ii)(2) below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and
- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

8.5 Material Changes to or Cessation of the Index

If the Index ceases to be published or any changes are made to it which, in the opinion of the Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be materially prejudicial to the interests of the Issuer or the Noteholders and if, within 30 business days after its appointment, the Expert recommends for the purposes of the Index Linked Notes one or more adjustments to the Index or substitute index (with or without adjustments), then provided that such adjustments or substitute index (as the case may be) are not materially detrimental (in the opinion of the Expert) either to the interests of the Issuer or the interests of the Noteholders, as compared to the interests of the Issuer and the Noteholders (as the case may be) as they would have been had the Index continued to be published or such fundamental change in the rules governing the Index had not been made, the Index shall be adjusted as so recommended or (as the case may be) shall be replaced by the substitute index so recommended (as so adjusted, if so recommended) and references in these Conditions to the Index shall be construed accordingly and the Issuer shall notify the Noteholders of the adjustments to the Index or the introduction of the substitute index (with or without adjustments) in accordance with Condition 17.

If any payment in respect of the Index Linked Notes is due to be made after the cessation or changes referred to in the preceding paragraph but before any such adjustment to, or replacement of, the Index takes effect, the Issuer or the Guarantor shall (if the Index Figure applicable (or deemed applicable) to the date of payment is not available in accordance with the provisions of Condition 8.1) make a provisional payment on the basis that the Index Figure applicable to the date for payment is the Index last published. In that event or in the event of any payment on the Index Linked Notes having been made on the basis of an index deemed applicable under Condition 8.3(ii)(1) above (also referred to below as a “**provisional payment**”) the Expert subsequently determines that the relevant circumstances fall within this Condition 8.5, then:

- (i) except in the case of a payment on redemption of the Index Linked Notes, if the sum which would have been payable if such adjustments or such substitute index had been in effect on the due date for such provisional payment is greater or less than the amount of such provisional payment, the interest payable on the Index Linked Notes on the Interest Payment Date next succeeding the date on which the Issuer and the Trustee receive such recommendation shall be increased or reduced to reflect the amount by which such provisional payment of interest fell short or, (as the case may be) exceeded, the interest which would have been payable on the Notes if such adjustments or such substituted index had been in effect on that date; or

- (ii) in the case of a payment of principal or interest on redemption of the Notes, no subsequent adjustment to amounts paid will be made.

8.6 Redemption for Index Reasons

If either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 8.3(ii)(2) and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by His Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt or the Indexed Benchmark Gilt (as applicable), and (in either case) no amendment or substitution of the Index shall have been designated by His Majesty's Treasury in respect of the Reference Gilt or the Indexed Benchmark Gilt (as applicable) to the Issuer and such circumstances are continuing, the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Noteholders (or such other notice period as may be specified in the relevant Final Terms) in accordance with Condition 17, redeem all, but not some only, of the Notes at their principal amount together with interest accrued but unpaid up to and including the date of redemption (in each case adjusted in accordance with Condition 8.2).

9 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision or any authority or agency thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of the Note or Coupon or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

Notwithstanding any other provision contained herein, any amounts to be paid by the Issuer or any Guarantor on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding Tax**"), and neither the Issuer nor any Guarantor nor any other person will be required to pay additional amounts on account of any FATCA Withholding Tax.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if the full amount of the money payable has not been duly paid on or prior to such due date) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment in full will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Change of Control Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any similar undertaking given in addition to or in substitution for it under the Trust Deed.

10 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Events of Default

If any of the following events (“**Events of Default**”) occurs, the Trustee at its discretion may, and if so requested by holders of at least one quarter in nominal amount of the Notes (excluding Retained Notes) then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** default is made for more than 15 days in the payment on the due date of interest or principal in respect of any of the Notes; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee such default is capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (c) **Cessation of Business:** if the Issuer, the Guarantor or any Principal Subsidiary stops or threatens to stop payment generally or ceases or threatens to cease to carry on its business or (in the opinion of the Trustee) a substantial part of its business (except, in the case of a Principal Subsidiary, a cessation or threatened cessation for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution, or in connection with the transfer of all or the major part of the business, undertaking and assets of such company to the Issuer, the Guarantor or another of their respective Subsidiaries (not being an Excluded Subsidiary)); or
- (d) **Winding-up:** if (a) a petition is presented (and is not dismissed within 60 days) or an order is made or an effective resolution passed for the appointment of an administrator or the winding-up of the Issuer, the Guarantor or any Principal Subsidiary (as defined below) (except, in the case of a Principal Subsidiary, a winding-up for the purposes of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed), or voluntary solvent winding-up in connection with the transfer of all or the major part of the business, undertaking and assets of such Principal Subsidiary to the Issuer, the Guarantor or another Subsidiary Undertaking (as defined below) of the Issuer or the Guarantor (not being an Excluded Subsidiary)); or (b) a petition is presented (and is not dismissed within 60 days) or an order is made in respect of the Guarantor pursuant to Section 24 of the Water Industry Act 1991; or
- (e) **Administration:** if an encumbrancer takes possession or an administrative or other receiver is appointed of the whole or any material part of the undertaking or assets of the Issuer, the Guarantor

or any Principal Subsidiary or if a distress, execution or any similar proceedings is levied or enforced upon or sued out against the whole or any material part of the property of the Issuer, the Guarantor or any Principal Subsidiary and in any such case is not removed, paid out or discharged within 21 days; or

- (f) **Payment of Debts:** if the Issuer, the Guarantor or any Principal Subsidiary is unable to pay its debts generally as they fall due or suspends making payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so; or
- (g) **Creditors:** if any kind of composition, scheme of arrangement, compromise or other similar arrangement involving the Issuer, the Guarantor or any Principal Subsidiary and the creditors of any of them generally (or any class of such creditors) is entered into or made; or
- (h) **Indebtedness:** if any indebtedness for Moneys Borrowed (as defined below) having an aggregate outstanding principal amount equal to or greater than the Threshold Amount (as defined below) of the Issuer, the Guarantor or any of their respective Subsidiaries becomes or is validly declared to be due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an event of default in relation thereto or any indebtedness for Moneys Borrowed of the Issuer, the Guarantor or any of their respective Subsidiaries having an aggregate outstanding principal amount equal to or greater than the Threshold Amount is not paid at the maturity thereof or at the expiry of any originally applicable grace period or any guarantee or indemnity in respect of any such indebtedness given by the Issuer, the Guarantor or any of their respective Subsidiaries shall not be paid when due and called upon or at the expiry of any originally applicable grace period save in any such case where there is a bona fide dispute as to whether payment is due; or
- (i) **Other Obligations:** if any of the obligations of the Guarantor under the Trust Deed are not (or are claimed by the Guarantor not to be) in full force and effect,

provided that in the case of any such event as is referred to in (b), the Trustee shall first have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders

In these Conditions:

“ABF Scheme” means the asset-backed funding arrangement to fund the Northumbrian Water Pension Scheme.

“Excluded Subsidiary” means any Subsidiary (as defined in Condition 6(h)) or Subsidiary Undertaking of the Guarantor (a) which is a single purpose company whose principal assets and business are constituted by a project, (b) none of whose liabilities in respect of the financing of such project are directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from the Guarantor or any of its Subsidiaries or Subsidiary Undertakings and (c) which has been designated as such by the Guarantor by written notice to the Trustee; provided that the Guarantor may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary. Additionally, Reiver Holdings Limited, Reiver Finance Limited, Bakethin Holdings Limited, Bakethin Finance PLC and any Subsidiary or Subsidiary Undertaking (and, for these purposes, any undertaking of which a Subsidiary Undertaking is its General Partner is to be regarded as a Subsidiary Undertaking of the Guarantor) of the Guarantor established for the purposes of implementing the ABF Scheme shall be Excluded Subsidiaries notwithstanding that they may otherwise not have been by virtue of the other provisions of this paragraph.

“Group” means the Guarantor and its Subsidiary Undertakings.

“Moneys Borrowed” means (a) borrowed moneys, and (b) liabilities under any bond, note, bill, debenture, loan stock or other security in each case issued (i) as consideration for assets or services (but excluding such liabilities incurred in relation to the acquisition of assets or services in the ordinary course of trading) or (ii) for cash or (iii) under acceptance credit facilities.

“Net Tangible Assets” at any time means the aggregate at such time of:

- (a) the nominal share capital of the Guarantor for the time being issued and paid up or credited as paid up;
- (b) any credit balance on the consolidated or, if at such time the Guarantor only produces non-consolidated accounts, the non-consolidated profit and loss account of the Guarantor; and
- (c) any other consolidated or, if at such time the Guarantor only produces non-consolidated accounts, non-consolidated capital and revenue reserves of the Guarantor (which, for the avoidance of doubt shall not include any provision for deferred tax);

less the aggregate of:

- (a) any debit balance on the consolidated or, if at such time the Guarantor only produces non-consolidated accounts, non-consolidated profit and loss account of the Guarantor;
- (b) any amounts shown in the consolidated or, if at such time the Guarantor only produces non-consolidated accounts, non-consolidated balance sheet of the Guarantor in respect of goodwill or other intangible assets of the Guarantor;
- (c) any amounts credited to any consolidated or, if at such time the Guarantor only produces non-consolidated accounts, non-consolidated revaluation reserves as a result of any writing up of book values of any assets of the Group after the date of the financial statements for the year ended 31 March 2022, other than in respect of any revaluation of any freehold or leasehold interest in real property or any plant or machinery, but only to the extent that such valuation is based on a professional valuation by a reputable valuer; and
- (d) any amounts required to be set aside for taxation payable by the Guarantor and its Subsidiaries or for any distribution declared, recommended or made by the Guarantor or any of its Subsidiaries (other than to another member of the Group), in each such case to the extent that the same is not provided for in the accounts of the Guarantor.

A certificate signed by two directors for the time being of the Guarantor as to the amount of the Net Tangible Assets at any given time shall, in the absence of manifest error, be conclusive and binding on all parties.

“Principal Subsidiary” means any Subsidiary Undertaking of the Guarantor (a) whose profits on ordinary activities before tax or whose net assets (in each case consolidated in respect of a Subsidiary Undertaking which itself has Subsidiary Undertakings, and in each case attributable to the Guarantor) all as shown in the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary Undertaking represent 10 per cent. or more of the consolidated profits on ordinary activities before tax or, as the case may be, consolidated net assets (in each case attributable to the shareholders of the Guarantor) of the Guarantor and its Subsidiary Undertakings (other than Excluded Subsidiaries) either (i) if the latest audited accounts of the Guarantor are consolidated accounts, as shown in such accounts or (ii) if the latest audited accounts of the Guarantor are non-consolidated accounts, as would be shown in the latest audited accounts of the Guarantor had such accounts been consolidated accounts, in each case, as adjusted; or (b) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary Undertaking which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary Undertaking shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary Undertaking shall become a Principal Subsidiary until publication of its next audited accounts when whether or not it shall continue to be a Principal Subsidiary shall be determined pursuant to sub-paragraph (a). A certificate signed by two directors for the time being of the Guarantor that in their opinion a Subsidiary Undertaking is not or was or was not at any particular time a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. Additionally, Reiver Holdings Limited, Reiver Finance Limited, Bakethin Holdings Limited, Bakethin Finance PLC and any Subsidiary or Subsidiary Undertaking (and, for these purposes, any undertaking of which a Subsidiary Undertaking is its General Partner is to be regarded as a Subsidiary Undertaking of the Guarantor) of the Guarantor established for the purposes of implementing the ABF Scheme shall not be Principal Subsidiaries notwithstanding that they may otherwise have been by virtue of the other provisions of this paragraph.

“Subsidiary Undertaking” means, in relation to any entity, a subsidiary undertaking of such entity within the meaning of Section 1162 of the Companies Act 2006.

“Threshold Amount” means the higher of (a) £15,000,000 (or its equivalent in any other currency or currencies on the relevant date) and (b) 2 per cent. of Net Tangible Assets of the Guarantor.

12 Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders:

- (i) The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including proposals to modify by Extraordinary Resolution these Conditions or the provisions of the Trust Deed or the Agency Agreement. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing a majority in outstanding principal amount of the Notes for the time being outstanding or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the outstanding principal amount of the Notes so held or represented, except that, at any meeting the business of which includes the modification of certain material terms and conditions of the Notes and provisions of the Trust Deed (as set out therein, including the maturity date of the Notes and the dates for payments of interest thereon, the status of the Notes, the outstanding principal amount of, and interest and any premium payable on, the Notes, the currency of the Notes, the Guarantee and the quorum requirements for meetings of Noteholders), the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than three-quarters, or at any such adjourned meeting not less than one-quarter, of the outstanding principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.
- (ii) The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of (except as mentioned in the Trust Deed), or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any provision of the Trust Deed or the Agency Agreement which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders, or to any modification which is in its opinion of a formal, minor or technical nature or made to correct a manifest error.
- (iii) Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders as soon as practicable thereafter.
- (iv) The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.
- (v) The Trustee may agree to the substitution at any time or times of any successor company (as defined in the Trust Deed) of the Issuer or any Subsidiary or any holding company (as defined in the Trust Deed) of the Issuer or the Guarantor or any successor company of the Guarantor, as the principal debtor under the Trust Deed and the Notes. Such agreement shall also be subject to the relevant provisions of the Trust Deed, including (other than where the substitute obligor is the Guarantor or any successor company of the Guarantor) the irrevocable and unconditional guarantee in respect of the Notes by the Guarantor. In the case of any proposed substitution, the Trustee may agree without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed

provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders.

- (vi) In connection with the exercise of its powers, trusts, authorities and discretions (including, but not limited to, those in relation to any proposed substitution or change of law as aforesaid), the Trustee shall not have regard to the consequences and, in particular, the tax consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances set out in Condition 5(j) without the consent of the Noteholders or Couponholders.

- (b) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding (excluding any Retained Notes), and (b) it shall have been indemnified and/or prefunded and/or secured to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

15 Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given

to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

16 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single series with the Notes.

17 Notices

Notices required to be given to the holders of Registered Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to the Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed/and or admitted to trading. If in the opinion of the Trustee any such publication is not practicable, notice required to be given pursuant to the Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons or the Guarantee (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes or Global Certificates are stated in the applicable Final Terms to be issued in NGN form or the Global Certificate to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depository or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable, in whole, but not in part, for the Definitive Notes defined and described below and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

3 Permanent Global Certificates

If the Final Terms states that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3(i) above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange, (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or (iii) if the Global Note is a NGN, procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Legends

The following legend will appear on all bearer temporary Global Notes, Global Notes, Definitive Notes, Coupons, Receipts and Talons:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to provide that a United States person who holds a bearer Note, Coupon, Receipt or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon, Receipt or Talon and will not be entitled to capital gains treatment of any gain on the sale, disposition, redemption or payment of principal in respect of such Note, Coupon, Receipt or Talon.

Transfers

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any temporary Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN or, if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on record date which shall be on the Clearing System Business Day immediately prior to the date for payment (the “**Record Date**”), where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Trustee and Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of account holders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Paying Agent for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, shall be entered in the records of the relevant clearing systems and upon any such entry being made, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed/and or admitted to trading.

Electronic Consent and Written Resolution

While any Global Note is held on behalf of or any Global Certificate is registered in the name of any nominee for a clearing system, then:

- (a) the Issuer and the Trustee shall be entitled to rely upon approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed); and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (i) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (i) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (ii) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (ii) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A Written Resolution and/or Electronic Consent shall take effect as an Extraordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Noteholders and holders of Coupons, Talons and Receipts, whether or not they participated in such Written Resolution and/or Electronic Consent.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF NORTHUMBRIAN WATER FINANCE PLC

Information about the Issuer

The legal and commercial name of the Issuer is Northumbrian Water Finance Plc.

The Issuer is a public limited company registered in England and Wales with registered number 04326507 and was incorporated on 21 November 2001. The Issuer operates under the Companies Act 2006.

The registered office of the Issuer is Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.

Business Overview

The Issuer is a finance vehicle. The principal activity of the Issuer is to raise and administer finance on behalf of the Guarantor.

Organisational Structure

The Issuer is part of the Group and is a subsidiary of the Guarantor. See “Northumbrian Water Limited – Organisational Structure” below.

The Issuer has no subsidiaries.

The Issuer is dependent on the Guarantor to meet its cash flow requirements. The sole function of the Issuer is to raise finance for the Guarantor, and funds raised by it are on-lent to the Guarantor on the same terms and conditions. The Issuer is reliant on receiving funds from the Guarantor, inter alia, to enable it to service the interest and principal payments in respect of its finance obligations.

Administrative, Management and Supervisory Bodies

The Directors of the Issuer (each of whom is an executive director) and their respective roles as directors of the Guarantor are as follows:

<i>Name</i>	<i>Role as director of the Guarantor</i>
Heidi Mottram	Chief Executive Officer of the Guarantor
Matthew Williams	Chief Financial Officer of the Guarantor
Richard Somerville	General Counsel and Company Secretary of the Guarantor

There are no potential conflicts of interest between the Directors and their private interests or their other duties.

The Company Secretary of the Issuer is Richard Somerville.

The business address of each of the above is Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

Major Shareholders

The authorised and issued share capital of the Issuer is £50,000 comprising 50,000 ordinary shares of £1.00 each of which 49,999 are held by the Guarantor and one is held by Richard Somerville on trust for the Guarantor. As at the date of this Base Prospectus, 75p per share remains unpaid.

There are no arrangements in place the operation of which may result in a change of control of the Issuer.

DESCRIPTION OF NORTHUMBRIAN WATER LIMITED

Information about the Guarantor

The legal name of the Guarantor is Northumbrian Water Limited and it trades commercially in the north east of England (the “**NE Region**”) as “Northumbrian Water”, and in the south east of England (the “**SE Region**”) as “Essex and Suffolk Water”.

The Guarantor is a private limited company registered in England and Wales with registered number 02366703 and was incorporated on 1 April 1989. The Guarantor operates under the Companies Act 2006.

The registered office of the Guarantor is Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

Business Overview

The Guarantor is engaged in the provision of water and sewerage services in the North East of England, trading as Northumbrian Water (“**NW**”), and water only services in the South East of England, trading as Essex & Suffolk Water (“**ESW**”), under the Instrument of Appointment (as varied from time to time) and as such it operates a “regulated business”. The Guarantor employs over 3,000 people.

NW supplies water and wastewater services to 2.7 million people in the major population centres of Tyneside, Wearside and Teesside as well as the large rural areas of Northumberland and County Durham. It provides wastewater services only in Hartlepool.

ESW supplies water services to 1.6 million people in Essex and 0.3 million in Suffolk. The Essex area is part rural and part urban and includes the main population centres of Chelmsford, Southend and the London Boroughs of Barking and Dagenham and Havering and Redbridge. The Suffolk area is mainly rural with the largest towns being Great Yarmouth and Lowestoft.

For the financial year ended 31 March 2024, the turnover of the Guarantor was £918.9 million as compared to £861.2 million for the financial year ended on 31 March 2023.

NW’s PR24 Water Resources Management Plans (“**WRMP**”) for the respective NW and ESW operating regions were published on NW’s website in October 2024 following approval by the Secretary of State. NW’s final plan includes demand management measures to meet national targets for leakage reduction and household and non-household consumption. This forecasts a supply surplus across the full 25-year WRMP planning horizon and provides a 1 in 500-year level of service for “Level 4 (Severe)” drought action supply restrictions. ESW’s final plan includes demand management measures and new supply schemes (e.g. strategic pipeline, water reuse and winter storage reservoir schemes) which are required due to non-household growth and future regulatory sustainability reductions to abstraction licence annual licensed quantities.

Pension Scheme Liabilities

Prior to 1 June 2022, the Guarantor contributed to the Northumbrian Water Pension Scheme (“**NWPS**” or the “**Scheme**”), a defined benefit scheme for approximately one-third of its employees. The Scheme closed to future accrual of benefits on 31 May 2022. The assets of the Scheme are held separately from those of the Group in independently administered funds. The most recent actuarial valuation of the NWPS was at 31 December 2022. At that date, the value of assets amounted to £799.2 million and the liabilities were £980.7 million, resulting in a deficit of £181.5 million and a funding level of 81.5 per cent.

Under the Schedule of Contributions, the employers agreed a recovery plan including monthly payments of £2 million per month from January 2023 to March 2023 and £2.3 million per month from April 2023 to October 2023. In October 2023, an asset backed funding (“**ABF**”) arrangement was implemented by agreement

between the Guarantor and the Northumbrian Water Pension Trustees Limited, as the trustee of the Scheme. The principal asset of the ABF is a loan note which provides payments of £7.5 million per annum to the Scheme with effect from November 2023. These payments, which include an allowance of £1.5 million per annum for expenses, increase annually in line with the percentage increase in RPI, with the first such increase having been applied from 1 January 2025 and reflecting 14 months of RPI. The ABF contributions are expected to eliminate the deficit by October 2038.

Since 1 June 2019, the Guarantor has also participated in the LifeSight master trust (“**LSMT**”), a defined contribution pension scheme, for non-associated employers. Following the closure of the NWPS, Scheme members were enrolled in the LSMT. The LSMT has been revised with the employee contribution rates of 3 per cent., 4 per cent. or 5 per cent. being matched by employer contribution rates of 6 per cent., 8 per cent. or 10 per cent. respectively. In addition, as a transitional arrangement until 31 March 2025, former members of the NWPS who contributed 5 per cent. will receive an employer contribution of 12 per cent. With effect from 1 April 2025, the highest rate of employer contribution will be 11 per cent. for all members.

Organisational Structure

The Guarantor is currently a wholly owned subsidiary of Northumbrian Water Group Limited (“**NWGL**”).

In October 2011, Cheung Kong Infrastructure Holdings Limited (“**CKI**”), Cheung Kong (Holdings) Limited (“**CKH**”) and Li Ka Shing Foundation Limited (“**LKSF**”), acquired Northumbrian Water Group plc (formerly Aquavit plc) (“**NWG**”). The acquisition of the entire issued share capital of NWG was made via a jointly owned special vehicle company, UK Water (2011) Limited (“**UKW**”). Following the acquisition, NWG changed its status to a private limited company from a public limited company and became, what is now, NWGL.

In March 2013, a reorganisation took place to simplify the group structure and included the distribution by UKW of its investment in NWGL to its shareholders, and the novation to NWGL of its shareholder loan notes and outstanding interest thereon. UKW became dormant and was subsequently dissolved in June 2021.

In March 2013, Northumbrian Services Limited (“**NSL**”) and the Guarantor (both previously indirectly wholly owned subsidiaries of NWGL), became directly-owned subsidiaries, and NWGL also undertook a reorganisation of its ordinary share capital.

In June 2015, CK Hutchison Holdings Limited (“**CKHH**”), a company listed on the Hong Kong Stock Exchange, acquired CKH and (indirectly) CKI.

In March 2016 a reorganisation took place to rationalise NWGL's consolidated balance sheet to help manage its level of gearing. The reorganisation involved the disposal by NWGL of its investment in NSL to its shareholders by way of a dividend in specie.

In May 2021, CK Asset Holdings Limited (“**CKA**”) acquired LKSF's indirect shareholding in NWGL.

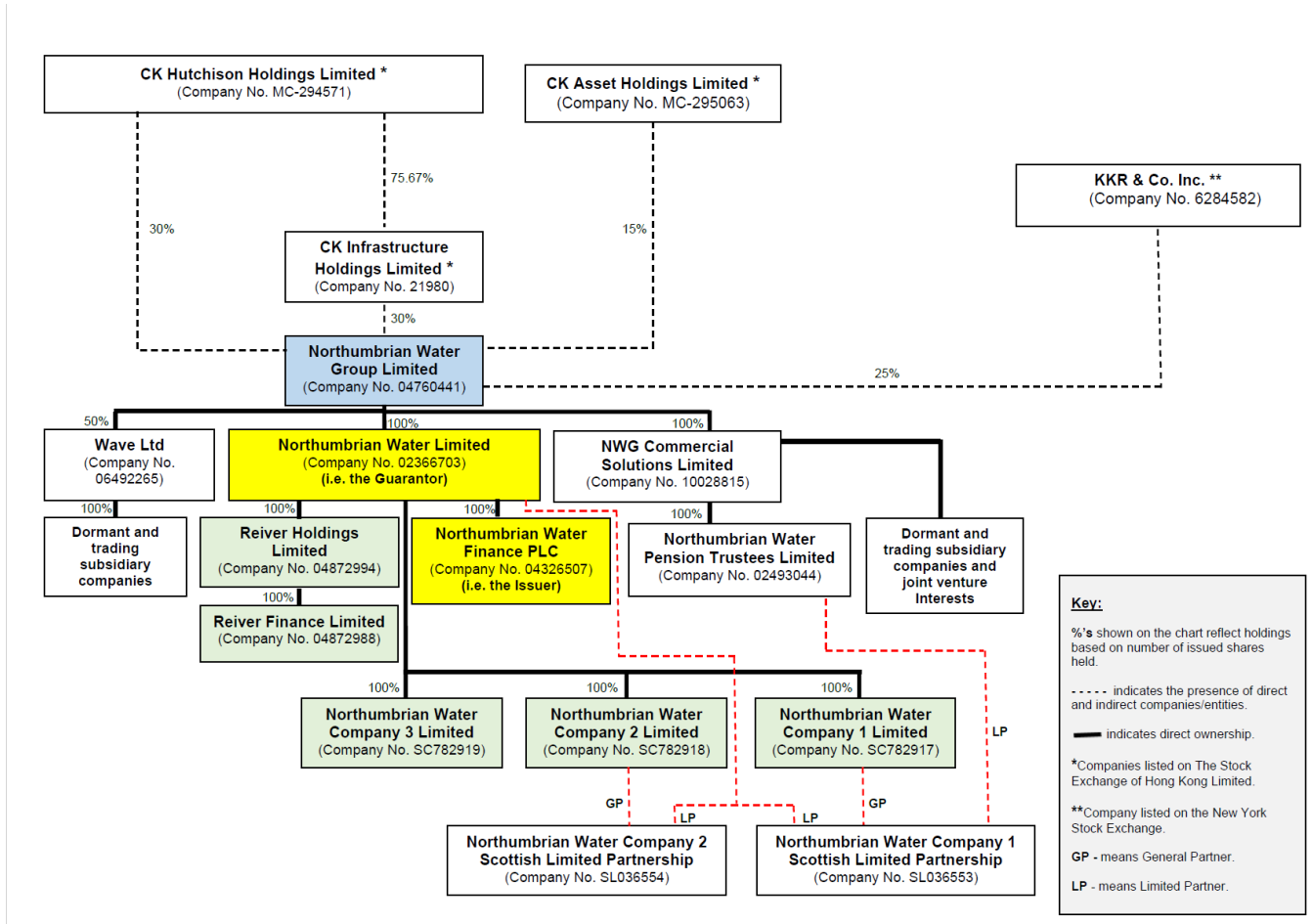
In March 2022, CKI simplified its indirect shareholding in NWGL, and NWGL reorganised its ordinary share capital to simplify its capital structure.

In December 2022, CKHH, CKI and CKA, each acting through its indirectly-owned subsidiary (Mara Development Inc., CKI UK Co 5 Limited and Brockhill Investments Corporation respectively), sold a combined 25 per cent. stake in NWGL and in NSL to Nimbus UK Bidco Limited, a company indirectly controlled by KKR & Co. Inc. (“**KKR**”).

The Guarantor has six subsidiaries (including the Issuer), is a limited partner of two Scottish Limited Partnerships (which were formed for the purposes of the ABF arrangement referred to above), and has two quasi-subsidary special purpose entities: Bakethin Holdings Limited, which is wholly owned by Bakethin

Charitable Trust, and Bakethin Finance plc, which is a wholly owned subsidiary of Bakethin Holdings Limited. The principal activity of Bakethin Finance plc is as a special purpose financing vehicle.

As at the date of this Base Prospectus, the summarised corporate and ownership structure of the Group and its upstream links to CKHH, CKA, and KKR, is as shown below:



Administrative, Management and Supervisory Bodies

The Board of Directors of the Guarantor and their business addresses are as follows:

Name	Title	Correspondence Address
Andrew Hunter	Non-Executive Chairman	No.2 G/F., 83 Stewart Terrace, 81-95 Peak Road, The Peak, Hong Kong
Heidi Mottram	Chief Executive Officer	Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ

Loi Shun Chan	Non-Executive Director and an Alternate Director for Andrew Hunter and Duncan Macrae	<i>12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong</i>
Hing Lam Kam	Non-Executive Director	<i>Flat C 38/F Block 2, Estoril Court, 55 Garden Road, Hong Kong</i>
Duncan Macrae	Non-Executive Director	<i>Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ</i>
Bridget Rosewell	Independent Non-Executive Director	<i>Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ</i>
Alan Bryce	Senior Independent Non-Executive Director	<i>Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ</i>
Richard Sexton	Independent Non-Executive Director	<i>Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ</i>
Peter Vicary-Smith	Independent Non-Executive Director	<i>Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ</i>
Wai Che Wendy Tong Barnes	Alternate Director for Hing Lam Kam	<i>Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ</i>
Professor Jacqueline McGlade	Independent Non-Executive Director	<i>Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ</i>
Chiu Ng	Alternate Director for Hing Lam Kam	<i>12/F Cheung Kong Center, 2 Queen's Road Central, Hong Kong, Hong Kong</i>
Kim Slaminka	Alternate Director for Duncan Macrae	<i>Hutchison House, 5 Hester Road, Battersea, London, United Kingdom, SW11 4AN</i>

There are no potential conflicts of interest between the Directors and their private interests or their other duties.

The Company Secretary of the Guarantor is Richard Somerville.

TAXATION

General

Noteholders should be aware that the tax legislation of any jurisdiction where a Noteholder is resident or otherwise subject to taxation (as well as the jurisdiction discussed below) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

United Kingdom Taxation

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). They are based on the Issuer's understanding of current UK tax law as applied in England and Wales and HM Revenue and Customs ("HMRC") practice (which may not be binding on HMRC), in each case as at the latest practicable date before the date of this Base Prospectus. Unless stated otherwise, the comments below relate only to the UK withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) by the Issuer in respect of the Notes or payments by the Guarantor in respect of the Guarantee. They do not deal with any other UK tax implications of acquiring, holding or disposing of Notes, and relate only to the position of persons who are the absolute beneficial owners of Notes and Coupons. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be unsure as to their own tax position should consult their own professional advisers. In particular, Prospective Noteholders should be aware that the tax legislation of any jurisdiction where a Prospective Noteholder is resident or otherwise subject to taxation may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

Withholding of Tax on Interest

If the Notes carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007, payments by the Issuer of interest on the Notes may be made without withholding or deduction for or on account of UK income tax. The London Stock Exchange is such a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with, the provisions of Part 6 of the Financial Services and Markets Act 2000) and are admitted to trading on the Main Market (excluding the High Growth Segment) of the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed or are and remain otherwise listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of UK income tax.

If the Notes have a maturity date of less than one year from the date of issue and they are not issued with the intention, or pursuant to any scheme or arrangement the effect of which is, to render such Notes part of a borrowing intended to be capable of remaining outstanding for a total term of one year or more, payments of interest on such Notes may be made by the Issuer without withholding or deduction for or on account of UK income tax.

In all other cases, interest on the Notes that has a UK source will generally be paid by the Issuer under deduction of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs under domestic law or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Payments in respect of the Guarantee

The UK withholding tax treatment of payments which have a UK source by the Guarantor under the terms of the Guarantee in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. In particular, such payments by the Guarantor may not be eligible for certain of the exemptions referenced above including, but not limited to, the exemption in respect of securities listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor makes such payments, these may be subject to UK withholding tax at the basic rate (currently 20 per cent.).

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a “**foreign financial institution**” (as defined in FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The term “foreign passthru payment” is not yet defined. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed U.S. Treasury regulations have been issued to provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under “*Terms and Conditions of the Notes - Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event that any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated dealer agreement (such dealer agreement as modified and/or supplemented and/or restated from time to time, the “**Dealer Agreement**”) dated 6 March 2025, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Terms and Conditions of the Notes*”. In the Dealer Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with any update of the Programme and the issue, offer and sale of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, or, in the case of Notes in bearer form, delivered, within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes and the Guarantee are subject to U.S. tax law requirements and may not be offered, sold or, in the case of Notes in bearer form, delivered, within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Notes and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes and the Guarantee, an offer or sale of such Notes or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

EEA

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; (b) customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (c) not a qualified investor as defined in the Prospectus Regulation; and the expression “offer” includes the communication in any form and by any

means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to any retail investor in the UK. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following: (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; or (c) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other UK regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

France

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has only offered or sold and will only offer or sell, directly or indirectly, any Notes in France to, and it has only distributed or caused to be distributed and will only distribute or cause to be distributed in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes to qualified investors as defined in Article 2(e) of the Prospectus Regulation.

Singapore

Unless the Final Terms in respect of any Notes specifies “Singapore Sales to Institutional Investors and Accredited Investors only” as “Not Applicable”, each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the Final Terms in respect of any Notes specifies “Singapore Sales to Institutional Investors and Accredited Investors only” as “Not Applicable”, each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (I) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (II) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (III) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief having made all reasonable enquiries) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor, the Trustee nor any of the other Dealers shall have any responsibility therefor. Each of the Dealers has agreed to ensure that (to the best of its knowledge and belief having made all reasonable enquiries) no obligations are or will be imposed on the Issuer or the Guarantor in any such jurisdiction as a result of the foregoing actions.

None of the Issuer, the Guarantor, the Trustee and the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assume any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions agreed between the Issuer, the Guarantor and the relevant Dealer.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

Northumbrian Water Finance Plc

Legal entity identifier (LEI): 213800JTFA6F3S7XX781

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by Northumbrian Water Limited

under the £6,000,000,000

Euro Medium Term Note Programme

[MIFID II PRODUCT GOVERNANCE / Professional investors and eligible counterparties only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “EU MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[s’/s’] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[s’/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance / Professional investors and eligible counterparties only target market - Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”) (“UK MiFIR”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Notes (a “distributor”)] [distributor] should take into consideration the manufacturer[s’/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[s’/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II, as amended; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the

Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

Consequently, no key information document required by the [Regulation (EU) No 1286/2014] [PRIIPs Regulation] as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[SINGAPORE SFA PRODUCT CLASSIFICATION - In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes [are] / [are not] prescribed capital markets products (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] 2025 [and the supplement(s) to it dated [●]] which together constitute[s] a Base Prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “UK Prospectus Regulation”). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Base Prospectus [as so supplemented] in order to obtain all the relevant information. The Base Prospectus [and the supplement[s] to it] [is/are] published on the website of the London Stock Exchange: (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

- | | | | |
|---|--------|--------------------------------------------------------|---------------------------------------------------------------------|
| 1 | [(i)] | Series Number: | [●] |
| | [(ii)] | Tranche Number: | [●] |
| 2 | | Specified Currency or Currencies: | [●] |
| 3 | | Aggregate Nominal Amount of Notes admitted to trading: | [●] |
| | [(i)] | Series: | [●] [of which [●] [are/will, on the Issue Date, be] Retained Notes] |
| | [(ii)] | Tranche: | [●] [of which [●] [are/will, on the Issue Date, be] Retained Notes] |

<p>[(iii)] Date on which the Notes will be consolidated and form a single Series:</p>	<p>[Not Applicable/The Notes shall be consolidated, form a single Series and be interchangeable for trading purposes with the <i>[insert amount, interest rate, maturity date and issue date of the Series]</i> on <i>[insert date]</i>/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below [which is expected to occur on or about <i>[insert date]</i>].]</p>
<p>4 Issue Price of Tranche:</p>	<p>[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i>]</p>
<p>5 (i) Specified Denominations:</p>	<p>[●]</p>
<p>(ii) Calculation Amount:</p>	<p>[●]</p>
<p>6 Issue Date [and Interest Commencement Date]:</p>	<p>[●]</p>
<p>7 Interest Commencement Date (if different from the Issue Date):</p>	<p>[●]</p>
<p>8 Maturity Date:</p>	<p>[Fixed Rate/Zero Coupon -<i>specify date</i>/Floating Rate: <i>Specified Interest Payment Date falling in or nearest to [specify month]</i>]</p>
<p>9 Interest Basis:</p>	<p>[[●] per cent. Fixed Rate] [[EURIBOR/SONIA] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] (further particulars specified in paragraph [14]/[15]/[16]/[17])</p>
<p>10 Redemption Basis:</p>	<p>[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.] [Index Linked Redemption]</p>
<p>11 Change of Interest Basis:</p>	<p>[[●] / [Not Applicable]]</p>
<p>12 Put/Call Options:</p>	<p>[Put Option] [Change of Control Put Option] [Make-Whole Redemption by the Issuer] [Issuer Maturity Par Call] [Issuer Call] [Clean-up Call Option] [Not Applicable] (further particulars specified in paragraph [18]/[19]/[20]/[21]/[22] below)</p>
<p>13 Date [Board] approval for issuance of Notes obtained:</p>	<p>[●] [and [●], respectively] <i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)</i> [Not Applicable]</p>

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount(s): [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] *(Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s) and the Interest Payment Date(s) to which they relate)*
- (v) Day Count Fraction: [Actual/Actual]
 [Actual/Actual – ISDA]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360], [360/360] or [Bond Basis]
 [30E/360] or [Eurobond Basis]
 [30E/360 (ISDA)]
 [Actual/Actual – ICMA]
 [Not applicable]
- (vi) Determination Dates: [[●] in each year][Not Applicable] *(Only applicable where Day Count Fraction is Actual/Actual (ICMA). In such case insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- 15 Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●] in each year, subject to adjustment in accordance with the Business Day Convention set out in (vi) below/, not subject to any adjustment[, as the Business Day Convention in (vi) below is specified to be Not Applicable]
- (iii) Effective Interest Payment Date: [Not Applicable]/[The date falling [●] Business Days following each Interest Payment Date, provided that the Effective Interest Payment Date with respect to the last Interest Period will be the Maturity Date or, if the Issuer elects to redeem the Notes before the Maturity

- Date, the date fixed for redemption (*include for Payment Delay only*)⁷
- (iv) Interest Period Date: [Not Applicable]/[●] in each year [, subject to adjustment in accordance with the Business Day Convention set out in (vi) below/, not subject to any adjustment[, as the Business Day Convention in (vi) below is specified to be Not Applicable]]
- (v) First Interest Payment Date: [●]
- (vi) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [(*For Payment Delay, always specify a Business Day Convention*)]
- (vii) Business Centre(s): [●]
- (viii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (ix) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (x) Screen Rate Determination:
- Index Determination [Applicable/Not Applicable]
- Insert only if Index Determination is not applicable*
- Reference Rate: [●] month [EURIBOR/SONIA]
 - Reference Bank(s): [●]
 - Interest Determination Date(s): [●]/[The date falling [●] Business Days prior to the first day of each Interest Period]/ [First day of each Interest Period]/[The [*first, second, third etc.*] Business Day immediately preceding the Interest Payment Date for each Interest Period (or immediately preceding such earlier date, if any, on which the Notes are due and payable).][*provide details*]/[The Interest Payment Date at the end of each Interest Period; provided that the Interest Determination Date with respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date - *Include this wording for Payment Delay only*]]⁸
 - Relevant Screen Page: [●]/[Bloomberg Page SONIO/N Index]
 - Relevant time: [[●] in the Relevant Financial Centre]/[Not Applicable]⁹

⁷ Effective Interest Payment Dates should be at least 5 Business Days after the Interest Payment Dates, unless otherwise agreed with the Paying Agent.

⁸ To be at least 5 Business Days before the relevant Interest Payment Date where the Reference Rate is SONIA, SOFR or €STR, without the prior agreement of the Paying Agent.

⁹ Select “Not Applicable” for SONIA.

- Relevant Financial Centre: [●]
- Calculation Method: [Weighted Average/Compounded Daily/Not Applicable]
- Observation Method: [Lag/Lock-out/Observation Shift/Payment Delay/Not Applicable]
- Observation Look-back Period: [●]/[Not Applicable]¹⁰
- D: [365/360/[Not Applicable]]
- Rate Cut-off Date: [The date falling [●] Business Days prior to the Maturity Date or the date fixed for redemption, as applicable – *used for Payment Delay only*]¹¹/[Not Applicable]

Insert only if Index Determination is applicable

- SONIA Compounded Index: [Applicable/Not Applicable]
- Interest Determination Date: [●]/[The day falling the Relevant Number of Index Days prior to the relevant Interest Payment Date, or such other date on which the relevant payment of interest falls due (but which, by its definition or the operation of the relevant provisions, is excluded from the relevant Interest Period)]
- Relevant Decimal Place: [●]/[As per the Conditions]¹²
- Relevant Number: [●]/[As per the Conditions]
- Numerator: [●]/[As per the Conditions]
- (xi) ISDA Determination: [Applicable/Not Applicable]
 - ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Definitions]
 - Floating Rate Option: [[●]/EUR-EURIBOR-Reuters (*if 2006 ISDA Definitions apply*)/EUR-EURIBOR (*if 2021 ISDA Definitions apply*)/ GBP-SONIA/GBP-SONIA Compounded Index] (*These are the only Floating Rate Options envisaged by the terms and conditions*)
 - Designated Maturity: [●]/[Not Applicable] (*A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate*)
 - Reset Date: [●]
 - Compounding: [Applicable/Not Applicable] (*if not applicable, delete the remaining subparagraph*)
 - Compounding Method: [Compounding with Lookback
Lookback: [●] Applicable Business Days]

¹⁰ The Observation Look-back Period should be at least as many Business Days before the Interest Payment Date as the Interest Determination Date. “Observation Look-back Period” is only applicable where “Lag” or “Observation Shift” is selected as the Observation Method; otherwise, select “Not Applicable”.

¹¹ The Rate Cut-off Date should be at least 5 Business Days before the Maturity Date or the date fixed for redemption, unless otherwise agreed with the Paying Agent.

¹² This should be a number that is five or greater where Compounded Daily SONIA is applicable.

	[Compounding with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable] [Compounding with Lockout Lockout: [●] Lockout Period Business Days Lockout Period Business Days: [●]/[Applicable Business Days]]
– Index Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining items of this subparagraph)</i>
[- Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]
(xii) Linear Interpolation:	[Not Applicable]/[Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]
(xiii) Margin(s):	[+/-][] per cent. per annum
(xiv) Minimum Rate of Interest:	[] per cent. per annum/[Not Applicable]
(xv) Maximum Rate of Interest:	[] per cent. per annum/[Not Applicable]
(xvi) Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360], [360/360] or [Bond Basis] [30E/360] or [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA] [Not applicable]
16 Index Linked Interest Note	[Applicable/Not Applicable]
(i) Index:	[RPI/CPI/CPIH]
(ii) Rate of Interest:	[●] per cent. [payable annually/semi- annually/quarterly/monthly] in arrear
(iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent):	[[●] / Not Applicable]

(iv)	Specified Interest Payment Dates:	[●]
(v)	First Interest Payment Date:	[●]
(vi)	Interest Period(s):	[●]
(vii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(viii)	Minimum Indexation Factor:	[Not Applicable/[●]]
(ix)	Business Centre(s):	[●]
(x)	Maximum Indexation Factor:	[Not Applicable/[●]]
(xi)	Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:	[●] per cent. per annum
(xii)	Base Index Figure (Condition 8.1):	[●]
(xiii)	Day Count Fraction:	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis /]
(xiv)	Index Figure applicable (Condition 8.1):	[[●] month lag applies] [Not Applicable]
(xv)	Reference Gilt (Condition 8.1):	[[●]/ Not Applicable]
(xvi)	Indexed Benchmark Gilt (Condition 8.1):	[[●]/ Not Applicable]
17	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Amortisation Yield:	[●] per cent. per annum

PROVISIONS RELATING TO REDEMPTION

18	Call Option (Condition 6(d))	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[●] / [Any date during the period from (and including) the Issue Date to (but excluding) the [Par Call Period Commencement Date]] ¹³ / [Any date during the period from (and including) [●] to [●]]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount] / Condition 6(b) applies / Condition 6(e) applies / Condition 6(f) applies [Spens Amount/Make-Whole Amount applies]

¹³ Include this option if Issuer Maturity Par Call is specified as applicable.

		[If the Optional Redemption Date is prior to [[the date falling [90 days] prior to the Maturity Date]/ [Par Call Period Commencement Date]], the Notes are redeemable in whole or in part at the Make-Whole Amount. If the Optional Redemption Date is on or after [[the date falling [90 days] prior to the Maturity Date] / [Par Call Period Commencement Date]], the Notes are redeemable in whole or in part at the Final Redemption Amount]
		<i>[(If Spens Amount or Make-whole Amount is selected, include items (A) to (E) below or relevant options as are set out in the Conditions)]</i>
	[(A) Reference Bond:	[Insert applicable Reference Bond]]
	[(B) Redemption Margin:	[●] per cent.]
	[(C) Discount Basis:	[annual/semi-annual]] [(Relevant to Make-Whole Amount only.)]
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount/[Not Applicable]
	(b) Maximum Redemption Amount:	[●] per Calculation Amount/[Not Applicable]
(iv)	Notice period:	[●]
19	Issuer Maturity Par Call (Condition 6(e)):	[Applicable/Not Applicable]
	(i) Notice period:	Minimum period: [15] / [●] days Maximum period: [30] / [●] days
	(ii) Par Call Period Commencement Date:	[●]/[As per Conditions]
20	Clean-up Call (Condition 6(f))	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Early Redemption Amount:	[[] per Calculation Amount] / [As per Conditions]
	(ii) Minimum Percentage:	[●] per cent.
21	Put Option (Condition 6(g))	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) Notice period:	[●]
22	Change of Control Put Option (Condition 6(h))	

- (i) Change of Control Redemption Amount: [●] per Calculation Amount
- 23 Final Redemption Amount of each Note [[●] per Calculation Amount]
In cases where the Final Redemption Amount is Index Linked:
- (i) Index: [RPI/CPI/CPIH]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [[●] / Not Applicable]
- (iii) Determination Date(s): [●]
- (iv) Payment Date: [●]
- (v) Notice Periods (Condition 8.6): Minimum Period: [30]/[●] days
Maximum Period: [60]/[●] days
- 24 Early Redemption Amount:
- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption: [[●] / Par per Calculation Amount]
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates: [Yes]/[No]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25 (i) Form of Notes: **[Bearer Notes]:**
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
[Temporary Global Note exchangeable for Definitive Notes]
[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- Registered Notes:**
[Global Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
- (ii) [New Global Note] / [Note held under the New Safekeeping Structure] [Yes] [No]

26	Financial Centre(s):	[Not Applicable/include financial centre] (Note that this item relates to the date and place of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which paragraph 15 (vi) relates)
27	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
28	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] ¹⁴
29	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] ¹⁵
30	Singapore Sales to Institutional Investors and Accredited Investors only:	[Applicable/Not Applicable] ¹⁶

¹⁴ If the offer of the Notes clearly do not constitute “packaged products”, “Not Applicable” should be specified. If the offer of the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.

¹⁵ If the offer of the Notes clearly do not constitute “packaged products”, “Not Applicable” should be specified. If the offer of the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.

¹⁶ If the Notes are offered to Institutional Investors and Accredited Investors in Singapore only, “Applicable” should be specified. If the Notes are also offered to investors other than Institutional Investors and Accredited Investors in Singapore, “Not Applicable” should be specified.

Parties to consider the Monetary Authority of Singapore’s Notice on Business Conduct Requirements for Corporate Finance Advisers on 23 February 2023 and the related due diligence requirements. “Not Applicable” should only be specified if no corporate finance advice is given by any Manager or Dealer.)

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as it is aware, and are able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of the Guarantor:

By:

Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: Application has been made for Notes (including, for the avoidance of doubt, any Retained Notes) issued under the Programme to be admitted to the Official List of the Financial Conduct Authority and to be admitted to trading on the London Stock Exchange's main market with effect from [●].
- (ii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: [[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:
- [Moody's: [●]] [Not Applicable]
[Fitch: [●]] [Not Applicable]
[[Other]: [●]] [Not Applicable]
[and endorsed by [*insert details*]]
[Not Applicable]
- (Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)*
- (Include details of whether rating is given by a credit rating agency established in the UK and registered under the UK CRA Regulation or whether it is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation.)*

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Not Applicable]

(Need to include a description of any interest, including a conflict of interest, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below):

“Save as discussed in [“Subscription and Sale”], so far as the Issuer and the Guarantor are aware, no person involved in the offer of the Notes has an interest material to the offer.” (Amend as appropriate if there are other interests)]

4 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- Reasons for the offer/use of proceeds: [See “Use of Proceeds” in Base Prospectus / Give Details]
- (See “Use of Proceeds” in Base Prospectus – if reasons for offer differ from what is disclosed in the Base Prospectus, give details here.)*

Estimated net proceeds: [•]

5 FIXED RATE NOTES ONLY – YIELD

Indication of yield: [•] per cent. per annum [Not Applicable]

6 [INDEX LINKED NOTES ONLY – PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING

Name of underlying index: [UK Retail Prices Index (RPI) (all items) published by the Office for National Statistics] / [UK Consumer Prices Index (CPI) (all items) published by the Office for National Statistics / UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax (CPIH) (all items) published by the Office for National Statistics]

Information about the Index, its volatility and past and future performance can be obtained from: Information on [RPI/CPI/CPIH] can be found at [www.statistics.gov.uk / www.ons.gov.uk]

7 HISTORIC INTEREST RATES (Floating Rate Notes only)

[Details of historic [EURIBOR/SONIA] rates can be obtained from Reuters]. [Not Applicable.]

8 OPERATIONAL INFORMATION

Trade Date: [•]

ISIN: [•]

Common Code: [•]

FISN: [[•]/[As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]

CFI Code: [[•]/As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]

(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A., the relevant address and the identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) if any: [•][Not Applicable]

Custodian for Retained Notes [Not Applicable/[•]]

Intended to be held in a manner which would allow Eurosystem eligibility:

[No][Yes]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the relevant Clearing Systems as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.](*Include this text if “yes” selected in which case the Notes must be issued in NGN form*)

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

9 DISTRIBUTION

- | | |
|--------------------------------------------------------------------|----------------------------------------------------------|
| (i) Method of distribution: | [Syndicated/Non-syndicated] |
| (ii) Date of [Subscription] Agreement: | [•] |
| (iii) If syndicated, names and addresses of Managers: | [Not Applicable/(<i>give names and addresses</i>)] |
| (iv) Name(s) and address(es) of Stabilisation Manager(s) (if any): | [Not Applicable/(<i>give name(s) and address(es)</i>)] |
| (v) If non-syndicated, name and address of Dealer: | [Not Applicable/(<i>give name and address</i>)] |

(vi) U.S. Selling
Restrictions (Categories
of potential investors to
which the Notes are
offered):

[Reg. S Compliance Category [1/2/3]; TEFRA
C/TEFRA D/ TEFRA not applicable]

GENERAL INFORMATION

1. Authorisation

The update of the Programme and the issue of Notes (and, in the case of the Guarantor, the giving of the Guarantee) have been duly authorised by a resolution of the Board of Directors of the Issuer dated 26 February 2025 and of the Committee of the Board of Directors of the Guarantor dated 26 February 2025.

2. Listing of Notes

The listing of the Programme in respect of the Notes is expected to be granted on or before 11 March 2025. It is expected that each Tranche of Notes will be admitted to listing and trading upon submission to the FCA of the applicable Final Terms and subject only to the issue of a Global Note or Notes initially representing such Notes.

3. Documents Available

For the period of 12 months following the date of this Base Prospectus copies of the following documents will, when published, be available for inspection at <https://www.nwg.co.uk/about-us/nwgroup/credit-investors>:

- (a) the Articles of Association of the Issuer and the Guarantor;
- (b) the Trust Deed and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons (each as contained in the Trust Deed);
- (c) a copy of this Base Prospectus; and
- (d) any future Base Prospectuses, prospectuses, information memoranda and supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

4. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

5. Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

6. Yield

In relation to any Tranche of Fixed Rate Notes, an indication of yield in respect of such Notes will be specified in the applicable Final Terms.

The yield will be calculated at the Issue Date on the basis of the Issue Price. It will not be an indication of future yield.

7. Financial Position

There has been no significant change in the financial performance or financial position of the Issuer or the Group since 31 March 2024 being the date of the last published financial statements and there has been no material adverse change in the prospects of the Issuer and the Guarantor since 31 March 2024.

8. Litigation

Save as disclosed in the sections “*Risk factors - Competition Appeal Tribunal proceedings*” and “*Risk Factors – Environmental pollution offences*” of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer or the Guarantor or their respective groups.

9. Auditors

Deloitte LLP of 1 City Square, Leeds, United Kingdom, LS1 2AL who are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales, have audited the Issuer’s accounts, without qualification, in accordance with International Standards on Auditing (UK) for the financial years ended 31 March 2023 and 31 March 2024 and have audited the Guarantor’s accounts, without qualification, in accordance with International Standards on Auditing (UK) for the financial years ended 31 March 2023 and 31 March 2024. Deloitte LLP has no material interest in either the Issuer or the Guarantor.

10. Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and their affiliates in the ordinary course of business.

Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantor and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer’s affiliates. Certain of the Dealers or their affiliates may hedge their credit exposure to the Issuer from time to time consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

11. Post-issuance information

The Issuer does not intend to provide post-issuance information in respect of the Notes except if required by any applicable laws or regulations.

THE ISSUER

Northumbrian Water Finance Plc

Northumbria House
Abbey Road
Pity Me
Durham DH1 5FJ
United Kingdom

THE GUARANTOR

Northumbrian Water Limited

Northumbria House
Abbey Road
Pity Me
Durham DH1 5FJ
United Kingdom

TRUSTEE

HSBC Corporate Trustee Company (UK) Limited

8 Canada Square
London E14 5HQ

ISSUING AND PAYING AGENT AND REGISTRAR

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

LEGAL ADVISERS

To the Issuer and the Guarantor

CMS Cameron McKenna Nabarro Olswang LLP

Cannon Place
78 Cannon Street
London EC4N 6AF
United Kingdom

To the Dealers

Linklaters LLP

One Silk Street
London EC2Y 8HQ
United Kingdom

AUDITORS

To the Issuer and the Guarantor

Deloitte LLP

1 City Square
Leeds LS1 2AL
United Kingdom

ARRANGER

Barclays Bank PLC

1 Churchill Place
London E14 5HP
United Kingdom

DEALERS

Bank of China Limited, London Branch

1 Lothbury
London EC2R 7DB
United Kingdom

Barclays Bank PLC

1 Churchill Place
London E14 5HP
United Kingdom

Lloyds Bank Corporate Markets plc

10 Gresham Street
London EC2V 7AE
United Kingdom

NatWest Markets Plc

250 Bishopsgate
London EC2M 4AA
United Kingdom

RBC Europe Limited

100 Bishopsgate
London EC2N 4AA