**BASE PROSPECTUS DATED 14 OCTOBER 2026**

# SOUTH WEST WATER FINANCE PLC

(*incorporated with limited liability in England and Wales with registered number 05722435*)

## £2,500,000,000
## Euro Medium Term Note Programme

unconditionally and irrevocably guaranteed by

# SOUTH WEST WATER LIMITED

(*incorporated with limited liability in England and Wales with registered number 2366665*)

Under this £2,500,000,000 Euro Medium Term Note Programme (the "**Programme**"), South West Water Finance Plc (the "**Issuer**" or "**SWWF**") 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 payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by South West Water Limited (the "**Guarantor**" or "**SWW**").

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of 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.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*" commencing on page 18.**

This Base Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the "**FCA**") in accordance with the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the "**PRM**") made pursuant to its rule-making powers under the Public Offers and Admissions to Trading Regulations 2024. The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the rules in the PRM. Such approval should not be considered as an endorsement of the Issuer or the Guarantor or of the quality of the 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 (other than Exempt Notes (as defined below)) 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 (other than Exempt 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, unless otherwise specified in the applicable Pricing Supplement (as defined below) with respect to a particular issue of Exempt Notes, 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 UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of the domestic law of the United Kingdom (the "**UK**") by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**").

The Programme provides that Exempt Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets (other than a stock exchange or market which is a UK regulated market for the purposes of UK MiFIR) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Exempt Notes and/or Exempt Notes not admitted to trading on any stock exchange or market. In the case of Exempt Notes, the applicable Pricing

Supplement will state whether or not the relevant Notes will be so listed and/or admitted to trading and, if so, the market on which such Notes are admitted to trading.

**This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid 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.**

The requirement to publish a prospectus under the PRM only applies to Notes which are to be admitted to trading on a UK regulated market (as defined in UK MiFIR) other than in circumstances where an exemption is available under the PRM. References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the PRM. The FCA has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in the applicable final terms document (the "**Final Terms**") which will be delivered to the FCA and the London Stock Exchange. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the Regulatory News Service operated by the London Stock Exchange at https://www.londonstockexchange.com/news?tab=news-explorer.

In the case of Exempt Notes, notice of the aggregate nominal amount of the Exempt Notes, interest (if any) payable in respect of such Exempt Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the "**Pricing Supplement**").

The Notes and the guarantee in respect thereof have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Notes include Notes in bearer form that are subject to U.S. tax law requirements.

The Programme has been rated 'Baa2' by Moody's Investors Service Limited ("**Moody's**") and 'A-' by Fitch Ratings Limited ("**Fitch**").

Each of Moody's and Fitch is established in the UK, registered under Regulation (EC) No. 1060/2009 as it forms part of the domestic law of the UK by virtue of the EUWA (the "**UK CRA Regulation**") and included in the list of credit rating agencies published by the FCA on its website (at https://www.fca.org.uk/firms/credit-rating-agencies). Neither Moody's nor Fitch is established in the European Economic Area (the "**EEA**") and they have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings for the Programme assigned by Moody's and Fitch have been endorsed by Moody's Deutschland GmbH ("**Moody's Europe**") and Fitch Ratings Ireland Limited ("**Fitch Europe**"), respectively, in accordance with the CRA Regulation. Each of Moody's Europe and Fitch Europe is established in the EEA and registered under the CRA Regulation. As such, each of Moody's Europe and Fitch Europe is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

Notes issued under the Programme may be rated by Fitch and/or Moody's, or may be unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change, reduction or withdrawal at any time by the assigning rating agency.

*Arranger*

**Barclays**

*Dealers*

**Bank of China**
**BNP PARIBAS**
**HSBC**
**Lloyds Bank Corporate Markets**
**MUFG**
**SMBC**
**Barclays**
**CIBC Capital Markets**
**ING**
**Morgan Stanley**
**NatWest**

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of PRM 2.3. Information contained in this Base Prospectus regarding Exempt Notes shall not be deemed to form part of the base prospectus for the purposes of PRM 2.3.

The Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus and the applicable Final Terms or applicable Pricing Supplement (as applicable) 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 the import of such information.

This Base Prospectus is to be read in conjunction with all information which is deemed to be incorporated in it by reference (see "*Information Incorporated by Reference*" below). This Base Prospectus shall be read and construed on the basis that such information is so incorporated and forms part of this Base Prospectus. Other than in relation to the information which is expressly deemed herein to be incorporated in this Base Prospectus by reference, 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.

None of the Arranger, the Dealers, the Trustee (as defined below) or any of their respective affiliates have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers, the Trustee or any of their respective affiliates as 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 or any issue of Notes under the Programme. None of the Arranger, any Dealer, 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 the Issuer or the Guarantor in connection with the Programme or any issue of Notes under the Programme.

No person is or has been authorised by the Issuer or the Guarantor 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 (a) is intended to provide the basis of any credit or other evaluation or (b) 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 condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and 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 nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer and/or the Guarantor is correct at any time subsequent to its date 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, the 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 Notes issued under the Programme of any information coming to their attention. Investors should review, *inter alia*,

the most recently published information incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

**Notes issued as Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds** – None of the Arranger, the Dealers, the Trustee or any of their respective affiliates accepts any responsibility for any environmental or sustainability assessment of any Notes issued as Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds (each as defined herein – see "*Use of Proceeds*") or makes any representation or warranty or gives any assurance as to whether such Notes will meet any investor expectations or requirements regarding such "green", "blue", "social", "sustainable" or similarly labelled criteria. None of the Arranger, Dealers, the Trustee or any of their respective affiliates have undertaken, nor are they responsible for, any assessment of the Eligible Projects (as defined in the "*Use of Proceeds*" section of this Base Prospectus), any verification of whether the Eligible Projects meet any eligibility criteria set out in the Framework (as defined in the "*Use of Proceeds*" section of this Base Prospectus) nor are they responsible for the use of proceeds (or amounts equal thereto) for any Notes issued as Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds, nor the impact or monitoring of such use of proceeds or the allocation of the proceeds to particular Eligible Projects. The Framework, the Second Party Opinion (as defined herein) and any public reporting by or on behalf of the Issuer in respect of the application of proceeds will be available on Pennon Group plc's website at: https://www.pennon-group.co.uk/investor-information/sustainable-financing-framework but, for the avoidance of doubt, such documents are not and will not be deemed to be incorporated by reference into this Base Prospectus. None of the Arranger, the Dealers, the Trustee or any of their respective affiliates make any representation as to the suitability or content of such materials. Prospective investors should consult with their legal and other advisers before making an investment in Notes issued as Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds and must determine for themselves the relevance of the information set out in this Base Prospectus and the applicable Final Terms or, as the case may be, applicable Pricing Supplement for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. Such Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds will not be issued as European Green Bonds in accordance with the EuGB Regulation (as defined herein).

In making any investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. None of the Issuer, the Guarantor, Arranger, the Dealers, the Trustee or any of their respective affiliates makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes.

**The Notes and the guarantee in respect thereof have not been and will not be registered under the Securities Act or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Notes include Notes in bearer form that are subject to U.S. tax law requirements.**

**Furthermore, the Index Linked Notes do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the United States Commodity Exchange Act (the "CEA"), as amended, and trading in the Index Linked Notes has not been approved by the United States Commodity Futures Trading Commission (the "CFTC") under the CEA. The Index Linked Notes may not be at any time offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a "U.S. person" as defined in the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the CFTC or the final rule relating to Cross-Border Application of the Registration Threshold and Certain Requirements Applicable to Swap Dealers and Major Swap Participants promulgated by the CFTC, in each case as amended, modified or supplemented from time to time, or (iii) a person other than a "Non-United States person" as defined in CFTC Rule 4.7, in each case, as such definition may be amended,**

**modified or supplemented from time to time, and such persons may not at any time trade or maintain a position in the Index Linked Notes (see "*Subscription and Sale*" below).**

**IMPORTANT – 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 Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. 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.

**IMPORTANT – UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the UK. For these purposes, a "**retail investor**" means a person who is not a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no disclosure document required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

**MiFID II Product Governance / target market** – The applicable Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may 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 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 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 the Dealers 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** – The applicable Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may 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 the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

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. None of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or any of their respective affiliates represents 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, the Arranger, 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, Belgium, Canada, France, Japan and Singapore (see "*Subscription and Sale*").

## UK BENCHMARKS REGULATION

Amounts payable on Floating Rate Notes issued under the Programme may be calculated by reference to the Euro Interbank Offered Rate ("**EURIBOR**"), the Sterling Overnight Index Average ("**SONIA**") or the Secured Overnight Financing Rate ("**SOFR**"), as specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement. The applicable Final Terms or applicable Pricing Supplement (as applicable) will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA's register of administrators under Article 36 of Regulation (EU) No 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**"). Transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms or, as the case may be, the applicable Pricing Supplement. 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 the applicable Final Terms or, as the case may be, the applicable Pricing Supplement to reflect any change in the registration status of the administrator.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

*Issuer Financial Information*

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Issuer has been derived from the audited non-consolidated financial statements of the Issuer for the financial years ended 31 March 2026 (the "**2026 Issuer Financial Statements**") and 31 March 2025 (the "**2025 Issuer Financial Statements**").

The Issuer's financial year ends on 31 March, and references in this Base Prospectus to any specific year relating to Issuer financial information are to the 12-month period ended on 31 March of such year. The 2025 Issuer Financial Statements and 2026 Issuer Financial Statements have been prepared in accordance with applicable law and UK accounting standards, including FRS 101 *Reduced Disclosure Framework*, in conformity with the requirements of the Companies Act 2006.

*Guarantor Financial Information*

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Guarantor has been derived from the audited non-consolidated financial statements of the Guarantor for the financial years ended 31 March 2026 (the "**2026 Guarantor Financial Statements**") and 31 March 2025 (the "**2025 Guarantor Financial Statements**").

The Guarantor's financial year ends on 31 March, and references in this Base Prospectus to any specific year relating to Guarantor financial information are to the 12-month period ended on 31 March of such year. The 2025 Guarantor Financial Statements and 2026 Guarantor Financial Statements have been prepared in accordance with applicable law and UK accounting standards, including FRS 101 *Reduced Disclosure Framework*, in conformity with the requirements of the Companies Act 2006.

## CERTAIN DEFINED TERMS AND CONVENTIONS

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below.

References in this Base Prospectus to the "**Group**" are to the Guarantor and its subsidiaries, taken as a whole.

In this Base Prospectus, all references to:

- "**Sterling**", "**GBP**" or "**£**" are to pounds sterling, the lawful currency of the United Kingdom;
- "**U.S. dollars**", "**USD**" and "**U.S.$**" refer to United States dollars;
- "**CAD**", "**C$**" or "**CA$**" refer to Canadian dollars;
- "**yen**" are to Japanese Yen; and
- "**euro**" and "**€**" refer 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.

References to "**m**" or "**bn**" following financial information are to "million" or "billion", respectively, where "**billion**" means a thousand million.

Certain figures and percentages included in this Base Prospectus may have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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.

## SUITABILITY OF INVESTMENT

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 may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has 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) has 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) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets;

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

(vi) understands 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 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.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be forward-looking statements. Some statements in this Base Prospectus (including some statements in the information incorporated by reference herein) contain certain forward-looking statements with respect to the Group and entities therein. Forward-looking statements include statements concerning the Issuer's and/or the Guarantor's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements may be contained in the sections entitled "*Risk Factors*", "*Description of the Issuer*" and "*Description of the Guarantor and the Group*" and other sections of this Base Prospectus. The Issuer and the Guarantor have based these forward-looking statements on the current view of their management with respect to future events and financial performance. Although each of the Issuer and the Guarantor believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer and/or the Guarantor has otherwise identified in this Base Prospectus, or if any of the Issuer's and/or the Guarantor's underlying assumptions prove to be incomplete or inaccurate, the Issuer's and/or the Guarantor's actual results of operations may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include (but are not limited to):

- the Group's ability to achieve and manage the growth of its business;
- the performance of the markets in the United Kingdom and the regions in which the Group operates;

- the Group's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;

- the Group's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects; and

- changes in political, social, legal or economic conditions in the markets in which the Group operates.

Any forward-looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, each of the Issuer and the Guarantor expressly disclaims any obligations or undertakings to disseminate publicly after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained or incorporated by reference in the Base Prospectus to reflect any change in either the Issuer or Guarantor's expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based.

## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the stabilisation manager(s) ("Stabilisation Manager(s)") (or persons acting on behalf of any Stabilisation Manager(s)) as specified in the applicable Final Terms or applicable Pricing Supplement (as the case may be), 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.**

## CONTENTS

**Page**

Overview of the Programme ..... 11
Risk Factors ..... 18
Information Incorporated by Reference ..... 45
Form of the Notes ..... 48
Form of Applicable Final Terms ..... 52
Form of Applicable Pricing Supplement ..... 71
Terms and Conditions of the Notes ..... 90
Use of Proceeds ..... 161
Description of the Issuer ..... 165
Description of the Guarantor and the Group ..... 166
Taxation ..... 181
Subscription and Sale ..... 183
General Information ..... 187

## 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 (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer, the Guarantor 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, in the case of Notes other than Exempt Notes, and if appropriate, a new Base Prospectus will be published. Any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the information incorporated by reference herein.***

This Overview constitutes a general description of the Programme for the purposes of Appendix 1, Annex 3.2 of the PRM.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

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| Issuer: | South West Water Finance Plc |
| Issuer Legal Entity Identifier (LEI): | 213800OV68U446W4NV89 |
| Guarantor: | South West Water Limited |
| Guarantor Legal Entity Identifier (LEI): | 213800FR2VAOKRYRHX45 |
| Risk Factors: | 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. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under "*Risk Factors*" beginning on page 18 hereof. |
| Description: | Euro Medium Term Note Programme |
| Arranger: | Barclays Bank PLC |
| Dealers: | Bank of China Limited, London Branch<br>Barclays Bank PLC<br>BNP PARIBAS<br>Canadian Imperial Bank of Commerce, London Branch<br>HSBC Bank plc<br>ING Bank N.V.<br>Lloyds Bank Corporate Markets plc<br>Morgan Stanley & Co. International plc<br>MUFG Securities EMEA plc<br>NatWest Markets Plc<br>SMBC Bank International plc |

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| | and any other Dealers appointed in accordance with the Programme Agreement. |
| Trustee: | BNY Mellon Corporate Trustee Services Limited |
| Principal Paying Agent and Calculation Agent: | The Bank of New York Mellon, London Branch |
| Registrar and Transfer Agent: | The Bank of New York Mellon SA/NV, Dublin Branch |
| 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 restriction applicable at the date of this Base Prospectus.<br><br>***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 Financial Services and Markets Act 2000 ("**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*". |
| Programme Size: | Up to £2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme 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: | Subject to any applicable legal or regulatory restrictions, Notes may be denominated in euro, Sterling, U.S. dollars, Canadian dollars, yen and any other currency agreed between the Issuer and the relevant Dealer. |
| Maturities: | The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, 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 may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. |

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| Form of Notes | The Notes will be issued in either bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. |
| Fixed Rate Notes: | Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer 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 on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).<br><br>Interest on Floating Rate Notes in respect of each Interest Period or, as the case may be, Interest Accrual 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.<br><br>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.<br><br>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. |
| Benchmark Discontinuation: | If so specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) for a Series of Notes, in the event that a Benchmark Event or Benchmark Transition Event (as applicable) occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes), then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and the application of an adjustment spread (which could be positive, negative or zero, or a formula or methodology for calculating a spread)). See Condition 5.3 for further information. |
| Zero Coupon Notes: | Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest. |
| Index Linked Notes: | Payments of principal in respect of Index Linked Redemption Notes, and payments of interest in respect of Index Linked Interest Notes, will (unless otherwise specified in the applicable Pricing Supplement in the case of Exempt Notes) be calculated by multiplying an Index Ratio, derived from: |

(i) the RPI (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace RPI;

(ii) the CPI (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace CPI; or

(iii) the CPIH (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace CPIH,

in each case by an amount specified in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Exempt Notes: The Issuer may issue Exempt Notes which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

***Index Linked Notes***: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes which, in each case, are Exempt Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

***Dual Currency Notes****:* Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

***Partly Paid Notes***: The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

***Notes redeemable in instalments***: The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

The Issuer and the Guarantor may agree with any Dealer and the Trustee that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption: The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in the case of Exempt Notes in specified instalments, if applicable, or for taxation reasons or for index reasons, or in the event of a Put Event, 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.

In addition, if "*Clean-up Redemption Option*" is specified as being "*Applicable*" in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes), and if the Clean-up Percentage (or more) of the aggregate nominal amount of the Notes of the relevant Series originally issued has been redeemed and/or purchased and cancelled pursuant to the Conditions, the Issuer may, upon giving notice to Noteholders, redeem all, but not some only, of the remaining Notes of such Series then outstanding at a price or prices indicated in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) together, if applicable, with any accrued and unpaid interest up to (but excluding) the date of redemption.

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.

Event Put Option: If "Event Put Option" is specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) to be applicable, then if a Put Event occurs each Noteholder will have the option to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) its Notes, subject to and as further described in Condition 8.6.

Denomination of Notes: The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, save that the minimum denomination of each Note will be such amount 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 relevant Specified Currency (including as provided under "*Certain Restrictions - Notes having a maturity of less than one year*" above) and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation: All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 9. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.

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

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| Cross Default: | The terms of the Notes will contain a cross default provision as further described in Condition 11. |
| Status of the Notes: | The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding. |
| Status of the Guarantee: | The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee will be direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding. |
| Rating: | The Programme has been assigned the ratings specified at the beginning of this Base Prospectus by Moody's and Fitch.<br><br>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 (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the ratings assigned to the Programme.<br><br>A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change, reduction or withdrawal at any time by the assigning rating agency. |
| Green, social, sustainable or sustainability-linked securities: | Series of Notes issued under the Programme may be marketed as green, social or sustainable securities, and may be issued under Pennon Group plc's Sustainable Financing Framework (as amended, supplemented or replaced from time to time). Series of Notes issued under the Programme may not be marketed as sustainability-linked securities. |
| Listing: | Application has been made to the FCA for Notes (other than Exempt 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 and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's main market.<br><br>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. |

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| | The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets. |
| Governing Law: | The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be 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 United Kingdom, Belgium, Canada, 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*". |
| United States Selling Restrictions: | Regulation S, Category 2. TEFRA C, TEFRA D or TEFRA not applicable, as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). |

# RISK FACTORS

*In purchasing Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due.*

*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. 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. Noteholders may lose the value of their entire investment in certain circumstances, or part of it.*

*Capitalised terms used herein shall, unless otherwise stated, have the same meaning as given to them in the section entitled "Terms and Conditions of the Notes" or elsewhere in this Base Prospectus.*

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

### The Issuer is a finance vehicle

The Issuer is a special purpose vehicle incorporated for the sole purpose of raising borrowings for the Guarantor as its immediate parent company and on-lending the proceeds to the Guarantor. The Issuer is not an operating company; it has no business other than the incurrence of financial indebtedness, the on-lending of the proceeds of such financial indebtedness to the Guarantor, and activities ancillary thereto. Substantially all of the Issuer's assets are loans and advances made by the Issuer to the Guarantor. The Issuer is therefore dependent on the Guarantor paying interest on, and repaying, in a timely manner, all loans and advances made by the Issuer to the Guarantor. If the Guarantor fails to pay interest on, or repay, any loan in a timely fashion, this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes, the Receipts, the Coupons and the Trust Deed. It is for this reason the Issuer's obligations under the Notes, the Receipts, the Coupons and the Trust Deed are guaranteed by the Guarantor.

Each of the Issuer and Guarantor believes that there are no other specific, material risk factors peculiar to the Issuer that may affect its ability to pay interest, principal or other amounts due in connection with the Notes, other than the risks described below in relation to the structure of the Notes, in relation to the Notes generally, and in relation to the market generally. However, by virtue of its dependence on the Guarantor, each of the risks described herein that affect the Guarantor will also indirectly affect the Issuer.

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

### *Law, Regulation and Finance*

### Changes in Government policy

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

The current UK Government has stated its intention to amend policies affecting the water industry, such as additional environmental legislation and public control over the water sector – these measures, or any change in the policy approach of the UK Government, may impact the Group's operational performance or investment requirements. There has been a continued and escalating focus on the performance of the water sector by the UK Government. In October 2024, the UK Government launched an independent commission into the sector chaired by Sir Jon Cunliffe (the "**Cunliffe Review**"), aiming to modernise and streamline existing regulation. The intention of the Cunliffe Review is to form the basis of further legislation for the attraction of long-term investment in the industry. The Independent Water Commission published a Call for Evidence in relation to the Cunliffe Review in February 2025 and published an interim report of its responses on 3 June 2025. This report highlighted five areas the independent commission believes to be critical to reforming the UK water industry: (i) strategic direction and planning, (ii) legislative framework, (iii) regulatory reform, (iv) company structures, ownership, governance and management, and (v) infrastructure and asset health. The final recommendations arising from the Cunliffe Review were published on 21 July 2025 (the "**Final Recommendations**"). The Final Recommendations set out a roadmap to rebuild trust in the water sector. At a high level, the Final Recommendations included: (i) a recommendation to establish a new single integrated regulator in England combining the functions of the Water Services Regulation Authority ("**Ofwat**"), the Drinking Water Inspectorate and the water functions from the Environment Agency and Natural England, and the establishment of a separate single regulator in Wales, (ii) a recommendation to devolve current planning responsibilities and transfer resources from regulators to nine new regional water authorities (which would be responsible for developing water investment plans), (iii) proposals to improve affordability and customer service (including upgrading the consumer body, the Consumer Council for Water ("**CCW**"), into an Ombudsman for Water to provide customers with stronger protection), (iv) recommendations to strengthen environmental regulation (particularly in relation to abstraction, sludge, drinking water standards and water supply), (v) plans to tighten oversight of water company ownership and governance, (vi) proposals for legislative reforms to better manage public health risks in water, (vii) a recommendation to fundamentally reset economic regulation, (viii) recommendations for the UK and Welsh governments to adopt new long-term national water strategies, and (ix) proposals relating to the management, monitoring and delivery of water infrastructure, including asset health reforms. In January 2026, the UK Government accepted the Final Recommendations in a white paper entitled "*A new vision for water*" and has committed to publishing its transition plans for implementing the reforms over the course of 2026. The Final Recommendations represent the largest overhaul of the water industry since privatisation, the practical and financial effects of which are as yet unknown. If implemented as the UK Government has indicated, the Final Recommendations could dramatically alter the regulatory and legislative framework within which the Guarantor operates, setting new compliance standards for the Guarantor and the sector in general. Such regulatory reforms may also result in the introduction of enhanced financial resilience requirements, minimum capital expectations, revised ownership and/or governance requirements, restrictions on financing structures, distributions or other capital allocation decisions. These measures could adversely affect the Guarantor's financing flexibility, liquidity management and financial position.

In addition, the Water (Special Measures) Act 2025 introduced a package of reforms designed to strengthen regulation of the water sector, including enhanced enforcement powers, expanded penalty regimes, increased executive accountability, restrictions on certain forms of executive remuneration and powers enabling regulators to recover certain enforcement-related costs from water companies. The implementation and future interpretation of these measures may increase regulatory scrutiny of the Guarantor and therefore could result in increased compliance costs, management burden, financial penalties and operational restrictions.

The transition from the current regulatory framework to any new regulatory structure arising from the implementation of the Final Recommendations may also create uncertainty, duplication of regulatory requirements, implementation costs and operational disruption during the transition period and therefore may adversely impact the Guarantor's business, financial condition or results of operations.

Recent reforms to customer service standards have also increased the circumstances in which water companies may be required to make compensation payments to customers and thus have increased the level of compensation payable for a range of service failures. Any future expansion of compensation regimes or customer protection requirements could increase the Guarantor's operating costs and financial liabilities.

While the Guarantor seeks to mitigate the general risk of policy revisions through active engagement in public consultations and horizon scanning for emerging changes in Government policy to monitor and assess the potential direct or indirect impact on the Guarantor of any such changes, there can be no assurance that the Guarantor will be able accurately to anticipate such changes or to implement necessary measures to address such changes promptly, and it may incur additional costs in implementing any such measures, particularly in relation to the Final Recommendations.

In addition, renationalisation of the water industry could in the future become a formal policy of the UK Government. On 29 September 2026, the current UK prime minister, Andy Burnham, announced that a strengthened Water Bill will remove the limits in the Water Act 1989 on UK Government ownership of shares in the major water and sewerage companies in England, giving the UK Government flexibility to consider a wide range of interventions, including on ownership models. The UK prime minister stated that the UK Government will support private companies that serve the public interest, but that the consequences for those that do not are expected to include taking back control or ownership, and that mayors will be given new powers to hold water companies to account. Further detail is expected in a 10-year plan to be published towards the end of 2026. The UK Government has not yet set out the criteria to judge whether a water company is serving the public interest, the circumstances under which it would intervene or what form any intervention would take. There can be no assurance that the Guarantor will not be the subject of such an intervention, including by reference to its past or future environmental, operational or customer performance.

Whilst not currently recognised as part of the UK Government agenda, the UK Government could alternatively seek to transfer ownership or control of individual water companies to publicly owned organisations, rather than pursue sector-wide nationalisation. In July 2026, Cornwall councillors publicly called upon the UK Government and the industry regulator, Ofwat, to transfer the management of Cornish water and wastewater systems away from the Guarantor and to a state-owned organisation due to concerns over environmental health and infrastructure in the Guarantor's region. If the Guarantor were to be brought under national control, either as part of an industry-wide programme or a scheme specific to select water companies including the Guarantor, this could have a significant impact on the Guarantor's day-to-day operations, service delivery and financial position.

Any changes in the policies of the UK Government concerning the water industry and/or additional environmental legislation may have an adverse impact on the Group's business, financial condition or results of operations and may therefore have an adverse impact on the Guarantor's ability to satisfy its obligations under the Notes and/or the Guarantee.

**The Guarantor is price-regulated**

The Guarantor is currently price-regulated by Ofwat, with Ofwat setting allowed revenues for a specified regulatory period (each known as an Asset Management Period or "**AMP**") following evaluation of a business plan submitted by the Guarantor. Those allowed revenues determine the prices and tariffs the Guarantor is able to charge its customers in respect of the next AMP (which runs on five-year cycles), and the Guarantor would need consent from Ofwat to increase its prices in the event of any unexpected cost increases under the terms of its Instrument of Appointment dated August 1989 under Sections 11 and 14 of the Water Act 1989 (as varied from time to time) appointing the Guarantor as a water undertaker and sewerage undertaker ("**Instrument of Appointment**" or "**Licence**").

The seventh AMP cycle (known as AMP7) spanned from 1 April 2020 to 31 March 2025; the eighth cycle (known as AMP8) commenced on 1 April 2025 and will run until 31 March 2030. In the lead up to each AMP, Ofwat publishes a methodology (in draft form for consultation, later reissued in final form) detailing the key

parameters for the setting of price controls for each category of activity. Water companies are then required to submit business plans setting out their proposals for performance and expenditure commitments, following which Ofwat publishes determinations (in draft form for consultation, later reissued in final form) confirming the allowed revenues for each price control. On 13 December 2022, Ofwat published its final methodology for the price review period applicable to AMP8 (known as PR24). The Guarantor submitted its final business plan in respect of the AMP8 regulatory period in August 2024 (the "**PR24 Business Plan**"), and Ofwat published its final determination on 19 December 2024 (the "**PR24 Final Determination**"). The Guarantor announced its acceptance of the PR24 Final Determination on 29 January 2025. The Guarantor's PR24 Business Plan marks record levels of planned investment across the South West, Bristol, Bournemouth and Sutton and East Surrey, and focuses on the four priorities of: (i) building water resources, improving water quality and resilience, (ii) tackling storm overflows and pollution, (iii) driving environmental gains and delivering net zero, and (iv) supporting affordability and delivering for customers. For further information on the Guarantor's PR24 Business Plan, see the sub-section entitled "*AMP8*" in the "*Description of the Guarantor and the Group*" section of this Base Prospectus. There is a risk that the commitments outlined within the PR24 Business Plan may not be achieved as envisaged as a result of cost, environmental or other challenges. In addition, there is a risk that for future AMPs, the Guarantor may not be capable of delivering certain objectives as against Ofwat's methodologies, that sufficient funding may not be provided through the regulatory mechanism to achieve, in particular, the environmental and climate related ambitions of the Guarantor, or that the priorities of regions the Guarantor serves are not fully recognised or adequately budgeted for through the regulatory process.

In addition to the five-year price reviews, a cost change process enables water companies to request additional funding between formal price reviews when there is clear evidence that additional investment is required. This mechanism addresses critical cost areas such as asset health, regional growth, statutory obligations, and major infrastructure projects, helping companies manage risks and maintain service standards without waiting for the next price review. It also provides a corrective mechanism to ensure that funding aligns with evolving operational and environmental needs. In respect of the AMP8 period, water companies are permitted to submit claims in 2026, 2027 and 2028. In the draft determination of the 2026 cost change submissions made by the Guarantor, Ofwat recognised the need for further investment to improve the condition of assets and respond to demand growth and has allowed for additional funding of £190 million (in 2022-2023 prices). The development of the Group's 2027 cost change submissions are underway to further build on the Group's investment plans; however, there is a risk that additional funding may not be approved and the Group may not implement its additional investment plans. This could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

**Changes in regulatory frameworks and requirements**

The Guarantor's businesses are subject to various laws and regulations in the UK and internationally. Potential changes in the regulatory environment, frameworks and associated strategies imposed or overseen by any of the Group's economic, quality or environmental regulators such as Ofwat, the Drinking Water Inspectorate (the "**DWI**"), the Environment Agency (the "**EA**"), the Department for Environment, Food and Rural Affairs ("**Defra**"), the CCW, Natural England and/or the Department for Energy Security and Net Zero, and/or any successor regulator to any of the foregoing,[1] could result in increased costs, reduced income, reduced Regulatory Capital Value[2] ("**RCV**") and lower margins, and therefore may have an adverse impact on the Guarantor's ability to satisfy its obligations under the Notes and/or the Guarantee.

Recent regulatory developments demonstrate the pace and significance of change within the water sector. These include the implementation of provisions of the Water (Special Measures) Act 2025, proposals

[1] *In light of the Final Recommendations following the Cunliffe Review, references in this Base Prospectus to Ofwat, the DWI, EA and Natural England should be read as including any relevant successor regulatory authority established by the UK Government, where appropriate in the context.*

[2] *RCV is a measure of the Guarantor's market value plus the value of accumulated capital investment assumed at each regulatory price review.*

contained within the UK Government's "*A new vision for water*" White Paper published in January 2026, the proposed establishment of an integrated water regulator pursuant to the Water Regulation Bill, the introduction of enhanced customer compensation requirements under the Water Supply and Sewerage Services (Customer Service Standards) (Amendment) Regulations 2025 and ongoing consultations regarding governance, financial resilience and environmental performance within the water sector. Such developments may increase compliance obligations, operational requirements, reporting obligations and enforcement risk for water companies, the full impact of which remains uncertain.

The Guarantor's regulated activities are conducted pursuant to its Instrument of Appointment granted under the Water Industry Act 1991 (as amended). Under section 12A of the Water Industry Act 1991, Ofwat has the power to modify the conditions of the Guarantor's Licence, subject to the procedures set out in that Act. The Guarantor may appeal certain modifications to the Competition and Markets Authority ("**CMA**"), and in certain circumstances the Secretary of State may veto proposed modifications. Licence modifications may also arise from legislative changes, market investigations or wider reforms to the water sector regulatory framework.

Licence modifications could have a material impact on the Guarantor's profitability and operations. Any failure, or perceived failure, by the Guarantor to comply with its Licence, including any modifications or related requirements, could result in substantial fines, enforcement action, legal proceedings, reputational damage and other sanctions. These factors could adversely affect the Guarantor's business, results of operations and financial condition.

Since 2014, the Guarantor has integrated two water-only businesses into its Licence. Any changes to the Licence will require approval from Ofwat to allow the Guarantor to continue to operate in the market. To enable the orderly merger of licences in the future, Ofwat may require regulatory changes or reorganisation of the Guarantor's balance sheet to ensure the efficient management of its business and operations. Sutton and East Surrey Water plc ("**SES**") operates within the broader Pennon group as a standalone regulated water-only utility company serving areas in the South East, benefitting from Pennon's ownership, financing and shared expertise whilst continuing to provide local water services to its own customer base under its own regulatory licence. The Water (Special Measures) Act 2025 (the "**Special Measures Act**") is a cornerstone of the changing legal and regulatory landscape in the water industry. The Special Measures Act received Royal Assent on 24 February 2025, with some provisions taking immediate effect, and others set to take effect once government ministers and/or regulators have taken further action (such as drafting implementing regulations or establishing new rulebooks). Broadly speaking, the Special Measures Act is intended to strengthen the power of water industry regulators and deliver on the UK Government's commitment to put failing water companies under special measures. Amongst other things, the Special Measures Act: (i) prohibits the delivery of performance-related pay (including bonus payments and payments made in respect of multi-year incentive arrangements, such as awards under long-term incentive plans) for persons holding senior roles where water companies fail to meet required standards relating to consumer coverage, the environment and financial resilience, (ii) permits criminal charges against persistent law-breaking executives and directors, (iii) enables automatic and severe penalties for wrongdoing, (iv) requires water companies to monitor all emergency sewage overflows and publish real-time data in respect of those, (v) institutes a new statutory requirement for water companies to produce annual pollution incident reduction plans to a certain standard, and (vi) introduces new powers for the Secretary of State to modify water company licences in the context of special administration in order to recover any UK Government funding shortfall associated with the process. In June 2025, Ofwat utilised its new powers under the Special Measures Act to ban executive performance bonuses for certain water companies (not including the Guarantor), demonstrating its willingness to enforce these new rules. The Special Measures Act is, however, still in relative infancy - the effects of the practical implementation of many of its provisions are as yet unknown, and the content and impact of any further implementing legislation or guidance arising out of parallel consultations in order to achieve the UK Government's aim of fundamentally transforming how the UK's water system operates to tackle pollution and deliver a resilient water supply, boost investment and expedite infrastructure upgrades, are unlikely to become

clear until later in 2026, at the earliest. Following the changes to the UK Government in July 2026, there has been speculation as to the potential amendments to the special administration regime, however, the outcome remains uncertain.

Any adverse changes in regulatory policy by Ofwat and/or any adverse results from investigations by Ofwat into the Guarantor may have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to satisfy its obligations under the Notes and/or the Guarantee.

Regulatory decisions affecting the Guarantor, including decisions relating to price controls, licence conditions, environmental standards, customer service obligations, financial resilience requirements, investment programmes, performance commitments and enforcement actions, could individually, or collectively, have a material adverse effect on the Guarantor's business, results of operations and financial condition.

In particular, the recommendations of the Independent Water Commission, the UK Government's proposed reforms to the water sector, future price review determinations and the potential establishment of a new integrated regulator may result in significant changes to the manner in which water companies are regulated, monitored and funded. There can be no assurance as to the nature, timing or effect of such reforms or the extent to which they may affect the Guarantor's operations, financial performance, investment programme or strategic priorities.

**Non-compliance with laws and regulations**

The Guarantor is required to comply with a range of laws and regulations, including the requirements under the Licence. Non-compliance with laws and regulations, including the provisions of the Licence, may result in financial penalties or have a negative impact on the Guarantor's ability to operate effectively and may cause reputational damage to the Guarantor, or ultimately, revocation of a Licence. For example, non-compliance with the Licence requirements could result in the Guarantor incurring fines of up to 10 per cent. of its annual revenue and, in a worst-case scenario, could result in revocation of the Instrument of Appointment and/or the application of the special administration regime to the Guarantor. If the Guarantor were to lose its Licence, it would be unable to carry out its regulated activities and charge customers for its services, which would have a material adverse effect on the business, financial condition and results of operations of the Guarantor. Instances of non-compliance with laws and regulations by water companies, coupled with concerns regarding the financial sustainability of particular water companies, have increased media, regulatory and governmental scrutiny of the sector in recent years. This has led to increased discussion of options for more significant regulatory intervention, and in particular the use of the special administration regime. For example, on 22 March 2023, the House of Lords Industry and Regulators Committee published a report on its inquiry into the work of Ofwat and recommended that Ofwat be more proactive in using its special administration powers to change the management of continued poor performers in the sector. More recently, the UK Government has announced strengthened legislation to remove current limits on state ownership of shares in major water and sewerage companies in England (see the risk factor entitled *"Changes in Government policy"* above). No further official plans have been announced either in respect of nationalisation or other increased regulation; however, there is a risk that the UK Government could implement additional oversight measures on water companies which could place constraints on the Guarantor's ability to set its own strategy or otherwise adversely impact the Guarantor's business and operations.

Since August 2024, Ofwat has applied fines to all water and wastewater companies in England and Wales (including the Guarantor) in relation to management of sewage treatment works, with the top end of the range being around 9 per cent. of the annual turnover of an individual entity. The Guarantor put forward an enforcement package of £24 million which Ofwat accepted in July 2025 (with delivery plans underway), which includes bringing forward planned investment from the 2030 – 2035 regulatory period (AMP9), launching a £2 million Nature Recovery Fund and a £2 million fund to tackle sewer misuse. On 9 September 2025, Ofwat confirmed the Guarantor's enforcement package following a finding that the Guarantor had breached its legal obligations in operating its wastewater treatment works and networks. If the Guarantor were to lose its

Instrument of Appointment, it would be unable to carry out its regulated activities and charge customers for its services in the UK, which would have a material adverse effect on its business, financial condition and results of operations.

In addition, any failure of the Guarantor to comply with the conditions of its Instrument of Appointment or other statutory duties, as modified from time to time, or failure to comply with any enforcement order (as well as certain other defaults, including where the Guarantor is, or is reasonably likely to be, unable to pay its debts as they fall due) may lead to the Secretary of State or Ofwat (with the consent of the Secretary of State) petitioning the High Court to make a special administration order (an "**SAO**") in relation to the Guarantor. An SAO may also be made by the court as a mandatory alternative to granting a winding-up order in respect of the Guarantor. An SAO of the High Court would direct that, during the period for which the order is in force, the affairs, business and property of the Guarantor are to be managed by a person appointed to do so by the High Court. The purposes of an SAO are to transfer to one or more regulated companies as a going concern as much of the 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. As at the date hereof, 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 entity under a transfer scheme. If the Guarantee were not transferred together with the Guarantor's assets and undertaking, the Guarantor may have insufficient (or no) remaining assets or operations from which to meet its obligations under the Guarantee. To the extent that any such transfer scheme were to be implemented in respect of the Guarantor, it could have a material adverse effect on the Guarantor's reputation, financial condition, results of operations and ultimately its ability to fulfil its obligations under the Notes and/or the Guarantee.

In March 2024, certain changes were made to the special administration regime as it relates to water companies in the UK. Such changes were effected through the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 (which came into effect on 12 January 2024), 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. These amendments provide for (amongst other things): (i) the special administration purpose (where insolvency is the trigger) to be amended so that the primary purpose is the "rescue" of the entity as a going concern; (ii) 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 (iii) allow the special administrator to propose certain rescue procedures (derived from established UK insolvency law and modified for application to water companies). There is at the date of this Base Prospectus no precedent or indication of how a new-order SAO would work in practice. However, if ever applied to the Guarantor, it is likely that the receipt of any such SAO would adversely impact the ability of the Guarantor to fulfil its obligations under the Guarantee.

Generally speaking, there remains an increased appetite amongst the UK regulators for pursuing enforcement action for any non-compliance (or perceived non-compliance) with laws and regulations (see the risk factor entitled "*Changes in regulatory frameworks and requirements*" above). Any fines, sanctions or other regulatory action in respect of the Guarantor for any actual or perceived non-compliance with laws and regulations applying to the Guarantor, including the requirements under its Instrument of Appointment, may have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to satisfy its obligations under the Notes and/or the Guarantee.

**Inability to secure sufficient finance and funding within the Guarantor's debt covenants, to meet ongoing commitments**

The inability to appropriately finance the Guarantor's activities in relation to its capital, credit, market, funding, liquidity, pensions or tax related risks could have a material adverse impact on the Guarantor's business and liquidity, or put its growth agenda at risk. Failure to maintain funding requirements could lead to additional financing costs. Furthermore, a breach of the Guarantor's debt covenants could result in the requirement to

immediately repay certain of its debts. In addition, the macro-economic environment could increase financing costs. If any of these risks materialise, they could have a material adverse impact on the Guarantor's ability to satisfy its existing debt obligations and covenants and/or its obligations under the Notes and/or the Guarantee.

In the ordinary course of running its business, the Guarantor has regular access to the market and/or other sources of debt financing, the availability of which is relevant to the ability to fund its capital expenditure and other expenses. The Guarantor's indebtedness primarily consists of notes, bonds, credit facilities and other borrowings which are due in the medium- to long-term. The ability to make payments on, and to refinance, such existing indebtedness and to raise new indebtedness depends to a significant degree on future operating performance and the Guarantor's ability to generate cash from operations.

In addition, as part of the regulatory regime to which it is subject, the Guarantor must ensure that it holds at least two investment grade credit ratings from two different credit rating agencies, save where Ofwat has consented to the maintenance of only one such rating. The minimum investment grade rating required by Ofwat is currently BBB-/Baa3 with negative outlook. As at the date of this Base Prospectus, the Guarantor has been assigned credit ratings of 'Baa2 (stable)' by Moody's and 'BBB+ (stable)' by Fitch.

Should the Guarantor be placed on credit watch or experience a downgrade below the Ofwat minimum requirement, it would be unable to transfer, lease, license or lend any sum, asset, right or benefit to an 'Associated Company' (as defined in the Licences) without Ofwat's consent, subject to limited exemptions. This may cause funding costs to increase and thus the refinancing of existing indebtedness to become more difficult. This could also potentially trigger non-compliance with the terms of the Guarantor's Licences.

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

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

**Non-compliance or occurrence of an avoidable health and safety incident**

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

While the Guarantor has continued to embed its refreshed 2026 Homesafe strategy, it may not be effective in preventing all health and safety events occurring as a result of such hazards. A significant health and safety event could result in financial penalties, significant legal costs and damage to the Guarantor's reputation or other severe regulatory sanction or action, which could have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to satisfy its obligations under the Notes and/or the Guarantee.

**Failure to pay all pension obligations as they fall due and increased costs to the Guarantor should the defined benefit pension scheme deficit increase**

The Guarantor is a participating employer under the Pennon group's principal pension scheme (the "**Pension Scheme**"). UK legislation requires that pension schemes are funded prudently. As at 31 March 2026, the portion of the Pension Scheme attributable to the Guarantor remained in a surplus on retirement obligations of £13.3 million (31 March 2025: £14.7 million). This £1.4 million net decrease in surplus is largely from the

Pension Scheme, recognised in other comprehensive expense. In addition, no deficit recovery contributions were required following the triennial valuation of the Pension Scheme as at 31 March 2025. The ongoing funding requirements for the Guarantor towards the Pension Scheme are currently limited to the continuing administration expenses. However, if the deferred defined benefit pension scheme deficit increases, the Guarantor could be called upon to increase funding to reduce such deficit, impacting its cost base. This may have a material adverse impact on the Guarantor's results of operations and financial condition and its ability to satisfy its obligations under the Notes and/or the Guarantee.

***Market and economic conditions***

**Macro-economic near-term risks impacting inflation, interest rates and power prices**

Macro-economic and macro-political events could have multiple financial implications for the Guarantor, including, but not limited to, contributing to significant rises in inflation, interest rates, commodity and chemical costs and energy prices, all of which could increase the Guarantor's cost base. Changes in legislation or the introduction of special measures affecting markets could also have similar implications. Whilst 2025 saw a less volatile macro-economic position with falling interest rates and inflation, geopolitical conditions and global economic developments have remained a driver of short-term pressures and uncertainty in the UK. Geopolitical conflicts in particular may have a negative impact on both domestic and global economic conditions and continuity of supply. For example, the Russia-Ukraine war continues to impact energy prices and supply in Europe, whilst hostilities involving Israel, the United States and Iran have contributed to the heightened uncertainty in global energy markets, volatility in oil and gas prices, disruptions to supply chains and shipping routes and led to increased inflationary pressures across the global economy, all of which have the potential to adversely affect the Guarantor's financial condition and day-to-day operations. The Guarantor is particularly exposed to the rise of wholesale energy costs due to the nature of its operations. Although the Guarantor projected a forward reduction in energy costs based on market rates in its PR24 Business Plan, prices remain volatile – any future significant increases above the rate of general inflation could adversely affect the Guarantor's financial condition and cost of operations. In acknowledgement of the impact of energy costs on day-to-day expenditure, in the PR24 Final Determination Ofwat allocated additional allowances for energy costs so as to reduce potential in-period cash flow risks.

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

In addition, the continuance and/or evolution of existing macro-economic events and/or the emergence of new macro-economic events could have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to satisfy its obligations under the Notes and/or the Guarantee.

**Dependence on suppliers, large contractors and customers**

The Guarantor has a significant asset base and substantial capital maintenance and capital enhancement investment requirements. As a result, inconsistency of supply and reliance on large contractors (who may themselves face financial difficulty or the prospect of insolvency, or with whom the Guarantor could have specific contractual issues) is a key risk for the Guarantor's operations and its ability to deliver its services. Supply chain resilience is essential to the Guarantor's business; disruption and delay (caused by macro-economic conditions, political issues, global natural disasters or otherwise) could impact the Guarantor's cash flow and result in a failure to deliver its capital investment programme. Across the UK, including in the South West of England, supply chains are currently under increased pressure as a result of the twin challenge of: (i) ramping up to deliver boosted investment to deliver improved interconnectivity, transport links and environmental improvements; and (ii) increasing costs of materials and commodities, higher rates of inflation

and the lack of momentum in the UK's emergence from a recessionary environment. In addition, the Guarantor relies on a number of major contractors for the delivery of its services, and in particular in connection with projects in association with the delivery of its capital investment programme. To the extent that specific contractual issues arise as a result of legal or technical complications, or individual contractors face financial difficulty or the prospect of insolvency, the Guarantor's financial condition and feasibility of operations may be impacted, which could have a resultant adverse effect on its overall business and thus its ability to meet obligations under the Notes and/or the Guarantee.

Furthermore, the Guarantor faces the risk of non-payment from its customers. Due to the cost of living crisis in the UK over recent years, this risk has increased and has in some circumstances impacted the ability of many of the Guarantor's customers to pay their household bills. Whilst this risk has been and continues to be offset by various social tariff support packages offered by the Guarantor (for example, the Guarantor currently offers a WaterCare tariff for low-income customers for the reduction of bills, operates a payment plan scheme which permits customers to extend bill payment cycles and has established a ReStart scheme for customers in financial difficulty to help clear water debt by payment matching), the recovery of full and timely payments from customers remains a risk. Pursuant to its PR24 Business Plan, the Guarantor has committed to a shareholder contribution of £8 million to hardship funds and other support measures, and £16 million on matching payments which are made by customers repaying debts. If for any reason these contributions cannot be made, or any support schemes fail to be well funded as a result of factors outside of the Guarantor's control, the risk of non-recovery of customer debt could increase, thereby causing financial loss to the Guarantor. In addition, if the Guarantor is unable to deliver on certain of its support commitments due to time, capacity or cost challenges, there is a risk that Ofwat could treat this as a breach of the customer-focused condition in the Guarantor's Licence and apply informal or formal enforcement action as it sees fit, which could in turn have a negative impact on the Guarantor's financial condition, results of operations, or reputation.

The Guarantor is also aware that some customers have over recent years begun actively withholding water bill payments (either in full, or specifically the sewage charge portion) in protest over pollution incidents and water quality. Environmental activist groups are also publicly encouraging the boycotting of water bill payments across the water industry until storm overflow issues are resolved. The Guarantor has a duty under legislation to provide domestic customers with services regardless of payment and is not permitted to disconnect domestic customers for non-payment of bills. The number of individuals participating in bill strikes in the Guarantor's service area is currently thought to be insubstantial in the context of the Guarantor's business, but this figure could increase over the period of time that it takes the Guarantor to implement the wide-scale changes required to combat storm overflows and reduce sewage spills as planned. Although Ofwat makes some allowance in price controls at each periodic review for a proportion of debt deemed to be irrecoverable, any non-recovery of customer debt above this allowance (whether by reason of customers' inability to pay, or refusal to pay) is a risk to the Guarantor, its profitability and ultimately its results of operations. This could have an adverse impact on the Guarantor's ability to meet its obligations under the Notes and/or the Guarantee.

***Operating Performance***

**Failure to secure, treat and supply clean drinking water and the impact of climate change**

The secure supply of clean safe drinking water in its operational region is the core duty of the Guarantor. This includes all aspects of supply and demand, such as abstraction, catchment management, drought management and population growth and the capacity, capability, effectiveness and compliance of infrastructure and non-infrastructure assets, including impounding reservoirs, to deliver water to customers.

Whilst the delivery of clean drinking water to customers is the Guarantor's responsibility, the Guarantor's ability to achieve this depends heavily on the actions of and non-interference by third parties. The Guarantor is exposed to the risk of asset failure caused by third party intervention (whether accidental or deliberate, including terrorism and malicious state interference), for example through the improper use of sewers or other infrastructure. Any third-party interference such as contamination through discharge of untreated or foreign

substances into waterways within the Guarantor's remit, or other third-party acts which may compromise the Guarantor's key assets, could impair the quality of the Guarantor's water supply (including fitness for human consumption) or could create disruption in supply. Such third-party events are unpredictable in nature and constitute a risk to the Guarantor's capacity to fulfil regulatory drinking water standards and its delivery commitments and hinder its ability to ensure security of supply.

Current key risks and issues include dealing with the impacts of population growth, large infrastructure projects (such as data centres), climate change and weather conditions. The weather can have a major impact on operational and/or hazard risk, including as a result of excessive or insufficient rainfall or a rapid freeze / thaw. For example, the drought of 2022 had a significant impact on river flows, groundwater levels and reservoir stocks in the Guarantor's region. The Guarantor has in the past prepared and implemented Drought Management Plans, alongside extensive engagement and collaboration with regulators and has adopted innovative initiatives such as the 'Stop the Drop' campaign to minimise the impact of the dry weather on both customers and the environment. Additionally, there has been continued focus on leakage reduction and the launch of region-wide customer communication campaigns. The Guarantor is focused on reducing leakage by 19 per cent. in Devon, Cornwall and Bournemouth and 14 per cent. in Bristol, with an overall target for the rate of leakage on its network being c.10 per cent. of what it produces for drinking water by the end of AMP8. Furthermore, climate change is expected to result in hotter, drier summers becoming more frequent, coupled with greater demand through population increase in the Guarantor's operational region in the South West of England. An inability to ensure the necessary water resources exist to meet demand may impact the Guarantor's customers, lead to increased operational costs, regulatory fines or sanctions and reputational damage.

From time to time, asset failures in the ordinary course of business may cause the Guarantor to breach applicable laws and regulations.

Failure of operational water treatment assets (caused either by internal factors such as poor maintenance, or external factors such as third-party interference) and processes could result in an inability to produce or supply clean drinking water or cause the Guarantor to breach contractual obligations, licences, approvals, regulatory requirements and/or applicable law. This could result in financial penalties, expensive remedial action, regulatory enforcement action and damage to the Guarantor's reputation, which in turn could have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to meet its obligations under the Notes and/or the Guarantee.

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

Population growth can create increased demand on water supply infrastructure and create water scarcity issues, and this is particularly so in the South West of England where the population has increased by approximately 20 per cent. in the last 30 years. Population growth can also put increased pressure on wastewater assets.

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

Climate change is expected to cause extreme weather patterns in the regions served by the Group. This can range from insufficient rainfall with hotter, drier summers becoming more frequent, with the Environment Agency declaring the South West region to be in drought in summer 2026, through to periods of record-breaking rainfall and frequent storms.

Each of these issues poses a continuing risk to the Guarantor's ability to supply clean safe drinking water and wastewater services to its customers. Where these risks are not adequately addressed or mitigated, the

Guarantor may be subject to increased operational costs, regulatory fines and/or reputational damage, which could have a material adverse impact on the Guarantor's business, results of operations and/or financial condition.

**Failure to improve wastewater performance could result in environmental commitments not being delivered**

The Guarantor's regulated wastewater activities must ensure the capacity, capability, effectiveness and compliance of infrastructure and non-infrastructure wastewater assets to remove, treat and return water to the environment in a compliant manner that meets environmental standards. This includes all aspects of supply and demand such as population growth and changing weather patterns. An inability to remove or treat wastewater could result in adverse environmental impacts, financial penalties, regulatory enforcement action and damage to the Guarantor's reputation. The Guarantor's wastewater infrastructure may suffer operational asset failures, including sewer collapses, blockages and spills, arising from inadequate asset maintenance or external factors such as third-party interference. Preventing such failures requires proactive network management, including asset refurbishment, enhanced sewer cleansing and increased overflow inspections. This risk is also heightened by external factors, such as general asset failure caused by the actions of a third-party, including the potential discharge of effluent into the Guarantor's network which could materially impair the Guarantor's efforts to improve wastewater performance and therefore deliver on environmental commitments.

Any failure of the Guarantor's wastewater infrastructure, or inability to respond effectively to performance issues, could result in breaches of service standards, contractual obligations, licences, regulatory requirements or applicable law. Such failures could also cause significant environmental damage, require costly incident management and remediation, and result in financial penalties, regulatory enforcement and reputational damage, any of which could have a material adverse impact on the business, results of operations and/or financial condition.

An inability to implement and improve processes and procedures concerning the treatment of wastewater (whether caused externally by third parties, or by the Guarantor) could have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to meet its obligations under the Notes and/or the Guarantee.

**Failure to provide excellent service or meet the needs and expectations of customers and communities**

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

In February 2024, Ofwat introduced a dedicated customer-focused Licence condition, intended to transform the service water companies give their customers. The condition includes a set of principles each regulated entity must meet, including communicating proactively with customers, being easy to contact, providing appropriate support when things go wrong, understanding customers' needs, supporting customers in vulnerable circumstances and assisting customers who are struggling to pay or are in debt. If the regulated entities fail to meet this condition, Ofwat has the power to take a range of enforcement actions, including fines of up to 10 per cent. of the relevant regulated entity's turnover.

The Guarantor continues to enhance and invest in its customer services and communications teams, expanding the channels by which it can interact with and support customers. However, failure to deliver the Guarantor's customer and environmental commitments may result in reputational damage, regulatory enforcement and

financial penalties, which could have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to meet its obligations under the Notes and/or the Guarantee.

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

**Difficulty in recruiting and retaining staff with the skills required to deliver the Group's strategy**

The Guarantor's ability to deliver its strategic priorities is dependent upon recruiting, retaining and developing a workforce with the appropriate skills, capabilities and experience. Competition for talented individuals remains significant across the water sector and wider infrastructure industries, particularly in relation to engineering, environmental, digital, operational and programme delivery roles. This may impact the ability to attract and retain suitably qualified employees.

The Guarantor's workforce strategy seeks to ensure that it has the resources and capability necessary to deliver its operational requirements and long-term strategic objectives. This includes investment in training, development, succession planning and talent pipelines. However, there can be no assurance that these measures will be sufficient to address skills shortages, demographic changes, labour market pressures or increasing demand for specialist expertise across the sector.

Failure to have a workforce of skilled and motivated individuals could detrimentally impact all of the Group's strategic priorities, business performance and profitability. This could also affect the Group's ability to recruit and retain knowledge/expertise. In remote but extreme circumstances, there is also the potential for higher levels of regulatory scrutiny, financial penalties, reputational damage and missed commercial opportunities as a result of not being able to employ the right people. Not having access to a correctly skilled workforce could adversely impact the Guarantor's business, results of operations and financial condition and its ability to meet its obligations under the Notes and/or the Guarantee.

**Damage to brand perception and/or reputation**

Media reporting on the sector has significantly increased in recent years. This has challenged the reputation of the utilities industry as a whole, with certain water companies (including the Guarantor) being subject to increased media scrutiny both in relation to isolated incidents and persistent industry-wide issues. Reporting of concerns over use of storm overflows and discharge of untreated effluent into local rivers and waterways, water quality, reactions to extreme weather events, price increases and financial management in the sector have, amongst other things, had a negative impact on the public's perception of the water industry in general. This reputational risk could potentially lead to further public campaigns for change in regulation across the industry, and may invite government and/or regulatory intervention, increase capital expenditure requirements and costs for the Guarantor, which may impact the Guarantor's financial condition and thus its ability to meet obligations under the Guarantee.

***Business Systems and Capital Investments***

**Insufficient capacity and resilience of the supply chain to deliver the Guarantor's operational and capital programmes**

The demand for skills and expertise to support the delivery of the Guarantor's operational and capital programmes continues to increase, particularly across the water industry to deliver operational and capital programmes. An inability of the Guarantor's supply chain to support the delivery of the Guarantor's programmes may result in increased costs and delays, detrimentally impacting the Guarantor's ability to achieve its change and growth agenda, which could also materially adversely impact the Guarantor's business, results of operations and financial condition and its ability to meet its obligations under the Notes and/or the Guarantee.

**If the Group's IT systems are compromised this could affect the Guarantor's assets, systems and data**

The Guarantor relies extensively on information technology ("**IT**") systems and operational technology ("**OT**") systems to operate its businesses, manage customer relationships, process transactions, control operational assets and maintain regulatory compliance. The continued availability, integrity and security of these systems is critical to the Guarantor's ability to provide services efficiently and effectively.

The Guarantor stores and processes significant volumes of personal, operational and commercially sensitive information relating to customers, suppliers, employees and business operations. As a result, the Guarantor is exposed to risks arising from cyber-attacks, unauthorised access, system failures, data breaches, ransomware attacks, insider threats and other malicious activity, as well as risks arising from human error, inadequate processes, software defects or failures of third-party technology providers.

In addition, the Guarantor's material suppliers and contractors may be exposed to cyber attacks and/or other cyber security incidents. This may adversely impact the supply of critical goods and services by the Guarantor, delay the delivery of its capital projects or otherwise adversely affect the Guarantor's operations and financial condition, despite the Guarantor's own systems not having been directly compromised.

Cyber threats continue to increase in frequency and sophistication and may target either the Guarantor's corporate IT systems or its operational systems. Any successful attack could result in loss, corruption, theft or unauthorised disclosure of data, operational disruption, interruption to customer services, financial loss and reputational damage.

Failure of the Group's IT systems or IT security, whether due to inadequate internal processes or the increasing sophistication and prevalence of external cyber threats, could result in the Group's business being unable to operate effectively and/or in the corruption or loss of data. In the normal course of its business, the Guarantor holds personal and other confidential data, including relating to its customers, suppliers, and employees, and is subject to strict data protection requirements. Any breach in the Group's IT systems, loss or corruption of data or compromise of its IT assets could have a detrimental impact on the Guarantor's customers and result in the Guarantor incurring significant financial penalties, regulatory sanctions and reputational damage. 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 wastewater away within the Guarantor's licence areas. Such events could have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to meet its obligations under the Notes and/or the Guarantee.

The Guarantor is subject to data protection, privacy and information security laws and regulations in the jurisdictions in which it operates. A failure to comply with such requirements, including as a result of a cyber incident or data breach, could lead to investigations, enforcement action, fines, claims from affected individuals and reputational harm.

***Litigation and Investigation Risk***

On 18 November 2021, Ofwat and the EA announced an industry-wide investigation into sewage treatment works. The Ofwat investigation into the Guarantor's compliance with flow management obligations arising from section 94 of the Water Industry Act and the Urban Waste Water Treatment (England & Wales) Regulations 1994 has concluded with Ofwat's acceptance of a £24 million enforcement package (with delivery plans underway), with the Guarantor meeting the requirements of the enforcement actions to date. The Environment Agency's investigation is ongoing and the Guarantor continues to cooperate with the investigation. The potential timing and impact of the Environment Agency's investigation is currently unknown.

On 23 May 2023 Ofwat announced an investigation into the Group's 2021/22 operational performance data relating to leakage and per capita consumption as reported in its Annual Performance Report 2021/22. That

report was subject to rigorous assurance processes including independent external technical assurance, as was summarised in that report. The Group has undertaken its own internal investigations into the data. Third-party experts have concluded that the calculations are within a tolerance as reported and, as a result, there was no detrimental impact to customers through Outcome Delivery Incentives. The investigation is currently ongoing and the potential timing and impact is currently unknown. However, Ofwat has a range of options that it could apply, from: closing the investigation with no further action; to agreeing formal undertakings pursuant to section 19(1)(b) of the Water Industry Act 1991 to provide assurance that the relevant regulated entity is taking all appropriate steps to secure or facilitate compliance with the licence condition potentially breached by its actions; through to imposing a penalty in an amount of up to 10 per cent. of the relevant regulated entity's annual revenue in relation to the specific area (water or wastewater) of its regulated business. The Environment Agency also has a range of options including: taking no action; issuing enforcement notices; issuing warnings; issuing cautions; bringing prosecutions; and accepting environmental undertakings. Given the wide range of possible outcomes it is not currently possible to estimate any obligations arising from these investigations with any certainty. However, an adverse outcome may result in reputational damage, regulatory enforcement and/or financial penalties.

On 2 February 2024, summons were received by the Guarantor from the Environment Agency in relation to alleged breaches of environmental permits relating to illegal water discharge activity at seven locations with a total of 30 charges. In May 2024, the Environment Agency withdrew 6 of the 30 charges and guilty pleas were entered for the remaining 24 charges. The prosecution of 18 charges concluded on 12 March 2026, with sentencing received on 29 September 2026. The court levied a fine of around £7.9 million (inclusive of £330,000 in costs), reflecting the duration of the discharges into sensitive watercourses, whilst also recognising the steps that have since been taken in an attempt to tackle pollution.

In May 2024, an outbreak of cryptosporidiosis occurred in Brixham, Devon (an area within the Guarantor's remit), caused by a contamination of water. Following legal proceedings brought by the DWI, the Guarantor pleaded guilty to the charge of supplying water unfit for human consumption on 4 March 2026, with sentence received on 2 June 2026. The court levied a fine of £1.9 million, reflecting the serious impact this incident had on customers in the area, whilst also recognising the extensive customer support and remedial actions taken by the Guarantor. Full provision for the fine was recognised in the financial year ended 31 March 2026.

In February 2026, Pennon Group and the Guarantor received a letter of claim from Leigh Day Solicitors acting on behalf of circa 1,400 residents, visitors and businesses relating to pollution events in Exmouth, Lympstone and Budleigh Salterton. The Group subsequently became aware of a public announcement that the claim is to be expanded to alleged pollutions across a much wider stretch of Southwest coastline, including the coastal towns of Dawlish, Sidmouth, Teignmouth, Newquay and Penzance.

On 31 July 2026, summons were received by the Guarantor from the Environment Agency in relation to alleged breaches of environmental permits relating to illegal water and land discharge activity in Exmouth between December 2023 and September 2024 with a total of 10 charges. The initial court hearing is currently listed for 14 October 2026.

On 4 August 2026, summons were received by the Guarantor from the Environment Agency in relation to alleged breaches of environmental permits relating to operations at Plymouth Central Wastewater Treatment Works between 18 November and 5 December 2019 with a total of 4 charges. The initial court hearing is currently listed for 14 October 2026.

On 11 August 2026, summons were received by the Guarantor from the Environment Agency in relation to alleged permit breaches and illegal storm sewage discharges from Brixton Wastewater Treatment Works to the Yealm Estuary. The alleged offending spans 2019, 2021 and 2022-2025, for a total of 9 charges and relate to meeting the permitted flow to treatment requirement, use of storm storage and the return of storm storage to treatment following storm events. Each charge has been presented by the EA as reckless category 2 offences.

The initial court hearing listed for 14 October 2026 has been adjourned to enable the Guarantor to consider the prosecution papers, obtain witness and expert evidence and obtain advice on pleas.

An adverse outcome in any current, pending or future proceedings against the Group may result in reputational damage, regulatory enforcement and/or financial penalties, which could have a material adverse impact on the Guarantor's business, results of operations and financial condition and its ability to meet its obligations under the Notes and 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 a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

***Risks applicable to all Notes***

***If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes (including, but not limited to, if the Issuer may elect to redeem Notes using its Clean-up Redemption Option or Issuer Make-Whole Redemption Option (if applicable to the relevant Series of 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.

***If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned***

Fixed/Floating Rate Notes are 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. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, 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. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

***Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates***

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for

more 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. Such volatility could have a material adverse effect on the value of and return on any such Notes.

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

Interest rates and indices which are deemed to be "benchmarks", (including the euro interbank offered rate ("**EURIBOR**")) are the subject of ongoing national and international regulatory guidance and reform aimed at supporting the transition to robust benchmarks. Most reforms are already effective and "benchmarks" remain subject to ongoing monitoring. 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.

Regulation (EU) 2016/1011 (as amended) (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of in-scope benchmarks, the contribution of input data to an in-scope benchmark and the use of an in-scope benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevents certain uses by EU-supervised entities of in-scope benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The EU Benchmarks Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**"), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark which is in-scope of one or both regulations, and in particular if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

*Benchmark Events and Benchmark Transition Events*

The Terms and Conditions of Notes provide for certain fallback arrangements in the event that a Benchmark Event or, as applicable, a Benchmark Transition Event occurs in respect of an Original Reference Rate or other relevant reference rate and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate or a Benchmark Replacement, with the application of an adjustment spread (which could be positive, negative or zero), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the new benchmark, all as

determined by the Issuer (acting in good faith and in consultation with an Independent Adviser) and as more fully described at Condition 5.3. It is possible that the adoption of a Successor Rate or Alternative Rate, including any adjustment spread, may result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form. There is also a risk that the relevant fallback provisions may not operate as expected or intended at the relevant time.

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period (or, as the case may be, Interest Accrual Period) may result in the Rate of Interest for the last preceding Interest Period (or other Interest Accrual Period) being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as expected or intended at the relevant time. Any such consequence could have a material adverse effect on the trading markets for such Notes, the liquidity of the Notes and/or the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes linked to or referencing a benchmark.

***Index Linked Notes***

The Issuer may issue Index Linked Notes where interest and/or redemption amounts will be adjusted by reference to movements in RPI, CPI or CPIH (each an "**Index**"), as specified in the applicable Final Terms or applicable Pricing Supplement, as the case may be, 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 if the Notes are Index Linked Interest Notes;

(iii) payment of principal or interest may occur at a different time than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and

(vi) the timing of changes in an index may affect 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.

In general, a decrease in the relevant Index over the reference period will reduce the interest or, as the case may be, redemption amounts payable in respect of such Notes. In a deflationary environment: (i) the annual interest received in respect of Index Linked Interest Notes may be lower than the Base Interest Rate specified in the applicable Final Terms or applicable Pricing Supplement (as the case may be); and (ii) the amount to be repaid upon redemption of Index Linked Redemption Notes would be reduced to less than the nominal amount of the Notes (unless the applicable Final Terms or, as the case may be, applicable Pricing Supplement specifies a Minimum Redemption Amount (as defined in the Final Terms or applicable Pricing Supplement) which is equal to or higher than the nominal amount of the Notes). As a consequence, investors may lose the value of their entire investment or part of it.

The historical experience of the relevant Index should not be viewed as an indication of future performance of such Index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Moreover, the methodology used by the Office for National Statistics for calculating RPI, CPI or CPIH may change over time which may affect the actual RPI, CPI or CPIH figure. Consequently, the amount of interest payable on each interest payment date (in the case of Index Linked Interest Notes) and/or the amount to be repaid upon redemption (in the case of Index Linked Redemption 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. In September 2022, the High Court dismissed a judicial review of the decision to align the methodology for calculating RPI with the methodology for calculating CPIH which had been brought by the trustees of certain pension funds.

If the relevant Index ceases to be published or where there is a 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 6.5 and 8.3 for further detail.

The application of Conditions 6.5 and 8.3 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 Issuer may also issue Exempt Notes which are Index Linked Notes where interest and/or redemption amounts will be adjusted by reference to movements in one or more indices other than an Index specified above. Each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any such Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

***In respect of Notes issued as Green Bonds, Blue Bonds, Social Bonds, or Sustainable Bonds there can be no assurance that the particular use of proceeds will be suitable for the investment criteria of an investor***

The Issuer may issue Notes under the Programme which are specified to be "Green Bonds", "Blue Bonds", "Social Bonds" or "Sustainable Bonds" in the applicable Final Terms or, as the case may be, the applicable Pricing Supplement. It will be the Issuer's and the Guarantor's intention to apply the net proceeds (or amounts equal thereto) from an offer of Green Bonds specifically for a portfolio of green eligible projects, Blue Bonds specifically for a portfolio of green eligible projects which meet additional blue eligibility criteria (together, "**Green Eligible Projects**"), Social Bonds specifically for a portfolio of social eligible projects ("**Social Eligible Projects**" and, together with Green Eligible Projects, "**Eligible Projects**"), and Sustainable Bonds to both Green Eligible Projects and Social Eligible Projects, in each case as described in Pennon Group plc's Sustainable Financing Framework (as amended, supplemented, updated or replaced from time to time, the "**Framework**") which is available for viewing on Pennon Group plc's website at https://www.pennon-group.co.uk/investor-information/sustainable-financing-framework.

The Framework is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus. The Framework may be amended at any time without the consent of Noteholders and none of the Issuer, the Guarantor, any other member of the Group, the Trustee, the Arranger, the Dealers or any of their respective affiliates assumes any obligation or responsibility to release any update or revision to the Framework and/or information to reflect events or circumstances after the date of publication of the Framework.

No assurance is given by the Issuer, the Guarantor, any other member of the Group, the Trustee, the Arranger, any Dealer, any of their respective affiliates or any other person that the use of proceeds (or amounts equal thereto) for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. None of the Trustee, the Arranger, any Dealer or any of their respective affiliates shall be responsible for the ongoing monitoring of the use of proceeds (or amounts equal thereto) in respect of any such Notes. Prospective investors should consult with their legal and other advisers before making an investment in any such Notes and must determine for themselves the relevance of the information set out in this Base Prospectus and the applicable Final Terms or, as the case may be, applicable Pricing Supplement for the purpose of any investment in such Notes together with any other investigation such investor deems necessary.

It should be noted that the definition (legal, regulatory or otherwise) of, or market consensus as to what constitutes or may be classified as, a "green", "blue", "sustainable", "social" or equivalently-labelled project or investment that may finance such project is evolving. No assurance can be given that a clear definition, consensus or label will develop over time or that, if it does, any Green Bonds, Blue Bonds, Social Bonds, or Sustainable Bonds will comply with such definition, market consensus or label. In addition, no assurance can be given by the Issuer, the Guarantor, any other member of the Group, the Trustee, the Arranger, any Dealer, any of their respective affiliates or any other person to investors that any Green Bonds, Blue Bonds, Social Bonds, or Sustainable Bonds will comply with any present or future standards or requirements regarding any "green", "blue", "social", "environmental", "sustainable" or other equivalently-labelled performance objectives, including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy Regulation**") or supplemental delegated regulations related thereto, and, accordingly, the status of any Notes as being "green", "blue", "social", "sustainable" (or equivalent) could be withdrawn at any time.

Any Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds issued under the Programme will not be compliant with Regulation (EU) 2023/2631 (the "**EuGB Regulation**") and are only intended to comply with the requirements and processes in the Framework. It is not clear if the establishment under the EuGB Regulation of the "European Green Bonds" or "EuGB" label and the optional disclosures regime for bonds issued as "environmentally sustainable" could have an impact on investor demand for, and pricing of, green, blue, social or sustainable use of proceeds bonds that do not comply with the requirements of the "EuGB" label or the optional disclosures regime. It could result in reduced liquidity or lower demand or could otherwise affect the market price of any Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds, as these will not comply with those standards proposed under the EuGB Regulation.

No assurance or representation is given by the Issuer, the Guarantor, any other member of the Group, the Trustee, the Arranger, any Dealer, any of their respective affiliates or any other person as to the suitability or reliability for any purpose whatsoever of any opinion, report or certification of any third party (whether or not solicited by the Issuer, the Guarantor or Pennon Group plc) which may be made available in connection with the issue of any Notes and in particular with any Eligible Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion, report or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion, report or certification is not, nor should it be deemed to be, a recommendation by the Issuer, the Guarantor, any other member of the Group, the Trustee, the Arranger, any Dealer, any of their respective affiliates or any other

person to buy, sell or hold any such Notes. Any such opinion, report or certification is only current as at the date that opinion, report or certification was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, report or certification and/or the information contained therein and/or the provider of such opinion, report or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions, reports and certifications are not subject to any specific regulatory or other regime or oversight. Investors in such Notes shall have no recourse against the Issuer, the Guarantor, any other member of the Group, the Trustee, the Arranger, the Dealers, any of their respective affiliates or the provider of any such opinion, report or certification for the contents of any such opinion, report or certification.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "blue", "environmental", "sustainable", "social" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Guarantor, any other member of the Group, the Trustee, the Arranger, any Dealer, any of their respective affiliates or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuer, the Guarantor, any other member of the Group, the Trustee, the Arranger, the Dealers, any of their respective affiliates or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Whilst it is the intention of the Issuer and the Guarantor to apply the proceeds of any Notes (or amounts equal thereto) so specified for Eligible Projects in, or substantially in, the manner summarised in this Base Prospectus, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer or the Guarantor. Any such event or failure by the Issuer will not:

i. give rise to any claim of a Noteholder against the Issuer, the Guarantor, the Trustee, the Arranger, any Dealer or any of their respective affiliates;

ii. constitute an Event of Default or other default under the Notes or the Trust Deed or a breach or violation of any term of the Notes or the Trust Deed, or constitute a default by the Issuer for any other purpose, or permit the Trustee or any Noteholder to accelerate the Notes or take any other enforcement action against the Issuer or the Guarantor;

iii. lead to a right or obligation of the Issuer to redeem the Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Notes or give any Noteholder the right to require redemption of its Notes; or

iv. result in any step-up or increased payments of interest, principal or any other amounts in respect of any Notes, or otherwise affect the Terms and Conditions of any Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Eligible Projects as mentioned in the previous paragraph and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as mentioned above and/or the failure by the Issuer or the Guarantor to provide or publish any reporting or impact assessment on the use of proceeds (or amounts equal

thereto) may adversely affect the reputation of the Issuer and the Guarantor and could have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for or towards a particular purpose.

***Risks applicable to certain types of Exempt Note***

***There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it***

The Issuer may issue Exempt Notes with principal or interest payable in respect of the Notes being determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. 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 or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) the effect of any multiplier or leverage factor that is applied to the Relevant Factor is that the impact of any changes in the Relevant Factor on the amounts of principal or interest payable will be magnified; and

(vii) the timing of changes in a Relevant Factor 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 Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

***Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of their investment***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of their Notes could result in such investor losing all of their investment.

***Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

***Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

**Risks related to Notes generally**

Set out below is a description of material risks relating to the Notes generally:

***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders***

The conditions of the Notes contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Noteholders to consider and vote upon 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, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, Receiptholders or Couponholders, and without regard to the interests of particular Noteholders, Receiptholders or Couponholders 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, in the circumstances described in Condition 16.

***The Trustee may, in certain circumstances, agree to the substitution of the Issuer and/or the Guarantor without the consent of the holders of the Notes, Receipts or Coupons***

The conditions of the Notes provide that the Trustee may, without the consent of Noteholders, Receiptholders or Couponholders, and without regard to the interests of particular Noteholders, Receiptholders or Couponholders, agree to the substitution of another company as principal debtor under any Notes in place of the Issuer, and/or agree to the substitution of the successor in business (as defined in Condition 16.4) of the Guarantor in place of the Guarantor, in the circumstances described in Condition 16.4. While any such substitution is subject to the Trustee being satisfied that it would not be materially prejudicial to the interests of the Noteholders, Receiptholders or Couponholders as a class, there can be no assurance that any such substitution will not be contrary to the interests of particular Noteholders, Receiptholders or Couponholders as a result of their particular circumstances.

***No limitation on incurring pari passu obligations***

There is no restriction on the amount of securities (including further Notes) or other obligations which the Issuer or the Guarantor may issue or incur, which securities or other obligations rank *pari passu* with the Issuer's or, as the case may be, the Guarantor's obligations under or in respect of Notes issued under the Programme, the Guarantee in respect thereof or the Trust Deed (as applicable). The issue of any such securities or incurrence of any such other obligations may reduce the amount recoverable by holders of the Notes in the event that the Issuer and/or the Guarantor is/are wound up or become insolvent or may increase the likelihood of a payment default under the Notes, the Guarantee or the Trust Deed (as applicable).

***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 or issued) 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.

***Holders of Notes held through Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders***

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary or Common Safekeeper for Euroclear and Clearstream, Luxembourg (each as defined under "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer and the Guarantor will discharge their respective payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

**Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell their Notes***

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes 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. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies, are being issued to a single initial investor or a limited number of initial investors or have been structured to meet the investment requirements of a specific investor or investors or limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Many factors independent of the creditworthiness of the Issuer and the Guarantor may affect the trading market in any Notes. These factors include (but are not limited to):

- the complexity and volatility of the index or formula applicable to the Notes;
- the method of calculating the principal, premium and interest in respect of the Notes;
- the time remaining to the maturity of the Notes;
- the outstanding amount of the Notes;
- the redemption features of the Notes;
- the amount of other debt securities linked to the index or formula applicable to the Notes; and
- the level, direction and volatility of market interest rates generally.

***If an investor holds Notes which are not denominated in the investor's home currency, they will be exposed to movements in exchange rates adversely affecting the value of their holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes***

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. Such risks generally depend on a number of factors, including financial, economic and political events over which the Issuer and the Guarantor have no control. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) 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 the 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.

***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates***

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, as an equivalent investment issued at the current market interest rate may be more attractive to investors.

***Credit ratings assigned to the Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes***

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor, the Programme 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. 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 the 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 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 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 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 CRA Regulation or the UK CRA Regulation, relevant 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. This may result in European and UK investors selling the Notes, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus. Where a Tranche of Notes is rated, such rating will be specified in the applicable Final Terms (or the applicable Pricing Supplement, for Exempt Notes) and may not necessarily be the same as the rating of the Programme.

***A Restructuring Plan implemented pursuant to Part 26A of the Companies Act 2006 may modify or disapply certain terms of the Notes or the Guarantee without the consent of the Noteholders***.

Where the Issuer or the Guarantor encounters, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern, it may propose a Restructuring Plan (a "**Plan**") with its creditors (and members, if relevant) under Part 26A of the Companies Act 2006 (introduced by the Corporate Insolvency and Governance Act 2020) to eliminate, reduce, prevent or mitigate the effect of any of those financial difficulties. Should this happen, creditors and members whose rights are affected are

organised into classes and can vote on any such Plan (subject to being excluded from the vote by the English courts for having no genuine economic interest in the Issuer or the Guarantor). Provided that one class (who would receive a payment, or have a genuine economic interest in the Issuer or the Guarantor) has approved the Plan, and in the view of the English courts any dissenting class(es) who did not approve the Plan are no worse off under the Plan than they would be in the event of the "relevant alternative" (such as, broadly, liquidation or administration), then the English courts can sanction the Plan where it would be a proper exercise of its discretion. A sanctioned Plan is binding on all creditors and members, regardless of whether they approved it. Any such sanctioned Plan in relation to the Issuer or the Guarantor may, therefore, adversely affect the rights of Noteholders and the price or value of their investment in the Notes, as it may have the effect of modifying or disapplying certain terms of the Notes (by, for example, writing down the principal amount of the Notes, modifying the interest payable on the Notes, the maturity date or dates on which any payments are due or substituting the Issuer) or modifying or disapplying certain terms of the Guarantee or substituting the Guarantor.

## INFORMATION INCORPORATED BY REFERENCE

The following documents or, as the case may be, the parts thereof specified below, 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 audited non-consolidated annual financial statements of the Issuer, including the notes thereto and the audit report thereon, as of and for the financial year ended 31 March 2026 (available at: https://www.pennon-group.co.uk/sites/default/files/attachments/pdf/south-west-water-finance-2026-financial-statements.pdf), as set out on the following pages:

| Section | Page(s) |
|---|---|
| Independent Auditor's Report | 6 - 12 |
| Statement of Profit and Loss and Other Comprehensive Income | 13 |
| Balance Sheet | 14 |
| Statement of Changes in Equity | 15 |
| Notes to the Financial Statements | 16 - 28 |

(b) the audited non-consolidated annual financial statements of the Issuer, including the notes thereto and the audit report thereon, as of and for the financial year ended 31 March 2025 (available at: https://www.pennon-group.co.uk/sites/default/files/attachments/pdf/south-west-water-finance-2025-financial-statements.pdf), as set out on the following pages:

| Section | Page(s) |
|---|---|
| Independent Auditor's Report | 6 - 12 |
| Statement of Profit and Loss Account and Other Comprehensive Income | 13 |
| Balance Sheet | 14 |
| Statement of Changes in Equity | 15 |
| Notes to the Financial Statements | 16 - 28 |

(c) the audited non-consolidated annual financial statements of the Guarantor, including the notes thereto and the audit report thereon, as of and for the financial year ended 31 March 2026 (available at: https://www.pennon-group.co.uk/sites/default/files/attachments/pdf/south-west-water-limited-31-march-2026.pdf), as set out on the following pages:

| Section | Page(s) |
|---|---|
| Independent Auditor's Report | 168 - 175 |
| Statement of Profit or Loss | 176 |
| Statement of Comprehensive Income | 177 |
| Balance Sheet | 178 |
| Statement of Changes in Equity | 179 |
| Cash Flow Statement | 180 |
| Notes to the Financial Statements | 181 - 226 |

(d) the audited non-consolidated annual financial statements of the Guarantor, including the notes thereto and the audit report thereon, as of and for the financial year ended 31 March 2025 (available at: https://www.pennon-group.co.uk/sites/default/files/attachments/pdf/south-west-water-limited-2025-financial-statements.pdf), as set out on the following pages:

| **Section** | **Page(s)** |
|---|---|
| Independent Auditor's Report | 206 - 213 |
| Income Statement | 214 |
| Statement of Comprehensive Income | 215 |
| Balance Sheet | 216 |
| Statement of Changes in Equity | 217 |
| Cash Flow Statement | 218 |
| Notes to the Financial Statements | 219 - 262 |

(e) the section "*Terms and Conditions of the Notes*" set out on pages 78 to 145 (inclusive) of the base prospectus dated 23 July 2024 relating to the Programme; and

(f) the section "*Terms and Conditions of the Notes*" set out on pages 83 to 152 (inclusive) of the base prospectus dated 21 August 2025 relating to the Programme.

In addition to the above, the following information shall be incorporated in, and form part of, this Base Prospectus as and when it is published during the period of 12 months after the date of this Base Prospectus at https://www.pennon-group.co.uk/investor-information/debt-investors under the headings "*South West Water Limited's Annual Report & Accounts*" and "*South West Water Finance plc's Annual Report & Accounts*" and will also be made available via the regulatory news service maintained by the London Stock Exchange (https://www.londonstockexchange.com/market-data/all):

(g) the audited non-consolidated annual financial statements of the Issuer, including the information set out in the following sections, in particular:

Independent Auditors' Report

Statement of Profit and Loss and Other Comprehensive Income

Balance Sheet

Statement of Changes in Equity

Notes to Financial Statements

(h) the audited non-consolidated annual financial statements of the Guarantor, including the information set out in the following sections, in particular:

Independent Auditors' Report

Statement of Profit or Loss

Statement of Comprehensive Income

Balance Sheet

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

Information incorporated by reference pursuant to paragraphs (g) and (h) above shall, to the extent applicable, be deemed to modify or supersede statements contained in 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 PRM 10.1. Statements contained in any such supplement (or contained in any information 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 any information 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.

Any information which is expressed to be incorporated by reference in the information incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Other than as indicated above, neither the content of Pennon Group plc's website, nor the content of any website accessible from hyperlinks on such website, is incorporated into, or forms part of, this Base Prospectus in accordance with PRM 5 and investors should not rely on it.

Any non-incorporated parts of a document referred to above (which, for the avoidance of doubt, means any parts not listed in the relevant cross-reference list above) are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Issuer and the Guarantor 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, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

# FORM OF THE NOTES

## Introduction

Any reference in this section to "applicable Final Terms" shall, in respect of any Exempt Notes, be deemed to be a reference to "applicable Pricing Supplement".

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes and Registered Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**").

## Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary global note (a "**Temporary Bearer Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Bearer Global Note**" and, together with a Temporary Bearer Global Note, each a "**Bearer Global Note**") which, in either case, will:

(a) if the Bearer Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"); and

(b) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Bearer Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein for interests in a Permanent Bearer Global Note of the same Series against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that:

(i) an Event of Default (as defined in Condition 11) has occurred and is continuing;

(ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available; or

(iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two Authorised Signatories of the Issuer is given to the Trustee.

The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"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 United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

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

**Registered Notes**

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a "**Registered Global Note**").

Registered Global Notes will be deposited with a common depositary or, if the Registered Global Notes are to be held under the new safe-keeping structure (the "**NSS**"), electronically or in physical form, with a common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in

Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where the Registered Global Notes issued in respect of any Tranche is intended to be held under the NSS, the applicable Final Terms will indicate whether or not such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for a Registered Global Note held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.5) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.5) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that:

(i) an Event of Default has occurred and is continuing;

(ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available; or

(iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to that effect signed by two Authorised Signatories of the Issuer is given to the Trustee.

The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

**General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, (i) fails so to do within a reasonable period, or (ii) is unable for any reason so to do, and the failure or inability shall be continuing.

The Issuer and the Guarantor may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a supplement to this Base Prospectus or a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

## FORM OF APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme which are not Exempt Notes*

**[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 Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. 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, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a "**retail investor**" means a person who is not 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 European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**"). Consequently, no [disclosure document / product summary] required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.]

[**MIFID II Product Governance / Professional investors and ECPs 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, "**MiFID II**")]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] 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 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 ECPs 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 [Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**")]/[UK MiFIR]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] 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.]

[*Date*]

**SOUTH WEST WATER FINANCE PLC**

(*incorporated with limited liability in England and Wales with registered number 05722435*)

*(Legal entity identifier (LEI): 213800OV68U446W4NV89)*

Issue of

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

unconditionally and irrevocably guaranteed by

**SOUTH WEST WATER LIMITED**

(*incorporated with limited liability in England and Wales with registered number 2366665*)

*(Legal entity identifier (LEI): 213800FR2VAOKRYRHX45)*

under the
**£2,500,000,000**
**Euro Medium Term Note Programme**

## 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 14 October 2026 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the PRM (the "**Base Prospectus**"). As used herein, "**PRM**" means the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook. This document constitutes the Final Terms of the Notes described herein for the purposes of the PRM and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus has been published on Pennon Group plc's website at: https://www.pennon-group.co.uk/investor-information/debt-investors.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [*original date*] [and the supplement to it dated [*date*]] which are incorporated by reference in the Base Prospectus dated 14 October 2026. This document constitutes the Final Terms of the Notes described herein for the purposes of the PRM and must be read in conjunction with the Base Prospectus dated 14 October 2026 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the PRM] (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information. As used herein, "**PRM**" means the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook. The Base Prospectus has been published on Pennon Group plc's website at: https://www.pennon-group.co.uk/investor-information/debt-investors.]

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.*]

[*The Notes must have a minimum denomination not less than €100,000 (or equivalent in any other currency). Furthermore, if the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be not less than £100,000 (or equivalent in any other currency).*]

1. (a) Issuer: South West Water Finance Plc

| | | | |
|---|---|---|---|
| | (b) | Guarantor: | South West Water Limited |
| 2. | (a) | Series Number: | [ ] |
| | (b) | Tranche Number: | [ ] |
| | (c) | Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [*date*]][Not Applicable] |
| 3. | Specified Currency or Currencies: | | [ ] |
| 4. | Aggregate Nominal Amount: | | |
| | (a) | Series: | [ ] |
| | (b) | Tranche: | [ ] |
| 5. | Issue Price: | | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)] |
| 6. | (a) | Specified Denominations: | [ ] / [[[€]100,000] and integral multiples of [[€]1,000] in excess thereof [up to and including [[€]199,000]. No Notes in definitive form will be issued with a denomination above [[€]199,000]]]<br><br>*(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))* |
| | (b) | Calculation Amount (in relation to calculation of interest in global form or Registered definitive form see Conditions): | [ ]<br><br>(*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*) |
| 7. | (a) | Issue Date: | [ ] |
| | (b) | Interest Commencement Date: | [*specify*/Issue Date/Not Applicable]<br><br>(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*) |
| 8. | Maturity Date: | | *Specify date or for Floating Rate Notes* – Interest Payment Date falling in or nearest to [*specify month and year*]] |

| | | |
|---|---|---|
| 9. | Interest Basis: | [[ ] per cent. Fixed Rate]<br>[[[ ] month [EURIBOR]]/[Compounded Daily SONIA]/[Compounded Daily SOFR]] +/- [ ] per cent. Floating Rate]<br>[Zero coupon]<br>[Index Linked Interest]<br>(see paragraph [14]/[15]/[16]/[17] below) |
| 10. | Redemption/Payment Basis: | [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100.00]/[ ] per cent. of their nominal amount]<br><br>[Index Linked Redemption – Condition 6 applies]<br><br>[(see paragraph [17] below) |
| 11. | Change of Interest Basis: | [*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there*][Not Applicable] |
| 12. | Put/Call Options: | [Issuer Call]<br>[Issuer Make-Whole Redemption Option]<br>[Investor Put]<br>[Event Put Option]<br>[Clean-up Call]<br>[(further particulars specified below)] |
| 13. (a) | Status of the Notes: | Senior |
| (b) | Status of the Guarantee: | Senior |
| (c) | Date of Board [and Committee] approvals for issuance of Notes and Guarantee obtained: | The issue of the Notes by the Issuer has been approved by resolutions of the Board of Directors of the Issuer passed on [ ] [and by a Committee appointed by the Board of Directors of the Issuer passed on [ ]]<br><br>The guarantee of the Notes by the Guarantor has been approved by resolutions of the Board of Directors of the Guarantor passed on [ ] [and by a Committee appointed by the Board of Directors of the Guarantor passed on [ ]] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | |
|---|---|---|
| **14.** | **Fixed Rate Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Rate(s) of Interest: | [ ] per cent. per annum payable in arrear on each Interest Payment Date |

| | | |
|---|---|---|
| (b) | Interest Payment Date(s): | [ ] in each year up to and including the Maturity Date<br>(*Amend appropriately in the case of irregular coupons*) |
| (c) | Fixed Coupon Amount(s) (and in relation to Notes in global or Registered definitive form see Conditions): | [ ] per Calculation Amount |
| (d) | Broken Amount(s) (and in relation to Notes in global or Registered definitive form see Conditions): | [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable] |
| (e) | Day Count Fraction: | [30/360] [Actual/Actual (ICMA)] |
| (f) | Determination Date(s): | [[ ] in each year][Not Applicable]<br>(*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a 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]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Specified Period(s)/ Specified Interest Payment Dates: | [ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable] |
| (b) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable] |
| (c) | Additional Business Centre(s): | [ ] |
| (d) | Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): | [ ] / [The Bank of New York Mellon] (the "**Calculation Agent**")<br>*(If using SOFR as the Reference Rate and a Relevant Number, Lag Period or Observation Shift Period of less than 5 U.S. Government Securities Business Days, select 'The Bank of New York Mellon' as the Calculation Agent)* |
| (e) | Screen Rate Determination: | |
| | (i) Reference Rate: | [Compounded Daily SONIA] |

| | | |
|---|---|---|
| | | [Compounded Daily SOFR]<br>[ ] month [EURIBOR] |
| (ii) | Term Rate | [Applicable/Not Applicable]] |
| (iii) | Overnight Rate | [Applicable/Not Applicable] |
| | • Index Determination: | [Applicable/Not Applicable] |
| | ○ Relevant Number: | [[5 / 2 / [ ]] [[London Banking Days]/[U.S. Government Securities Business Days]/[Not Applicable]<br><br>(*If "Index Determination" is "Not Applicable", delete "Relevant Number" and complete the remaining bullets below*)<br><br>(*If "Index Determination" is "Applicable", insert number of days (expected to be five or greater [if Compounded Daily SONIA or two or greater if Compounded Daily SOFR]) as the Relevant Number, and the remaining bullets below will each be "Not Applicable"*) |
| | • D: | [360/365/[ ]] / [Not Applicable]<br><br>*(For Compounded Daily SONIA this should be 365 unless otherwise agreed amongst the parties. For Compounded Daily SOFR this should be 360 unless otherwise agreed amongst the parties)* |
| | • Observation Method: | [Lag/Observation Shift/Not Applicable] |
| | ○ Lag Period: | [5 / 2 / [ ] [London Banking Days] [U.S. Government Securities Business Days] [Not Applicable] |
| | ○ Observation Shift Period: | [5 / 2 / [ ] [London Banking Days] [U.S. Government Securities Business Days] [Not Applicable]<br><br>(*NB: A minimum of 5 London Banking Days if Compounded Daily SONIA, or 2 U.S. Government Securities Business Days if Compounded Daily SOFR, should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent*)] |
| (iv) | Interest Determination Date(s): | [ ]<br><br>*(Consider the following: Second day on which T2 is open prior to the start of each Interest Period if EURIBOR; first London Banking Day falling after* |

| | | | |
|---|---|---|---|
| | | | *the last day of the relevant Observation Period if SONIA and 'Observation Shift' applies; first U.S. Government Securities Business Days falling after the last day of the relevant Observation Period if SOFR and 'Observation Shift' applies)* |
| | (v) | Relevant Screen Page: | [ ] [Not Applicable]<br><br>(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*) |
| | (vi) | Relevant Fallback Screen Page: | [ ] [Not Applicable]<br><br>*(A Relevant Fallback Screen Page should be specified (in addition to the Relevant Screen Page in the row above) if the Reference Rate is Compounded Daily SONIA and Index Determination is applicable. In such case, the Relevant Screen Page in the row above is the relevant page for determining the Compounded Daily SONIA Rate under Condition 5.2(b)(iii), and the Relevant Fallback Screen Page is the page which would be used for determining Compounded Daily SONIA under Condition 5.2(b)(ii) for any Interest Accrual Period in respect of which the fallback provisions in the final paragraph of Condition 5.2(b)(iii) apply)* |
| | (vii) | Reference Time: | [11.00 a.m. (Brussels time)] [Not Applicable] |
| | (viii) | Relevant Financial Centre: | [ ][Not Applicable]<br><br>(*Only needs to be specified if the Reference Rate is a Term Rate other than EURIBOR*) |
| (f) | Linear Interpolation: | | [Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)] |
| (g) | Margin(s): | | [+/-] [ ] per cent. per annum |
| (h) | Minimum Rate of Interest: | | [[ ] per cent. per annum][As per Condition 5.2(c)] [Not Applicable] |
| (i) | Maximum Rate of Interest: | | [[ ] per cent. per annum] [Not Applicable] |
| (j) | Day Count Fraction: | | [Actual/Actual (ISDA)][Actual/Actual]<br>Actual/365 (Fixed)<br>Actual/365 (Sterling)<br>Actual/360<br>[30/360][360/360][Bond Basis]<br>[30E/360][Eurobond Basis] |

| | | |
|---|---|---|
| | | 30E/360 (ISDA)] |
| | (k) Benchmark Discontinuation: | [Applicable / Not Applicable] |
| | (i) Benchmark Replacement: | [Applicable / Not Applicable] |
| | (ii) Benchmark Transition: | [Applicable / Not Applicable] |
| | | *(It is generally expected that 'Benchmark Discontinuation' will apply to Floating Rate Notes, and that 'Benchmark Replacement' will be applicable unless the Reference Rate is SOFR, in which event 'Benchmark Transition' is expected to be applicable instead)* |
| **16.** | **Zero Coupon Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) Accrual Yield: | [ ] per cent. per annum |
| | (b) Reference Price: | [ ] |
| | (c) Day Count Fraction in relation to Early Redemption Amounts: | [30/360]<br>[Actual/360]<br>[Actual/365] |
| 17. | **Index Linked Interest/Redemption Note Provisions** | [Applicable: the Notes are [Index Linked Interest Notes] [and] [Index Linked Redemption Notes] – Condition[s] [5.4 and] 6 apply]/[Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) Index: | [RPI/CPI/CPIH] |
| | (b) Base Interest Rate: | [ ] per cent.<br>The Rate of Interest for each Interest Period will be determined by applying the Base Interest Rate to the Index Ratio, as further provided in Conditions 5.4 and 6. |
| | (c) Name and address of Calculation Agent | [ ] |
| | (d) Specified Period(s)/ Specified Interest Payment Dates: | [ ] |
| | (e) Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*][Not Applicable] |

| | | |
|---|---|---|
| (f) | Additional Business Centre(s): | [ ] |
| (g) | Day Count Fraction: | [Actual/Actual (ICMA)]<br>[30/360]<br>[Actual/Actual (ISDA)]<br>[Actual/Actual]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360]<br>[360/360]<br>[Bond Basis]<br>[30E/360]<br>[Eurobond basis]<br>[30E/360 (ISDA)]<br>[Index Day Count Fraction] |
| (h) | Base Index Figure | [ ] |
| (i) | Index Figure applicable to: | [[3/8] months lag] [Not Applicable] |
| (j) | t: | [ ] [Not Applicable] |
| (k) | Reference Gilt: | [[ ] per cent. Index-Linked Treasury Stock due [ ] (ISIN: [ ])] [Not Applicable] |
| (l) | Minimum Rate of Interest: | [[ ] per cent. per annum] [Not Applicable] |
| (m) | Maximum Rate of Interest: | [[ ] per cent. per annum] [Not Applicable] |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 18. | Notice periods for Condition 8.2 (*Redemption for Tax Reasons*): | Minimum period: [30] days<br>Maximum period: [60] days |
| 19. | Issuer Call: | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Optional Redemption Date(s): | [ ] / [Any [date / Interest Payment Date] in the period commencing on (and including) [ ] and ending on ([and including / but excluding]) [ ] |
| (b) | Optional Redemption Amount: | [ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6]<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified should be par, e.g. €1,000 per Calculation Amount of €1,000)* |

| | | |
|---|---|---|
| | (i) Minimum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (ii) Maximum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| (c) | If redeemable in part: | [Applicable] [Not Applicable – redemption in whole only] |
| | (i) Minimum Redemption Amount: | [ ] |
| | (ii) Maximum Redemption Amount: | [ ] |
| (d) | Notice periods: | Minimum period: [15] days<br>Maximum period: [30] days<br>(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 5 clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.*) |
| 20. | Issuer Make-Whole Redemption Option: | [Applicable/Not Applicable] |
| (a) | Make-Whole Redemption Date(s): | [ ] / [Any date in the period commencing on (and including) [ ] and ending on ([and including / but excluding]) [ ] |
| (b) | Quotation Time: | [11.00 a.m. (London time)] / [ ] [a.m./p.m.] ([ ] time) |
| (c) | Make-Whole Reference Bond: | [ ] |
| (d) | Make-Whole Redemption Margin: | [+/-] [ ] per cent. |
| (e) | Make-Whole Reference Screen Page: | [ ] |
| (f) | If redeemable in part: | [Applicable] [Not Applicable – redemption in whole only] |
| | (i) Minimum Nominal Redemption Amount: | [ ] |
| | (ii) Maximum Nominal Redemption Amount: | [ ] |
| (g) | Notice periods: | Minimum period: [15] days<br>Maximum period: [30] days |

| | | |
|---|---|---|
| | | *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.)* |
| 21. | Investor Put: | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) Optional Redemption Date(s): | [ ] / [Any [date / Interest Payment Date] in the period commencing on (and including) [ ] and ending on ([and including / but excluding]) [ ] |
| | (b) Optional Redemption Amount: | [ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6]<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified should be par, e.g. €1,000 per Calculation Amount of €1,000)*<br><br>(*NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes*) |
| | (i) Minimum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (ii) Maximum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (c) Notice periods: | Minimum period: [15] days<br>Maximum period: [30] days<br><br>(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.*) |
| 22. | Event Put Option: | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |

| | | |
|---|---|---|
| | (a) Optional Redemption Amount: | [ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6]<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified is expected to be par, e.g. €1,000 per Calculation Amount of €1,000, unless otherwise agreed)* |
| | (i) Minimum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (ii) Maximum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| 23. | Clean-up Redemption Option | [Applicable/Not Applicable] |
| | (i) Clean-up Percentage: | [ ] per cent. |
| | (ii) Optional Clean-up Redemption Amount(s): | [ ] per Calculation Amount |
| | (iii) Notice periods: | Minimum period: [ ] [calendar days]/[Business Days]<br><br>Maximum period: [ ] [calendar days]/[Business Days] |
| 24. | Final Redemption Amount: | [ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6]<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified should be par, e.g. €1,000 per Calculation Amount of €1,000)* |
| | (a) Minimum Final Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (b) Maximum Final Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| 25. | Early Redemption Amount payable on redemption for taxation reasons or on an Event of Default: | [ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6].<br><br>(*N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption* |

*Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.*)

*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified should be par, e.g. €1,000 per Calculation Amount of €1,000)*

| | | |
|---|---|---|
| (a) | Minimum Early Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| (b) | Maximum Early Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 26. | Form of Notes: | |
| | (a) Form: | [Bearer Notes]<br><br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]<br><br>[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]<br><br>[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005 (*include for Notes that are to be offered in Belgium*)]<br><br>[Registered Notes]<br><br>[Global Note initially registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] |
| | (b) New Global Note: | [Yes]/[No]/[Not Applicable] |
| 27. | Additional Financial Centre(s): | [Not Applicable/*give details*]<br><br>(*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c) and 17(f) relate*) |
| 28. | Talons for future Coupons to be attached to Definitive Notes: | [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 still to be made/No] |

## THIRD PARTY INFORMATION

[The indicative rating descriptions of each of Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**") set out in Part B of these Final Terms] [and] [*Relevant third party information*] has been extracted from [the respective websites of those rating agencies] [and [*specify source*], respectively]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [the relevant rating agency] [and] [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

**South West Water Finance Plc**

By: .....
*Duly authorised*

Signed on behalf of the Guarantor:

**South West Water Limited**

By: .....
*Duly authorised*]

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

| | | |
|---|---|---|
| (i) | Listing and Admission to trading: | Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's main market and to be listed on the Official List of the Financial Conduct Authority with effect from [on or around the Issue Date / [ ].<br><br>(*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading*.) |
| (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:<br><br>[Moody's: '[ ]']<br>[Fitch: '[ ]']<br><br>[A rating of '[ ]' by Moody's is described by it[3] as follows: "*[ ]*". [The modifier [1/2/3] is described by Moody's in the following context: "*[ ]*"]<br><br>[A rating of '[ ]' by Fitch is described by it[4] as follows: "*[ ]*". [The modifier [+/-] is described by Fitch in the following context: "*[ ]*"]<br><br>[Each of [Moody's and Fitch] is established in the United Kingdom, registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**") and included in the list of credit rating agencies published by the FCA on its website (at https://www.fca.org.uk/firms/credit-rating-agencies). Neither Moody's nor Fitch is established in the European Economic Area (the "**EEA**") and they have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings for the Notes assigned by [Moody's and Fitch] have been endorsed by [Moody's Deutschland GmbH] and [Fitch Ratings Ireland Limited], respectively, in |

[3] Source: [*specify relevant website*]
[4] Source: [*specify relevant website*]

accordance with the CRA Regulation. Each of [Moody's Deutschland GmbH] and [Fitch Ratings Ireland Limited] is established in the EEA and registered under the CRA Regulation. As such each of [Moody's Deutschland GmbH] and [Fitch Ratings Ireland Limited] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.]

## 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for the fees payable to the [Joint Lead] Manager[s]], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Joint Lead] Manager[s] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

## 4. [INDEX LINKED NOTES ONLY− PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE INDEX

| | |
|---|---|
| (i) Name of underlying index: | [UK Retail Prices Index (RPI)/UK Consumer Prices Index (CPI)/UK Consumer Prices Index including owner occupier's housing costs (CPIH)] |
| (ii) Information about the index, its volatility and past and future performance can be obtained from: | [More information on [RPI/CPI/CPIH] including past and current performance and its volatility and fall back provisions in the event of a disruption in the publication of [RPI/CPI/CPIH], can be found at [www.ONS.gov.uk / relevant replacing website]] |

## 5. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

| | |
|---|---|
| (i) Reasons for the offer: | [See "*Use of Proceeds*" in the Base Prospectus]<br><br>[The Notes are [Green Bonds][Blue Bonds][Social Bonds][Sustainable Bonds] [See "*Use of Proceeds*" in the Base Prospectus / *Give details*] ] |
| (ii) Estimated net proceeds: | [ ] |

**YIELD** (*Fixed Rate Notes only*)

| | |
|---|---|
| Indication of yield: | [ ]<br><br>The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. |

## 7. OPERATIONAL INFORMATION

| | | |
|---|---|---|
| (i) | ISIN: | XS[ ] |
| (ii) | Common Code: | [ ] |
| (iii) | CFI: | [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available] |
| (iv) | FISN | [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available] |
| (v) | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s)*] |
| (vi) | Delivery: | Delivery [against/free of] payment |
| (vii) | Names and addresses of additional Paying Agent(s) (if any): | [ ] |
| (viii) | Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to 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] [*include this text for Registered Notes which are to be held under the NSS*] 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]/<br><br>[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][*include this text for Registered Notes*]. 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.]]

[Accordingly, the Notes [are] [are not] intended to be held under the New Safekeeping Structure initially upon issue] (*include for registered Notes only*)]

As used herein, "**ICSDs**" means Euroclear Bank SA/NV and Clearstream Banking S.A.

**8. DISTRIBUTION**

| | | |
|---|---|---|
| (i) | Method of distribution: | [Syndicated/Non-syndicated] |
| (ii) | If syndicated, names of Managers: | [Not Applicable/*give names*] |
| (iii) | Stabilisation Manager(s) (if any): | [Not Applicable/*give name*] |
| (iv) | If non-syndicated, name of relevant Dealer: | [Not Applicable/*give name*] |
| (v) | U.S. Selling Restrictions: | [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable] |
| (vi) | Prohibition of Sales to Belgian Consumers: | [Applicable/Not Applicable]<br>(*N.B. advice should be taken from Belgian counsel before disapplying this selling restriction*) |

## FORM OF APPLICABLE PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes.*

**[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 Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. 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, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a "**retail investor**" means a person who is not 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 European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**"). Consequently, no [disclosure document / product summary] required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.]

[**MIFID II Product Governance / Professional investors and ECPs 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, "**MiFID II**")]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] 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 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 ECPs 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 [Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**")]/[UK MiFIR]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] 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.]

**THE FINANCIAL CONDUCT AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.**

[*Date*]

**SOUTH WEST WATER FINANCE PLC**

(*incorporated with limited liability in England and Wales with registered number 05722435*)

*(Legal entity identifier (LEI): 213800OV68U446W4NV89)*

Issue of

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

unconditionally and irrevocably guaranteed by

**SOUTH WEST WATER LIMITED**

(*incorporated with limited liability in England and Wales with registered number 2366665*)

*(Legal entity identifier (LEI): 213800FR2VAOKRYRHX45)*

under the

**£2,500,000,000**
**Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 14 October 2026 [as supplemented by the supplement[s] dated [*date[s]*]] (the "**Base Prospectus**"). Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from the Issuer's website at: [*specify*].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus [dated [*original date*] [and the supplement dated [*date*]] which are incorporated by reference in the Base Prospectus].

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.*]

[*The Notes must have a minimum denomination not less than €100,000 (or equivalent in any other currency). Furthermore, if the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be not less than £100,000 (or equivalent in any other currency).*]

| | | | |
|---|---|---|---|
| 1. | (a) | Issuer: | South West Water Finance Plc |
| | (b) | Guarantor: | South West Water Limited |
| 2. | (a) | Series Number: | [ ] |
| | (b) | Tranche Number: | [ ] |
| | (c) | Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred |

| | | |
|---|---|---|
| | | to in paragraph [ ] below, which is expected to occur on or about [*date*]][Not Applicable] |
| 3. | Specified Currency or Currencies: | [ ] |
| 4. | Aggregate Nominal Amount: | |
| | (a) Series: | [ ] |
| | (b) Tranche: | [ ] |
| 5. | Issue Price: | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)] |
| 6. | (a) Specified Denominations: | [ ] / [[[€]100,000] and integral multiples of [[€]1,000] in excess thereof [up to and including [[€]199,000]. No Notes in definitive form will be issued with a denomination above [[€]199,000]]]<br><br>*(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))* |
| | (b) Calculation Amount (in relation to calculation of interest in global form or Registered definitive form see Conditions): | [ ]<br><br>(*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*) |
| 7. | (a) Issue Date: | [ ] |
| | (b) Interest Commencement Date: | [*specify*/Issue Date/Not Applicable]<br><br>(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*) |
| 8. | Maturity Date: | [*Specify date or for Floating Rate Notes* - Interest Payment Date falling in or nearest to [*specify month and year*]] |
| 9. | Interest Basis: | [[ ] per cent. Fixed Rate]<br>[[*specify Reference Rate*] +/- [ ] per cent. Floating Rate]<br>[Zero Coupon]<br>[Index Linked Interest]<br>[Dual Currency Interest]<br>[*specify other*]<br>(further particulars specified below) |
| 10. | Redemption/Payment Basis: | [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the |

| | | | |
|---|---|---|---|
| | | | Maturity Date at [100.00]/[ ] per cent. of their nominal amount]<br>[Index Linked Redemption]<br>[Dual Currency Redemption]<br>[Partly Paid]<br>[Instalment]<br>[*specify other*] |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | | [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*][Not Applicable] |
| 12. | Put/Call Options: | | [Issuer Call]<br>[Issuer Make-Whole Redemption Option]<br>[Investor Put]<br>[Event Put Option]<br>[Clean-up Call]<br>[(further particulars specified below)] |
| 13. | (a) | Status of the Notes: | Senior |
| | (b) | Status of the Guarantee: | Senior |
| | (c) | Date of Board [and Committee] approvals for issuance of Notes and Guarantee obtained: | The issue of the Notes by the Issuer has been approved by resolutions of the Board of Directors of the Issuer passed on [ ] [and by a Committee appointed by the Board of Directors of the Issuer passed on [ ]]<br><br>The guarantee of the Notes by the Guarantor has been approved by resolutions of the Board of Directors of the Guarantor passed on [ ] [and by a Committee appointed by the Board of Directors of the Guarantor passed on [ ]] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| **14.** | **Fixed Rate Note Provisions** | | [Applicable/Not Applicable]<br><br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) | Rate(s) of Interest: | [ ] per cent. per annum payable in arrear on each Interest Payment Date |
| | (b) | Interest Payment Date(s): | [ ] in each year up to and including the Maturity Date<br><br>(*Amend appropriately in the case of irregular coupons*) |
| | (c) | Fixed Coupon Amount(s) (and in relation to Notes in global or Registered definitive form see Conditions): | [ ] per Calculation Amount |

| | | |
|---|---|---|
| (d) | Broken Amount(s) (and in relation to Notes in global or Registered definitive form see Conditions): | [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable] |
| (e) | Day Count Fraction: | [30/360/Actual/Actual (ICMA)/*specify other*] |
| (f) | [Determination Date(s): | [[ ] in each year][Not Applicable]<br>(*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*] |
| (g) | Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: | [None/*Give details*] |
| **15.** | **Floating Rate Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Specified Period(s)/Specified Interest Payment Dates: | [ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable] |
| (b) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]] [Not Applicable] |
| (c) | Additional Business Centre(s): | [ ] |
| (d) | Manner in which the Rate of Interest and Interest Amount is to be determined if different from the Conditions: | [*Specify*]<br>(*Where different interest provisions are specified, consider adjusting or disapplying the Screen Rate Determination provisions in Condition 5.2(b) and including replacement provisions describing the manner in which the Rate of Interest and Interest Amount is to be determined*) |
| (e) | Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): | [ ] / [The Bank of New York Mellon] (the "**Calculation Agent**")<br>*(If using SOFR as the Reference Rate and a Relevant Number, Lag Period or Observation Shift Period of less than 5 U.S. Government Securities Business Days, select 'The Bank of New York Mellon' as the Calculation Agent)* |

(f) Screen Rate Determination:

(i) Reference Rate: [Compounded Daily SONIA]

[Compounded Daily SOFR]

[ ] month [EURIBOR/*specify other Reference Rate*] *(Either EURIBOR or other, although additional information is required if other, including fallback provisions.)*

(ii) Term Rate [Applicable/Not Applicable]]

(iii) Overnight Rate [Applicable/Not Applicable]

- Index Determination: [Applicable/Not Applicable]
  - Relevant Number: [[5 / 2 / [ ]] [[London Banking Days]/[U.S. Government Securities Business Days]/[Not Applicable]

    (*If "Index Determination" is "Not Applicable", delete "Relevant Number" and complete the remaining bullets below*)

    (*If "Index Determination" is "Applicable", insert number of days (expected to be five or greater if Compounded Daily SONIA or two or greater if Compounded Daily SOFR) as the Relevant Number, and the remaining bullets below will each be "Not Applicable"*)
- D: [360/365/[ ]] / [Not Applicable]

  *(For Compounded Daily SONIA this should be 365 unless otherwise agreed amongst the parties. For Compounded Daily SOFR this should be 360 unless otherwise agreed amongst the parties)*
- Observation Method: [Lag/Observation Shift/Not Applicable]
  - Lag Period: [5 / 2 / [ ] [London Banking Days] [U.S. Government Securities Business Days] [Not Applicable]
  - Observation Shift Period: [5 / 2 / [ ] [London Banking Days] [U.S. Government Securities Business Days] [Not Applicable]

    (*NB: A minimum of 5 London Banking Days if Compounded Daily SONIA, or 2 U.S. Government Securities Business Days if Compounded Daily SOFR, should be specified for the Lag Period or*

| | | |
|---|---|---|
| | | *Observation Shift Period, unless otherwise agreed with the Calculation Agent*) |
| | (iv) Interest Determination Date(s): | [ ]<br>*(Consider the following: Second day on which T2 is open prior to the start of each Interest Period if EURIBOR; first London Banking Day falling after the last day of the relevant Observation Period if SONIA and 'Observation Shift' applies; first U.S. Government Securities Business Day falling after the last day of the relevant Observation Period if SOFR and 'Observation Shift' applies)* |
| | (v) Relevant Screen Page: | [ ] [Not Applicable]<br><br>(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*) |
| | (vi) Relevant Fallback Screen Page: | [ ] [Not Applicable]<br><br>*(A Relevant Fallback Screen Page should be specified (in addition to the Relevant Screen Page in the row above) if the Reference Rate is Compounded Daily SONIA and Index Determination is applicable. In such case, the Relevant Screen Page in the row above is the relevant page for determining the Compounded Daily SONIA Rate under Condition 5.2(b)(iii), and the Relevant Fallback Screen Page is the page which would be used for determining Compounded Daily SONIA under Condition 5.2(b)(ii) for any Interest Accrual Period in respect of which the fallback provisions in the final paragraph of Condition 5.2(b)(iii) apply)* |
| | (vii) Reference Time: | [11.00 a.m. (Brussels time)] / [*specify*] / [Not Applicable]<br><br>*(In the case of EURIBOR, specify 11.00 a.m., Brussels time. If another Reference Rate, specify in line with market convention)* |
| | (viii) Relevant Financial Centre: | [ ][Not Applicable]<br><br>(*Only needs to be specified if the Reference Rate is a Term Rate other than EURIBOR*) |
| (g) | Linear Interpolation: | [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)] |
| (h) | Margin(s): | [+/-] [ ] per cent. per annum |

| | | |
|---|---|---|
| (i) | Minimum Rate of Interest: | [[ ] per cent. per annum][As per Condition 5.2(c)] [Not Applicable] |
| (j) | Maximum Rate of Interest: | [[ ] per cent. per annum] [Not Applicable] |
| (k) | Day Count Fraction: | [Actual/Actual (ISDA)][Actual/Actual]<br>Actual/365 (Fixed)<br>Actual/365 (Sterling)<br>Actual/360<br>[30/360][360/360][Bond Basis]<br>[30E/360][Eurobond Basis]<br>30E/360 (ISDA)<br>[*Other*] |
| (l) | Benchmark Discontinuation: | [Applicable / Not Applicable] |
| | (i) Benchmark Replacement: | [Applicable / Not Applicable] |
| | (ii) Benchmark Transition: | [Applicable / Not Applicable] |
| | | *(It is generally expected that 'Benchmark Discontinuation' will apply to Floating Rate Notes, and that 'Benchmark Replacement' will be applicable unless the Reference Rate is SOFR, in which event 'Benchmark Transition' is expected to be applicable instead)* |
| (m) | Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: | [ ] |
| **16.** | **Zero Coupon Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Accrual Yield: | [ ] per cent. per annum |
| (b) | Reference Price: | [ ] |
| (c) | Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: | [ ] |
| (d) | Day Count Fraction in relation to Early Redemption Amounts: | [30/360]<br>[Actual/360]<br>[Actual/365] |

| | | |
|---|---|---|
| **17.** | **Index Linked Interest/Redemption Note Provisions** | [Applicable: the Notes are [Index Linked Interest Notes] [and] [Index Linked Redemption Notes] – Condition[s] [5.4 and] 6 [apply][do not apply – see Appendix]]/[Not Applicable]<br><br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Index: | [RPI/CPI/CPIH/*specify*] |
| (b) | Base Interest Rate: | [ ] per cent.<br><br>[The Rate of Interest for each Interest Period will be determined by applying the Base Interest Rate to the Index Ratio, as further provided in Conditions 5.4 and 6.] |
| (c) | Name and address of Calculation Agent | [ ] |
| (d) | Specified Period(s)/ Specified Interest Payment Dates: | [ ] |
| (e) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*][Not Applicable] |
| (f) | Additional Business Centre(s): | [ ] |
| (g) | Day Count Fraction: | [Actual/Actual (ICMA)]<br>[30/360]<br>[Actual/Actual (ISDA)]<br>[Actual/Actual]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360]<br>[360/360]<br>[Bond Basis]<br>[30E/360]<br>[Eurobond basis]<br>[30E/360 (ISDA)]<br>[Index Day Count Fraction] |
| (h) | Base Index Figure | [ ] |
| (i) | Index Figure applicable to: | [[3/8] months lag] [Not Applicable] |
| (j) | t: | [ ] [Not Applicable] |
| (k) | Reference Gilt: | [[ ] per cent. Index-Linked Treasury Stock due [ ] (ISIN: [ ])] [Not Applicable] |
| (l) | Minimum Rate of Interest: | [[ ] per cent. per annum] [Not Applicable] |

| | | |
|---|---|---|
| (m) | Maximum Rate of Interest: | [[ ] per cent. per annum] [Not Applicable] |
| (n) | Other provisions: | [Not Applicable] [*specify*] [See Appendix] |
| **18.** | **Dual Currency Interest Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Rate of Exchange/method of calculating Rate of Exchange: | [*give or annex details*] |
| (b) | Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): | [ ] (the "**Calculation Agent**") |
| (c) | Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: | [*need to include a description of market disruption or settlement disruption events and adjustment provisions*] |
| (d) | Person at whose option Specified Currency(ies) is/are payable: | [ ] |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 19. | Notice periods for Condition 8.2 (*Redemption for Tax Reasons*): | Minimum period: [30] days<br>Maximum period: [60] days |
| 20. | Issuer Call: | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Optional Redemption Date(s): | [ ] / [Any [date / Interest Payment Date] in the period commencing on (and including) [ ] and ending on ([and including / but excluding]) [ ] |
| (b) | Optional Redemption Amount and method, if any, of calculation of such amount(s): | [[ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6]/[*specify other*]/[see Appendix]<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified should be par, e.g. €1,000 per Calculation Amount of €1,000)* |
| (i) | Minimum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| (ii) | Maximum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |

| | | |
|---|---|---|
| (c) | If redeemable in part: | [Applicable] [Not Applicable – redeemable in whole only] |
| | (i) Minimum Redemption Amount: | [ ] |
| | (ii) Maximum Redemption Amount: | [ ] |
| (d) | Notice periods: | Minimum period: [15] days<br>Maximum period: [30] days<br><br>(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.*) |
| 21. | Issuer Make-Whole Redemption Option: | [Applicable/Not Applicable] |
| (a) | Make-Whole Redemption Date(s): | [ ] / [Any date in the period commencing on (and including) [ ] and ending on ([and including / but excluding]) [ ] |
| (b) | Quotation Time: | [11.00 a.m. (London time)] / [ ] [a.m./p.m.] ([ ] time) |
| (c) | Make-Whole Reference Bond: | [ ] |
| (d) | Make-Whole Redemption Margin: | [+/-] [ ] per cent. |
| (e) | Make-Whole Reference Screen Page: | [ ] |
| (f) | If redeemable in part: | [Applicable] [Not Applicable – redemption in whole only] |
| | (i) Minimum Nominal Redemption Amount: | [ ] |
| | (ii) Maximum Nominal Redemption Amount: | [ ] |
| (g) | Notice periods: | Minimum period: [15] days<br>Maximum period: [30] days<br><br>*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and* |

| | | |
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| | | *custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.)* |
| 22. | Investor Put: | [Applicable/Not Applicable]<br><br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) Optional Redemption Date(s): | [ ] / [Any date in the period commencing on (and including) [ ] and ending on ([and including / but excluding]) [ ] |
| | (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): | [[ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6]/[*specify other*]/[see Appendix]<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified should be par, e.g. €1,000 per Calculation Amount of €1,000)* |
| | (i) Minimum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (ii) Maximum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (c) Notice periods: | Minimum period: [15] days<br>Maximum period: [30] days<br><br>(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 15 clearing system business days' notice for a put*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.*) |
| 23. | Event Put Option: | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) Optional Redemption Amount: | [ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6]<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified is expected to be par, e.g. €1,000 per Calculation Amount of €1,000, unless otherwise agreed)* |

| | | |
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| | (i) Minimum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (ii) Maximum Optional Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| 24. | Clean-up Redemption Option | [Applicable/Not Applicable] |
| | (i) Clean-up Percentage: | [ ]/[80] per cent. |
| | (ii) Optional Clean-up Redemption Amount(s): | [ ] per Calculation Amount |
| | (iii) Notice periods: | Minimum period: [ ] [calendar days]/[Business Days]<br><br>Maximum period: [ ] [calendar days]/[Business Days] |
| 25. | Final Redemption Amount: | [ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6]<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified should be par, e.g. €1,000 per Calculation Amount of €1,000)* |
| | (a) Minimum Final Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| | (b) Maximum Final Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |
| 26. | Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required): | [ ] per Calculation Amount[, adjusted by reference to the Index Ratio in accordance with Condition 6] / [*specify other*] / [see Appendix].<br><br>(*N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.*)<br><br>*(the language in square brackets referencing Condition 6 should be included if the Notes are Index Linked Redemption Notes, and in such case the amount specified should be par, e.g. €1,000 per Calculation Amount of €1,000)* |
| | (a) Minimum Early Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |

| | | |
|---|---|---|
| (b) | Maximum Early Redemption Amount: | [[ ] per Calculation Amount][Not Applicable] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 27. | Form of Notes: | |
| | (a) Form: | [Bearer Notes]<br><br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]<br><br>[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]<br><br>[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005 (*include for Notes that are to be offered in Belgium*)]<br><br>[Registered Notes]<br><br>[Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] |
| | (b) New Global Note: | [Yes]/[No]/[Not Applicable] |
| 28. | Additional Financial Centre(s): | [Not Applicable/*give details*]<br><br>(*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c) and 17(f) relate*) |
| 29. | Talons for future Coupons to be attached to Definitive Notes: | [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 still to be made/No] |
| 30. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment. | [Not Applicable/*give details*. *N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*] |
| 31. | Details relating to Instalment Notes: | [Applicable/Not Applicable] |

| | | |
|---|---|---|
| | | (*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| (a) | Instalment Amount(s): | [*give details*] |
| (b) | Instalment Date(s): | [*give details*] |
| 32. | Other terms or special conditions: | [Not Applicable/*give details*] |

**RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

[The indicative rating descriptions of each of Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**") set out in Part B of these Final Terms] [and] [*Relevant third party information*] has been extracted from [the respective websites of those rating agencies] [and [*specify source*], respectively]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [the relevant rating agency] [and] [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

| | |
|---|---|
| Signed on behalf of the Issuer: | Signed on behalf of the Guarantor: |
| **South West Water Finance Plc** | **South West Water Limited** |
| By: .....<br>*Duly authorised* | By: .....<br>*Duly authorised*] |

## PART B – OTHER INFORMATION

**1. LISTING**

[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify market – note this must **not** be an EEA regulated market or the London Stock Exchange's main market*] with effect from [on or around the Issue Date] / [ ].]

[Not Applicable] *(NB if the Notes are not to be listed, the UK tax position, including as regards UK withholding taxes, should be considered in advance*)

**2. RATINGS**

Ratings:

The Notes to be issued [have been / are expected to be] rated:

[Moody's: '[ ]']

[Fitch: '[ ]']

[A rating of '[ ]' by Moody's is described by it[5] as follows: "*[ ]*". [The modifier [1/2/3] is described by Moody's in the following context: "*[ ]*"]

[A rating of '[ ]' by Fitch is described by it[6] as follows: "*[ ]*". [The modifier [+/-] is described by Fitch in the following context: "*[ ]*"]

[Each of [Moody's and Fitch] is established in the United Kingdom, registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**") and included in the list of credit rating agencies published by the FCA on its website (at https://www.fca.org.uk/firms/credit-rating-agencies).

Neither Moody's nor Fitch is established in the European Economic Area (the "**EEA**") and they have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). The ratings for the Notes assigned by [Moody's and Fitch] have been endorsed by [Moody's Deutschland GmbH] and [Fitch Ratings Ireland Limited], respectively, in accordance with the CRA Regulation. Each of [Moody's Deutschland GmbH] and [Fitch Ratings Ireland Limited] is established in the EEA and registered under the CRA Regulation. As such each of [Moody's Deutschland

[5] Source: [*specify relevant website*]
[6] Source: [*specify relevant website*]

GmbH] and [Fitch Ratings Ireland Limited] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.]

## 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for the fees payable to the [Joint Lead] Manager[s]], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Joint Lead] Manager[s] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

## 4. [INDEX LINKED NOTES ONLY− PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE INDEX

| | |
|---|---|
| (i) Name of underlying index: | [UK Retail Prices Index (RPI)/UK Consumer Prices Index (CPI)/UK Consumer Prices Index including owner occupier's housing costs (CPIH)/*specify*] |
| (ii) Information about the index, its volatility and past and future performance can be obtained from: | [More information on [RPI/CPI/CPIH/*specify*] including past and current performance and its volatility and fall back provisions in the event of a disruption in the publication of [RPI/CPI/CPIH/*specify*], can be found at [www.ONS.gov.uk / relevant replacing website]] |

## 5. [REASONS FOR THE OFFER

| | |
|---|---|
| Reasons for the offer: | [See "*Use of Proceeds*" in the Base Prospectus]<br><br>[The Notes are [Green Bonds][Blue Bonds][Social Bonds][Sustainable Bonds] [See "*Use of Proceeds*" in the Base Prospectus / *Give details*]] |

## 6. OPERATIONAL INFORMATION

| | | |
|---|---|---|
| (i) | ISIN: | XS[ ] |
| (ii) | Common Code: | [ ] |
| (iii) | CFI: | [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available] |
| (iv) | FISN: | [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering |

| | | |
|---|---|---|
| | | Agency that assigned the ISIN/Not Applicable/Not Available] |
| (v) | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s)*] |
| (vi) | Delivery: | Delivery [against/free of] payment |
| (vii) | Names and addresses of additional Paying Agent(s) (if any): | [ ] |
| (viii) | Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to 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] [*include this text for Registered Notes which are to be held under the NSS*] 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]/<br><br>[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][*include this text for Registered Notes*]. 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.]]<br><br>[Accordingly, the Notes [are] [are not] intended to be held under the New Safekeeping Structure initially upon issue] (*include for registered Notes only*)]<br><br>As used herein, "**ICSDs**" means Euroclear Bank SA/NV and Clearstream Banking S.A. |

## 7. DISTRIBUTION

| | | |
|---|---|---|
| (i) | Method of distribution: | [Syndicated/Non-syndicated] |
| (ii) | If syndicated, names of Managers: | [Not Applicable/*give names*] |
| (iii) | Stabilisation Manager(s) (if any): | [Not Applicable/*give name*] |
| (iv) | If non-syndicated, name of relevant Dealer: | [Not Applicable/*give name*] |
| (v) | U.S. Selling Restrictions: | Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable |
| (vi) | Additional selling restrictions: | [Not Applicable/*give details*]<br>(*Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes*) |
| (vii) | Prohibition of Sales to Belgian Consumers: | [Applicable/Not Applicable]<br>(*N.B. advice should be taken from Belgian counsel before disapplying this selling restriction*) |

## TERMS AND CONDITIONS OF THE NOTES

*The following (save for paragraphs in italics, which are descriptive only and do not form part of the Terms and Conditions) are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms, or, as the case may be, applicable Pricing Supplement in relation to any Tranche of Exempt Notes will complete the following Terms and Conditions, including specifying whether or not certain provisions of the following Terms and Conditions apply to such Notes. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may also specify additional or alternative terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, complete, amend, supplement or vary the following Terms and Conditions for such Tranche of Exempt Notes. The applicable Final Terms or, as the case may be, applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of Applicable Final Terms" and "Form of Applicable Pricing Supplement" for a description of the content of the Final Terms or, as the case may be, applicable Pricing Supplement which will include the definitions of certain terms used in the following Terms and Conditions and/or will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by South West Water Finance Plc (the "**Issuer**" or "**SWWF**") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") originally dated 23 July 2024 made between the Issuer, South West Water Limited as guarantor (the "**Guarantor**" or "**SWW**") and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") originally dated 23 July 2024 and made between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as issuing and principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor issuing and principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and calculation agent (in such capacity, and unless a different calculation agent is specified for a Tranche of Notes in the applicable Final Terms, the "**Calculation Agent**"), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Calculation Agent (if any is specified in the applicable Final Terms), the Registrar, the Paying Agents, and other Transfer Agents are together referred to as the "**Agents**".

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**", and references to a particularly designated "**Condition**" shall be construed accordingly) or, if this Note is a Note which is neither (i) admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under Regulation (EU) 2017/1129, nor (ii) admitted to trading on a UK regulated market as defined in Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (an "**Exempt Note**"), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are, unless otherwise stated, to Part A of (i) (unless this Note is an Exempt Note) the Final Terms (or the relevant provisions thereof) or (ii) (if this Note is an Exempt Note) the Pricing Supplement (or the relevant provisions thereof), in either case as attached to or endorsed on this Note.

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive bearer form which are repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Trustee acts for the benefit of the Noteholders (the expression "**Noteholders**" shall mean (in the case of Bearer Notes) the holders for the time being of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the "**Receiptholders**") and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement (i) are available for inspection during normal business hours at the principal office for the time being of the Trustee (being, as at 14 October 2026, at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom) and at the specified office of each of the Paying Agents or (ii) may be provided by email to a Noteholder following their prior written request to the Trustee or the Principal Paying Agent and upon provision of proof of holding and identity (in a form satisfactory to the Trustee or the Principal Paying Agent, as the case may be). If the Notes are to be admitted to trading on the main market of the London Stock Exchange plc (the "**London Stock Exchange**") the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee or the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or

unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, "**euro**" means 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.

## 1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Unless this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the

terms of the relevant Global Note, and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## 2. TRANSFERS OF REGISTERED NOTES

### 2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

### 2.2 Transfers of Registered Notes in definitive form

Subject as provided in Condition 2.3 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### 2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

### 2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## 3. STATUS OF THE NOTES AND THE GUARANTEE

### 3.1 Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### 3.2 Status of the Guarantee

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the "**Guarantee**"). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

## 4. NEGATIVE PLEDGE

### 4.1 Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed) each of the Issuer and the Guarantor will ensure that no Relevant Indebtedness of the Issuer, the Guarantor, any Principal Subsidiary or any other person, and no guarantee by the Issuer, the Guarantor or any Principal Subsidiary of any Relevant Indebtedness of any person, will be secured by a mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer, the Guarantor or any Principal Subsidiary unless, before or at the same time as the creation of the Security Interest, the Issuer and/or the Guarantor shall take any and all action necessary to ensure that:

(a) all amounts payable by the Issuer under the Notes, the Receipts, the Coupons and the Trust Deed or, as the case may be, the Guarantor's obligations under the Trust Deed are secured equally and rateably with such Relevant Indebtedness or guarantee, as the case may be, by the same Security Interest, in each case to the satisfaction of the Trustee; or

(b) such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by the Issuer under the Notes, the Receipts, the Coupons and the Trust Deed or, as the case may be, the

Guarantor's obligations under the Trust Deed either (i) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders,

save that the Issuer, the Guarantor or any Principal Subsidiary may create or have outstanding a Security Interest in respect of any Relevant Indebtedness and/or any guarantees given by the Issuer, the Guarantor or any Principal Subsidiary in respect of any Relevant Indebtedness of any person (without the obligation to provide a Security Interest or guarantee or other arrangement in respect of the Notes, the Receipts, the Coupons and the Trust Deed as aforesaid) where:

(1) such Security Interest is provided by or in respect of a company becoming a Subsidiary of the Guarantor (whether before, on or after the Issue Date of the Notes) and where such Security Interest exists at the time that company becomes a Subsidiary of the Guarantor, provided that:

(A) such Security Interest was not created or extended in contemplation of that company becoming a Subsidiary of the Guarantor; and

(B) the principal amount secured at the time of that company becoming a Subsidiary of the Guarantor by such Security Interest is not subsequently increased; and

(2) such Security Interest either:

(A) when taken together any other relevant Security Interest(s), in aggregate secures Relevant Indebtedness (and/or guarantee(s) of Relevant Indebtedness) which does not at any time exceed the greater of (i) £150,000,000 (or its equivalent in any other currency) and (ii) 15 per cent. of the Capital and Reserves (or the equivalent thereof in any other currency) (the "**Security Limit**"); or

(B) is released or discharged within six months of the date of such company becoming a Subsidiary of the Guarantor (or is otherwise within such six month period limited to securing an amount of Relevant Indebtedness (and/or guarantee(s) of Relevant Indebtedness) which would mean the Security Limit is complied with).

The Trustee shall not be required to monitor compliance by the Issuer, the Guarantor or any Principal Subsidiary with this Condition 4 and shall bear no responsibility in relation thereto.

### 4.2 Definitions and Interpretation

*Definitions*

As used in these Conditions:

"**Asset-Backed Bonds**" means bonds, notes or other securities (however defined) (i) supported by present or future revenues or assets of the Issuer, the Guarantor or any Principal Subsidiary in a securitisation of receivables, and (ii) which are the subject of such other similar financing structure originated by the Issuer, the Guarantor or any Principal Subsidiary whereby all payment obligations are to be discharged solely from such assets or revenues;

"**Auditors**" means the auditors for the time being of the Issuer or, as the case may be, the Guarantor or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of these Conditions or the Trust Deed, such other firm of accountants or financial advisers as may be appointed by the Issuer or the Guarantor and notified in writing to the Trustee for the purpose;

"**Capital and Reserves**" means the aggregate of:

(a) the amount paid up or credited as paid up on the share capital of the Guarantor; and

(b) the total of the capital, revaluation and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to minority interests and deducting any debit balance on the profit and loss account, all as shown in the then latest Group Accounts but adjusted as the Auditors determine is necessary in respect of any variation in the paid up share capital or share premium account of the Group since the date of that balance sheet and further adjusted as the Auditors determine is necessary to reflect any change since the date of that balance sheet in the Subsidiary Undertakings comprising the Group and/or as the Auditors may otherwise consider appropriate,

and a certificate signed by two Directors of the Guarantor as to the amount of the Capital and Reserves at any given time shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Agents, the Noteholders, the Receiptholders and the Couponholders, whether or not addressed to each such party, and the Trustee shall be entitled to rely thereon without further enquiry or liability to any person;

"**Excluded Subsidiary**" means any Subsidiary of the Guarantor:

(a) which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, development and/or operation of an asset or is a holding company whose sole assets are shares in, or loans to, another Excluded Subsidiary;

(b) none of whose indebtedness for borrowed money in respect of the financing of such ownership, acquisition, development and/or operation of such asset is subject to any recourse whatsoever to any member of the Group (other than such Subsidiary or another Excluded Subsidiary) in respect of the repayment thereof, except as expressly referred to in subparagraph (b) of the definition of 'Project Finance Indebtedness'; and

(c) which has been designated as such by the Guarantor by written notice to the Trustee,

provided that the Guarantor may at any time provide to the Trustee a certificate signed by two Directors that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall immediately cease to be an Excluded Subsidiary (and the Trustee shall be entitled to rely thereon without further enquiry or liability to any person);

"**Group**" means, at any time, the Guarantor and its Subsidiary Undertakings at such time, and "**member of the Group**" shall be construed accordingly;

"**Group Accounts**" means:

(a) if and for so long as the Group prepares consolidated accounts, the audited consolidated balance sheet and profit and loss account of the Group, prepared in accordance with UK-adopted International Accounting Standards or in accordance with applicable law and UK accounting standards, including FRS 101 *Reduced Disclosure Framework*, in conformity with the requirements of the Companies Act 2006; or

(b) if and for so long as the Group does not prepare consolidated accounts, the Group Unaudited Consolidated Accounts;

"**Group Unaudited Consolidated Accounts**" means unaudited consolidated financial information of the Group as at, and for the year ended, the date of the then latest audited balance sheet of the Guarantor, as extracted from or prepared by reference to:

(i) if and for so long as the Guarantor is a consolidated subsidiary of Pennon Group plc or another parent undertaking (within the meaning set out in Section 1162 of the Companies Act 2006), the books and records of Pennon Group plc or, as the case may be, such other parent undertaking for the time being; or

(ii) if sub-paragraph (a) above is not applicable, the then-latest audited balance sheet and profit and loss account of the Guarantor and of each Subsidiary Undertaking comprising the Group,

in each case prepared in good faith by the Directors of the Guarantor in accordance with UK-adopted International Accounting Standards or in accordance with applicable law and UK accounting standards, including FRS 101 *Reduced Disclosure Framework*, in conformity with the requirements of the Companies Act 2006, provided that such unaudited consolidated financial information need only contain such financial information as is necessary for the proper operation of these Conditions;

"**indebtedness for borrowed money**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (a) money borrowed, (b) liabilities under or in respect of any acceptance or acceptance credit, or (c) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

"**Principal Subsidiary**" at any time shall mean any Subsidiary of the Guarantor (not being an Excluded Subsidiary or any other Subsidiary of the Guarantor the whole of whose indebtedness for borrowed money (other than indebtedness for borrowed money owed to another member of the Group) is Project Finance Indebtedness):

(a) whose (i) profits on ordinary activities before taxation or (ii) net assets (in each case consolidated in respect of a Subsidiary which itself has Subsidiaries and in each case attributable to the Guarantor) represent 15 per cent. or more of the consolidated profits on ordinary activities before taxation of the Group or consolidated net assets of the Group, respectively (in each case attributable to the Guarantor), in each case as calculated by reference to the then latest audited consolidated or, if none, unconsolidated financial statements of such Subsidiary and the then latest Group Accounts, provided that:

(A) if the latest Group Accounts show (x) a net loss for the relevant financial period then there shall be substituted for the words "profits on ordinary activities before taxation" the word "turnover" for the purposes of this definition and/or (y) negative assets at the end of the relevant financial period then there shall be substituted for the words "net assets" the words "total assets" for the purposes of this definition; and

(B) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest Group Accounts relate, the reference to the then latest Group Accounts for the purposes of the calculation above shall, until Group Accounts for the financial period in which the acquisition is made have been prepared and, if applicable, audited, be deemed to be a reference to such first-mentioned Group Accounts as if such Subsidiary had been shown in such Group Accounts by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the Auditors; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of a Subsidiary of the Guarantor which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary (and the transferee Subsidiary shall cease to be a Principal Subsidiary under the provisions of this sub-paragraph (b) (but without prejudice to the provisions of sub-paragraph (a) above), upon publication of its next audited financial statements).

A certificate signed by two Directors of the Guarantor that, in their opinion, a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Agents, the Noteholders, the Receiptholders and the Couponholders, whether or not addressed to each such party (and the Trustee shall be entitled to rely thereon without further enquiry or liability to any person);

"**Project Finance Indebtedness**" means any present or future indebtedness incurred to finance or refinance the ownership, acquisition, development and/or operation of an asset, whether or not an asset of a member of the Group:

(a) which is incurred by an Excluded Subsidiary; or

(b) in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof other than:

(i) recourse for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset; and/or

(ii) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any encumbrance given by such borrower over such asset or project or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of, or any loans to, the borrower) to secure such indebtedness, provided that (A) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, and (B) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of any member of the Group (other than an Excluded Subsidiary) or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of any member of the Group (other than an Excluded Subsidiary) or any of its assets (save for the assets the subject of such encumbrance); and/or

(iii) recourse under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by any member of the Group (other than an Excluded Subsidiary);

"**Relevant Indebtedness**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of or represented by notes, bonds, debentures, debenture stock, loan stock or other securities (other than Asset-Backed Bonds), whether issued for cash or in whole or in part for a consideration other than cash, and which (with the agreement of the person issuing the same) are quoted, listed or ordinarily dealt in on any stock exchange or recognised

over-the-counter or other securities market, but shall in any event not include Project Finance Indebtedness;

"**Subsidiary**" means a subsidiary within the meaning of section 1159 of the Companies Act 2006; and

"**Subsidiary Undertaking**" shall have the meaning given to it by section 1162 of the Companies Act 2006 (but, in relation to the Guarantor, shall exclude any undertaking (as defined in the Companies Act 2006) whose accounts are not included in the then latest published audited consolidated accounts of the Guarantor or (in the case of an undertaking which has first become a subsidiary undertaking of a member of the Group since the date as at which any such audited accounts were prepared) would not have been so included or consolidated if it had become so on or before that date).

*Interpretation*

Any reference in this Condition 4 to an obligation being guaranteed shall include a reference to an indemnity being given in respect of the obligation.

## 5. INTEREST

### 5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date (and, if the Maturity Date does not fall on an Interest Payment Date, on the Maturity Date).

If the Notes are Bearer Notes in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Bearer Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes (or, in each case, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of

any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means (i) with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency, and (ii) with respect to euro, one cent.

## 5.2 Interest on Floating Rate Notes

### (a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the "**Floating Rate Convention**", such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the "**Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than T2) specified in the applicable Final Terms;

(b) if T2 is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system ("**T2**") is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which T2 is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified below.

(i) ***Screen Rate Determination for Floating Rate Notes - Term Rate***

This Condition 5.2(b)(i) applies where "*Term Rate*" is specified in the applicable Final Terms to be "*Applicable*".

(A) The Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being EURIBOR or, if this Note is an Exempt Note, such other Reference Rate as is specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Reference Time (being 11.00 a.m., Brussels time, in the case of EURIBOR, or, if this Note is an Exempt Note, such other time as may be specified in the applicable Final Terms) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable. 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 Principal Paying Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(B) If the Relevant Screen Page is not available or if sub-paragraph 5.2(b)(i)(A)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph 5.2(b)(i)(A)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the Reference Time, the Issuer shall, if applicable, request each of the Reference Banks to provide the Issuer (who will in turn provide the Principal Paying Agent or the Calculation Agent, as applicable) with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate as at approximately the Reference Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuer with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered

quotations (excluding, if four or more such quotations are provided, the highest (or, in the event of equality, one of the highest) and lowest (or, in the event of equality, one of the lowest) quotations) plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable.

(C) If on any Interest Determination Date only one or none of the Reference Banks provides the Issuer with such an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent or the Calculation Agent, as applicable, determines as being either:

(i) the arithmetic mean (rounded as provided above) of the rates, as communicated (at the request of the Issuer) to the Issuer and by the Issuer to the Principal Paying Agent or the Calculation Agent, as applicable, by the Reference Banks or any two or more of them, which such banks were offered, at approximately the Reference Time on the relevant Interest Determination Date (or if such date is not a Business Day, on the immediately preceding Business Day), deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or otherwise the inter-bank market of the Relevant Financial Centre for the relevant Reference Rate, in each case plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any); or

(ii) in the event that the Principal Paying Agent or the Calculation Agent, as applicable can determine no such arithmetic mean, the lowest lending rate for lending amounts in the Specified Currency for a period equal to that which would have been used for the Reference Rate at which, at approximately the Reference Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Issuer (who will in turn inform the Principal Paying Agent or the Calculation Agent, as applicable), it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or otherwise the inter-bank market of the Relevant Financial Centre for the relevant Reference Rate, in each case plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any),

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be:

I. that determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period) or;

II. if there is no such preceding Interest Determination Date, the initial Rate of Interest (but substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is/are to be applied to the relevant Interest Period from that which applied to the initial Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that initial Interest Period) or, in the case of Notes

with an Interest Basis that converts from a Fixed Rate to a Floating Rate, the Fixed Rate of Interest applicable to such Notes immediately prior to conversion of the Interest Basis.

"**Reference Banks**" means the principal office in (if the Reference Rate is EURIBOR) the Euro-zone or (if the Reference Rate is not EURIBOR) the Relevant Financial Centre for the relevant Reference Rate, of five major banks in (if the Reference Rate is EURIBOR) the Euro-zone inter-bank market or (if the Reference Rate is not EURIBOR) in the inter-bank market of the Relevant Financial Centre for the relevant Reference Rate, in each case selected by the Issuer and notified in writing to the Trustee and (as applicable) the Principal Paying Agent or the Calculation Agent.

(ii) ***Screen Rate Determination for Floating Rate Notes – Overnight Rate - Compounded Daily SONIA - Non-Index Determination***

This Condition 5.2(b)(ii) applies where the applicable Final Terms specifies: (1) "*Overnight Rate*" to be "*Applicable*"; (2) "*Compounded Daily SONIA*" as the Reference Rate; and (3) "*Index Determination*" to be "*Not Applicable*".

(A) The Rate of Interest for an Interest Accrual Period will, subject to Condition 5.3 and as provided below, be Compounded Daily SONIA with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

"**Compounded Daily SONIA**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

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

where:

"***d***" is the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

"**D**" is the number specified as such in the applicable Final Terms (or, if no such number is specified, 365);

"$d_o$" means:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days in the relevant Interest Accrual Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days in the relevant Observation Period;

"***i***" is a series of whole numbers from one to "$d_o$", each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

"**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;

"$n_i$" for any London Banking Day "*i*", means the number of calendar days from (and including) such London Banking Day "*i*" up to (but excluding) the following London Banking Day;

"**Observation Period**" means the period from (and including) the date falling "*p*" London Banking Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling "*p*" London Banking Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

"***p***" means:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days specified as the "Lag Period" in the applicable Final Terms (or, if no such number is so specified, five London Banking Days); or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days specified as the "Observation Shift Period" in the applicable Final Terms (or, if no such number is so specified, five London Banking Days);

the "**SONIA reference rate**", in respect of any London Banking Day ("$\mathbf{LBD_x}$"), is a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such $LBD_x$ 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) on the London Banking Day immediately following $LBD_x$; and

"$\mathbf{SONIA}_i$" means the SONIA reference rate for:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the London Banking Day falling "*p*" London Banking Days prior to the relevant London Banking Day "*i*"; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant London Banking Day "*i*".

(B) Subject to Condition 5.3(a), if, where any Rate of Interest is to be calculated pursuant to Condition 5.2(b)(ii)(A) above, in respect of any London Banking Day on which an applicable SONIA reference rate is required to be determined, such SONIA reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then the SONIA reference rate in respect of such London Banking Day shall be the rate determined by the Calculation Agent as:

(1) the sum of (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (London time) (or, if earlier, close of business) on such London Banking Day; and (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days in respect of 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

(2) if the Bank Rate under (1)(i) above is not available at the relevant time, either (A) the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day in respect of which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) or (B) if this is more recent, the latest rate determined under (1) above,

and, in each case, references to "SONIA reference rate" in Condition 5.2(b)(ii)(A) above shall be construed accordingly.

(C) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5.2(b)(ii), and without prejudice to Condition 5.3(a), the Rate of Interest shall be:

(1) that determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/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, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or

(2) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period),

in each case as determined by the Calculation Agent.

(iii) ***Screen Rate Determination – Overnight Rate - Compounded Daily SONIA - Index Determination***

This Condition 5.2(b)(iii) applies where the applicable Final Terms specifies: (1) "*Overnight Rate*" to be "*Applicable*"; (2) "*Compounded Daily SONIA*" as the Reference Rate; and (3) "*Index Determination*" to be "*Applicable*".

(A) The Rate of Interest for an Interest Accrual Period will, subject to Condition 5.3 and as provided below, be the Compounded Daily SONIA Rate with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

"**Compounded Daily SONIA Rate**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) (expressed as a percentage and rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent by reference to the screen rate or index for compounded daily SONIA rates administered by the administrator of the SONIA reference rate that is published or displayed on the Relevant Screen Page specified in the applicable Final Terms, or, if no such page is so specified or if such page is unavailable at the relevant time, as otherwise published or displayed by such administrator or other information service from time to time on the relevant Interest Determination Date (the "**SONIA Compounded Index**") and in accordance with the following formula:

$$\text{Compounded Daily SONIA Rate} = \left(\frac{SONIA\ Compounded\ Index_{End}}{SONIA\ Compounded\ Index_{Start}} - 1\right) x\ \frac{365}{d}$$

where:

"**d**" is the number of calendar days from (and including) the day in relation to which SONIA Compounded $\text{Index}_{\textbf{Start}}$ is determined to (but excluding) the day in relation to which SONIA Compounded $\text{Index}_{\textbf{End}}$ is determined;

"**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;

"**Relevant Number**" is the number specified as such in the applicable Final Terms (or, if no such number is so specified, five);

"**SONIA Compounded $\text{Index}_{\textbf{Start}}$**" means, with respect to an Interest Accrual Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the first day of such Interest Accrual Period; and

"**SONIA Compounded $\text{Index}_{\textbf{End}}$**" means, with respect to an Interest Accrual Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to (A) the Interest Payment Date for such Interest Accrual Period, or (B) 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 Accrual Period).

If the relevant SONIA Compounded Index is not published or displayed by the administrator of the SONIA reference rate or other information service by 5.00 p.m. (London time) (or, if later, by the time falling one hour after the customary or scheduled time for publication thereof in accordance with the

then-prevailing operational procedures of the administrator of the SONIA reference rate or of such other information service, as the case may be) on the relevant Interest Determination Date, the Compounded Daily SONIA Rate for the applicable Interest Accrual Period for which the SONIA Compounded Index is not available shall be "Compounded Daily SONIA" determined in accordance with Condition 5.2(b)(ii) above as if "*Index Determination*" were specified in the applicable Final Terms as being "*Not Applicable*", and for these purposes: (i) the "*Observation Method*" shall be deemed to be "*Observation Shift*", (ii) the "*Observation Shift Period*" shall be deemed to be equal to the Relevant Number of London Banking Days, as if those alternative elections had been made in the applicable Final Terms, and (iii) references in Condition 5.2(b)(ii) to the 'Relevant Screen Page' shall be deemed to be references to the Relevant Fallback Screen Page specified in the applicable Final Terms.

(iv) ***Screen Rate Determination – Overnight Rate – Compounded Daily SOFR – Non-Index Determination***

This Condition 5.2(b)(iv) applies where the applicable Final Terms specifies: (1) "*Overnight Rate*" to be "*Applicable*"; (2) "*Compounded Daily SOFR*" as the Reference Rate; and (3) "*Index Determination*" to be "*Not Applicable*".

(A) *Compounded Daily SOFR*

The Rate of Interest for an Interest Accrual Period will, subject to Condition 5.3(b) and as provided below, be Compounded Daily SOFR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

"**Compounded Daily SOFR**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily U.S. dollars secured overnight financing rate as reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

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

where:

"***d***" is the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

"**D**" is the number specified as such in the applicable Final Terms (or, if no such number is specified, 360);

"$d_o$" means:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days in the relevant Observation Period;

"***i***" is a series of whole numbers from one to "$d_o$", each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

"**New York Fed's Website**" means the website of the Federal Reserve Bank of New York (or a successor administrator of SOFR) or any successor source;

"$n_i$" for any U.S. Government Securities Business Day "*i*", means the number of calendar days from (and including) such U.S. Government Securities Business Day "*i*" up to (but excluding) the following U.S. Government Securities Business Day;

"**Observation Period**" means the period from (and including) the date falling "*p*" U.S. Government Securities Business Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling "*p*" U.S. Government Securities Business Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

"***p***" means:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days specified as the "Lag Period" in the applicable Final Terms (or, if no such number is so specified, two U.S. Government Securities Business Days); or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days specified as the "Observation Shift Period" in the applicable Final Terms (or, if no such number is so specified, two U.S. Government Securities Business Days);

"**SOFR**" in respect of any U.S. Government Securities Business Day ("**USBD**$_x$"), is a reference rate equal to the daily secured overnight financing rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Fed's Website, in each case at or around 3.00 p.m. (New York City time) on the U.S. Government Securities Business Day immediately following such USBD$_x$;

"**SOFR**$_i$" means the SOFR for:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the U.S. Government Securities Business Day falling "*p*" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "*i*";

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant U.S. Government Securities Business Day "*i*"; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(B) *SOFR Unavailable*

Subject to Condition 5.3(b), if, where any Rate of Interest is to be calculated pursuant to this Condition 5.2(b)(iv), in respect of any U.S. Government Securities Business Day in respect of which an applicable SOFR is required to be determined, such SOFR is not available, such SOFR shall be the SOFR for the first preceding U.S. Government Securities Business Day in respect of which the SOFR was published on the New York Fed's Website.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5.2(b)(iv), but without prejudice to Condition 5.3(b), the Rate of Interest shall be calculated in accordance, *mutatis mutandis*, with the provisions of Condition 5.2(b)(ii)(C).

(v) ***Screen Rate Determination – Overnight Rate - SOFR - Index Determination***

This Condition 5.2(b)(v) applies where the applicable Final Terms specifies: (1) "*Overnight Rate*" to be "*Applicable*"; (2) "*Compounded Daily SOFR*" as the Reference Rate; and (3) "*Index Determination*" to be "*Applicable*".

(A) The Rate of Interest for an Interest Accrual Period will, subject to Condition 5.3(b) and as provided below, be the Compounded SOFR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

"**Compounded SOFR**" means, with respect to an Interest Accrual Period, the rate (expressed as a percentage and rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent in accordance with the following formula:

$$\left(\frac{SOFR\,Index_{End}}{SOFR\,Index_{Start}} - 1\right) \; x \; \frac{360}{d_c}$$

where:

"$d_c$" is the number of calendar days from (and including) the day in relation to which SOFR $Index_{Start}$ is determined to (but excluding) the day in relation to which SOFR $Index_{End}$ is determined;

"**Relevant Number**" is the number specified as such in the applicable Final Terms (or, if no such number is so specified, two);

"**SOFR**" means the daily secured overnight financing rate as provided by the SOFR Administrator on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of SOFR);

"**SOFR Administrator's Website**" means the website of the SOFR Administrator, or any successor source;

**"SOFR Index**", with respect to any U.S. Government Securities Business Day, means the SOFR index value as published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at or around 3.00 p.m. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Determination Time**");

"**SOFR Index$_{Start}$**", with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding the first day of such Interest Accrual Period;

"**SOFR Index$_{End}$**", with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding (A) the Interest Payment Date for such Interest Accrual Period, or (B) 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 Accrual Period); and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(B) If, as at any relevant SOFR Determination Time, the relevant SOFR Index is not published or displayed on the SOFR Administrator's Website by the SOFR Administrator, the Compounded SOFR for the applicable Interest Accrual Period for which the relevant SOFR Index is not available shall be "Compounded Daily SOFR" determined in accordance with Condition 5.2(b)(iv) above as if "*Index Determination*" were specified in the applicable Final Terms as being '*Not Applicable*', and for these purposes: (i) the "*Observation Method*" shall be deemed to be "*Observation Shift*" and (ii) the "*Observation Shift Period*" shall be deemed to be equal to the Relevant Number of U.S. Government Securities Business Days, as if such alternative elections had been made in the applicable Final Terms.

(vi) ***Meaning of Interest Accrual Period***

As used herein, an "**Interest Accrual Period**" means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the relevant Series of Notes becomes due and payable in accordance with Condition 11, shall be the date on which such Notes become due and payable).

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period (or any other Interest Accrual Period falling within it) determined in accordance with the provisions of Condition 5.2(b) above is less than

such Minimum Rate of Interest, the Rate of Interest for such Interest Period (or, as the case may be, such other Interest Accrual Period falling within it) shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period (or any other Interest Accrual Period falling within it) determined in accordance with the provisions of Condition 5.2(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period (or, as the case may be, such other Interest Accrual Period falling within it) shall be such Maximum Rate of Interest.

Unless otherwise specified in the applicable Final Terms, each Interest Period (and any other Interest Accrual Period falling within it) in respect of which the Rate of Interest is required to be determined in accordance with the provisions of Condition 5.2(b) above shall be deemed to be subject to an applicable Minimum Rate of Interest equal to zero per cent.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period or, as the case may be, other Interest Accrual Period.

The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period or, as the case may be, other Interest Accrual Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes (or, in each case, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes which are Bearer Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period or any other Interest Accrual Period (the "**Calculation Period**") in accordance with this Condition 5.2:

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" 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 (I) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (II) 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:

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

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D1 will be 30; and

"**$D_2$**" 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:

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

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"$D_1$" 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

"$D_2$" 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:

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"$M_1$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$M_2$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"$D_1$" 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

"$D_2$" 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.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate, one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or the Calculation Agent, as applicable, shall inform the Issuer and such rate shall be determined by the Principal Paying Agent or the Calculation Agent, as applicable, at such rate at such time and by reference to such sources as the Issuer, in consultation with an independent investment bank or financial adviser of recognised standing and appropriate expertise, shall determine appropriate.

**Designated Maturity** means the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

(A) Except where the applicable Final Terms specifies "*Overnight Rate*" to be "*Applicable*", the Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(B) Where the applicable Final Terms specifies "*Overnight Rate*" to be "*Applicable*", the Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Accrual Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the second Business Day thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the relevant Interest Accrual Period. Any such amendment or alternative arrangements will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15.

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by (including any quotations obtained by the Issuer and provided to) the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, fraud or gross negligence) no liability shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, in connection with the proper exercise by it of any of its duties under this Condition 5.2.

## 5.3 Benchmark Discontinuation

This Condition 5.3 applies in respect of each issue of Floating Rate Notes unless "*Benchmark Discontinuation*" is specified in the applicable Final Terms to be 'Not Applicable'.

If the applicable Final Terms specifies "*Benchmark Replacement*" to be 'Applicable', the provisions of Condition 5.3(a) apply, together with the other provisions of this Condition 5.3 (other than Condition 5.3(b)).

If the applicable Final Terms specifies "*Benchmark Transition*" to be 'Applicable', the provisions of Condition 5.3(b) apply, together with the other provisions of this Condition 5.3 (other than Condition 5.3(a)).

The Guarantor shall procure that the Issuer complies with its obligations under this Condition 5.3.

*(a) Benchmark Replacement*

If this Condition 5.3(a) applies and the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate at any time when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

(i) **Independent Adviser**

The Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate or, failing which, an Alternative Rate (in accordance with Condition 5.3(a)(ii)) and, in either case, the applicable Adjustment Spread (in accordance with Condition 5.3(a)(iii)) and any Benchmark Amendments (in accordance with Condition 5.3(a)(iv)).

If, notwithstanding the Issuer's reasonable endeavours, the Issuer is unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, the Issuer shall nevertheless be entitled, acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Issuer pursuant to this Condition 5.3(a), notwithstanding that such determinations are not made following consultation with an Independent Adviser. If, however, the Issuer is unable to determine a Successor Rate or an Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments in accordance with this Condition 5.3(a), the provisions of Condition 5.3(f) below shall apply.

(ii) **Successor Rate or Alternative Rate**

If the Issuer, following consultation with such Independent Adviser (if appointed), determines in good faith that:

(A) there is a Successor Rate, then such Successor Rate shall (as adjusted by the applicable Adjustment Spread determined as provided in Condition 5.3(a)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.3); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (as adjusted by the applicable Adjustment Spread determined as provided in Condition 5.3(a)(iii)) subsequently be used in place of the Original Reference Rate

to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.3).

(iii) **Adjustment Spread**

If a Successor Rate or Alternative Rate is determined in accordance with the foregoing provisions, the Issuer, following consultation with the Independent Adviser (if appointed), will determine in good faith the Adjustment Spread to be applied to such Successor Rate or Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(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 5.3(a) and the Issuer, following consultation with the Independent Adviser (if appointed), determines in good faith (A) that amendments to the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement (including, without limitation, amendments to the definitions of Day Count Fraction, Business Days, Reset Determination Date, or Relevant Screen Page) are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.3(c), without any requirement for the consent or approval of Noteholders, Receiptholders or Couponholders, vary the Terms and Conditions of the Notes, 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 Directors of the Issuer pursuant to Condition 5.3(c), the Trustee and the Agents shall (at the Issuer's expense), without any requirement for the consent or approval of the Noteholders, Receiptholders or Couponholders, be obliged to concur with the Issuer and the Guarantor in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed or agreement supplemental to or amending the Trust Deed and/or the Agency Agreement (as applicable)) and neither the Trustee nor the Agents shall be liable to any party for any consequences thereof, provided that neither the Trustee nor any Agent shall be obliged so to concur if in the sole opinion of the Trustee or such Agent, as applicable, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Trustee or such Agent in the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.

In connection with any such variation in accordance with this Condition 5.3, 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) **Definitions**

As used in this Condition 5.3(a):

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

(A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;

(B) in the case of an Alternative Rate (or in the case of a Successor Rate where (A) above does not apply), the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines is in customary market usage (or reflects an industry-accepted rate, formula or methodology) in the international debt capital markets for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate (or, as the case may be, the Successor Rate); or

(C) if no such recommendation or option has been made (or made available) under (A) above and if the Issuer, following consultation with the Independent Adviser (if appointed) determines there is no such spread, formula or methodology in customary market usage or which is industry-accepted under (B) above, the Issuer, in its discretion, following consultation with the Independent Adviser (if appointed) and acting in good faith and in a commercially reasonable manner, determines to be appropriate having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this paragraph (C), of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders, Receiptholders and Couponholders (as applicable);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser (if appointed), determines in accordance with this Condition 5.3(a) has replaced the Original Reference Rate in customary market usage, or is an industry-accepted rate, in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes;

"**Benchmark Event**" means, with respect to an Original Reference Rate, any one or more of the following:

(A) the Original Reference Rate ceasing to exist or to be published or administered on a permanent or indefinite basis;

(B) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or will cease to publish 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);

(C) the making of 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;

(D) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will be prohibited from being used, is no longer (or will no longer be) representative of its underlying market or that its

use will be subject to restrictions or adverse consequences, in each case in circumstances where the same shall be applicable to the Notes; or

(E) it has or will prior to the next Interest Determination Date or Reset Determination Date, as applicable, become unlawful for the Issuer, the Principal Paying Agent, the Calculation Agent, or any other Agent to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate (including, without limitation, under Regulation (EU) 2016/1011 as that Regulation applies in the European Union or as it forms part of United Kingdom law, as amended or superseded, if applicable),

provided that in the case of paragraphs (B) to (D) above, the Benchmark Event shall occur on:

(i) in the case of (B) above, the date of the cessation of the publication of the Original Reference Rate;

(ii) in the case of (C) above, the discontinuation of the Original Reference Rate; or

(iii) in the case of (D) above, the date on which the Original Reference Rate is prohibited from use, is deemed no longer to be representative or becomes subject to restrictions or adverse consequences (as applicable),

and not (in any such case) the date of the relevant public statement (unless the date of the relevant public statement coincides with the relevant date in (i), (ii) or (iii) above, as applicable);

"**Independent Adviser**" means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense and approved in writing by the Trustee;

"**Original Reference Rate**" means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) on the Notes (provided that if, following one or more Benchmark Events, such originally specified Reference Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "Original Reference Rate" shall be deemed to include any such Successor Rate or Alternative Rate);

"**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; and

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

*(b) Benchmark Transition*

If this Condition 5.3(b) applies and the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in relation to an Original Reference Rate at any time when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

(i) **Independent Adviser**

The Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining the Benchmark Replacement which will replace such Original Reference Rate for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates (subject to any subsequent application of this Condition 5.3(b) with respect to such Benchmark Replacement) and any Benchmark Replacement Conforming Changes.

Any Benchmark Replacement so determined by the Issuer shall have effect for any subsequent determination of any relevant Rate of Interest (subject to any further application of this Condition 5.3(b) with respect to such Benchmark Replacement), subject, if any associated Benchmark Replacement Conforming Changes are required in connection therewith, to such Benchmark Replacement Conforming Changes becoming effective in accordance with the following provisions.

If, notwithstanding the Issuer's reasonable endeavours, the Issuer is unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, the Issuer shall nevertheless be entitled, acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Issuer pursuant to this Condition 5.3(b), notwithstanding that such determinations are not made following consultation with an Independent Adviser. If, however, the Issuer is unable to determine a Benchmark Replacement in accordance with this Condition 5.3(b), the provisions of Condition 5.3(f) below shall apply.

(ii) **Benchmark Replacement Conforming Changes**

If the Issuer, following consultation with the Independent Adviser (if appointed), considers it is necessary to make Benchmark Replacement Conforming Changes, the Issuer shall, in consultation with the Independent Adviser (if appointed), determine the terms of such Benchmark Replacement Conforming Changes, and shall, subject to giving notice in accordance with Condition 5.3(c) below (but without any requirement for the consent or approval of Noteholders, Receiptholders or Couponholders), vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Replacement Conforming Changes 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 5.3(c), the Trustee and each Agent shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, Receiptholders or Couponholders, be obliged to concur with the Issuer and the Guarantor in effecting any Benchmark Replacement Conforming Changes (including, *inter alia*, by the execution of a deed or an agreement supplemental to or amending the Trust Deed and/or the Agency Agreement (as applicable)) and neither the Trustee nor the Agents shall be liable to any party for any consequences thereof, provided that neither the Trustee nor any Agent shall be obliged so to concur if in the sole opinion of the Trustee or such Agent, as applicable, doing so

would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Trustee or such Agent in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.

In connection with any such variation in accordance with this Condition 5.3(b), 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.

(iii) **Definitions**

As used in this Condition 5.3(b):

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(i) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the Original Reference Rate for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(ii) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

(iii) the sum of: (a) the alternate rate of interest that has been selected by the Issuer as the replacement for the Original Reference Rate for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to any Interest Period, Interest Accrual Period, the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer (in consultation with the Independent Adviser, if appointed) decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with

market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer (in consultation with the Independent Adviser, if appointed) determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the Original Reference Rate (including the daily published component used in the calculation thereof):

(i) in the case of clause (i) or (ii) of the definition of "Benchmark Transition Event", the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Original Reference Rate permanently or indefinitely ceases to provide the Original Reference Rate (or such component); or

(ii) in the case of clause (iii) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than (where the Rate of Interest is to be determined pursuant to Condition 5.2(b)(i)) the Reference Time or (in any other case) the customary or scheduled time for publication of the relevant reference rate in accordance with the then-prevailing operational procedures of the administrator of such reference rate or, as the case may be, of the other relevant information service publishing such reference rate, on the relevant Interest Determination Date, the Benchmark Replacement Date will be deemed to have occurred prior to such time for such determination;

"**Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the Original Reference Rate (including the daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Original Reference Rate (or such component) announcing that such administrator has ceased or will cease to provide the Original Reference Rate (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Original Reference Rate (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate (or such component), the central bank for the currency of the Original Reference Rate (or such component), an insolvency official with jurisdiction over the administrator for the Original Reference Rate (or such component), a resolution authority with jurisdiction over the administrator for the Original Reference Rate (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Original Reference Rate, which states that the administrator of the Original Reference Rate (or such component) has ceased or will cease to provide the Original Reference Rate (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Original Reference Rate (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative;

"**Corresponding Tenor**" means, with respect to a Benchmark Replacement, a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the Original Reference Rate;

"**Independent Adviser**" means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense and notified in writing to the Trustee;

"**ISDA Definitions**" means the 2021 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; or

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Original Reference Rate;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Original Reference Rate for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Original Reference Rate**" means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) on the Notes (provided that if, following one or more Benchmark Transition Events, such originally specified benchmark or screen rate (or any benchmark used in any Benchmark Replacement which has replaced it (the "**Replacement Benchmark**")) has been replaced by a (or a further) Replacement Benchmark and a Benchmark Transition Event subsequently occurs in respect of such Replacement Benchmark, the term "Original Reference Rate" shall be deemed to include any such Replacement Benchmark);

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

*(c) Notices, etc.*

The Issuer shall notify the Trustee, the Principal Paying Agent, the Registrar (if this Note is in registered form), the Calculation Agent (if different from the Principal Paying Agent) and, in accordance with Condition 15, the Noteholders, promptly of any Successor Rate, Alternative Rate, Adjustment Spread and/or Benchmark Replacement, and the specific terms of any Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable), determined under this Condition 5.3. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable), if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Directors:

(i) confirming (x) that a Benchmark Event or a Benchmark Transition Event (as applicable) has occurred, (y) the Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread or, as the case may be, the Benchmark Replacement and (z) the specific

terms of the Benchmark Amendments or Benchmark Replacement Conforming Changes (if any), as applicable, in each case as determined in accordance with the provisions of this Condition 5.3;

(ii) certifying that the Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable) are necessary to ensure the proper operation of (as applicable) (A) such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread or (B) such Benchmark Replacement; and

(iii) certifying that (i) the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (ii) explaining, in reasonable detail, why the Issuer has not done so.

The Trustee shall be entitled to rely on such certificate (without inquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate, Alternative Rate, Benchmark Replacement, Adjustment Spread, Benchmark Amendments and/or Benchmark Replacement Conforming Changes (if any), as applicable, specified in such certificate will (in the absence of manifest error in the determination thereof and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Trustee, each of the Agents, the Noteholders, the Receiptholders and the Couponholders

*(d) Survival of Original Reference Rate*

Without prejudice to the Issuer's obligations under the provisions of this Condition 5.3, the Original Reference Rate and the fallback provisions provided for in Conditions 5.2, as applicable, will continue to apply unless and until the Trustee, the Principal Paying Agent and (if different from the Principal Paying Agent) the Calculation Agent have been notified, in accordance with Condition 5.3(c), of (as the case may be):

(i) the Successor Rate or the Alternative Rate (as the case may be), and (in either case) the Adjustment Spread and Benchmark Amendments (if any) determined in accordance with Condition 5.3(a); or

(ii) the Benchmark Replacement and Benchmark Replacement Conforming Changes (if any) determined in accordance with Condition 5.3(b).

*(e) Restriction on Independent Adviser and Issuer liability*

An Independent Adviser appointed pursuant to this Condition 5.3 shall act in good faith.

In the absence of bad faith or fraud, none of the Issuer, the Guarantor or the Independent Adviser shall have any liability whatsoever to the Trustee, the Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by the Issuer or the Independent Adviser or (in the case of the Independent Adviser) for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.3.

*(f) Fallbacks*

If, following the occurrence of:

(i) a Benchmark Event; or

(ii) a Benchmark Transition Event (and its related Benchmark Replacement Date),

in respect of the Original Reference Rate, on the immediately following Interest Determination Date:

(A) (in the case of (i) above) no Successor Rate or Alternative Rate (as applicable) is determined pursuant to Condition 5.3(a) or (as the case may be) a Successor Rate or Alternative Rate (as applicable) is determined, but no Adjustment Spread is determined pursuant to Condition 5.3(a); or

(B) (in the case of (ii) above) no Benchmark Replacement is determined in accordance with Condition 5.3(b),

then the original benchmark or screen rate (as applicable) will continue to apply for the purposes of determining such Rate of Interest on such Interest Determination Date, with the effect that the relevant fallback provisions provided in Condition 5.2, will continue to apply to such determination.

In such circumstances, unless otherwise waived by the Trustee, the provisions of this Condition 5.3 shall apply, *mutatis mutandis*, to each subsequent Interest Determination Date until:

(x) (in the case of (i) above) a Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments; or

(y) (in the case of (ii) above) the Benchmark Replacement and any Benchmark Replacement Conforming Changes,

have been determined and notified in accordance with this Condition 5.3.

*(g) Preparation in anticipation of a Benchmark Event or a Benchmark Transition Event*

If the Issuer anticipates that a Benchmark Event or a Benchmark Transition Event, as applicable, will or may occur, nothing in these Conditions shall prevent the Issuer (in its sole discretion) from taking, prior to the occurrence of such Benchmark Event or a Benchmark Transition Event, such actions as it considers expedient in order to prepare for applying the provisions of this Condition 5.3 (including, without limitation, appointing and consulting with an Independent Adviser with respect to the matters provided in this Condition 5.3).

### 5.4 Interest on Index Linked Interest Notes

This Condition 5.4 applies if this Note is an Index Linked Interest Note (unless otherwise specified in the applicable Final Terms, if this Note is an Exempt Note).

*(a) Interest Payment Dates*

Each Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (as such term is defined in Condition 5.2(a)).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.4(a)(ii) above, the "**Floating Rate Convention**", such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the "**Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

As used herein, "**Business Day**" has the meaning given in Condition 5.2(a).

*(b) Rate of Interest*

The Rate of Interest payable from time to time in respect of the Index Linked Interest Notes will be the product (rounded to six decimal places, with 0.0000005 being rounded upwards) of (i) the rate of interest per annum specified in the applicable Final Terms as the Base Interest Rate and (ii) the Index Ratio (as determined in accordance with Condition 6.1).

*(c) Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.4(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.4(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise specified in the applicable Final Terms, each Interest Period in respect of which the Rate of Interest is required to be determined in accordance with the provisions of Condition 5.4(b) above shall be deemed to be subject to an applicable Minimum Rate of Interest equal to zero per cent.

*(d) Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is capable of being determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the "**Interest Amount**") payable on the Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Index Linked Interest Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes (or, in each case, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Index Linked Interest Notes which are Bearer Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of an Index Linked Interest Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

For the purposes of the foregoing paragraph, the "**applicable Day Count Fraction**" shall be the Day Count Fraction specified in the applicable Final Terms, as defined in Condition 5.1 or Condition 5.2, as applicable, or, if the applicable Final Terms specifies the Day Count Fraction to be "**Index Day Count Fraction**" and if the Notes generally pay interest on a semi-annual basis, on the basis of a fraction (1) the numerator of which is the number of days from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next Interest Payment Date (or, if earlier, the date on which payment of such interest falls due); and (2) the denominator of which is two times the number of days (including the first but excluding the last) in the Interest Period.

*(e) Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the second London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the relevant Interest Period. Any such amendment or alternative arrangements will promptly be notified to each stock exchange on which the relevant Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15.

As used in the preceding paragraph, "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.4 by (including any quotations obtained by the Issuer and provided to) the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, fraud or gross negligence) no liability shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, in connection with the proper exercise by it of any of its duties under this Condition 5.4.

**5.5 Exempt Notes**

In the case of Exempt Notes which are Floating Rate Notes, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than EURIBOR, Compounded Daily SONIA or Compounded Daily SOFR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

In the case of Exempt Notes which are Index Linked Interest Notes, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement (which may, but need not, provide for the Rate of Interest to be determined as provided in Condition 5.4, if the applicable Index is RPI, CPI or CPIH).

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes, Floating Rate Notes or Index Linked Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

**5.6 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

**6. INDEXATION**

This Condition 6 applies if the applicable Final Terms specifies that this Note is an Index Linked Note. As used in these Conditions, "**Index Linked Note**" means a Note that is an Index Linked Interest Note and/or an Index Linked Redemption Note, as applicable, as specified in the applicable Final Terms.

The provisions of this Condition 6 shall apply in respect of payments of interest if this Note is an Index Linked Interest Note, and shall apply in respect of payments of principal if this Note is an Index Linked Redemption Note.

**6.1 Definitions**

In these Conditions:

"**Base Index Figure**" means (subject to Condition 6.3) the base index figure as specified in the applicable Final Terms;

"**Calculation Date**" means any date when an Interest Amount or principal amount, as the case may be, falls due;

"**CPI**" means the U.K. Consumer Price Index (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

"**CPIH**" means the U.K. Consumer Price Index including owner occupier's housing costs (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index 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 investment bank or other expert in London appointed by the Issuer at its own expense;

"**Index**" or "**Index Figure**" means, subject as provided in Conditions 6.3, 6.5 and 8.3, either RPI, CPI or CPIH, as specified in the applicable Final Terms;

"**Index Figure applicable**" shall be construed as follows:

(1) Where RPI is specified as the Index in the applicable Final Terms, any reference to the "**Index Figure applicable**" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.3, and if "3 months lag" is specified in the applicable Final Terms, be calculated in accordance with the following formula:

$$RPI_{m-3} + \frac{(Day\ of\ Calculation\ Date - 1)}{(Days\ in\ month\ of\ Calculation\ Date)}\ x\ (RPI_{m-2} - RPI_{m-3})$$

and rounded to five decimal places (0.000005 being rounded upwards), and where:

"**$RPI_{m-3}$**" means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due; and

"**$RPI_{m-2}$**" means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

(2) Where RPI is specified as the Index in the applicable Final Terms, any reference to the "**Index Figure applicable**" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.3, and if "8 months lag" is specified in the applicable Final Terms, mean the Index Figure for the first day of the month that is eight months prior to the month in which the payment falls due;

(3) Where CPI is specified as the Index in the applicable Final Terms, any reference to the "**Index Figure applicable**" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.3, be calculated in accordance with the following formula:

$$CPI_{m-t} + \frac{(Day\ of\ Calculation\ Date - 1)}{(Days\ in\ month\ of\ Calculation\ Date)}\ x\ \left(CPI_{m-(t-1)} - CPI_{m-t}\right)$$

and rounded to five decimal places (0.000005 being rounded upwards), and where:

"**$CPI_{m-t}$**" means the Index Figure for the first day of the month that is 't' months prior to the month in which the payment falls due; and

"**t**" is the lag period with a value of 2 to 24, as specified in the applicable Final Terms;

(4) Where CPIH is specified as the Index in the applicable Final Terms, any reference to the "**Index Figure applicable**" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.3, be calculated in accordance with the following formula:

$$CPIH_{m-t} + \frac{(Day\ of\ Calculation\ Date - 1)}{(Days\ in\ month\ of\ Calculation\ Date)}\ x\ \left(CPIH_{m-(t-1)} - CPIH_{m-t}\right)$$

and rounded to five decimal places (0.000005 being rounded upwards), and where:

"**$CPIH_{m-t}$**" means the Index Figure for the first day of the month that is 't' months prior to the month in which the payment falls due; and

"**t**" is the lag period with a value of 2 to 24, as specified in the applicable Final Terms;

"**HM 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 relevant Reference Gilt;

"**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 that is indexed to the same Index as the Notes and whose average maturity most closely matches that of the Notes as the Expert shall determine to be appropriate;

"**Index Ratio**" applicable to any Calculation Date means the Index Figure applicable to such month or date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards);

"**Reference Gilt**" means the Treasury Stock specified in the applicable Final Terms (or, if such stock is not in existence, such other index-linked stock issued by or on behalf of HM Government as the Issuer, on the advice of the Expert, may consider to be the most appropriate reference government stock for the Index Linked Notes); and

"**RPI**" means the U.K. Retail Price Index (for all items) published by the Office for National Statistics (January 1987 = 100) as published by HM Government.

### 6.2 Indexation of Principal

The Final Redemption Amount, the Early Redemption Amount and the Optional Redemption Amount in respect of the Index Linked Redemption Notes shall (subject as otherwise provided in the applicable Final Terms) be the nominal amount of the Index Linked Redemption Notes multiplied by the Index Ratio applicable to the date on which the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount (as the case may be) becomes payable (as determined in accordance with Condition 6.1), provided that:

(a) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the Notes determined in accordance with this Condition 6.2 (expressed on a per Calculation Amount basis), the Final

Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or

(b) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the Notes determined in accordance with this Condition 6.2 (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and

(c) the Calculation Agent will calculate the Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount (as the case may be) as soon as reasonably practicable after each time such amount is capable of being determined and will notify the Issuer, the Guarantor, the Trustee, the Principal Paying Agent, the Registrar (if this Note is in registered form), the Calculation Agent (if different from the Principal Paying Agent) and, in accordance with Condition 15, the Noteholders thereof as soon as practicable after calculating the same, and shall further notify any stock exchange on which the Notes are for the time being listed thereof.

### 6.3 Changes in Circumstances Affecting the Index

(a) *Change in Base*: If at any time and from time to time the Index is changed by the substitution of a new base for it, then with effect from (and including) the month in respect of which such substitution takes effect:

(i) the definition of 'Index' and 'Index Figure' in Condition 6.1 shall be deemed to refer to the month and/or year (as applicable) in substitution for January 1987 (where RPI is specified as the Index in the applicable Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the applicable Final Terms) (or, as the case may be, for such other date or month as may have been substituted for it); and

(ii) the definition of 'Base Index Figure' in Condition 6.1 shall be amended to mean the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index immediately prior to such substitution.

(b) *Delay in publication of the Index*: If in relation to a particular Interest Period or to the redemption of all or some only of the Notes and otherwise than in circumstances which the Issuer confirms in a certificate signed by two Directors to the Trustee may fall within Condition 6.5 or Condition 8.3 (notwithstanding that the Issuer may subsequently be advised that they do not fall within Condition 6.5 or Condition 8.3), 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 to any date is not published on or before the fourteenth day before the date on which such payment is due (the "**date for payment**"), the Index Figure for the relevant calculation month shall be:

(i) the substitute index figure (if any) as is published by the Bank of England or the United Kingdom Debt Management Office (or such other United Kingdom authority as may be appropriate) for the purposes of indexation or payments on the Reference Gilt or the Indexed Benchmark Gilt (as applicable) or, failing such publication, on any one or

more of HM Government's index-linked stocks that is indexed to the same Index as the Notes, as determined by the Expert; or

(ii) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.

**6.4 Application of Changes**

Where the provisions of Condition 6.3(b) apply, the Issuer shall deliver to the Trustee, the Principal Paying Agent and (if different from the Principal Paying Agent) the Calculation Agent a certificate signed by two Directors, acting on the sole advice of the Expert, as to the Index Figure applicable to the date for payment which shall be conclusive and binding (and upon which the Trustee may rely on without further enquiry or liability to any party). If a substitute index is published as specified in Condition 6.3(b)(i) above, a determination made based on that Index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published.

If no substitute index is so published and the index relating to the date for payment is subsequently published then:

(a) in the case of an Index Linked Note not falling due for redemption on the date for payment of interest or principal (as the case may be), if the index so subsequently published (if published when such Note remains outstanding) is greater or less than the Index applicable by virtue of Condition 6.3(b)(ii), the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest or principal (as the case may be) next payable on that Note on the date for payment on the basis of the index applicable by virtue of the preceding paragraph fell short of, or (as the case may be) exceeded the interest or principal (as the case may be) which would have been payable on that Note if the Index subsequently published had been published on or before the fourteenth Business Day before the date for payment; or

(b) in the case of any Note falling due for final redemption on the date of payment, no subsequent adjustment to amounts paid will be made.

**6.5 Cessation of or Changes to the Index**

*(a) CPI or CPIH*

Where CPI or CPIH is specified in the applicable Final Terms as 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 detrimental to the interests of the Issuer or the Noteholders, Receiptholders or Couponholders and if, within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), the Expert recommends for the purposes of the Index Linked Notes one or more adjustments to the Index or a 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, Receiptholders or Couponholders, as compared to the interests of the Issuer and the Noteholders, Receiptholders or Couponholders (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 Trustee, the Guarantor, the

Agents and, in accordance with Condition 15, the Noteholders of the adjustments to the Index or the introduction of the substitute index (with or without adjustments, as applicable).

*(b)* *RPI*

Where RPI is specified in the applicable Final Terms as the Index and:

(i) if notice is published by HM Treasury, or on its behalf, following a change to the coverage or the basic calculation of such Index, then the Calculation Agent shall make any such adjustments to the Index as are consistent with any adjustments made to the Index as applied to the Reference Gilt; and

(ii) if the Index ceases to be published:

(A) if at any time a substitute index has been designated by HM Treasury in respect of the Reference Gilt, the Index shall be replaced for the purposes of the relevant Index Linked Notes by the substitute index so designated, notwithstanding that any other substitute index may previously have been determined under paragraph (B) below; and

(B) if, within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), the Expert recommends for the purposes of the Index Linked Notes a substitute index (with or without adjustments), then provided that such substitute index is not materially detrimental (in the opinion of the Expert) either to the interests of the Issuer or the interests of the Noteholders, Receiptholders or Couponholders as compared to the interests of the Issuer and the Noteholders, Receiptholders or Couponholders (as the case may be) as they would have been had the Index continued to be published, the Index 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 Trustee, the Guarantor, the Agents and, in accordance with Condition 15, the Noteholders of the introduction of the substitute index (with or without adjustments), as applicable.

*(c)* *Provisions payments*

If any payment in respect of the Index Linked Notes is due to be made after the cessation or changes referred to in Condition 6.5(a) or Condition 6.5(b) above but before any such adjustment to, or replacement of, the Index takes effect, the Issuer (failing which, 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 6.1) 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 6.3(b)(i) above (also referred to below as a "provisional payment"), the Expert subsequently determines that the relevant circumstances fall within this Condition 6.5, 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.

### 6.6 Rights of Trustee

The Trustee shall be entitled to assume that no cessation of or change to the Index has occurred until informed otherwise by the Issuer and it will not be responsible for identifying or appointing an Expert. The Trustee may rely absolutely on any determination made or advice given by the Expert without need for further investigation.

### 6.7 Expert

The Issuer shall at its own expense appoint an Expert promptly if at any time any determination or recommendation is required to be made, or any advice provided, by an Expert under this Condition 6 or Condition 8.3.

In the absence of bad faith or fraud, none of the Issuer, the Guarantor or the Expert shall have any liability whatsoever to the Trustee, the Agents, the Noteholders, the Receiptholders or the Couponholders for any determination or recommendation made, or any advice provided, by the Expert in accordance with this Condition 6 or Condition 8.3, or for any determination made or action taken in good faith in reliance upon any such determination, recommendation or advice.

## 7. PAYMENTS

### 7.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment or other laws and regulations to which the Issuer, the Guarantor or their Agents are subject, 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 any law implementing an intergovernmental approach thereto.

### 7.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case

of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) and save as provided in Condition 7.4 should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Index Linked Interest Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

### 7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### 7.4 Specific provisions in relation to payments in respect of certain types of Exempt Notes

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment

will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

### 7.5 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**"). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer, the Guarantor, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### 7.6 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for their share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

### 7.7 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):

    (i) in the case of Notes in definitive form only, in the relevant place of presentation; and

    (ii) in each Additional Financial Centre (other than T2) specified in the applicable Final Terms;

(b) if T2 is specified as an Additional Financial Centre in the applicable Final Terms, a day on which T2 is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which T2 is open.

### 7.8 Interpretation of principal and interest

Any reference in the Conditions to "**principal**" in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution thereof, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes (and such term shall, for the avoidance of doubt, include any purchase price payable pursuant to Condition 8.6 as a result of the Issuer electing to purchase (or procure the purchase of) such Note on the Put Date instead of redeeming such Note);

(e) the Make-Whole Amount(s) (if any) in respect of the Notes;

(f) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;

(g) the Optional Clean-up Redemption Amount(s) (if any) of the Notes; and

(h) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to "**interest**" in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution thereof, pursuant to the Trust Deed.

## 8. REDEMPTION AND PURCHASE

### 8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### 8.2 Redemption for tax reasons

Subject to Condition 8.7, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note or an Index Linked Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or an Index Linked Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in,

or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor 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, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**8.3 Redemption for Index Reasons**

This Condition 8.3 shall apply if this Note is an Index Linked Note.

*(a) Provisions if the Index is CPI or CPIH*

If CPI or CPIH is specified in the applicable Final Terms as the Index, then if:

(i) the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), or states to the Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments), as described in Condition 6.5, the Issuer shall, within 14 days of the expiry of such period or (as the case may be) after the date of such statement, give notice to the Trustee, the Principal Paying Agent, the Registrar (if this Note is in registered form) and, in accordance with Condition 15, the Noteholders (which notice to Noteholders shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem all (but not some only) of the Notes then outstanding, at a price equal to their nominal amount multiplied, if this Note is an Index Linked Redemption Note, by the Index Ratio applicable to the date on which the date fixed for redemption falls, together with any accrued and unpaid interest up to (but excluding) the redemption date; or

(ii) the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), or states to the Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments), as described in Condition 6.5, the Issuer may at its option, within 14 days of the expiry of such period or (as the case may be) after the date of such statement, give notice to the Trustee, the Principal Paying Agent, the Registrar (if this Note is in registered form) and, in accordance with Condition 15, the Noteholders (which notice to Noteholders shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem all (but not some only) of the Notes then outstanding, at a price equal to their nominal amount multiplied, if this Note is an Index Linked Redemption Note, by the Index Ratio applicable to the date on which the date fixed for redemption falls, together with any accrued and unpaid interest up to (but excluding) the redemption date.

*(b) Provisions if the Index is RPI*

If RPI is specified in the applicable Final Terms as the Index, then if:

(i) the Index ceases to be published and if both (A) no substitute index is designated by HM Treasury in respect of the Reference Gilt as described in Condition 6.5(b)(i) and (B) the Expert fails within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), or states to the Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any substitute index (with or without adjustments), as described in Condition 6.5(b)(ii), the Issuer shall, within 14 days of the expiry of such period or (as the case may be) after the date of such statement, give notice to the Trustee, the Principal Paying Agent, the Registrar (if this Note is in registered form) and, in accordance with Condition 15, the Noteholders (which notice to Noteholders shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem all (but not some only) of the Notes then outstanding, at a price equal to their nominal amount multiplied, if this Note is an Index Linked Redemption Note, by the Index Ratio applicable to the date on which the date fixed for redemption falls, together with any accrued and unpaid interest up to (but excluding) the redemption date; or

(ii) notice is published by HM Treasury, or on its behalf, following cessation of the Index, offering a right of redemption to the holders of the Reference Gilt, and no amendment or substitution of the Index shall have been designated by HM Treasury in respect of the Reference Gilt and such circumstances are continuing, the Issuer may at its option, within 14 days of the date of such publication, give notice to the Trustee, the Principal Paying Agent, the Registrar (if this Note is in registered form) and, in accordance with Condition 15, the Noteholders (which notice to Noteholders shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem all (but not some only) of the Notes then outstanding, at a price equal to their nominal amount multiplied, if this Note is an Index Linked Redemption Note, by the Index Ratio applicable to the date on which the date fixed for redemption falls, together with any accrued and unpaid interest up to (but excluding) the redemption date.

## 8.4 Redemption at the option of the Issuer

*(a) Issuer Call*

If 'Issuer Call' is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or (if so specified in the applicable Final Terms) some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

*(b) Issuer Make-Whole Redemption Option*

If 'Issuer Make-Whole Redemption Option' is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or (if so specified in the applicable Final Terms) some only of the Notes then outstanding on any Make-Whole Redemption Date specified in the applicable Final Terms and at the relevant Make-Whole Amount (calculated as provided below) together, if appropriate, with interest accrued to (but excluding) the relevant Make-Whole Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Nominal Redemption Amount and not more than the Maximum Nominal Redemption Amount, in each case as may be specified in the applicable Final Terms.

The "**Make-Whole Amount**" for those Notes to be redeemed on the relevant Make-Whole Redemption Date shall be an amount equal to: (A) 100 per cent. of the principal amount outstanding of such Notes to be redeemed; or (B) (if this is higher than the amount determined in accordance with (A)) the sum of the then present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes discounted to the applicable Make-Whole Redemption Date (assuming for this purpose that such Notes would otherwise be redeemed at their principal amount on the Next Par Redemption Date) on an annual, semi-annual or such other basis as is equivalent to the normal frequency of scheduled interest payments on the Notes (as determined by the Nominated Financial Adviser) at the Make-Whole Reference Bond Rate plus the Make-Whole Redemption Margin, all as determined by the Nominated Financial Adviser.

For the purposes of this Condition 8.4(b):

"**Make-Whole Redemption Margin**" shall be as set out in the applicable Final Terms;

"**Make-Whole Reference Bond**" means the security identified as such in the applicable Final Terms, *provided that* if such security is no longer outstanding, or the Make-Whole Reference Screen Page does not quote the yield on such security, or if the Nominated Financial Adviser otherwise advises the Issuer that such security is (for reasons of illiquidity or otherwise) not appropriate for the purpose of determining the applicable Make-Whole Amount, the Make-Whole Reference Bond shall be such alternative government or other security selected by the Issuer (with the advice of the Nominated Financial Adviser) having an actual or interpolated maturity comparable with the remaining term to the Next Par Redemption Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing

new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term to the Next Par Redemption Date;

"**Make-Whole Reference Bond Rate**" means, with respect to any Make-Whole Redemption Date, either: (i) the rate per annum equal to the annual or semi-annual (as the case may be) yield to maturity of the Make-Whole Reference Bond displayed on the Make-Whole Reference Screen Page as of approximately the Quotation Time on such Make-Whole Reference Date, as determined by the Nominated Financial Adviser; or (ii) if the Make-Whole Reference Screen Page is not available (or does not provide the relevant information) as of the Quotation Time on the Make-Whole Reference Date: (A) if the Nominated Financial Adviser obtains at least four such Reference Government Bond Dealer Quotations, the arithmetic average of the Reference Government Bond Dealer Quotations for such Make-Whole Redemption Date, after excluding the highest such Reference Government Bond Dealer Quotation (or, in the event of equality, one such highest Reference Government Bond Dealer Quotation) and the lowest such Reference Government Bond Dealer Quotation (or, in the event of equality, one such lowest Reference Government Bond Dealer Quotation); or (B) if the Nominated Financial Adviser obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations, in each case as determined by the Nominated Financial Adviser;

"**Make-Whole Reference Date**" means the date specified as such in the relevant notice of redemption and shall in any event be no earlier than the day falling three Business Days prior to the relevant Make-Whole Redemption Date;

"**Make-Whole Reference Screen Page**" means the page, section or other part of the relevant information service specified as such in the applicable Final Terms or such successor or other page, section or part as may replace it on such information service or any successor or other information service as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying the mid-market yield to maturity for the Make-Whole Reference Bond, all as determined by the Nominated Financial Adviser;

"**Next Par Redemption Date**" means, in respect of any Note to be redeemed on a Make-Whole Redemption Date, the first to occur of the following dates after such Make-Whole Redemption Date: (i) the Maturity Date; or (ii) the next Optional Redemption Date (if any) on which the Issuer would have been entitled, pursuant to Condition 8.4(a) (*Issuer Call*) above, to redeem such Note at an Optional Redemption Amount equal to 100 per cent. of the principal amount of such Note (which, for the avoidance of doubt, may be expressed in the applicable Final Terms as an Optional Redemption Amount per Calculation Amount that is equal to the Calculation Amount);

"**Nominated Financial Adviser**" means an independent investment bank or financial adviser of international standing appointed by the Issuer at its own expense and whose identity is approved by the Trustee;

"**Quotation Time**" shall be as set out in the applicable Final Terms;

"**Reference Government Bond Dealer**" means each of five banks selected by the Issuer (in consultation with the Nominated Financial Adviser) which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"**Reference Government Bond Dealer Quotation**" means, with respect to a Reference Government Bond Dealer and an applicable Make-Whole Redemption Date, the rate per annum equal to the annual or semi-annual (as the case may be) yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the Make-Whole Reference Bond (rounded to

the nearest 0.001 per cent., with 0.0005 per cent. rounded upwards) at the Quotation Time on the Make-Whole Reference Date quoted in writing to the Nominated Financial Adviser by such Reference Government Bond Dealer; and

"**Remaining Term Interest**" means, with respect to any Note to be redeemed on an applicable Make-Whole Redemption Date, the aggregate amount of the scheduled payment(s) of interest on such Note for the remaining term from (and including) such Make-Whole Redemption Date to (but excluding) the Next Par Redemption Date, determined on the basis of the rate of interest applicable to such Note.

*(c) Partial redemption of Notes*

In the case of a partial redemption of Notes pursuant to this Condition 8.4, the Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules 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). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

**8.5 Redemption at the option of the Noteholders (Investor Put)**

This Condition 8.5 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an "**Investor Put**". The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 8.5 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on their instruction by Euroclear, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 11, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.5.

**8.6 Redemption at the option of the Noteholders upon the occurrence of a Put Event (Event Put Option)**

This Condition 8.6 applies only if "*Event Put Option*" is specified in the applicable Final Terms as being applicable.

*(a) Event Put Option*

Subject as provided in this Condition 8.6 below, if, at any time while any of the Notes remains outstanding a Put Event occurs then, unless the Issuer shall have given a notice of redemption of the relevant Notes under any of Conditions 8.2, 8.3 or 8.4 (or, if applicable, if the relevant Notes are the subject of a valid Event Put Notice given by a Noteholder pursuant to Condition 8.5), the holder of each Note will, upon the giving of a Put Event Notice (as defined below), have the option (the "**Event Put Option**") to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) that Note on the Put Date (as defined below), at the Optional Redemption Amount specified in the applicable Final Terms together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date.

If, at any time while any of the Notes remains outstanding, a Restructuring Event occurs and prior to the commencement of or during the Restructuring Period an Independent Financial Adviser certifies in writing to the Trustee that such Restructuring Event will not be or is not, in its opinion, materially prejudicial to the interests of the Noteholders, the provisions of this Condition 8.6 shall cease to have any further effect in relation to such Restructuring Event. Any certification by an Independent Financial Adviser as aforesaid as to whether or not, in its opinion, any Restructuring Event is materially prejudicial to the interests of the Noteholders shall, in the absence of manifest error, be conclusive and binding on the Trustee, the Issuer, the Guarantor, the Agents, the Noteholders, the Receiptholders and the Couponholders.

Notwithstanding the determination of any Independent Financial Adviser pursuant to the foregoing paragraph, a Restructuring Event shall be deemed not to be materially prejudicial to the interests of the Noteholders if, notwithstanding the occurrence of a Rating Downgrade or a Negative Rating Event, the rating assigned to the Rated Securities by any Rating Agency is subsequently increased to, or, as the case may be, any Rating Agency assigns to the Notes or other unsecured and unsubordinated debt of the Guarantor (or of the Issuer or any other Subsidiary of the Guarantor which, in any such case, is guaranteed on an unsecured and unsubordinated basis by the Guarantor) having an initial maturity of five years or more, an investment grade rating (BBB-/Baa3 or their respective equivalents for the time being or better)

prior to any Negative Certification being issued. If the rating designations employed by any Rating Agency is changed from those which are described in this Condition 8.6 (or the definitions attributable thereto), the Guarantor shall determine, with the approval in writing of the Trustee, the rating designations of that Rating Agency as are most equivalent to the prior rating designations of that Rating Agency, and this Condition shall be construed accordingly.

*(b) Put Event Notice*

Promptly upon, and in any event within 14 days after, the Issuer or the Guarantor becoming aware that a Put Event has occurred, the Issuer or, as the case may be, the Guarantor shall, and at any time upon the Trustee having express notice that a Put Event has occurred the Trustee may, and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding shall (at the expense of the Issuer, failing which the Guarantor), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 15 specifying the nature of the Put Event and the procedure for exercising the Event Put Option.

*(c) Exercise of Event Put Option*

(i) *General exercise provisions*

To exercise the Event Put Option, the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the period (the "**Put Period**") of 45 days following the date on which a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (an "**Event Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2.

(ii) *Provisions applicable to Notes in definitive bearer form held outside the clearing systems*

If this Note is in definitive bearer form, the Event Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Event Put Notice, be held to its order or under its control. Furthermore, if this Note is in definitive bearer form, it should be delivered together with all Coupons (if any) appertaining to this Note maturing after the day (the "**Put Date**") being the fifteenth day after the date of expiry of the Put Period. Upon the Put Date, all unmatured Coupons (which shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), if any, appertaining to this Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

The Paying Agent to which such definitive bearer Note and Event Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt (a "**Put Receipt**") in respect of the Note so delivered. Payment by the Issuer in respect of any Note so delivered shall be made, if the Noteholder duly specified in the Event 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 Put Receipt at the specified office of any Paying Agent. An Event Put Notice, once given, shall be irrevocable. For the purposes of

Conditions 1, 10, 11, 12, 16, 19 and 20, Put Receipts issued pursuant to this Condition 8.6 shall be treated as if they were Notes if the context so admits.

(iii) *Provisions applicable to Notes held in the clearing systems*

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the Event Put Option the holder of this Note must, within the Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on their instruction by Euroclear, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time. Such Noteholder will be required to comply with the standard procedures of the relevant clearing system at such time, which may include blocking the relevant Notes in the relevant clearing system account. Payment by the Issuer (failing which, the Guarantor) in respect of any Note which is the subject of such exercise by the Noteholder will be made on the Put Date in accordance with the standard procedures of the relevant clearing system or otherwise in accordance with such information as such Noteholder may be required to specify in the notice exercising its option to require redemption of the Notes.

*(d) Occurrence of Rating Downgrade or Negative Rating Event or a non-investment grade rating*

A Rating Downgrade or a Negative Rating Event or a non-investment grade rating shall be deemed not to have occurred as a result or in respect of a Restructuring Event if the Rating Agency making the relevant reduction in rating or, where applicable, declining to assign a rating of at least investment grade as provided in this Condition 8.6 does not announce or publicly confirm or inform the Trustee in writing that the reduction or, where applicable, declining to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event.

*(e) Rights of the Trustee*

The Trust Deed provides that the Trustee is under no obligation to ascertain whether a Restructuring Event, a Negative Rating Event, a Rating Downgrade or a Put Event or any event which could lead to the occurrence of or could constitute a Restructuring Event, a Negative Rating Event, a Rating Downgrade or a Put Event has occurred, and until it shall have actual knowledge or express written notice pursuant to the Trust Deed to the contrary the Trustee may assume that no Restructuring Event, Negative Rating Event, Rating Downgrade or Put Event or such other event has occurred. The Trust Deed also provides that in determining whether or not a Restructuring Event, a Negative Rating Event, a Rating Downgrade or a Put Event has occurred, the Trustee may rely solely on an opinion given in a certificate signed by two Directors of the Issuer or two Directors of the Guarantor. The Trustee shall have no liability to any person for so assuming or relying as contemplated in this Condition 8.6(e).

*(f) Definitions and Interpretation*

*Definitions*

As used in these Conditions:

"**Appointment**" means the instrument of appointment dated 24 August 1989 under sections 11 and 14 of the Water Act 1989 (now section 6 of the Water Industry Act 1991) as in effect on the Issue Date of the first Tranche of the Notes, appointing the Guarantor as a water undertaker and sewerage undertaker for the supply areas described therein;

"**Independent Financial Adviser**" means an independent financial adviser appointed by the Issuer (at its own expense) and notified in writing to the Trustee or, if the Issuer shall not have appointed such an adviser within 21 days after becoming aware of the occurrence of a Restructuring Event and the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction against the costs of such adviser, appointed by the Trustee following consultation with the Issuer;

"**K**" has the meaning provided in the Appointment.

a "**Negative Certification**" means, in respect of a Restructuring Event, a certification in writing to the Issuer, the Guarantor and the Trustee by an Independent Financial Adviser that such Restructuring Event is, in the opinion of such Independent Financial Adviser, materially prejudicial to the interests of the Noteholders;

a "**Negative Rating Event**" shall be deemed to have occurred if (a) the Issuer does not, either prior to or not later than 14 days after the date of a Negative Certification in respect of the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain from a Rating Agency, a rating of the Notes or any other unsecured and unsubordinated debt of the Guarantor (or of the Issuer or of any Subsidiary of the Guarantor which, in any such case, is guaranteed on an unsecured and unsubordinated basis by the Guarantor) having an initial maturity of five years or more or (b) if it does so seek, it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being, or better) by the end of the Restructuring Period;

"**Ofwat**" means The Water Services Regulation Authority (which acts as the economic regulator of the water industry);

a "**Put Event**" occurs:

(a) if the Appointment is terminated except in respect of such part of its area as is the subject of an appointment or variation by virtue of section 7(4)(b), (bb) or (c) of the Water Industry Act; or

(b) if a Restructuring Event occurs and (subject as provided in this Condition 8.6):

(i) within the Restructuring Period, either:

(A) if at the time such Restructuring Event occurs there are Rated Securities, a Rating Downgrade in respect of such Restructuring Event also occurs; or

(B) if at such time there are no Rated Securities, a Negative Rating Event in respect of such Restructuring Event also occurs; and

(ii) an Independent Financial Adviser shall have provided a Negative Certification,

and in the circumstances set out in this sub-paragraph (b) the Put Event shall occur on the date of the last to occur of (I) such Restructuring Event, (II) either a Rating Downgrade or, as the case may be, a Negative Rating Event and (III) the relevant Negative Certification;

"**Rated Securities**" means the Notes, if at any time and for so long as they have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of the Guarantor (or of the Issuer or any Subsidiary of the Guarantor which, in any such case, is guaranteed on

an unsecured and unsubordinated basis by the Guarantor) having an initial maturity of five years or more which is rated by a Rating Agency;

"**Rating Agency**" means any of Fitch Ratings Ltd, S&P Global Ratings UK Limited or Moody's Investors Service Limited, or any of their respective successors or affiliates, or any rating agency substituted for any of them (or any permitted substitute of them) by the Issuer or the Guarantor from time to time with the prior written approval of the Trustee;

a "**Rating Downgrade**" shall be deemed to have occurred in respect of a Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency (whether provided by a Rating Agency at the request of the Issuer or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall then have already rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category (for example, from BB+/Ba1 to BB/Ba2 or such similar lowering);

"**Restructuring Event**" means the occurrence of one or both of the following events:

(a) 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 as in force on the Issue Date of the first Tranche of the Notes or any material terms of the Appointment are modified (whether or not with the consent of the Guarantor and whether pursuant to the Water Industry Act or otherwise) unless two Directors of the Guarantor have certified in good faith to the Trustee that such modified rights, benefits, obligations or terms are not materially less favourable to the business of the Group and to the business of the Guarantor (provided that an adjustment to K shall not fall within this paragraph (a)); or

(b) 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 (or any successor) and/or Ofwat (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 but excluding, in all circumstances, the Water Act 2003) in each case as compared to those in force on the Issue Date of the first Tranche of the Notes unless two Directors of the Guarantor have certified in good faith to the Trustee that such removal, reduction or qualification is unlikely to have a material adverse effect on the financial condition of the Group and the Guarantor;

"**Restructuring Period**" means:

(a) if at any time a Restructuring Event occurs there are Rated Securities, the period of 60 days starting from and including the day on which that Restructuring Event occurs; or

(b) if at the time a Restructuring Event occurs there are no Rated Securities, the period starting from and including the day on which that Restructuring Event occurs and ending on the day 60 days following the later of (i) the date on which the Issuer or the Guarantor shall seek to obtain a rating as contemplated in the definition of Negative Rating Event prior to the expiry of the 14 days referred to in that definition and (ii) the date on which a Negative Certification shall have been given to the Issuer, the Guarantor and the Trustee in respect of that Restructuring Event; and

"**Water Industry Act**" means the Water Industry Act 1991 as amended or re-enacted from time to time and all subordinate legislation made pursuant thereto.

*Interpretation*

Any reference in this Condition 8.6 to an obligation being guaranteed shall include a reference to an indemnity being given in respect of the obligation.

**8.7 Early Redemption Amounts**

For the purpose of Condition 8.2 above and Condition 11:

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount specified in the applicable Final Terms; and

(b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^{y}$$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the -actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

**8.8 Specific redemption provisions applicable to certain types of Exempt Notes**

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes which are Exempt Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 8.2, any such Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 8.8 and the applicable Pricing Supplement.

### 8.9 Purchases

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.

### 8.10 Cancellation

All Notes which are redeemed, and any Notes purchased and surrendered for cancellation pursuant to Condition 8.9 above, will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

### 8.11 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1, 8.2, 8.4, 8.5 or 8.6 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.7(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

### 8.12 Clean-up Redemption Option (Clean-up Call)

If "*Clean-up Redemption Option"* is specified as being applicable in the applicable Final Terms, and if at any time the percentage specified as the Clean-up Percentage in the applicable Final Terms (the "**Clean-up Percentage**") or more of the aggregate outstanding nominal amount of the Notes originally issued (and, for this purpose, any further Notes issued pursuant to Condition 18 and consolidated to form a single Series with the Notes shall be deemed to have been originally issued) has been redeemed pursuant to Conditions 8.4, 8.5 and/or 8.6 and/or purchased and cancelled pursuant to Conditions 8.9 and 8.10, the Issuer may, having given not less than the minimum period of notice nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Clean-up Redemption Date**")) and to the Trustee, the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar, redeem all, but not some only, of the remaining Notes then outstanding at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note). Any such redemption of Notes shall take place on the Clean-up Redemption

Date at the applicable Optional Clean-up Redemption Price together, if applicable, with any accrued and unpaid interest up to (but excluding) the Clean-up Redemption Date.

As used herein, "**Optional Clean-up Redemption Price**" means (subject to the following proviso) the amount specified as (or the amount determined in the manner specified as) the Clean-up Redemption Amount in the applicable Final Terms, *provided that* if the Issuer's right to redeem the Notes under this Condition 8.12 has become available as a result of the Issuer having redeemed some (and not all) of the Notes at a Make-Whole Amount pursuant to Condition 8.4(b), the Optional Clean-up Redemption Price shall be the higher of: (i) the amount specified as (or the amount determined in the manner specified as) the Clean-up Redemption Amount in the applicable Final Terms; and (ii) a Make-Whole Amount calculated *mutatis mutandis* as provided in Condition 8.4(b), save that the Make-Whole Redemption Date for the purposes of such calculation shall be the relevant Clean-up Redemption Date.

Prior to the publication of any notice of redemption pursuant to this Condition 8.12, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem the Notes have occurred, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall (in the absence of manifest error) be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

## 9. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in the United Kingdom; or

(b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of the holder having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment by, or by a third party on behalf of, a holder who would be able to avoid withholding or deduction by satisfying or procuring that any third party that presents for payment satisfies any statutory requirements or by making or procuring that any third party that presents for payment makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority in the place of presentation or in the relevant Tax Jurisdiction but fails to do so; or

(d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.7).

In this Condition 9, references to "principal" shall include any purchase price payable by any person pursuant to Condition 8.6 as a result of the Issuer electing to purchase, or procure the purchase of, any Note on the Put Date instead of redeeming such Note.

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, and neither the Issuer nor the Guarantor shall be required to pay any additional amounts under this Condition 9 on account of any such deduction or withholding.

In addition, as used herein:

(i) "**Tax Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer or the Guarantor, as the case may be, of principal or interest on or in respect of the Notes (or under the Guarantee in respect thereof) become generally subject to tax; and

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## 10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

## 11. EVENTS OF DEFAULT AND ENFORCEMENT

### 11.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in any of sub-paragraphs (b), (e), (f), (g), (h), (i) and (k) inclusive below (or sub-paragraph (l) below as it relates to any such afore-mentioned sub-paragraph), only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

(a) if default is made for a period of 15 days or more in the payment in the Specified Currency of any principal of or interest due in respect of the Notes or any of them or in the payment of the purchase price due in respect of any Note pursuant to Condition 8.5; or

(b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except where the Trustee shall have certified to the Issuer or the Guarantor, as the case may be, in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 60 days (or such longer period as the Trustee may in its absolute discretion permit) next following the service by the Trustee of notice on the Issuer or the Guarantor, as the case may be, specifying such failure and requiring the same to be remedied; or

(c) if (i) any other present or future indebtedness for borrowed money of the Issuer, the Guarantor or any Principal Subsidiary becomes due and repayable prior to its stated maturity by reason of an event of default howsoever described or (ii) any such indebtedness for borrowed money is not paid when due (or, as the case may be, within any originally applicable grace period) or (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due (or, as the case may be, within any originally applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for borrowed money of any person or (iv) any security given by the Issuer, the Guarantor or any Principal Subsidiary for any indebtedness for borrowed money of any person or for any guarantee or indemnity of indebtedness for borrowed money of any person becomes enforceable by reason of default in relation thereto and steps are taken to enforce such security, save (A) in any such case where there is (as certified to the Trustee by the Issuer or the Guarantor by certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor) a *bona fide* dispute as to whether the relevant indebtedness for borrowed money or any such guarantee or indemnity as aforesaid shall be due and payable or any such security as aforesaid shall be enforceable, and (B) provided that the aggregate amount of the relevant indebtedness for borrowed money in respect of which any one or more of the events mentioned above in this sub-paragraph (c) has or have occurred equals or exceeds £50,000,000 (or its equivalent in other currencies (as determined by the Trustee)) or, if greater, 1.5 per cent. of the Capital and Reserves (as defined in Condition 4.2); and for the purposes of this sub-paragraph (c), "indebtedness for borrowed money" shall have the meaning given in Condition 4.2 save that it shall exclude Project Finance Indebtedness (as defined in Condition 4.2); or

(d) if (i) any order is made by any competent court or any resolution shall be passed for the winding up or dissolution of the Issuer or the Guarantor, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) a petition is presented under section 24 of the Water Industry Act (and is not dismissed within 60 days) or a special administration order is made under section 24 or section 25 of the Water Industry Act in respect of the Guarantor; or

(e) if any order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of a Principal Subsidiary (other than the Issuer), save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) not involving or arising out of the insolvency of such Principal Subsidiary and under which all the surplus assets of such Principal Subsidiary are transferred to the Issuer or the Guarantor or any other of their respective Subsidiaries (other than an Excluded Subsidiary) which is, or thereby immediately becomes, a Principal Subsidiary or (B) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(f) if the Issuer, the Guarantor or any Principal Subsidiary shall cease to carry on the whole or, in the opinion of the Trustee, substantially the whole of its business, save in each case for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (i) in respect of a Principal Subsidiary, not involving or arising out of the

insolvency of such Principal Subsidiary and under which all or, in the opinion of the Trustee, substantially all of its assets are transferred to another member or members of the Group (other than an Excluded Subsidiary) which is or are, or to a transferee or transferees which is or are, or immediately upon such transfer become(s), a Principal Subsidiary or Principal Subsidiaries or (ii) in respect of a Principal Subsidiary, under which all or substantially all of its assets are transferred to a third party or parties (whether associates or not) for full consideration by such Principal Subsidiary on an arm's length basis or (iii) in respect of the Issuer, the Guarantor or any Principal Subsidiary, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(g) if the Issuer, the Guarantor or any Principal Subsidiary shall suspend or announce its intention to suspend payment of its debts generally or shall be declared or adjudicated by a competent court to be unable, or shall admit in writing its inability, to pay its debts generally (within the meaning of section 123(1) or (2) of the Insolvency Act 1986) as they fall due, or shall be adjudicated or found insolvent by a competent court or shall make any assignment for the benefit of, or enter into any composition or other similar arrangement with, its creditors generally (or any class of its creditors) including (but not limited to) under section 1 of the Insolvency Act 1986; or

(h) if (i) a receiver, administrative receiver, administrator or other similar official shall be appointed in relation to the Issuer, the Guarantor or any Principal Subsidiary or in relation to the whole or, in the opinion of the Trustee, a substantial part of the undertaking or assets of any of them or a distress, execution or other process shall be levied or enforced upon or sued out against, or any encumbrancer shall take possession of, the whole or, in the opinion of the Trustee, a substantial part of the undertaking or assets of any of them and (ii) in any of the foregoing cases (other than the appointment of an administrator) is not discharged within 60 days (or such longer period as the Trustee may in its absolute discretion permit); or

(i) if the Issuer ceases to be a Subsidiary of the Guarantor; or

(j) if the Guarantee is not, or is claimed by the Guarantor not to be, in full force and effect; or

(k) it is or becomes unlawful for the Issuer or the Guarantor to perform any of their respective obligations under the Notes or the Trust Deed (including the Guarantee); or

(l) if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (j) above.

For the purposes of sub-paragraph (g) above, section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£350,000". Neither the Issuer, the Guarantor nor any Principal Subsidiary shall be deemed to be unable to pay its debts for the purposes of sub-paragraph (g) above if any such demand as mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the Issuer, the Guarantor or the relevant Principal Subsidiary with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Trustee under this Condition.

**11.2 Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least

one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, (i) fails so to do within a reasonable period, or (ii) is unable for any reason so to do, and the failure or inability shall be continuing.

## 12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 13. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent, a Registrar and, if and for so long as any calculation or determination is required to be made under these Conditions in respect of this Note by a Calculation Agent, a Calculation Agent; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.6. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, any Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## 14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

## 15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London (it is expected that any such publication will be made in the *Financial Times* in London). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day immediately following the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## 16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

### 16.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons, the Guarantee or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

### 16.2 Modification and Waiver

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

The provisions of this Condition 16.2 are without prejudice to any other right or obligation of the Trustee expressly provided for in the Conditions to make any determination or to concur with the Issuer and the Guarantor in making any amendments to these Conditions, the Trust Deed and/or the Agency Agreement, including (without limitation) pursuant to and in accordance with Condition 5.3.

### 16.3 Trustee to have regard to interests of Noteholders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests

arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

**16.4 Substitution of the Issuer and the Guarantor**

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that to do so would not be materially prejudicial to the interests of the Noteholders, Receiptholders or Couponholders, may agree with the Issuer and the Guarantor, without the consent of the Noteholders, Receiptholders or Couponholders, to the substitution:

(a) in place of the Issuer as principal debtor under the Trust Deed, the Notes, the Coupons and the Receipts of:

(i) any Subsidiary of the Issuer;

(ii) any successor in business of the Issuer;

(iii) any Holding Company of the Issuer (including, without limitation, the Guarantor or a successor in business of the Guarantor); or

(iv) any other Subsidiary of such Holding Company,

provided that, except where the new principal debtor is SWW (or the successor in business of SWW), the obligations of such new principal debtor under the Trust Deed, the Notes, the Receipts and the Coupons shall be unconditionally and irrevocably guaranteed by SWW (or, as the case may be, the successor in business of SWW) on terms no less favourable to the holders of the Notes, Receipts and Coupons than the terms of the Guarantee; or

(b) in place of the Guarantor as guarantor of the Issuer's (including any previous substitute under this Condition 16.4) obligations under the Notes, the Coupons, the Receipts and the Trust Deed of any successor in business of the Guarantor.

As used in this Condition 16.4:

"**Holding Company**" means a 'parent undertaking' within the meaning set out in Section 1162 of the Companies Act 2006; and

"**successor in business**" means, with respect to a company (the "**First Company**"), any company which, as a result of any amalgamation, merger or reconstruction, owns the whole or substantially the whole of the undertaking, property and assets owned by the First Company immediately prior to such amalgamation, merger, reconstruction or agreement coming into force and carries on as successor to the First Company the whole or substantially the whole of the business carried on by the First Company immediately prior thereto.

**17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE**

**ISSUER AND/OR THE GUARANTOR**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## 18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## 19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

### 20.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

### 20.2 Submission to jurisdiction

(a) Subject to Condition 20.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a "**Dispute**") and accordingly each of the Issuer, the Guarantor and the Trustee and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 20.2, the Issuer and the Guarantor each waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

## USE OF PROCEEDS

The net proceeds from each issue of Notes will be on-lent by the Issuer to the Guarantor and will be applied by the Guarantor for its general corporate purposes, which may include refinancing other indebtedness, capital expenditure and making a profit.

If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms or the applicable Pricing Supplement, as the case may be.

**Green Bonds, Blue Bonds, Social Bonds and Sustainable Bonds**

The following will apply if the applicable Final Terms or applicable Pricing Supplement, as the case may be, indicates that the Notes the subject thereof are Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds.

*Use of proceeds*

Where the "*Reasons for the offer*" item of the applicable Final Terms or the applicable Pricing Supplement, as the case may be, indicates that the Notes are Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds (each as defined below), the Issuer intends to apply the net proceeds from such issue of Notes (or an amount equal thereto) specifically to finance or refinance, in whole or in part, new or existing Eligible Projects (as such term is used in Pennon Group plc's Sustainable Financing Framework (as amended, supplemented, updated or replaced from time to time, the "**Framework**")), meeting certain eligibility criteria, as further set out in the Framework and summarised below. Such Notes may also be referred to as "**Green Bonds**", "**Blue Bonds**", "**Social Bonds**" or "**Sustainable Bonds**". The Framework is available for viewing at https://www.pennon-group.co.uk/investor-information/debt-investors. Such Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds are not issued as European Green Bonds in accordance with the EuGB Regulation.

*The Framework*

*The below is intended as a summary of the eligibility categories and Eligible Projects under the Framework. The Framework may be amended, supplemented, updated or replaced from time to time. Recognising that the green, blue, social and sustainable bond market and best practices are still evolving, Pennon Group plc will strive to monitor market developments and, when deemed necessary in Pennon Group plc's discretion, make appropriate updates to the Framework in order to reflect best market practice.*

The Framework was established by Pennon Group plc in 2018 – it was subsequently updated in 2021 and most recently updated in July 2024. The Framework is applicable to Pennon Group plc's subsidiaries, including the Issuer and the Guarantor. It is the intention of the Issuer and the Guarantor to comply fully with the Framework where Notes are issued as Green Bonds, Blue Bonds, Social Bonds, or Sustainable Bonds.

In order for a project to qualify as an Eligible Project under the Framework, it must meet certain eligibility criteria which are aligned to the categories set out in the International Capital Markets Association ("**ICMA**") Green Bond Principles 2021, Social Bond Principles 2022 and Sustainability Bond Guidelines 2021. Eligible Projects may include capital expenditures, selected operational expenditures, physical assets, and/or the acquisition of stakes in 'pure player'[7] assets or companies which meet certain eligibility criteria. Examples of the eligibility criteria and Eligible Projects include, but are not limited to, the following:

[7] *'Pure player': At least 90 per cent. of the revenue of the acquired company derives from activities falling within any of the Eligible Project categories.*

| Examples of eligibility criteria: | Examples of Eligible Projects: |
|---|---|
| Construction, extension, operation and renewal of water collection, treatment and supply systems intended for human consumption based on the abstraction of natural resources of water from surface or ground water sources, including but not limited to: (i) projects related to the management and enhancement of water assets and services, and (ii) projects which reduce water losses from the network or promote reusing water. | • Upgrading water treatment works across Devon and Cornwall<br>• Replacing lead pipes across the Guarantor's network<br>• Investments in water reuse |
| Construction, extension, renewal and operation of climate adapted centralised wastewater systems including collection (sewer network) and treatment and water collection, treatment and supply systems including but not limited to: (i) projects related to drought mitigation, and (ii) projects related to flood prevention.<br><br>Such projects may also be considered 'blue' if they support ecological and community resilience and adaptation to climate change including using nature-based solutions, and must be within 50 km of the coast or within the marine environment. | • Enhancing the Guarantor's inter-regional water grid to enable water to be moved more easily between supply zones during a drought<br>• Exploration of climate independent sources of water, such as repurposing former industrial quarries |
| Renewable energy generation from: (i) Solar PV, (ii) wind power, (iii) hydropower, (iv) bioenergy, (v) pyrolysis, and (vi) anaerobic digestion of sewage sludge, amongst other things. | • Renewable self-generation projects, including acquiring and developing solar PV sites<br>• Energy recovery from wastewater sludge |
| Investments and/or expenditures relating to programs which enable vulnerable customers to maintain access to water and other supplies. | • Trials for fair customer charging<br>• Increasing community investment by delivering programmes and projects aimed at benefitting the community<br>• Community funds supporting neighbourhood initiatives and water efficiency projects across the region |

The Framework sets out the eligibility criteria in full. The criteria for qualification as Eligible Projects under the Framework may change from time to time.

*Project evaluation and selection*

An evaluation process will be undertaken by the Pennon Group plc ESG Executive Committee (the "**ESG Executive Committee**") to determine which projects qualify as Eligible Projects. The ESG Executive Committee meets four times annually, and is responsible for: (i) carrying out the process of project evaluation and selection by reviewing and selecting Eligible Projects to be part of the portfolio of Eligible Projects, (ii) monitoring the Eligible Projects over the lifetime of any Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds, (iii) excluding assets and expenditures that no longer comply with the eligibility criteria, or that have been postponed, cancelled, divested or subject to a material controversy, and replacing them as soon as reasonably practicable, (iv) verifying and approving the annual allocation and impact reporting, and (v) overseeing the Framework and future updates with a view to ensuring that it remains in-line with best market practices, evolving regulation and investor expectations.

*Management of proceeds*

The allocation of the net proceeds (or amounts equal thereto) from issues of Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds will be carefully managed and overseen by Pennon Group plc's group treasury function on a portfolio basis, with an amount equivalent to the net proceeds earmarked for allocation to a portfolio of Eligible Projects. All such net proceeds (or amounts equal thereto) will be paid into a separate green reserve bank account for Pennon Group plc before release to its general account on agreed expenditure allocation.

The Framework provides that any proceeds of Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds that are not yet allocated to Eligible Projects will generally be placed in short-term fixed interest deposits or the overnight money markets. The Framework requires that any deposit counterparties must meet the minimum criteria approved by the board of Pennon Group plc based on their short-term credit ratings and therefore be of good credit quality.

The Framework provides that, should an Eligible Project no longer meet the eligibility criteria, or be disposed of prior to the maturity of any Green Bond, Blue Bond, Social Bond or Sustainable Bond, the proceeds initially allocated to the ineligible or disposed asset shall be reallocated to another Eligible Project held by Pennon Group plc's group. Replacement of any such Eligible Project shall be done on a best-efforts basis, within two years.

*Reporting*

Pennon Group plc will publish, within one year of issuance of any Green Bond, Blue Bond, Social Bond or Sustainable Bond, and annually thereafter until the maturity of any such Green Bond, Blue Bond, Social Bond or Sustainable Bond, an allocation and impact report that will provide information on the allocated Eligible Projects and describe the use of proceeds and adherence to the eligibility criteria set out in the Framework. The report will include, amongst other things, detail on the amount of proceeds allocated to Eligible Projects (specified at least per category, in accordance with the Framework), the breakdown of Eligible Projects by expenditure type (assets or capital expenditures), the proportion of proceeds allocated to financing as against refinancing, and the balance of unallocated proceeds, if any.

Such reporting will be generally available on Pennon Group plc's website at https://www.pennon-group.co.uk/investor-information/sustainable-financing-framework for so long as the Issuer has Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds outstanding. An independent auditor or verifier will be appointed to provide a review on at least a limited assurance basis of Pennon Group plc's reporting, including on the tracking and allocation of the proceeds of any Green Bond, Blue Bond, Social Bond or Sustainable Bond and on selected associated impact metrics in accordance with the Framework. The auditor or verifier's report will be publicly available on Pennon Group plc's website at https://www.pennon-group.co.uk/investor-information/sustainable-financing-framework.

*External review*

Pennon Group plc has obtained a second-party opinion from DNV Business Assurance Services UK Limited (as amended, supplemented, updated or replaced from time to time, the "**Second Party Opinion**"), an external environmental, social and corporate governance research and analysis provider, to confirm the Framework's alignment with the ICMA Green Bond Principles 2021, Social Bond Principles 2022 and Sustainability Bond Guidelines 2021. The Second Party Opinion is available for viewing on Pennon Group plc's website at https://www.pennon-group.co.uk/investor-information/sustainable-financing-framework.

*Framework/Second Party Opinion disclaimer*

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer, the Guarantor, or Pennon

Group plc) which may be made available in connection with the issue of any Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds and in particular with any Eligible Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, neither any such opinion or certification nor the Framework are, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Neither such opinion or certification nor the Framework are, nor should be deemed to be, a recommendation by the Issuer, the Guarantor, the Trustee, the Arranger, any of the Dealers, any of their respective affiliates or any other person to buy, sell or hold any such Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds. Any such opinion or certification is only current as at the date that opinion or certification was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors in any Green Bonds, Blue Bonds, Social Bonds or Sustainable Bonds should also refer to the risk factor above headed, "*In respect of Notes issued as Green Bonds, Blue Bonds, Social Bonds, or Sustainable Bonds there can be no assurance that the particular use of proceeds will be suitable for the investment criteria of an investor*."

Any additional information related to the use of proceeds will be set out in the applicable Final Terms or the applicable Pricing Supplement, as the case may be.

## DESCRIPTION OF THE ISSUER

### Incorporation

The Issuer was incorporated under the name Eagletribe Public Limited Company as a public limited company in England and Wales on 27 February 2006 under the Companies Act 1985 with registered number 05722435. The Issuer took its current name with effect from 13 April 2006. The Issuer's registered office is at Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR. The telephone number of the Issuer's registered office is +44 1392 446688.

As at the date hereof, the authorised share capital of the Issuer is £100,000 divided into 100,000 ordinary shares of £1 each, of which, 50,000 shares have been issued and paid up at 0.25p each and two have been issued and fully paid up.

### Organisational structure

The Issuer is a wholly-owned direct subsidiary of the Guarantor and has no subsidiaries.

### Business overview

The Issuer is a finance vehicle. The sole function of the Issuer is to raise borrowings and provide finance for the Guarantor.

### Directors

The Directors of the Issuer, their principal functions within the Issuer and their principal activities outside the Group which are significant in the context of the Issuer (and which list of activities is therefore not exhaustive), are as follows:

| Name | Function within the Issuer | Principal activities outside the Group |
|---|---|---|
| Laura Flowerdew | Director | See *South West Water Limited — Directors* |
| Christopher Paul Tregenna | Director | Director of Pennon Pension Trustees Limited |

The business address of each of the Directors above is Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR.

There are no actual or potential conflicts of interest between any duties of the Directors to the Issuer and the Directors' private interests or other duties.

## DESCRIPTION OF THE GUARANTOR AND THE GROUP

### Incorporation

The Guarantor was incorporated under the name South West Water Services Limited as a private limited company in England and Wales on 1 April 1989 under the Companies Act 1985 with registered number 02366665. The Guarantor took its current name with effect from 1 August 1998. The Guarantor's registered office is Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR. The telephone number of the Guarantor's registered office is +44 1392 446688.

### Structure

The Guarantor is a wholly-owned direct subsidiary of Pennon Group plc ("**Pennon**") (which is its immediate and ultimate parent company). Pennon is an environmental utility infrastructure FTSE 250 listed company. Pennon may provide financial support to the Guarantor. Pennon has a strong liquidity position, broadly comprised of undrawn committed funds, cash and cash deposits, and undrawn facilities, and with a strong debt maturity profile has the ability to provide the Guarantor with funding to support its obligations across the short term. As of and for the year ended 31 March 2026, Pennon provided capital delivery for the wholesale water segment of its group, including the Guarantor, of £588.5 million.

Following the acquisition of Sutton and East Surrey Water plc (SES) by Pennon in 2024, SES operates within the broader Pennon group as a standalone regulated water-only utility company serving the South East, benefitting from Pennon's ownership, financing and shared expertise whilst continuing to provide local water services to its own customer base under its own regulatory licence.

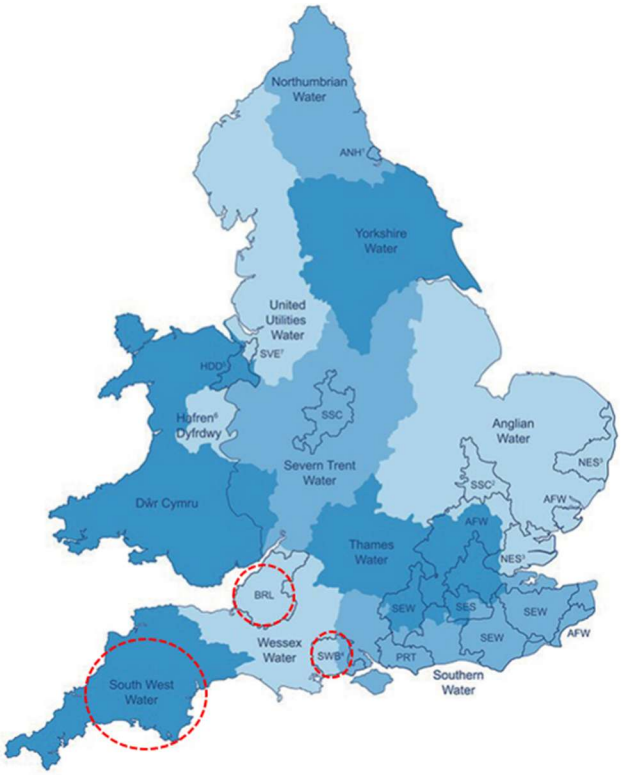
Figure 1
*Simplified ownership structure within the Pennon Group*

*Note: The companies set out above are those within the Group as defined in this Base Prospectus. The obligations under any Notes issued under this Programme and the Guarantee in respect thereof are obligations solely of the Issuer and the Guarantor, respectively, and investors will have no recourse to the assets of Pennon Group plc or any other subsidiaries of Pennon Group plc to meet their claims under the Notes and the Guarantee.*

### Business overview

The Guarantor is the licensed water and sewerage service provider operating across much of the South West of England. It provides water and wastewater services to approximately 3.6 million people across Bristol, Bournemouth, Devon, Cornwall, the Isles of Scilly and parts of Dorset and Somerset. Following on from the statutory licence transfer from Bristol Water plc to the Guarantor on 1 February 2023, the regulated water business of Bristol Water plc transferred to the Guarantor.

Figure 2
*The South West Water Region*




**Industry and the Market**

The water and sewerage industry in England and Wales delivers water, sanitation and drainage services to over 50 million household and non-household consumers. In 1989, the industry was privatised by transferring the water supply and sewerage assets and the relevant staff of the ten publicly owned regional water and sewerage authorities which existed at the time into limited companies.

Pursuant to the Water Industry Act 1991, water companies are granted appointments as water undertakers, which allow them to operate a public water network or public wastewater network in the case of sewerage undertakers.

As of the date of this Base Prospectus, there are 11 regional water and wastewater companies including the Guarantor and an additional five regional water only undertakers.

For the Guarantor, 2025-2026 has been a year of progress, evolution and continued delivery amidst a changing landscape in the UK water sector. The industry has been subject to the most significant review of its regulatory framework since privatisation. The Independent Water Commission, led by Sir Jon Cunliffe, and the UK Government's subsequent white paper ("*A new vision for water*"), signal a profound shift in expectations for the sector, with greater transparency, stronger environmental accountability and a renewed focus on long-term infrastructure resilience (see the risk factor entitled "*Law, Regulation and Finance – Changes in Government policy"* for further detail). The Final Recommendations arising out of the Cunliffe Review are expected to

inject billions of pounds into the UK economy, speeding up delivery on infrastructure to support house building and addressing water scarcity for the longer term, and requiring c.£300 billion investment by water companies by 2050. The UK Government accepted Sir Jon Cunliffe's recommendations in January 2026, and committed to a Water Regulation Bill and publishing its transition plan for implementing the reforms during the course of 2026. The reforms proposed through the Cunliffe Review and the UK Government's white paper signal a new era for the UK water industry, one that places greater emphasis on transparency, accountability and long-term investment.

These reforms come at a time when the underlying challenges facing water systems are intensifying. Climate change is placing increasing pressure on water resources and wastewater networks, while population growth and ageing infrastructure require sustained investment and long-term planning. Against this backdrop, companies must demonstrate strong operational performance coupled with the capability to deliver the significant investment required in the decades ahead.

**Vision and purpose**

The Guarantor's vision and purpose is articulated as 'bringing water to life' which involves supporting the lives of people and the places they love for generations to come. This means not only seeking to create value for stakeholders today but reinvesting in the business in a carefully planned and sustainable way for the future.

Since privatisation, improving water quality has been a key focus for the Guarantor. The Guarantor believes that its water quality and resilience plans are the most ambitious water resources and water quality plans in the Greater South West in decades, marking the largest such programme ever in Bristol – as of and for the year ended 31 March 2026, the Guarantor's total investment in clean water stood at approximately £316.1 million (2025: £325.2 million), and total investment in wastewater amounted to £247.2 million (2025: c. £263.5 million).

**Strategy and Key Priorities**

In developing its strategy, the Guarantor has reflected on what matters most to its customers and the most urgent investment needs. The Guarantor's PR24 Business Plan, covering the AMP8 period, adopts four strategic priorities which reflect the most important and urgent areas for investment in the Guarantor's region:

- **Building water resources, improving water quality and resilience:** With shifting weather patterns and a growing population, the Guarantor is committed to continuing to transform how it protects and secures water resources with unrivalled water quality across the region that will last for generations. The Guarantor's vision is to innovate to provide water storage, water quality and to change how people think about water usage. In order to deliver this vision, the Guarantor commits in its PR24 Business Plan to, amongst other things, upgrade a third of its water treatment works (to remove harmful contaminants and nutrients from treated discharges and improve river health) and roll out a programme of cast iron mains replacement to tackle localised issues associated with the look and taste of water. In its PR24 Final Determination, Ofwat allocated a £55 million allowance to the Guarantor for the installation of real-time monitors at high priority sites to enable the Guarantor to test river water quality and react quickly to incidences of pollution or poor water quality.

- **Tackling storm overflows and pollution:** The Guarantor shares its customers' sense of urgency in safeguarding the region's beaches, eliminating pollution incidents and reducing the use of storm outflows. In order to meet these aims, the PR24 Business Plan outlines the Guarantor's pledges to complete its storm overflow investment programme in 15 years (a full 10 years ahead of schedule), and to 'tackle every beach by 2030', ensuring bathing water quality is maintained all year round (5 years ahead of target). However, the Guarantor's ambitions extend further, adding a Race to Zero commitment to reduce greenhouse gas emissions (GHG) across its entire value chain by 2045. The Guarantor's approach blends nature-based and engineering solutions, coupled with a comprehensive

water monitoring and sampling programme to rebuild trust in its communities while also creating local job opportunities and bolstering the region's economy. In its PR24 Final Determination, Ofwat approved the Guarantor's proposed £764 million programme of investment for tackling storm overflows, much of which is to be allocated towards the development of solutions for the reduction of spills (by increasing storage in the wastewater network) and using nature-based solutions like wetlands to keep surface water out of sewers.

- **Driving environmental gains and delivering net zero:** The Guarantor is investing in climate-independent water sources, water reuse and enhanced transfer networks. The Guarantor intends to repurpose brown field sites, build new reservoirs and amplify its water resources significantly. Under the PR24 Business Plan, the Guarantor pledges to target net zero by 2030, by lowering carbon emissions from its operational activities (decarbonising by reducing emissions of Nitrous Oxide and repurposing Methane) and throughout its supply chain (by supporting the adoption of low carbon materials and processes by third-party suppliers) ("**Net Zero 2030**"). In the PR24 Final Determination, Ofwat outlined its expectation for the Guarantor to reduce its operational greenhouse gas emissions by 4 per cent. in the Bristol area to meet the UK Government's net zero emission targets by 2050, and highlighted that the Guarantor will be held to account should its emissions rise above target levels (though acknowledging that emissions may increase overall in the South West area as a result of the scale of construction demanded by the Guarantor's investment programme).

- **Supporting affordability and delivering for customers:** As part of its strategy, the Guarantor will continue to champion water-saving initiatives, leak fixes, and money-saving tips. It recognises that some customers face affordability challenges due to the cost of living crisis and is challenging itself to be efficient and effective to limit the impact on customer bills. Per its PR24 Business Plan, the Guarantor intends to roll out innovative, fairer tariffs which put customers in control of bills and water usage, accelerate smart metering roll out in order to help household customers use 5 per cent. less water, and to extend its zero water poverty pledge to 2030 to eliminate water poverty in its region. The Guarantor is committed to its shareholders funding an affordability package of £24 million over AMP8 to support customers (£8 million of which will be diverted to hardship funds and other support measures, and £16 million of which will be spent on matching payments made by customers repaying debt).

**Performance**

*Point of inflection for 2025/2026*

As at the date of Ofwat's PR24 Final Determination, the Guarantor's performance was ranked 'average', though the Guarantor's PR24 Business Plan was identified as displaying high levels of ambition across a number of areas to improve performance in the AMP8 period, and was ranked as 'outstanding' in Ofwat's quality and ambition assessment.

In the PR24 Final Determination, Ofwat highlighted a number of areas of potential cost uncertainty where they would consider 're-opening' the Final Determination to adjust for the impact of these issues on water company cost allowances. As a result, in the 2025-2026 financial year, Ofwat introduced a 'cost change reopener process' that enables water companies to request additional funding between formal price reviews when there is clear evidence that additional investment is required. This mechanism addresses critical cost areas such as asset health, regional growth, statutory obligations, and major infrastructure projects, helping companies manage risks and maintain service standards without waiting for the next price review. It also provides a corrective mechanism to ensure that funding aligns with evolving operational and environmental needs.

In respect of the AMP8 period, water companies are permitted to submit claims in 2026, 2027 and 2028. The first submission was completed for the Guarantor in May 2026, with detailed cases and supporting evidence provided to Ofwat for review. Whilst the Guarantor's submissions amounted to c.£240 million of additional allowances, the draft determination received from Ofwat in August 2026 allowed only for an additional £190 million (in 2022/2023 prices) in expenditure, receiving c.76 per cent, including funding for increasing capacity

at Newquay Wastewater Treatment Works to accommodate increased tourism and housing growth to this area. The Guarantor responded to the draft Determination at the end of September 2026, with final determinations expected from Ofwat in December 2026. There are further cost change reopener programmes for 2027 and 2028 ahead of the investment planning process for PR29 that will also consider water and wastewater growth needs. The development of the Group's 2027 cost change submissions is underway to further build on the Group's investment plans.

Throughout the 2025-2026 financial year, the Guarantor has moved quickly to turn its PR24 business plan into detailed delivery plans, reflecting the early start agreed with regulators. This is now driving clearer visibility of progress and stronger alignment between its commitments and regulatory expectations. Early progress has been made as the Guarantor continues to work towards its longer-term goals in AMP8.

Over AMP7, being the five-year regulatory period between 2020 and 2025, which ended on 31 March 2025, the Guarantor's successful water demand customer initiatives, helping customers to use less and save more, meant that on a like-for-like basis, across the wholesale water businesses revenues have been lower, resulting in a loss before tax on both an underlying and statutory basis. Regulatory mechanisms are in place to protect future recovery. The Guarantor continues to deliver a stable return on regulated equity ("**RoRE**")[8], with actual returns on notional regulatory equity of 8.3 per cent. for South West Water's water business (4.5 per cent. Real (i.e., removing the impact of inflation)) as of and for the year ended 31 March 2026. The Guarantor's performance reflects the resilience of its regulated business model and its continued focus on operational delivery.

As at 31 March 2026, performance on common outcome delivery incentives ("**ODIs**") varied across the Group's regulated businesses. South West Water's wastewater business achieved over 50 per cent. of applicable ODI measures and Bristol Water achieved 17 per cent. of applicable ODI measures, whilst South West Water's water business faced a more challenging performance environment. Overall, a net penalty of approximately £58 million (in 2022/2023 prices) arose for the Group in respect of the 2025-2026 financial year, which will reduce revenue in the 2027-2028 financial year. However, the Group continues to invest in targeted operational improvements to enhance customer, environmental and regulatory outcomes.

The Guarantor's return on regulated equity RoRE was 10.4 per cent. on a notional basis, and 6 per cent. on a Real WaterShare basis (10.3 per cent. and 5.9 per cent. including Bristol). The Guarantor is also committed to delivering for investors as well as customers, with robust relative performance on common ODIs.

*Building water resources*

In response to growing national concerns about water scarcity, particularly following the warmest spring in England since 1884 and an intensely hot August in 2025, the Guarantor has drawn on its experience managing extreme drought conditions in 2022 to inform a smarter, more resilient approach. The Guarantor's investment in 2022 also ensured that every region in which it operates was not subject to temporary use or 'hosepipe' bans despite the high demand in the hot summer period in 2025, underscoring the Guarantor's commitment to resilience and reliability, whilst doing the right thing for its assets in order to maintain their health and strengthen the Guarantor's performance. For example, the Guarantor has re-purposed former disused mines and quarries into localised storage assets, and developed innovative network recharge schemes, and reshaped how it manages water in a changing climate. In July 2026, however, weather conditions across parts of the Guarantor's region worsened with an unprecedented heatwave such that a hosepipe ban was introduced in order to preserve water for essential use. The Guarantor continues to observe the situation and has deployed additional tankers to transport water into the network from wider areas, has more than doubled the number of leak detection workers in affected areas and has made adjustments to reroute water into the network from surrounding areas under less stress.

[8] *RoRE is a key financial metric adopted by Ofwat which is a measure of how much profit regulated water companies earn on notional regulatory equity.*

Additionally, 2025-2026 presented challenges across the South West in particular, as a result of the variable weather conditions and high number of named storms. Notwithstanding the challenges, the Guarantor maintained resilient water supplies to its customers, with over 75 per cent. of operational incidents having no impact on customers and its water quality performance remaining industry-leading.

The Guarantor understands that there remains more to do in other areas, and recognises the impact on customers of incidents when they do cause disruptions, and that it has not met its targets in a number of key measures. Targeted capital investment in water services, such as water resilience and leakage, totalling £316.1 million in 2025-2026, alongside disciplined asset management and ongoing focus on continuous improvement and learning the lessons of any operational incidents, will enable the Guarantor to meet future challenges head-on.

*Reducing leakage and supply interruptions*

Reducing leakage remains central to the Guarantor's long-term supply resilience. 2025-2026 presented significant challenges, particularly in the South West, due to dry ground conditions leading to record soil moisture deficits during late spring and summer 2025. This was followed by several freeze-thaw events and severe storms across the winter period. These conditions increased pressure on the Guarantor's networks and, as such, it experienced a higher burst frequency across its networks.

In the South West and Bournemouth, high volumes of work were required to maintain leakage levels across the hot weather period and during the freeze-thaw weather in November and December. Record activity in leak detection and repair was achieved, with more fixes carried out than ever before. Leakage levels of 113.5 Ml/d in 2025-2026, returned to those of the previous year, but fell short of the in-year target to close the gap on the rolling average. Whilst this will impact the Guarantor's ability to achieve the regulatory three-year average leakage measure, plans are in place to return to target in the middle year of the current regulatory period.

As part of its PR24 Business Plan, the Guarantor is aiming to further reduce leakage, with £18 million to reduce leakage in the South West area, and a further £16 million for the Bristol area over AMP8. Ofwat outlined in its PR24 Final Determination an expectation for the Guarantor to reduce leakage over AMP8 by 17 per cent. in the South West area, and 16 per cent. in the Bristol area.

*Per capita consumption (PCC)*

To help customers use water wisely and reduce per capita consumption ("**PCC**"), the Guarantor runs targeted water efficiency schemes, building on past successes. The Guarantor's 'Water is Precious' campaign launched at the outset of 2024 supports both residents and visitors to use less and save more, asking customers to use water more efficiently whilst simultaneously investing to increase water resources. Ofwat's nationwide behavioural programme launches in 2026, funded through a levy in customer bills, and the Guarantor anticipates that this will have a positive impact on customer behaviour and consumption reduction. In 2025-2026:

- the Guarantor's smart metering programme is progressing and is aiming to significantly expand coverage by 2030, supported by its preparatory work throughout this regulatory year. This programme will provide data which facilitates customer engagement whilst also identifying customer-side leakage;

- the Guarantor's tariff trials are ongoing and seek to incentivise reduced consumption and ensure fair charging. The early results of this trial are promising and demonstrate reductions in household consumption and thus supporting the Guarantor's commitment to sustainable water management.

The Guarantor is committed to reducing water use where possible and securing new supplies where necessary. According to Ofwat's PR24 Final Determination, the Guarantor should invest £61 million in metering in the

South West area and £24 million in the Bristol area, to help customers save water and contribute towards protecting the region against drought.

*Minimising customer supply interruptions*

In the South West and Bournemouth, the long-term average number of minutes lost per customer due to supply interruptions was 1 hour, 9 minutes and 14 seconds over the 2025-2026 period. More than half of the time lost was attributable to two major incidents: an unplanned outage at Dousland water treatment works and storm damage at Wendron water treatment works during the red weather warning storm, Goretti, where much of Cornwall was without power for an extended period of time. In Bristol, the average supply interruption duration increased to 33 minutes and 42 seconds. In response, the Guarantor has reviewed its supply interruptions delivery plans to drive improvement, leveraging AI-based burst prediction, smarter operational technology, and targeted pipe replacement.

In the PR24 Final Determination, Ofwat noted its expectation of a sector-wide improvement in the duration of interruptions to customers' water supply. The water supply interruptions performance commitment applicable to AMP8 is set at a common level for all water companies of 5 minutes across all years from 2025-2030. Ofwat has flagged a range of options to companies in improving performance on the duration of supply interruptions, including: (i) better management of the response time to reported interruptions, (ii) ensuring sufficient availability of teams equipped to restore supply as quickly as possible, and (iii) better monitoring of the network to more quickly detect and locate pressure losses (for example through flow meters and pressure loggers to send live data to control centres).

*Sewer flooding and networks*

As a result of exceptionally high rainfall between November 2025 and February 2026, internal sewer flooding incidents increased to 1.20 per 10,000 connections, with almost double the number of incidents in January 2026 and February 2026 compared with the same period in the prior year. While this is an increase year-on-year, it remained below the target of 1.34 and the Guarantor expects it to remain a strong position compared with industry performance. External sewer flooding incidents reduced to 1,442 (2024/25: 1,465) and were therefore ahead of target. Additionally, sewer collapses reduced by 33 per cent. year-on-year, reflecting the Guarantor's targeted network activity to reduce blockages and improve performance. The Guarantor continues to prioritise reducing pollutions to homes, businesses and properties.

*Storm Overflows*

With over half of its storm overflows affecting bathing, shellfish or high amenity waters, the Guarantor is acutely aware of the need to be industry-leading in this area. Throughout 2025-2026, the Guarantor has enhanced its strategy for wastewater performance and compliance, targeting improvements across the region using its four-phase approach (Identify, Investigate, Remediate and Validate) in order to ensure a holistic approach to its operational improvement and investment decision-making.

In 2025-2026, the Guarantor's storm overflow use reflects a 17 per cent. reduction over the year, with spill duration also reducing by c.25 per cent., despite continued weather challenges, including above-average rainfall and increased rainfall intensity, reflecting the Guarantor's continued investment in its infrastructure and reinforcing the challenges presented by climate change. During the 2025 bathing season, storm overflow usage at bathing water sites also reduced by more than 25 per cent. and 96.2 per cent. of bathing waters in the South West were classified as Excellent or Good, as the Guarantor maintained 100 per cent. bathing water compliance for the fifth consecutive year (excluding newly designated bathing waters in 2024). Across the full year, the Guarantor reduced spills by 50 per cent. at its top five spilling sites following targeted interventions, and its analysis indicates that more than 8,300 spills have been prevented as a direct result of investment and operational improvements.

In line with Ofwat's PR24 Final Determination, the Guarantor is expected to deliver a 62 per cent. reduction in storm overflow spills compared to its 2023-2024 performance, supported by £764 million of investment.

One of the Guarantor's key commitments over AMP8 is the reduction in average spill frequency per storm overflow to 16.5 or lower by 2030. In accordance with its PR24 Business Plan, the Guarantor estimates that it will take 15 years to fully tackle and minimise the use of storm overflows, representing a multi-generational challenge. The Guarantor is targeting completing requirements by 2040, 10 years ahead of the UK Government's required target of 2050, with all bathing beaches being targeted first by 2030.

*Pollution Incidents*

The Guarantor has adopted targeted investment in c.12,000 sewer depth monitors, which enables it to better predict where issues may arise, and uses artificial intelligence to respond proactively in advance of incidents arising. This has allowed the Guarantor to maintain the c.40 per cent. reduction in incidents on its network achieved since 2020. A higher proportion of incidents have occurred at pumping stations and treatment works, and to reduce pollutions going forward, the Guarantor's focus is now on ensuring they are resilient to weather and flows.

Pursuant to the PR24 Final Determination, Ofwat has tasked the Guarantor with reducing pollution incidents by 30 per cent. and investing £150 million to prevent nutrient pollution. This represents a more stretching target than set out in the Guarantor's PR24 Business Plan, but the Guarantor is committed to improving performance in reducing the number of incidents. In April 2025, the Guarantor published its initial Pollution Incident Reduction Plan (PIRP) to drive a step-change in performance, and has since updated and republished this in March 2026 to reflect learning from incidents and operational events. The delivery of the PIRP initiatives has contributed to a 34 per cent. reduction in Category 1-3 incidents, alongside a reduction of 60 per cent. in repeat pollution incidents. This positive improvement in the number of pollution incidents, in addition to the recognition of its increased sewer length by the Environment Agency, has meant that normalised pollution incidents have reduced by 53 per cent. year-on-year.

*Environmental Performance Assessment (EPA)*

The EA introduced the EPA in 2011 as a means to compare the performance across the water industry and over time. The specific metrics underpinning the EPA are reviewed each year with methodology set every five years. In the PR24 Final Determination, Ofwat set an expectation for the Guarantor to achieve a four-star EPA status by 2028. For the 2024 period, the Guarantor was allocated a two-star rating. Whilst the Guarantor has since made progress against a number of the operational measures monitored by the EPA, its provisional 2025 EPA rating is one-star. This year-on-year reduction reflects, in part, the Guarantor's performance against its Water Industry National Environment Programme ("**WINEP**") capital programme, notwithstanding improvement in certain operational measures such as pollution incidents. In 2025, pollution incidents reduced to 51 per 10,000 km of sewer main, representing a 53 per cent. improvement compared with 2024, while serious pollution incidents reduced from four to three. Sludge compliance remained at 100 per cent. and numeric compliance was 98.1 per cent., achieving amber status.

The Guarantor delivered 18 of its 19 Year 1 WINEP deliverables and completed a further 30 wastewater investigations ahead of their required delivery dates. However, to achieve amber status or better, 98 per cent. of applicable projects must be delivered, including any outstanding AMP7 programmes. Nine AMP7 projects had completion dates falling by March 2026; the Guarantor delivered six of these, with one subsequently completed after 31 March 2026 and two deliverables remaining under discussion with the EA. The Guarantor remains focused on improving its environmental performance and achieving its target of a four-star EPA rating.

The EPA framework is also evolving from 2026, with measures being added and removed, definitions broadened and targets becoming more stretching. These changes are being phased through to 2028. As a result, the Guarantor's future EPA performance will be assessed against a revised scorecard and so the Guarantor is working closely with the EA to understand and respond to these changes. The evolving nature of the EPA framework, together with the increasing requirements for WINEP delivery, may present additional challenges to the Guarantor in achieving its target of a four-star EPA rating by 2028.

**Environmental Impact**

The Guarantor is focused on initiatives to improve the environment. Some highlights over the 2025/2026 financial year include:

- improving 5,138 hectares of land management, including 254 hectares of peatland restoration, whilst the programme also expanded to now cover 95 per cent. of drinking water catchments including Chew Magna, Egford, Blagdon, Forum Springs, Axe, Cheddar and Avon in the Bristol area, bringing the cumulative total since the beginning of AMP7 to 149,258 hectares as at the end of the financial year 2025/2026;

- planting 31,890 trees, which brought the cumulative total of trees planted since the Guarantor's 2019 Water UK Commitment to 421,199 as at the end of financial year 2025/2026;

- achieving further recognition in respect of its Upstream Thinking programme, winning the CIRIA Biodiversity Challenge Award and a water industry award for Natural Capital Initiative of the Year;

- working with regulators, including the Environment Agency and Natural England, to develop and deliver environmental programmes through the WINEP, focusing on key themes such as drinking water protected areas, fish and eels, Invasive Non-Native Species, and protected sites;

- maintaining certification to the Energy Management Systems Standard ISO 50001 following the Guarantor's annual external surveillance audit for the South West Water & Bournemouth Water parts of its business;

- completing its ESOS Phase 3 Action Plan annual progress update for the Group, covering all parts of the Guarantor's South West, Bournemouth & Bristol Water businesses;

- launching its £2 million nature recovery fund to fund community led projects which deliver measurable benefits to nature, water and people and which has welcomed significant interest with successful projects awarded in May 2026;

- continuing to source 99.62 per cent. renewable electricity for the South West & Bournemouth Water parts of the Guarantor's operations and sourcing 91.02 per cent. when including Bristol Water;

- making significant advances in sourcing off-site renewables: The Group's Pennon Power business commissioned two new solar PV arrays in 2026, with the renewable generation from one of these schemes being sleeved back to the Guarantor;

- scaling onsite renewable electricity by installing a new Solar PV scheme at St Cleer Water Treatment Works, as well as having further sites in construction;

- continuing to fuel wastewater back-up generators with lower-carbon HVO (Hydrotreated Vegetable Oil) made from waste oil, as an alternative to using diesel fossil-fuel where possible;

- delivering the group-wide Biodiversity Strategy: *(https://www.southwestwater.co.uk/siteassets/documents/environment/biodiversity-strategy-report_2023.pdf);*

- embedding a Green First approach to focus on Nature-Based Solutions (NBS) as the AMP8 period begins; and

- delivering phosphorus reduction schemes and investment in treatment infrastructure, improving river water quality at 37 sites and achieving an 80 per cent. reduction in phosphorus concentrations.

The Guarantor is committed to its parent company's Net Zero 2050 target across its value chain, and is making progress towards the Group's near-term Science-Based Targets.

**Regulation**

To safeguard the best interests of customers and the environment, there is a strict system of regulation within the water industry. The relevant regulators include Ofwat, which is the economic regulator for the water and sewerage industry in England and Wales, the DWI which sets and monitors the high standards of drinking water quality that the Guarantor supplies, the EA which is responsible for protecting and improving the environment and the CCW which is the statutory consumer body of the water industry and represents all customers across England and Wales. For further detail, see the risk factor entitled "*Law, Regulation and Finance – Changes in regulatory frameworks and requirements*".

*Licence Conditions*

The Guarantor holds an Instrument of Appointment as a water and sewerage undertaker under the Water Act 1989 from the Department of Environment. The Licence may be terminated upon 25 years' notice or for other limited reasons specified in the Water Industry Act 1991.

Among other things, licence conditions allow Ofwat to set price controls, prohibit undue preference or undue discrimination in the setting of charges and impose restrictions on transactions that the company may enter into (also known as regulatory ring-fencing). It further imposes requirements to provide information to Ofwat and customers and to produce regulatory accounting statements.

*The Special Administration Regime*

As set out in the Water Industry Act 1991 and the Water Industry (Special Administration) Rules 2009, Ofwat may apply to appoint a special administrator to oversee the running of a water and sewerage company where it is determined that:

- the company is unable or likely to be unable to pay its debts;
- the company has failed or is likely to fail to meet its statutory or licence obligations;
- the company has asked to be put into special administration; or
- it is expedient in the public interest to do so.

While the role and function of the special administrator is similar in many ways to that of an administrator under the Insolvency Act 1986, there are a few key differences. Unlike the standard administration regime, the purpose of special administration is to rescue or transfer the company as a going concern and to ensure that the company can continue to carry out its functions.

In 2024, the UK Government introduced new legislation in the form of (i) The Flood and Water Management Act 2010 (Commencement No.10) Order 2024, which came into effect on 12 January 2024, and (ii) The Water Industry Act 1991 (Amendment) Order 2024, which came into effect on 22 February 2024, both of which implemented changes to the special administration regime for regulated water companies. These changes were intended to modernise the regime and harmonise the provisions with that of other comparable, regulated sectors

such as energy utilities. The new regime introduced a number of key changes, which include, but are not limited to:

- empowering the administrator of a company which has entered special administration on insolvency grounds to implement modified versions of restructuring tools established within UK insolvency law (such as a creditors' voluntary arrangement or a scheme of arrangement under Part 26 of the Companies Act 2006) in order to facilitate the rescue of a company as a going concern. Under the previous regime, special administrators were only able to transfer the undertakings of a water company to a new entity (which, in practice, did not provide a framework or procedure through which a company could be rescued as a going concern);

- allowing the administrator to effect the sale of a company's business, assets and liabilities by way of a hive-down (restructuring and reorganisation) process, which would involve a transfer of all or part of a company's business and assets to a newly incorporated, wholly-owned subsidiary, and a subsequent sale of the shares in that subsidiary to a new third-party purchaser (which may help to maximise value in the water company upon sale); and

- the application of Schedule B1 to the Insolvency Act 1986 to the special administration regime for regulated water companies, subject to certain modifications, which includes (amongst other things) the requirement for a special administrator to obtain the consent of the Secretary of State before disposing of a company's "protected land" and the waiver of the requirement for a special administrator to seek and/or obtain creditor approval of its proposals.

*The Water (Special Measures) Act 2025*

The Water (Special Measures) Act 2025 (the "**Special Measures Act**") received Royal Assent on 24 February 2025, with some provisions taking immediate effect. Among other things, the Special Measures Act is intended to strengthen the power of water industry regulators and deliver on the UK Government's commitment to put failing water companies under special measures. The Special Measures Act updated the list of statutory duties that water companies are responsible for under the Water Industry Act 1991 to establish greater accountability for sustainability outcomes including climate resilience and biodiversity. Amongst other things, the Special Measures Act: (i) prohibits the delivery of performance-related pay (including bonus payments and payments made in respect of multi-year incentive arrangements, such as awards under long-term incentive plans) for persons holding senior roles where water companies fail to meet required standards relating to consumer coverage, the environment and financial resilience, (ii) permits criminal charges against persistent law-breaking executives and directors, (iii) enables automatic and severe penalties for wrongdoing, (iv) requires water companies to monitor all emergency sewage overflows and publish real-time data in respect of those, (v) institutes a new statutory requirement for water companies to produce annual pollution incident reduction plans to a certain standard and (vi) introduces new powers for the Secretary of State to modify water company licences in the context of special administration in order to recover any UK Government funding shortfall associated with the process.

As at the date of this Base Prospectus, the Special Measures Act is, however, still in relative infancy - the effects of its practical implementation are as yet unknown, and the content and impact of any further implementing legislation or guidance are unlikely to become clear until later in 2026.

*Water Regulation Bill*

Following the UK Government's "*A new vision for water"* white paper, the Water Regulation Bill was presented to Parliament on 29 June 2026. Currently, the Water Regulation Bill requires the Secretary of State, among other things, to make provisions regarding the governance of special administration orders and to

abolish Ofwat and to establish a Clean Water Authority. The Water Regulation Bill remains at an early stage and has not yet been scheduled for its second reading in the House of Commons. For further information, see the risk factor entitled "*Changes in Government policy*".

*AMP7*

AMP7 refers to the five-year regulatory period between 2020 and 2025, which ended on 31 March 2025. The Guarantor's business plan for this period was designed to align with the final determination published by Ofwat in respect of the 2019 price review (known as PR19) on 16 December 2019, which included tougher target levels than in previous price reviews, a wider scope for potential performance penalties and limited incentive payments. The Guarantor successfully closed out AMP7, having delivered higher than allowed base regulatory returns and consistently being a top quartile performer against stretching regulatory outcome performance metrics across the period. As at 31 March 2025, the Guarantor had made a record level of investment across AMP7 totalling £588.7 million, accelerating some AMP8 investment, which, coupled with its strategy of consolidation in the UK water sector, resulted in RCV growth of 77 per cent. over AMP7. Across AMP7, the Guarantor created c.£910 million of value for the Group from base returns, RoRE outperformance and the growth in RCV over the five-year regulatory period, with much of that comprising retained value.

*AMP8*

The AMP8 regulatory period commenced on 1 April 2025 and is set to run until 31 March 2030. The Guarantor has begun to roll out its PR24 Business Plan and is well positioned to deliver its commitments thereunder over the course of AMP8. The Guarantor has invested record levels of capital to deliver network resilience and enhancements and benefits for the environment and the Guarantor's customers, with £563.3 million of capital investment as it focuses on delivering its AMP8 commitments. The Guarantor's current rate of investment aligns with that required to deliver its five-year programme of £3.0 billion and which will deliver 34 per cent. growth in its regulatory asset base to 2030.

In the PR24 Final Determination, Ofwat noted that the Guarantor's PR24 Business Plan displayed 'high levels of ambition', permitting total expenditure allowances of:

- £3.8 billion for the South West area over AMP8, marking a £1.5 billion increase on AMP7 allowances, despite a 2 per cent. decrease in the allowances requested in the Guarantor's response to Ofwat's draft determination in respect of PR24; and

- £709 million for the Bristol area over AMP8, marking a £174 million increase on AMP7 allowances, despite a 5 per cent. decrease in the allowances requested in the Guarantor's response to Ofwat's draft determination in respect of PR24.

Over AMP8, the Guarantor aims to deliver a significantly improved level of service for customers and the environment. According to Ofwat's PR24 Final Determination:

- the Guarantor is expected to deliver a 62 per cent. reduction in storm overflow spills compared to its performance in 2023-2024, which is to be supported by a £764 million programme of investment. The Guarantor is also tasked with reducing pollution incidents by 30 per cent. and investing £150 million to prevent nutrient pollution;

- over AMP8, the Guarantor is tasked with delivering significant reductions in leakage: a 17 per cent. reduction in the South West area, and 16 per cent. in the Bristol area. Ofwat has allowed £203 million of investment in the South West Area, and £40 million in the Bristol area, to boost resilience to drought by increasing water supply and reducing demand;

- the Guarantor is expected to reduce incidents of internal sewer flooding by 24 per cent. and external sewer flooding by 7 per cent. and to deliver high quality drinking water (reflected in fewer contacts from customers about water quality (48 per cent. fewer in the South West area, and 16 per cent. fewer in the Bristol area)); and

- over AMP8, the Guarantor is expected to invest in improving asset health and increasing the resilience of its infrastructure, which should be reflected in a more reliable network, with targets set to sustain 35 per cent. fewer sewer collapses and reducing the need to repair water mains bursts.

The cost of the Guarantor's investment is to be recovered from customer bills over the long-term (extending beyond AMP8). In the PR24 Final Determination, Ofwat permits the Guarantor to collect £4.4 billion through bills for both households and businesses over AMP8, to recover a share of the cost of historical expenditure, as well as a portion of the £4.6 billion expenditure planned for 2025-2030. This is in turn expected to increase average household bills by £113 (before inflation) from 2024-2025 to 2029-2030 for the Guarantor's customers. Ofwat has been clear on its intention to hold the Guarantor to account against its targets for improved service for customers and the environment and the expectation for the Guarantor to report on its performance every year. If the Guarantor fails to deliver these expected outputs and outcomes, this will be reflected in lower bills for customers, but where the Guarantor overperforms, it will be allowed to collect more to reflect the additional benefits to customers it has created.

The Guarantor plans to continue to finance its activities in a way which is designed to maintain its key financial ratios (particularly debt/RCV gearing and interest cover) at a level consistent with a strong investment grade rating. The Guarantor is looking to further evolve, with a focus on improving efficiency and to deliver services in new ways at lower costs.

*Environmental Regulation*

The Guarantor's activities are subject to UK environmental regulations including the Environment Act 2021, the Environment Improvement Plan and the Defra Plan for Water and Storm Overflow Reduction Plan and require the Guarantor to, among other things, meet specified quality standards for drinking water, protect the water environment from being damaged by urban wastewater and certain industrial discharge and carry out flood risk assessments.

*Competition*

Ofwat and the CMA are together responsible for regulating competition in the water industry. While each water company in England and Wales effectively operates as a regional monopoly, the regulators monitor to ensure that customers are paying a fair price for their water, to identify good performance and to set incentives for companies to improve.

Together, the regulators monitor anti-competitive behaviour and abuses of dominant position. Where a company is found to have breached the Competition Act 1998, fines can amount to up to 10 per cent. of annual turnover.

**Financing**

As at 31 March 2026, the Guarantor had c. £740.9 million of cash and committed facilities (31 March 2025: £696.7 million). This consists of cash and cash equivalents and restricted funds of £295.9 million (31 March 2025: £326.7 million), and £445.0 million (31 March 2025: £370.0 million) of undrawn committed facilities. During the financial year ended 31 March 2026, the Group has secured c.£490 million of new debt, through its diverse portfolio of debt, consisting of:

- £190 million of new term loans and leasing with an average maturity of seven years; and
- £300 million through public bond issuances (maturing in September 2031).

As at 31 March 2026, the Guarantor had £445.0 million of undrawn committed facilities (31 March 2025: £370.0 million).

Recent issuances into the debt capital markets signal the Guarantor's move to more benchmark-sized transactions in both the private placement and public bond markets as the scale of capital expenditure and ongoing refinancing grows. The Guarantor's diverse debt portfolio will allow the Guarantor to issue funding across AMP8 to fund the growth in its business and improvement in services reflected in its PR24 Business Plan.

As at 31 March 2026, the Guarantor's total borrowings were £4,152.3 million (31 March 2025: £3,884.3 million). The debt has a maturity of up to 31 years with a weighted average maturity of 12 years. As at 31 March 2026, the Guarantor's net debt was a mix of fixed rate/swapped (£2,788.5 million, 72 per cent.), floating (£259.8 million, 7 per cent.) and index-linked borrowings (£808.1 million, 21 per cent.), reflecting its debt portfolio, and compares to an industry average[9] of fixed rate/swapped (32 per cent.), floating (12 per cent.) and index-linked (56 per cent.). Where appropriate, derivatives are used to fix the rate on floating rate debt.

At 31 March 2026, the Guarantor's effective net debt to RCV ratio stood at 63.0 per cent. (31 March 2025: 63.3 per cent.).[10] This is due to increased capital investment and reduced in-period operating cash flows. The Guarantor's cost of finance, with an effective interest rate in 2025-2026 of 5.5 per cent. (2024-2025: 5.2 per cent.), continues to benefit from the diverse portfolio of debt.

**Credit Ratings**

In October 2024, Ofwat modified the terms of the Guarantor's Licence (paragraph 25 of Condition P) to require the Guarantor (and any associated company which issues corporate debt on its behalf, including the Issuer) to maintain investment grade ratings from at least two credit rating agencies. Following the establishment of the Programme in July 2024, the Guarantor received its first public ratings ahead of the Licence modification, which took formal effect in April 2025. Following the PR24 Final Determination, and noting the various downgrades elsewhere in the sector, the Guarantor's credit rating was reaffirmed by Fitch on 5 March 2026 at BBB+ (stable).

However, the Guarantor received a credit rating downgrade from Moody's on 7 October 2026 from Baa1 (Negative outlook) to Baa2 (Stable). The credit rating downgrade is not expected to trigger wider regulatory consequences, such as a breach of Licence or the 'cash lock-up' provisions of the regulatory ring fence within the Group.

The Programme has been assigned the ratings specified at the beginning of this Base Prospectus by Moody's and Fitch.

**Recent Developments**

On 7 October 2026, Pennon released a strategic update, announcing the launch of a fully underwritten rights issue to support additional investment in its water businesses (including the Guarantor), including the cost change reopener programme (as described in the risk factor entitled "*The Guarantor is price-regulated"*) and

[9] *Weighted average calculated on the basis of water company annual performance report submissions to Ofwat for 2026.*
[10] *Based on the Guarantor's sub-Group (including the wholly owned subsidiaries of the Issuer and Bristol Water net debt/shadow RCV).*

in order to maintain gearing within the Guarantor's long-term policy range throughout AMP8. This is set to result in an increase in capital investment in the Guarantor and its AMP8 programme beyond that originally stated in the PR24 Final Determination.

**Directors**

The Directors of the Guarantor, their principal functions within the Guarantor and their principal activities outside the Group which are significant in the context of the Guarantor (and which list of activities is therefore not exhaustive), are as follows:

| Name | Function within the Guarantor | Principal activities outside the Group |
|---|---|---|
| David Sproul | Chair | Chair of Starling Bank Limited and Non-Executive Director of Safanad Limited. David is also a senior adviser to Bridgepoint Europe and sits on the Board of Governors as Chair Designate of University of Hertfordshire |
| Jon Butterworth | Independent Non-Executive Director | Chief Executive Officer at National Gas Transmission plc<br>President of the Pipeline Industries Guild<br>Director of E.Tapp & Co Limited, TMA Property Limited, Shopfittings Manchester Limited |
| Andrea Blance | Independent Non-Executive Director | Non-Executive Director and Chair of the Risk Committee at Aviva plc |
| Loraine Woodhouse | Independent Non-Executive Director | Senior Independent Director for the British Land Company plc, Non-Executive Director for Associated British Foods plc and a Trustee and Audit Committee member at the Zoological Society London |
| Dorothy Burwell | Independent Non-Executive Director | Partner of FGS Global<br>Non-Executive Director at Post Holdings, Inc. |
| Laura Flowerdew | Group Chief Financial Officer for the Guarantor and Pennon Group plc | None. |
| Sir Andrew Haines OBE | Independent Non-Executive Director | None. |
| Keith Haslett | Chief Executive Officer of Pennon Group | Director of Water UK |

The business address of each of the above is Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR.

There are no actual or potential conflicts of interest between any duties of the Directors to the Guarantor and the Directors' private interests or other duties.

# TAXATION

## UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's and the Guarantor's understanding of current United Kingdom law and published HM Revenue and Customs' ("**HMRC**") practice relating only to the United Kingdom withholding tax treatment of payments of interest and of annual payments (as each term is understood for United Kingdom tax purposes) in respect of Notes and Coupons. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes or Coupons, nor any taxation aspects of acquiring, holding or disposing of Receipts. The United Kingdom tax treatment of prospective Noteholders, Receiptholders and Couponholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders, Receiptholders and Couponholders who may be subject to tax in the United Kingdom or in any other jurisdiction should seek their own professional advice.*

Payments of interest on the Notes which are "quoted Eurobonds" within the meaning of Section 987 of the Income Tax Act 2007 (the "**ITA 2007**") may be made without withholding or deduction for or on account of United Kingdom income tax. Notes will constitute "quoted Eurobonds" provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the ITA 2007. The London Stock Exchange is 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 VI of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom tax.

Payments of interest on Notes may be made without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In all other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the relevant rate (currently at the basic rate of 20 per cent., and from and including 6 April 2027 at the savings basic rate of 22 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double taxation treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder or Couponholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder or Couponholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double taxation treaty).

An amount may also be required to be withheld from payments on the Notes that have a United Kingdom source and are not interest, but are nevertheless treated as annual payments for United Kingdom tax purposes, on account of United Kingdom income tax at the basic rate. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder or Couponholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder or Couponholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

*Payments by the Guarantor*

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee which have a United Kingdom source is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the relevant rate (currently at the basic rate of 20 per cent., and potentially from and including 6 April 2027 at the savings basic rate of 22 per cent., although it is uncertain whether the anticipated change in the rate at which an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on

account of United Kingdom income tax as described above would also apply to such payments by the Guarantor, and the rate may instead remain at the basic rate of 20 per cent. for some or all such payments made by the Guarantor).

## FATCA DISCLOSURE

### *Foreign Account Tax Compliance Act*

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" (as defined by 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 Issuer and the Guarantor may each be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. FATCA and any IGAs and local laws and regulations which implement FATCA can, however, be complicated. Prospective investors should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement dated 14 October 2026 (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**"), 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 "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### SELLING RESTRICTIONS

***United States***

The Notes and the guarantee in respect thereof 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 or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from or not subject to, 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 in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

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 (a) as part of their distribution at any time or (b) 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, an offer or sale of such Notes 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.

*Index Linked Notes only*

Trading in the Index Linked Notes has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act (the "**CEA**"). No Index Linked Notes may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a "U.S. person" as defined in the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the CFTC or the final rule relating to Cross-Border Application of the Registration Threshold and Certain Requirements Applicable to Swap Dealers and Major Swap Participants promulgated by the CFTC, in each case as amended, modified or

supplemented from time to time, or (iii) a person other than a "Non-United States person" as defined in CFTC Rule 4.7, in each case, as such definition may be amended, modified or supplemented from time to time. Offers, sales, re-sales or deliveries of the Index Linked Notes or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of such persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades or deliveries of the Index Linked Notes, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, such U.S. persons, may constitute a violation of United States law governing commodities trading. Unless otherwise indicated, terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

*Exempt Notes*

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

***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 (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or both) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

***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, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any Notes which are the subject of this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is not 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 European Union (Withdrawal) Act 2018 ("**EUWA**").

*Other 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 United Kingdom.

***Belgium***

Other than in respect of Notes for which "*Prohibition of Sales to Belgian Consumers*" is specified as "*Not Applicable*" in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1, 2° of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

***Canada***

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

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

***France***

Each of the Dealers and the Issuer has represented and agreed that it undertakes to comply with applicable French laws and regulations in force regarding the offer, the placement or the sale of the Notes and the distribution in France of the Base Prospectus or any other offering material relating to the Notes.

***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 "**FIEA**") and 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 or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item

5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

***Singapore***

Each of the Dealers 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 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.

***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) comply in all material respects 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, the Arranger, any of the other Dealers or any of their respective affiliates shall have any responsibility therefor.

If the laws or regulations of a jurisdiction requires that the offering of any Notes in such jurisdiction must be made by a licensed broker or dealer and if any Dealer involved in such offering or any affiliate of any Dealer involved in such offering is a licensed broker or dealer in that jurisdiction and so agrees, the offering shall be deemed to be made by such Dealer or such affiliate, as the case may be, on behalf of the Issuer in such jurisdiction.

None of the Issuer, the Guarantor, the Trustee, the Arranger, the Dealers or any of their respective affiliates represents 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 assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The latest update of the Programme and the issue of Notes under it have been duly authorised by resolutions of the Board of Directors of the Issuer passed on 29 September 2026.

The latest update of the Programme and the giving of the guarantee in respect of the Notes have been duly authorised by resolutions of the Board of Directors of the Guarantor passed on 8 July 2026 and by resolutions of a committee duly authorised by the Board of Directors of the Guarantor passed on 23 September 2026.

Issues of Notes under the Programme are in certain circumstances required to be authorised by a committee of the Guarantor duly authorised by the Boards of Directors of the Issuer and the Guarantor.

### Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's main market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes (other than Exempt Notes) issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's main market. The listing of the Programme in respect of Notes (other than Exempt Notes) is expected to be granted on or around 19 October 2026.

If a Series of Exempt Notes will be unlisted, or listed or admitted to trading on any stock exchange or securities market, further details will be contained in the applicable Pricing Supplement.

### 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.pennon-group.co.uk/investor-information/debt-investors:

(a) the respective Memorandum and Articles of Association of each of the Issuer and the Guarantor (accessible at https://www.pennon-group.co.uk/investor-information/debt-investors);

(b) the Trust Deed (which includes the guarantee of the Notes by the Guarantor and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons) and the Agency Agreement;

(c) a copy of this Base Prospectus; and

(d) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other information incorporated herein or therein by reference.

In the case of any Series of Exempt Notes, the applicable Pricing Supplement will only be available for inspection by a holder of a Note of that Series, and such holder must produce evidence satisfactory to the Issuer or the Principal Paying Agent as to its holding of Notes and identity.

### 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 (or

Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms or applicable Pricing Supplement, as the case may be.

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

**Conditions for determining price**

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

**Significant or Material Change**

*Issuer*

There has been no significant change in the financial performance or financial position of the Issuer since the end of the last financial period reported in the Issuer's most recent audited non-consolidated annual financial statements incorporated by reference into this Base Prospectus.

There has been no material adverse change in the prospects of the Issuer since the end of the last financial period reported in the Issuer's most recent audited non-consolidated annual financial statements incorporated by reference into this Base Prospectus.

*Guarantor and Group*

There has been no significant change in the financial performance or financial position of the Guarantor or the Group since the end of the last financial period reported in the Guarantor's most recent audited non-consolidated annual financial statements incorporated by reference into this Base Prospectus.

There has been no material adverse change in the prospects of the Guarantor or the Group since the end of the last financial period reported in the Guarantor's most recent audited non-consolidated annual financial statements incorporated by reference into this Base Prospectus.

**Litigation**

Save as disclosed in the risk factor titled "*Litigation and Investigation Risk*" in the Risk Factors section 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 in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

**Auditors**

PricewaterhouseCoopers LLP ("**PwC**"), Chartered Accountants and Independent Auditors, has audited the Issuer's and the Guarantor's accounts, without qualification, in accordance with International Standards on Auditing (UK) and applicable law, for each of the financial years ended on 31 March 2025 and 31 March 2026. PwC has no material interest in the Issuer or the Guarantor.

The audit reports of the auditors of the Issuer and the Guarantor for each of the financial years ended on 31 March 2025 and 31 March 2026, incorporated by reference in this Base Prospectus are incorporated in the form and context in which they are included or incorporated.

**Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

**Index Linked Notes**

This section relates to payments of principal and interest in respect of RPI Linked Notes, CPI Linked Notes and CPIH Linked Notes (each as defined below). Exempt Notes may be issued which are Index Linked Notes the payments of interest and/or principal in respect of which are determined by reference to one or more other indices. Further information with respect to any such index or indices will be set out in the applicable Pricing Supplement for such Exempt Notes.

*Overview*

Payments of principal and/or interest in respect of Index Linked Notes will be calculated by reference to an Index Ratio, derived from: (i) the RPI (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace RPI ("**RPI Linked Notes**"); (ii) the CPI (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace CPI ("**CPI Linked Notes**"); or (iii) the CPIH (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace CPIH ("**CPIH Linked Notes**").

Payments of interest and/or principal under Index Linked Notes will be directly governed by the performance of the relevant Index. If the Index Ratio decreases, then payments will be lower. If the Index Ratio increases, then payments will be higher.

*Background to the Indices*

*RPI*

RPI is one of the most familiar general purpose domestic measures of inflation in the UK. RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the Office for National Statistics using a large and representative selection of separate goods and services for which price movements are regularly measured in various areas throughout the UK. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the Office for National Statistics to compile the index, so each month's RPI figure is published during the following month, (e.g., the figure relating to July will be published in August). The RPI figures used in the calculation of payments of interest on, and the redemption amount of, the RPI Linked Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

In March 2020, a public consultation was launched on proposals issued by the 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. In September 2022, the High Court dismissed a judicial review of the decision to align the methodology for calculating RPI with the methodology for calculating CPIH which had been brought by the trustees of certain pension funds.

More information on RPI, including past and current levels, can be found at the following website: www.statistics.gov.uk/.

*CPI and CPIH*

CPI is a measure of inflation in the UK and is produced to international standards and is in line with European regulations. The CPI is the inflation measure which has been increasingly used by the UK Government and has been the Bank of England's target for inflation since December 2003. Approximately 180,000 separate price quotations are used each month in compiling CPI. It takes two or three weeks for the Office for National Statistics to compile the index, so they publish each month's CPI figure during the following month (e.g. the figure relating to July will be published in August).

CPIH is a measure of UK consumer price inflation that includes owner occupiers' housing costs ("**OOH**"). These are the costs of housing services associated with owning, maintaining and living in one's own home. OOH does not include costs such as utility bills, minor repairs and maintenance, which are already included in the index. CPIH uses an approach called rental equivalence to measure OOH. Rental equivalence uses the rent paid for an equivalent house as a proxy for the costs faced by an owner occupier. It takes two or three weeks for the Office for National Statistics to compile the index, so they publish each month's CPIH figure during the following month (e.g. the figure relating to July will be published in August).

Information about the past and further performance and volatility of CPI and CPIH can be found at the following website: https://www.ons.gov.uk/economy/inflationandpriceindices.

*Calculation of interest and redemption amounts on Index Linked Notes*

Payments of principal and/or interest on Index Linked Notes will be adjusted to take into account changes in the Index from the Base Index Figure specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement.

In respect of each Tranche of Index Linked Notes where payments of interest are to be adjusted by reference to an applicable Index, a rate of interest will be specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement. The interest amount due on each Interest Payment Date (such dates to be specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement) will be that rate multiplied by the ratio which reflects the change in the Index between the Base Index Figure and the Index figure relating to a particular month or date (as specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement) prior to the relevant Interest Payment Date.

In respect of each Tranche of Index Linked Notes where payments of principal are to be adjusted by reference to an applicable Index, then (subject to any early redemption of Index Linked Notes) such Index Linked Notes will be redeemed on their specified Maturity Date at a Final Redemption Amount specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement, provided that:

(a) if the Index figure applicable to the relevant month or date (as the case may be, as specified in the applicable Final Terms or applicable Pricing Supplement) in or on which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in the Index will also be paid (subject to any Maximum Redemption Amount specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement); and

(b) if the Index figure applicable to the relevant month or date (as the case may be, as specified in the applicable Final Terms or applicable Pricing Supplement) in or on which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Index Linked Notes will be reduced to reflect such decrease in the Index (subject to any Minimum Redemption Amount specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement).

*Index Figure applicable*

The Index Figure applicable for RPI Linked Notes relating to a particular month or date (as the case may be, as specified in the applicable Final Terms or applicable Pricing Supplement) will be the figure either 3 months or 8 months prior to the particular month or date (3 months lag or 8 months lag to be specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement).

The Index Figure applicable for CPI Linked Notes or CPIH Linked Notes relating to a particular month or date (as the case may be, as specified in the applicable Final Terms or applicable Pricing Supplement) will be the figure "t" months prior to the particular month or date ("t" months to be specified in the applicable Final Terms or, as the case may be, applicable Pricing Supplement).

If an 8 month period is specified as the Index Figure applicable for RPI Linked Notes, it will be the first day of the month that is 8 months prior to the month in which the relevant payment falls due. If a 3 month period is specified as the Index Figure applicable for RPI Linked Notes, or if CPI or CPIH is specified as the Index, the Index Figure applicable will be determined using the formula which is calculated by the linear interpolation between the relevant reference Index applicable to the first calendar day of the month in which the relevant day falls and the relevant reference Index applicable to the first calendar day of the month immediately following (set out in Condition 6).

**Trustee's action**

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

**Dealers transacting with the Issuer and the Guarantor**

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 other services for 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 affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

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, the Guarantor or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor 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 the securities of the Issuer and/or the Guarantor, 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.

**Legal Entity Identifiers ("LEI")**

The Issuer and the Guarantor's respective LEIs are:

- Issuer: 213800OV68U446W4NV89
- Guarantor: 213800FR2VAOKRYRHX45

**THE ISSUER**

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**THE GUARANTOR**

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**PRINCIPAL PAYING AGENT AND CALCULATION AGENT**

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**REGISTRAR AND TRANSFER AGENT**

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