

Prospectus dated 17 January 2024



## THAMES WATER UTILITIES LIMITED

*(incorporated with limited liability in England and Wales under registered number 2366661)*

**\$285,000,000 3.57% GUARANTEED SECURED SENIOR CLASS A SERIES 5 NOTES  
DUE 2025**

**£216,000,000 2.45% GUARANTEED SECURED SENIOR CLASS A SERIES 6 NOTES  
DUE 2028**

**£210,000,000 2.55% GUARANTEED SECURED SENIOR CLASS A SERIES 7 NOTES  
DUE 2030**

**£40,000,000 2.62% GUARANTEED SECURED SENIOR CLASS A SERIES 8 NOTES  
DUE 2033**

**each unconditionally and irrevocably guaranteed by each of the Guarantors**

The \$285,000,000 3.57% Guaranteed Secured Senior Class A Series 5 Notes due 2025 (the “**Series 5 Notes**”), the £216,000,000 2.45% Guaranteed Secured Senior Class A Series 6 Notes due 2028 (the “**Series 6 Notes**”), the £210,000,000 2.55% Guaranteed Secured Senior Class A Series 7 Notes due 2030 (the “**Series 7 Notes**”) and the £40,000,000 2.62% Guaranteed Secured Senior Class A Series 8 Notes due 2033 (the “**Series 8 Notes**”, and together with the Series 5 Notes, the Series 6 Notes and the Series 7 Notes, the “**Notes**” and each a “**Series**”) were issued by the Issuer on 22 March 2018 (the “**Issue Date**”).

The Notes were issued to the initial purchaser(s) of the Notes (the “**Purchaser(s)**”) on the Issue Date pursuant to a note purchase agreement dated 22 March 2018 and made between the Purchaser(s), Deutsche Trustee Company Limited as security trustee (the “**Security Trustee**”) and the Obligors (the “**Note Purchase Agreement**”).

The Notes were issued in registered form. The Notes are represented by registered certificates (each a “**Certificate**”), one or more Certificates being issued in respect of a Noteholder’s holding of the Notes.

The terms of the Notes are contained in the Note Purchase Agreement and the Certificates. The Notes are constituted by the Note Purchase Agreement. See Chapter 3 “*The Terms of the Notes*”.

The payment of all amounts owing in respect of the Notes are unconditionally and irrevocably guaranteed by Thames Water Utilities Holdings Limited (“**TWH**”) and Thames Water Utilities Finance Plc (“**TWUF**”) as described herein. TWUF, the Issuer and TWH are together referred to herein as the “**Obligors**”.

The Notes were not admitted to trading on any stock exchange or market as at the Issue Date. This Prospectus has been prepared by the Issuer solely for the purpose of having the Notes admitted to the Official List (as defined below) and admitted to trading on the Main Market (as defined below).

Application has been made to the Financial Conduct Authority (the “**FCA**”) under Part VI of the Financial Services and Markets Act 2000, as amended (“**FSMA**”) for Notes to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s main market (the “**Main Market**”). The Main Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal Agreement) Act 2020, as amended (the “**EUWA**”) (“**UK MiFIR**”). This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of either the Obligors or the quality of the Notes that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Notes. The total amount of the Notes to be admitted to the Official List and to trading on the Main Market is £466,000,000 (being the aggregate nominal amount of the Sterling denominated Notes, being the Series 6 Notes, Series 7 Notes and Series 8 Notes) and \$285,000,000 (being the nominal amount of the U.S. dollars denominated Notes, being the Series 5 Notes).

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”). The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, United States persons (as defined in Regulation S of the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act.

The denomination of the Notes is at least £500,000 (for a Series denominated in Sterling) or \$500,000 (for a Series denominated in U.S. dollars).

Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus and pages 26-68 of the EMTN Prospectus (as defined herein), which are incorporated by reference herein.

The Notes are not rated.

## IMPORTANT NOTICE

This prospectus (“**Prospectus**”) is a prospectus for the purposes of the UK Prospectus Regulation.

This Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to the Notes which are to be admitted to trading on a regulated market in the UK and/or offered to the public in the UK other than in circumstances where any exemption is available under Article 1(4) and/or 3(2) of the UK Prospectus Regulation. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

Each of the Issuer and the other Obligors accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and each of the other Obligors the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

This Prospectus is being distributed only to, and is directed only at, persons who: (i) are outside the United Kingdom; or (ii) are persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); or (iii) are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). This Prospectus, or any of its contents, must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons.

The contents of this website, other than copies of those documents deemed to be incorporated by reference into this Prospectus, are for information purposes only and do not form part of this Prospectus.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see the section “*Documents Incorporated by Reference*” below).

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Prospectus in connection with the Issuer, any member of the TWU Financing Group (as defined below) or the Thames Water Group (as defined below) or the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, any member of the TWU Financing Group or the Thames Water Group. Neither the delivery of this Prospectus nor any offering or sale of Notes made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or any member of the TWU Financing Group or any other Obligor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or any other Obligor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented. Unless otherwise indicated herein, all information in this Prospectus is given on the date of this Prospectus. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or any other Obligor to subscribe for, or purchase, any of the Notes.

Save for the Issuer and the Guarantors, no other party has separately verified the information contained in this Prospectus (an “**Other Party**”). Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Other Party as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution. The statements made in this paragraph are without prejudice to the respective responsibilities of the Issuer and the other Obligors. Each person receiving this Prospectus acknowledges that such person has not relied on any Other Party nor on any person affiliated with any of them in connection with its investigation

of the accuracy of such information or its investment decision. Neither the Obligor nor the Other Parties accept responsibility to investors for the regulatory treatment of their investment in any jurisdiction or by any regulatory authority.

None of the Other Parties expressly undertakes to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes.

None of the Issuer, any member of the TWU Financing Group, any member of the Thames Water Group or the Other Parties accept responsibility to investors for the regulatory treatment of their investment in the Notes (including (but not limited to) whether any transaction or transactions pursuant to which Notes are issued from time to time is or will be regarded as constituting a “securitisation” for the purpose of (i) Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017; and (ii) Regulation (EU) 2017/2042 as it forms part of domestic law of the UK by virtue of EUWA) by any regulatory authority in any jurisdiction. If the regulatory treatment of an investment in the Notes is relevant to any investor’s decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to the “*Risk Factors – Regulatory, Equity and Debt Funding Considerations*” section of the EMTN Prospectus for further information.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any other Obligor, any member of the TWU Financing Group, any member of the Thames Water Group or any of the Other Parties that any recipient of this Prospectus should purchase any of the Notes.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and the other Obligors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult independent professional advisers. Any prospective Noteholder should take its own legal, financial, accounting, tax and other relevant advice as to the structure and viability of its investment.

THE NOTES AND THE GUARANTEES IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, THE NOTES AND THE GUARANTEES IN RESPECT THEREOF MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT (“**REGULATION S**”)).

THE NOTES AND THE GUARANTEES IN RESPECT THEREOF ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE NOTES AND THE GUARANTEES IN RESPECT THEREOF AND DISTRIBUTION OF THIS PROSPECTUS SEE “*DISTRIBUTION, TRANSFER AND SELLING RESTRICTIONS*”.

THIS PROSPECTUS MAY BE DISTRIBUTED ON A CONFIDENTIAL BASIS IN THE UNITED STATES TO A LIMITED NUMBER OF “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7)) UNDER THE SECURITIES ACT THAT ARE INSTITUTIONS (“**INSTITUTIONAL ACCREDITED INVESTORS**”) FOR INFORMATIONAL USE ONLY. ITS USE FOR ANY OTHER PURPOSE IN THE UNITED STATES IS NOT AUTHORISED. IT MAY NOT BE COPIED OR

REPRODUCED IN WHOLE OR IN PART NOR MAY IT BE DISTRIBUTED OR ANY OF ITS CONTENTS DISCLOSED TO ANYONE OTHER THAN THE PROSPECTIVE INVESTORS TO WHOM IT IS ORIGINALLY SUBMITTED.

NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES ONLY TO INSTITUTIONAL ACCREDITED INVESTORS, IN TRANSACTIONS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, AND MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OF REGULATION S. EACH U.S. PROSPECTIVE PURCHASER OF THE NOTES IS HEREBY NOTIFIED THAT THE OFFER AND SALE OF ANY NOTES TO IT WILL BE MADE IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT FOR TRANSACTIONS NOT INVOLVING A PUBLIC OFFERING IN THE UNITED STATES

THE NOTES AND THE GUARANTEES IN RESPECT THEREOF HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES AND THE GUARANTEES IN RESPECT THEREOF OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

**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 OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UK. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW OF THE UNITED KINGDOM BY VIRTUE OF THE EUWA; OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FSMA AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT THE INSURANCE DISTRIBUTION DIRECTIVE WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW OF THE UNITED KINGDOM BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY THE PRIIPS REGULATION AS IT FORMS PART OF DOMESTIC LAW OF THE UNITED KINGDOM BY VIRTUE OF THE EUWA (THE “**UK PRIIPS**”

**REGULATION”)** FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

**MIFID II PRODUCT GOVERNANCE / TARGET MARKET** – SOLELY FOR THE PURPOSES OF ANY 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 MIFID II; AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A “**DISTRIBUTOR**”) SHOULD TAKE INTO CONSIDERATION SUCH 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 ANY MANUFACTURER’S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

**UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET** – SOLELY FOR THE PURPOSES OF 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, AND PROFESSIONAL CLIENTS, AS DEFINED IN UK MIFIR; AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY DISTRIBUTOR SHOULD TAKE INTO CONSIDERATION THE MANUFACTURERS’ TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO THE FCA HANDBOOK PRODUCT INTERVENTION AND PRODUCT GOVERNANCE SOURCEBOOK IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE MANUFACTURERS’ TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

The distribution of this Prospectus and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the other Obligors to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Notes and on distribution of this Prospectus, see Chapter 6 “*Distribution, Transfer and Selling Restrictions*”. This Prospectus does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe or purchase any Notes in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

Each purchaser or holder of Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in Chapter 6 “*Distribution, Transfer and Selling Restrictions*”.

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

All references herein to “**pounds**”, “**sterling**”, “**Sterling**” or “**£**” are to the lawful currency of the United Kingdom and all references to “**\$**”, “**U.S.\$**”, “**U.S. dollars**”, “**Dollars**” and “**dollars**” are to the lawful currency of the United States of America.

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## CHAPTER 1 OVERVIEW

*The following overview is qualified in its entirety by the remainder of this Prospectus.*

### The Parties

<b>Issuer</b>	Thames Water Utilities Limited, a company incorporated in England and Wales with limited liability (registered number 2366661) (the “ <b>Issuer</b> ”), which holds an Instrument of Appointment dated August 1989 under Sections 11 and 14 of the Water Act 1989 (as in effect on 1 September 1989) under which the then Secretary of State for the Environment appointed the Issuer as a water and sewerage undertaker under the Water Industry Act 1991, as amended (the “ <b>WIA</b> ”) for the areas described in the Instrument of Appointment. The Issuer is a wholly-owned subsidiary of TWH.
<b>Obligors</b>	TWH, TWUF and the Issuer are collectively referred to herein as the “ <b>Obligors</b> ” and each an “ <b>Obligor</b> ”. The Noteholders shall, through the Security Trustee, have recourse to the Obligors, as described in further detail in Chapter 7 “ <i>Overview of the Financing Agreements – Security Agreement</i> ” of the EMTN Prospectus which is incorporated by reference herein.
<b>Security Trustee</b>	Deutsche Trustee Company Limited acts and will act as security trustee for itself and on behalf of the Secured Creditors (as defined in the EMTN Prospectus) (the “ <b>Security Trustee</b> ”).
<b>Secured Creditors</b>	The Secured Creditors comprise any person who is a party to, or has acceded to, the STID as a Secured Creditor. The Noteholders are, or subject to their accession to the STID as Secured Creditors, will be, Secured Creditors.
<b>Noteholder</b>	The persons whose name is registered in the register maintained by the Issuer in respect of a Note as the holder of such Note.
<b>Purchaser(s)</b>	The persons whose name is listed in Schedule A to the Note Purchase Agreement as a “ <b>Purchaser</b> ”.

### The Notes

<b>Issue Date</b>	22 March 2018
<b>Issue Price</b>	100 per cent. of the principal amount of each Series of Notes.
<b>Notes</b>	The \$285,000,000 3.57% Guaranteed Secured Senior Class A Series 5 Notes due 2025.  The £216,000,000 2.45% Guaranteed Secured Senior Class A Series 6 Notes due 2028.



The £210,000,000 2.55% Guaranteed Secured Senior Class A Series 7 Notes due 2030.

The £40,000,000 2.62% Guaranteed Secured Senior Class A Series 8 Notes due 2033.

**Status of the Notes** The Notes constitute secured obligations of the Issuer and Class A Debt.

**Guarantee and Security** The Notes are unconditionally and irrevocably guaranteed and secured by each of TWUF and TWH pursuant to a guarantee and security agreement (the “**Security Agreement**”) entered into by each Obligor in favour of the Security Trustee over the entire property, assets, rights and undertaking of each such Obligor (the “**Security**”), in the case of the Issuer to the extent permitted by the WIA and the Licence. Each such guarantee constitutes a direct, unconditional and secured obligation of each such Obligor. The Security is held by the Security Trustee on trust for the Secured Creditors under the terms of the Security Agreement and subject to the terms of the STID.

**Rating** The Notes are not rated.

**Form of Notes** The Notes were issued in registered form. The Notes are represented by Certificates, one or more Certificates being issued in respect of a Noteholder’s holding of the Notes.

**Initial Delivery** On the Issue Date, the Certificate(s) representing the Notes were delivered by the Issuer to the relevant Purchaser(s).

**Denominations** The Notes have a minimum denomination of \$500,000 or £500,000, as applicable to a Series.

**Register** The Issuer keeps a register of the Notes at its registered office.

## **Terms of the Notes**

**Currencies** U.S. dollars and Sterling, as applicable to a Series.

**Interest** Fixed rate interest. Please see Chapter 3 “*The Terms of the Notes*” for further information.

**Optional Redemption** The Notes are subject to an optional redemption feature. Please see Chapter 3 “*The Terms of the Notes*” for further information.

**Events of Default** Each of the events set out in Schedule 6 (*Events of Default*) to the CTA constitutes an Event of Default under the Note Purchase Agreement and each Note.

**Covenants and Representations** Each Obligor on a several basis and jointly with each other Obligor represents and warrants to each Purchaser and each other holder of a Note on the terms of the representations and warranties contained in the CTA.

Each Obligor on a several basis and jointly with each other Obligor covenants with the Purchasers and each other holder of a Note on the terms of the covenants contained in Schedule 4 (*Covenants*) to the CTA.

**Withholding Tax**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding tax of the UK unless such withholding is required by law. In such event, the Obligors shall pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, subject to the terms set in Section 11 of the Note Purchase Agreement.

**Governing Law**

English law.

**Selling Restrictions**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the European Economic Area and such other restrictions as may be required in connection with the offering and sale of the Notes. See Chapter 6 "*Distribution, Transfer and Selling Restrictions*".

**Investor Information**

The Issuer is required to produce an investors' report (the "**Investors' Report**") semi-annually to be delivered within 180 days from 31 March or 90 days from 30 September of each year. Such Investors' Report will include, among other things: (i) a general overview of the Issuer's business in respect of the six month period ending on the immediately preceding Calculation Date; (ii) the calculations of the Class A ICR, Class A Adjusted ICR, Conformed Class A Adjusted ICR, Additional Conformed Class A Adjusted ICR, Senior Adjusted ICR, Conformed Senior Adjusted ICR and the Additional Conformed Senior Adjusted ICR for each Test Period (historic and projected); (iii) the calculations of the Class A Average Adjusted ICR, Conformed Class A Average Adjusted ICR, Additional Conformed Class A Average Adjusted ICR, Senior Average Adjusted ICR, Conformed Senior Average Adjusted ICR and Additional Conformed Senior Average Adjusted ICR for the 12 month period ending on such Calculation Date; (iv) the Class A RAR, Senior RAR and Conformed Senior RAR (historic and projected); and (v) reasonable detail of the computations of these financial ratios.

An abridged version of each such Investors' Report has been and will be made available by TWUF and the Issuer on the Issuer's website. In addition, a long-form version of each such Investors' Report has been and will be provided to the Security Trustee, each Rating Agency and each Facility Agent in accordance with the provisions of the CTA.

## CHAPTER 2 RISK FACTORS

*The Issuer and the other Obligors believe that the following factors may affect their ability to fulfil their obligations (including the payment of principal and interest) under the Notes. All of these factors are contingencies which may or may not occur.*

*Certain risk factors (as noted below) are incorporated by reference from the EMTN Prospectus (the “**Incorporated Risk Factors**”).*

*The Issuer and the other Obligors believe that the factors described below and the Incorporated Risk Factors represent the principal risks inherent in investing in the Notes, but the Issuer and the other Obligors may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer and the other Obligors do not represent that the statements below regarding the risks of holding any Notes and the Incorporated Risk Factors are exhaustive. There may be additional risks that the Issuer or the other Obligors currently consider not to be material or of which they are not currently aware, and any of these risks could have the effects set forth above. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein, in particular, the Incorporated Risk Factors) and reach their own views prior to making any investment decision.*

### **BACKGROUND**

The risk factor(s) set out in the sub-section “*Background*” in the section entitled “*Risk Factors*” of the EMTN Prospectus are incorporated by reference into this Prospectus.

### **STRATEGIC RISKS**

The risk factor(s) set out in the sub-section “*Strategic risks*” in the section entitled “*Risk Factors*” of the EMTN Prospectus are incorporated by reference into this Prospectus.

### **OPERATIONAL AND INFRASTRUCTURE ASSETS RISKS**

The risk factor(s) set out in the sub-section “*Operational and infrastructure asset risks*” in the section entitled “*Risk Factors*” of the EMTN Prospectus are incorporated by reference into this Prospectus.

### **COMPLIANCE RISKS**

The risk factor(s) entitled “*Environmental Quality Standards*”, “*Environmental Permitting*”, “*Performance, commitments and incentives*”, “*Health & Safety offences*”, “*Breach of Licence Conditions*”, “*Regulated Business*”, “*RCV*”, “*Termination of the Licence*”, “*Special Administration*” and “*Impact of Ofwat adopting tighter regulatory measures to achieve financial resilience*” set out in the sub section “*Compliance risks*” in the section entitled “*Risk Factors*” of the EMTN Prospectus are incorporated by reference into this Prospectus.

### **FINANCIAL RISKS**

The risk factor(s) entitled “*Future funding*”, “*The DSR Liquidity Facilities*”, “*The O&M Reserve Facilities*”, “*Interest rate risk, inflation risk, and termination of hedging agreements*”, “*High leverage*”, “*Price controls*”, “*Pensions*”, “*Changes in specified inflation indices*”, “*Tax risks in AMP7*”, “*Changes in financial reporting standards*”, “*TWUL revenue and cost considerations*”, “*Bad debt and non-recovery of customer debt*”, “*General market volatility*” and “*Retailer non-householder counterparty credit*” set out in the sub section “*Financial risks*” in the section entitled “*Risk Factors*” of the EMTN Prospectus are incorporated by reference into this Prospectus.

Prospective investors should also have regard to the following risk factors:

## **General**

### **Source of payments to Noteholders**

Although the Notes have the benefit of the Guarantees, none of the Notes are obligations or responsibilities of, nor will they be guaranteed by, any of the Other Parties (other than the Obligors). The guarantee by TWH may be of limited value because it does not own, nor will it own, any significant assets other than its direct shareholding in TWUF and the Issuer. The guarantee by TWUF may be of limited value because it does not own, nor will it own any significant assets other than the loans it has made to the Issuer and furthermore, TWUF has Financial Indebtedness outstanding under the Secured TWUF Bonds which constitutes Class A Debt of the TWU Financing Group.

### **Insolvency proceedings and subordination provisions**

Following a number of actions (one of which has been stayed) in the U.S., there is uncertainty as to the validity and/or enforceability in the U.S. of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor (so called “flip clauses”). Such provisions are similar in effect to certain of the terms which are included in Schedule 11 (*Cash Management*) to the CTA, in particular with respect to the subordination of payments to a Hedge Counterparty (see Chapter 7 “*Overview of the Financing Agreements*” in the section entitled “*Debt Service Payment Account*” of the EMTN Prospectus, which is incorporated by reference herein).

In general, if a subordination provision included in the Finance Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales (where the UK Supreme Court has upheld the validity of a flip clause), and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholder, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

## **Compliance Risks**

### ***Environmental considerations***

The Issuer’s water supply and sewerage operations are subject to a significant number of regulations relating to the protection of the environment and human health.

The Issuer and other Regulated Companies can incur significant costs in order to comply with such requirements imposed under existing or future environmental laws and regulations. This risk is increased by virtue of the ongoing and separate EA and Ofwat investigations into water and sewerage companies, pursuant to which Ofwat issued a number of water and wastewater companies with formal notices to gather further information for enforcement purposes and in respect of which Ofwat announced on 12 December 2023 that it had reached the next stage of its investigation (see section titled “*Environmental pollution offences*” below for further details of this investigation), as well as the new provisions introduced by the Environment Act 2021 in relation to storm overflows and the recommendations made by the Environmental Audit Committee inquiry in their report published on 13 January 2022 on water quality in rivers (and the response of the Government) as described in Chapter 6 “*Regulation of the Water and Wastewater Industry in England and Wales*” of the EMTN Prospectus. On 8 December 2022, DEFRA published legally binding targets to protect the environment pursuant to the Environment Act 2021. These targets include cutting water pollution and are one of the latest of a series of environmental measures reflecting increasing social and political concern about the environment.

Where such costs were not considered as part of a Periodic Review, in certain limited circumstances, the Issuer may apply for an interim determination. It is possible that Ofwat may determine that the cost of fulfilling certain obligations is likely to be less than the cost actually incurred by the Issuer in fulfilling such obligations. In such

circumstances, the funding allowed by Ofwat may not totally cover the actual costs and the Issuer would bear this additional element. In practice, the funding allowed by Ofwat is set for a package of obligations and some will cost more and some less. Because of the frequency of legislative changes, it is not always certain how future environmental laws will impact the Issuer and the financial condition of the Issuer and/or the interests of the Bondholders.

The environmental legislation governing the Issuer's business means that the Issuer is at risk of enforcement action, prosecution, substantial fines, requirements to deal with the effects of contamination and/or upgrade plant and equipment, in the event of incidents such as the escape of sewage or a breach of water quality standards. Environmental legislation imposes strict obligations on those who manage waste and there are few defences for non-compliance. In addition, in relation to some offences, there is no statutory defence where a discharge or pollution event has occurred. This could materially and adversely affect the Issuer's reputation and/or financial position and consequently, adversely impact the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

### ***Environmental pollution offences***

Due to the extent and location of the Issuer's waste network and assets, there is a risk that, from time to time, unlawful waste discharges/disposals may take place (whether into controlled waters or onto land) as a result of failures in the Issuer's operational wastewater collection, treatment and/or recycling, or blockages and failures on the waste network.

Such discharges may constitute criminal offences under UK environmental legislation (including, for example, the Environmental Permitting Regulations (England and Wales) 2016, the Control of Pollution (Amendment) Act 1989, Waste (England and Wales) Regulations 2011 and the Environmental Protection Act 1990) and, depending on the assessed levels of culpability and harm, as well as any aggravating and/or mitigating factors, could result in prosecution by the EA and attract significant fines. Environmental legislation imposes strict obligations on those who manage waste and there are few defences for non-compliance. In addition, in relation to some offences, there is no statutory defence where a discharge or pollution event has occurred.

Following the implementation of the sentencing council definitive guidelines for environmental offences in July 2014, for those cases involving the highest levels of culpability (whether assessed as negligent, reckless or deliberate) and harm, the courts have the power to impose significant fines for pollution offences for very large organisations. These are routinely in excess of £1 million per incident. The guidelines do not provide for any limit on the fine that can be imposed and the levels of fines for Very Large Organisations (as defined in the sentencing guidelines) can be difficult to predict. The Court of Appeal has ruled that a fine matching 100% of an organisation's pre-tax profit may not be considered to be manifestly excessive. While the current guidelines remain in place, the Environmental Audit Committee, a cross-party committee of MPs responsible for the 2021 inquiry into river water quality, has called for their review as part of their report issued in January 2022. The Government response to the report was published in May 2022, and stated that the sentencing council will consider the recommendation in due course, and any changes to the sentencing guidelines would be subject to public consultation. In a number of public statements, the EA has called for increased fines for environmental offences and even prison sentences and disqualification orders for directors. It has also indicated that in future enforcement cases, it wishes to move to a greater number of prosecutions as opposed to using its civil sanctions powers and a consultation on how the EA would determine any increased levels of fines is currently taking place. Following a public consultation launched in April 2023, on 12 July 2023, the Government announced plans to strengthen the maximum civil sanctions imposable for environmental offences. As part of the proposed amendments, the current cap of £250,000 on the fines which the EA can impose on operators will be lifted. Variable monetary penalties will also be able to be levied for offences committed under the Environmental Permitting (England and Wales) Regulations 2016. These changes will apply to England only, as outlined in the

public consultation, and will apply to all operators who commit offences after the changes come into force, which is expected to be 1 December 2023.

In August 2023, the EA issued a statutory consultation (which closes on 8 October) on the amendments to its Enforcement and Sanctions Policy including details of when penalties are to be used, how they will operate alongside other remedies available to the EA (e.g. prosecution through the courts), how penalties will be calculated and the appeals process. These developments could lead to an increase in the levels of fines and penalties levied on operators.

The Environment Agency investigation titled “Operation Standard” formally commenced in November 2021. Since December 2021, formal information requests have been received from the Environment Agency under s108 Environment Act 1995 in relation to the vast majority of the Issuer’s sites in relation to discharges from storm infrastructure and adherence to environmental permits. The Issuer has received a number of formal information requests from the EA to share event duration monitoring, flow data/inlet flow and other kinds of data in relation to its sewage treatment sites, all of which have been responded to. The EA has also indicated that information which the Issuer had provided to it from May 2021 is being considered as part of this investigation. On 23 June 2023, the Environment Agency published an update on its investigation. The Environment Agency’s initial assessment indicates that there may have been widespread and serious non-compliance of environmental permit conditions by all water companies. Throughout the coming months, the Environment Agency will conduct site visits to wastewater treatment works with specialist investigators. The purpose of these visits will be to secure and preserve evidence relevant to its inquiry.

In Ofwat’s parallel investigation, in November 2021, Ofwat’s then acting Chief Executive published an open letter to all water and sewerage company CEOs regarding company compliance with environmental permits and made a number of requests for information which the Issuer complied with. The Ofwat letter stated that Ofwat would consider enforcement action for failure to comply with permit conditions and specifically mentions the WIA 1991 drainage duties and the requirement in licences to have sufficient financial resources, management resources and systems of planning and internal control (including management oversight) to carry out regulated activities. In March 2022, Ofwat served a notice on the Issuer under section 203 Water Industry Act 1991. The notice contained a number of questions regarding the operation of the Issuer’s sewage treatment sites. The Issuer responded to these questions in April 2022 as well as a number of follow up questions, and continues to be in discussion with Ofwat. Ofwat has now opened enforcement cases into six water companies, noting that it will keep its enforcement cases “under review” and that the “companies in focus may change as new information comes to light”. According to Ofwat’s press release PN 24/22 dated 28 June 2022, the Issuer is one of six water and wastewater companies being targeted by Ofwat in the next stage of its wastewater treatment works investigation. On 21 November 2022 Ofwat’s Chief Executive David Black wrote to customers on the progress of the Ofwat investigation, indicating that Ofwat is “scrutinising all the evidence” and are monitoring water companies’ plans to reduce sewage discharges, and from 2025, have proposed compulsory annual targets for further improvement. On 12 December 2023, Ofwat announced that it had reached the next stage of its investigation into the Issuer’s management of its sewage treatment works and wider network and that it had notified the Issuer of its provisional findings (which are without prejudice to any further representation that the Issuer may make to Ofwat). Ofwat has not yet concluded whether there has been any contravention or failure by the Issuer, nor has it decided to issue a notice under section 22A of the WIA. Ofwat expects to publish its proposed decision for public consultation in the first quarter of 2024.

On 22 March 2023, the House of Lords Industry and Regulators Committee published a report on its inquiry into the work of Ofwat. Its key findings included that Ofwat and the Environment Agency must go further to hold water companies to account for environmental pollution through penalties and prosecution and that water companies have been overly focused on maximising financial returns at the expense of the environment, operational performance and financial sustainability.

Fines can be up to 10% of annual turnover for civil cases (pending the Government's amendments to the civil penalties as described above), or unlimited in criminal proceedings. These investigations are progressing but it may be several months, or (in the case of the EA investigations) possibly a number of years, before there is an outcome.

The implementation of fines and penalties for environmental pollution offences, and the significant public, media and political scrutiny of the Issuer as a result of the investigations, could affect the Issuer's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the payment of principal and interest under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 (Overview of the Financing Agreements – Common Terms Agreement – Covenants - Trigger Events – Events of Default) of the EMTN Prospectus.

### ***Material Uncertainty Related to Going Concern***

Other than liabilities incurred under the Finance Documents, TWH's only material liabilities relate to Subordinated Debt owed to its parent Thames Water Limited ("TWL") as the Initial Subordinated Creditor.

Pursuant to the STID, TWL as the Initial Subordinated Creditor has agreed that such Subordinated Debt shall be a subordinated obligation of TWH, and in particular TWH shall only be permitted to make payments under the Subordinated Debt to the extent permitted by the Finance Documents and if on any date TWH is unable to pay any amount due and payable, such amount shall be deferred and shall not be due and payable on such date and shall only be payable when TWH has sufficient funds to make such payment.

In addition to the protection in respect of Subordinated Debt, TWH obtained a letter of comfort from the directors of the Parent stating that they will not seek repayment of the principal or interest owed to it under such intercompany loans for at least 12 months from the date of signing of the TWH annual report and financial statements for the year ended 31 March 2023 (being 14 July 2023). As such, the amounts owed under this intercompany loan have been classified as non-current liabilities in the financial statements of TWH.

TWH has also obtained a letter of support from its ultimate parent company, Kemble Water Holdings Limited ("KWHL") whereby KWHL agreed to provide adequate financial support to TWH to allow TWH to continue trading and to meet its liabilities as they fall due for a minimum of the next twelve months from the date of signing of the TWH annual report and financial statements for the year ended 31 March 2023 (being 14 July 2023). As at the date of approval of the financial statements for TWH for the period ended 31 March 2023, there was a material uncertainty relating to going concern in the financial statements of KWHL for the same period. Despite the limited and subordinated nature of TWH's liabilities, this in turn created a material uncertainty for TWH as it is uncertain as to whether KWHL would be able to honour the letter of support provided. TWH therefore prepared their financial statements for the period ending 31 March 2023 on the basis of going concern with material uncertainty.

However, notwithstanding the limited and subordinated nature of TWH's liabilities, should an unforeseen scenario materialise where TWH had no resources in which to meet its liabilities as they fell due (and hence required the assistance under the letter of support) and KWHL were unable to honour the request, this could result in TWH being unable to operate as a going concern, which may lead to an Event of Default under the Issuer's financing facilities. For more information on the funding strategy of the Issuer, see the section entitled "*Strategic Risks - Regulatory, debt and equity funding of TWUL*" in the EMTN Prospectus and for further information on the consequences of an Event of Default under the Issuer's financing facilities, please see Chapter 7 (*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events; Trigger Event Consequences; Events of Default*) of the EMTN Prospectus. The occurrence of an Event of Default could also have an adverse effect on the Issuer's business, results of operations and overall financial

condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the payment of principal and interest under the TWUF/TWUL Loan Agreements and the Issuer/TWUL Loan Agreements (as defined in the EMTN Prospectus), and consequently the Issuer's ability to meet its obligations under the Notes.

## **Risks relating to the Notes and the Market**

### **Intercreditor rights of Noteholders**

The Notes are subject to the provisions of the STID. The STID contains provisions enabling the Security Trustee to implement various modifications, consents and waivers in relation to the Finance Documents and the Notes and the Note Purchase Agreement, subject to Entrenched Rights and Reserved Matters (see Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed – Entrenched Rights and Reserved Matters*" of the EMTN Prospectus, which is incorporated by reference herein). The Security Trustee is authorised to act on the instructions of the Class A DIG or, following repayment of the Class A Debt, the Class B DIG.

The STID provides that the Security Trustee (except in relation to certain Reserved Matters and Entrenched Rights as set out in the STID) will act on instructions of the relevant DIG Representative(s). When so doing, the Security Trustee is not required to have regard to the interests of any Finance Party (including any Noteholder) in relation to the exercise of such rights and, consequently, has no liability to the Noteholders as a consequence of so acting.

Accordingly, subject to the Entrenched Rights and Reserved Matters of the Noteholders, decisions relating to and binding upon the Notes may be made by persons with no interest in the Notes and the Noteholders may be adversely affected as a result (see Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed*" of the EMTN Prospectus, which is incorporated by reference herein).

Under the terms of the STID and the CTA any further issues of debt securities by the Issuer or TWUF must be made subject to the Intercreditor Arrangements contained in the CTA and the STID (to which the Notes and the Note Purchase Agreement are also subject). No alteration of the rights of priority of the Noteholders may be made without the consent of the Noteholders.

The Entrenched Rights and Reserved Matters may materially and adversely affect the exercise and proceeds of any enforcement of the Security. Subject to such Entrenched Rights and Reserved Matters, the Majority Creditors may make a modification to, or grant any consent or waiver in respect of, the Finance Documents.

The consequences for the Issuer and TWUF of the Trigger Events and the restrictions on raising Financial Indebtedness in relation to financial covenants set in the Common Terms Agreement are untested. Although designed to protect Noteholders, the enforcement of such consequences (which may in the case of Trigger Events be subject to Entrenched Rights) may of themselves affect the Issuer's business, results of operations and overall financial condition and its ability to meet financial ratio and covenant requirements under its financings to raise further finance, operate its business and deliver investment in capital expenditure.

### **Modification, waivers and substitution**

The terms of the Notes provide that, subject to the terms of the CTA and the STID, the Note Purchase Agreement and the Notes may be amended, and the observance of any term of the Notes and the Note Purchase Agreement may be waived (either retroactively or prospectively), with (and only with) the written consent of the Issuer and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Sections 1, 2, 3, 4, 5, 6 or 20 of the Note Purchase Agreement, or any defined term (as it is used therein), will be effective as to any Noteholder unless consented to by such Noteholder in writing, and (b) no such amendment or waiver may,



without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 10 of the Note Purchase Agreement relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount, Net Loss, Net Gain or Swap Breakage Amount (each as defined in the terms of the Notes) on or in respect of the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Section 8 (except as set forth in the second sentence of Section 8.2), 9, 10, 11, 16, 19 or 22.10 of the Note Purchase Agreement. Changes to certain terms of the Note Purchase Agreement and the Notes and waiver (either prospectively or retroactively) of the observance of certain terms of the Notes and the Note Purchase Agreement may be waived without the consent of each individual Noteholder and any such change could materially adversely impact the value of any Notes affected by it.

### **Change of law**

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

### **Notes subject to optional redemption by the Issuer**

The Notes are subject to an optional redemption feature which is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

### **Green Notes**

Prospective investors who intend to invest in the Notes must determine for themselves the relevance of the information in the Note Purchase Agreement for the purpose of any investment in the Notes together with any other investigation such investors deem necessary. Prospective investors should consult with their legal and other advisers before making an investment in the Notes. In particular, no assurance is or can be given to investors by the Issuer, any other Obligor or any other person that the Eligibility Criteria or the Eligible Green Portfolio (each as defined in Chapter 4 “*Use of Proceeds*”) will meet or continue to meet on an ongoing basis any or all investor expectations regarding investment in “green bond”, “green US PP”, “green” or “sustainable” or equivalently-labelled projects or performance objectives or that any adverse sustainable and/or other impacts will not occur during the implementation of any projects or uses of the proceeds. In addition, no assurance can be given by the Issuer, any other Obligors or any other person to investors that the Notes will comply with any future standards or requirements for being “Green Notes” and, accordingly, the green status of the Notes could be withdrawn at any time.

In connection with the issue of Notes, the Issuer and/or any other Obligor may request consultants and/or institutions with recognised expertise in environmental sustainability to issue an opinion (i) confirming that the Eligible Green Portfolio (as defined in Chapter 4 “*Use of Proceeds*” below) has been defined in accordance with the broad categorisation of eligibility for green projects set out by the 2017 Green Bond Principles; and/or (ii) regarding the suitability of the Notes as an investment in connection with certain environmental and sustainability projects (any such opinion, an “**External Review**”).

Any External Review is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. An External Review may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above or incorporated by reference herein and other factors that may affect the value of the Notes or the Eligible Green Portfolio. An External Review would not constitute a recommendation by the Issuer, any other Obligor or any other person to buy, sell or hold securities and would only be current as of the date it is released. Prospective investors must determine for themselves the relevance of any External Review and/or the information contained therein and/or the provider of any External Review for the purpose of any investment in the Notes. In particular, no assurance or representation is or can be given to investors that the External Review will reflect 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.

The Noteholders have no recourse against the provider of any External Review. In addition, although the Issuer has agreed to certain reporting and use of proceeds obligations it would not be an event of default under the Notes if the Issuer fails to comply with such obligations. A withdrawal of an External Review may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. No assurance or representation is given by the Issuer, any other Obligor or any other person as to the suitability or reliability for any purpose whatsoever of any External Review or other opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of the Notes, and the Noteholders have no recourse against the Issuer, any other Obligor or any other person in respect of the contents of any External Review or other such opinion or certification. It should be noted that there is currently no globally accepted framework or definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or an equivalently-labelled investment or as to what precise attributes are required for a particular investment to be defined as “green” or such other equivalent label. If developed in the future, investors in such Notes may find that the Notes no longer comply with any such definition or label.

Furthermore, it should be noted that no member of the TWU Financing Group, nor any other person makes any representation as to the suitability of the Notes to fulfil environmental and sustainability criteria required by prospective investors. No member of the TWU Financing Group is responsible for any third party assessment of the Eligibility Criteria. Nor is any other person responsible for (i) any assessment of the Eligibility Criteria, (ii) any verification of whether the Eligible Green Projects meet the Eligibility Criteria, or (iii) the monitoring of the use of proceeds. Investors should refer to the Issuer’s website and the External Review for further information. The External Review provider has been appointed by the Issuer and/or the relevant Obligor.

In the event that the Notes are listed or admitted to trading on any dedicated “sustainable” 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, any other Obligor 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, in particular with regard to any direct or indirect green, social or sustainable impact of any projects or uses which are the subject of or related to, any green, social or sustainability reports. 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. Nor is any representation or assurance given or made by the Issuer, any other Obligor or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes. Any such event or failure to apply an amount equivalent to the net proceeds of the for any eligible project and/or any 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 the Notes no longer being listed or admitted to trading on

any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Notes and also potentially the value of any other Series and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

For the avoidance of doubt, any External Review referred to in connection with the issue of the Notes is not, nor shall it be deemed to be, incorporated in and/or form part of this Prospectus. Investors should refer to the Issuer's website (<https://www.thameswater.co.uk/about-us/investors/debt-information>) and the relevant External Review for further information.

## **Risks related to the market generally**

### **Limited liquidity of the Notes; absence of secondary market for the Notes**

The Notes are subject to certain transfer restrictions and as such there can be no assurance that a secondary market will develop or, if a secondary market does develop for any of the Notes that it will provide the holder of the Notes with liquidity or that any such liquidity will continue for the life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of the Notes.

### **Regulatory Capital Considerations; CRD V**

Noteholders should consult their own advisers as to the effect of the application of the Regulation (EU) No 575/2013 of the European Parliament and of the Council (the "CRR") and the Directive 2019/878/EU of the European Parliament and of the Council (the "CRD V") as implemented by their own regulator, to their holding of any Notes. The CRR and CRD V have applied since 1 January 2014 and include amendments to the EU regulatory capital regime for credit institutions and investment firms. These amendments could result in certain investors being subject to additional regulatory capital obligations. These regulatory capital obligations would vary depending on the type of investor and the jurisdiction in which they are regulated. Investors should be aware that such regulatory capital obligations may adversely affect their own holding of the Notes (if they fall within one of the relevant categories of regulated investors) and may adversely affect the price for which they can sell the Notes or their ability to sell the Notes at all. CRD V, as it had effect immediately before the end of 31 December 2020, has been retained in UK domestic law by virtue of the EUWA (with amendments aimed at preventing, remedying or mitigating any failure of retained EU law to operate effectively, or any other deficiency in retained EU law arising from the withdrawal of the United Kingdom from the EU).

### **Exchange rate risks and exchange controls**

The Issuer will pay principal and interest on the Notes in either Sterling or U.S. dollars (as applicable to the relevant Series of Notes) (the "Specified Currency"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (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 to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**Interest rate risks**

Investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes this will adversely affect the value of the Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following sections of the base prospectus in respect of the Thames Water Utilities Finance Plc £15,000,000,000 multicurrency programme for the issuance of Guaranteed Bonds dated 12 October 2023 (the “**Programme**”) (the “**EMTN Prospectus**”) (available at [https://www.rns-pdf.londonstockexchange.com/rns/9863P\\_1-2023-10-12.pdf](https://www.rns-pdf.londonstockexchange.com/rns/9863P_1-2023-10-12.pdf)) which shall be incorporated in and form part of this Prospectus:

	<b>Section Title/Reference</b>	Page(s)
1.1	Chapter 2 – Risk Factors  (i) Background  (ii) Strategic risks  (iii) Operational and infrastructure asset risks  (iv) Compliance risks  (v) Financial risks (to the extent that these risk factors are Incorporated Risk Factors)	26-68. The Incorporated Risk Factors (as defined above) are further described in Chapter 2 “ <i>Risk Factors</i> ”.
1.2	Chapter 4 – Overview of the Financing Structure	83-85
1.3	Chapter 5 – Description of the TWU Financing Group	86-138
1.4	Chapter 6 – Regulation of the Water and Wastewater Industry in England and Wales	139-171
1.5	Chapter 7 – Overview of the Financing Agreements	171-215
1.6	Glossary of Defined Terms	305-367

Such incorporated sections are referred to herein as the “**TWUL Disclosure**” and all references to the “**Issuer**” shall be construed as references to “**TWUL**” unless the context requires otherwise.

The EMTN Prospectus was published and approved by the FCA on 12 October 2023.

This Prospectus should also be read and construed in conjunction with the following, which shall be incorporated in and form part of this Prospectus:

- (i) the audited financial statements of TWUF for the year ended 31 March 2022 (as contained in the Issuer’s annual report and financial statements (<https://www.thameswater.co.uk/media-library/home/about-us/investors/debt-investors/thames-water-utilities/thames-water-utilities-finance/reports/annual-report-2021-22.pdf>)) and for the year ended 31 March 2023 (as contained in TWUF’s annual report and financial statements (<https://www.thameswater.co.uk/media-library/home/about-us/investors/debt-investors/annual-report-2022-23.pdf>));
- (ii) the audited financial statements of TWH for the year ended 31 March 2022 (as contained in TWH’s annual report and financial statements (<https://www.thameswater.co.uk/media-library/home/about-us/investors/debt-investors/thames-water-utilities/thames-water-utilities-holdings/annual-report-2021->

22.pdf)) and for the year ended 31 March 2023 (as contained in TWH's annual report and financial statements (<https://www.thameswater.co.uk/media-library/home/about-us/investors/debt-investors/thames-water-utilities/thames-water-utilities-holdings/annual-report-2022-23.pdf>));

- (iii) the audited financial statements of the Issuer for the year ended 31 March 2022 (as contained at pages 127 to 201 (inclusive) of the Issuer's annual report and financial statements (<https://www.thameswater.co.uk/media-library/home/about-us/investors/our-results/current-reports/thames-water-annual-and-sustainability-report-2021-22.pdf>)) and for the year ended 31 March 2023 (as contained at pages 113 to 182 (inclusive) of the Issuer's financial statements (<https://www.thameswater.co.uk/media-library/home/about-us/investors/our-results/2023-reports/thames-water-annual-report-2022-23.pdf>));
- (iv) the unaudited interim financial report of the Issuer for the financial half year ended 30 September 2023 (available at <https://www.thameswater.co.uk/media-library/home/about-us/investors/our-results/interim-2023-24/TWUL-Interim-Report-HY24.pdf>); and
- (v) the unaudited interim financial statements of TWUF for the financial half year ended 30 September 2023 (available at <https://www.thameswater.co.uk/media-library/home/about-us/investors/debt-investors/thames-water-utilities/thames-water-utilities-finance/reports/interim-report-2023-24.pdf>).

The TWUL Disclosure and the documents, or sections of documents, referred to above shall be incorporated in and form part of this Prospectus, save that any statement contained in such documents, or sections of a document, which are incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents, which are themselves incorporated by reference in the documents incorporated by reference in this Prospectus, shall not form part of this Prospectus. Where only certain parts of a document are incorporated by reference in this Prospectus, the non-incorporated parts are either not relevant to the investor or are covered elsewhere in this Prospectus. Further, any defined terms used in the TWUL Disclosure shall only be a defined term for the purposes of this Prospectus to the extent that it is not inconsistent with this Prospectus.

The auditors' report for the audited financial statements of the Issuer and TWUF for the years ended 31 March 2022 and 31 March 2023 can be found at:

- (i) pages 127 to 133 (inclusive), in the case of the audited financial statements of the Issuer for the year ended 31 March 2022;
- (ii) pages 11 to 16 (inclusive), in the case of the audited financial statements of TWUF for the year ended 31 March 2022;
- (iii) pages 113 to 120 (inclusive), in the case of the audited financial statements of the Issuer for the year ended 31 March 2023; and
- (iv) pages 11 to 17 (inclusive), in the case of the audited financial statements of TWUF for the year ended 31 March 2023.

Each Obligor will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to any of the Issuer or the other Obligors at Clearwater Court, Vastern Road, Reading RG1 8DB.

The Issuer will provide, free of charge, upon oral or written request, a copy of this Prospectus (or any document incorporated by reference in this Prospectus) at its registered office.

## **PRESENTATION OF FINANCIAL INFORMATION**

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The audited financial statements of the Issuer and TWUF as at and for the year ended 31 March 2022 and year ended 31 March 2023 have been prepared under International Financial Reporting Standards (“**IFRS**”) as adopted by the UK Endorsement Board.

The audited financial statements of TWH as at and for the years ended 31 March 2022 and 31 March 2023 have been prepared in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework (“**FRS 101**”).

### **CHAPTER 3**

#### **THE TERMS OF THE NOTES**

*The terms of the Notes are contained in the Note Purchase Agreement and the Certificates. Capitalised terms used in this Chapter 3 “The Terms of the Notes” shall have the meaning given to them in this Prospectus or the Note Purchase Agreement.*

*The Noteholders have rights and obligations in relation to the Notes under the Note Purchase Agreement and the Certificates and will need to exercise those rights or preform those obligations pursuant to the Note Purchase Agreement and the Certificates.*

*This Prospectus describes the rights and obligations of the Issuer, the Obligors and Noteholders in relation to the Notes and the terms of the Note Purchase Agreement and the Certificate. Therefore, a reference in this Prospectus to an action pursuant to or under a “Paragraph” shall be read as an action pursuant to or under the corresponding “Section” of the Note Purchase Agreement or pursuant to or under the Notes, as the case may be.*

*The Notes are constituted by the Note Purchase Agreement. These terms include summaries of, and are subject to, the detailed provisions of the Note Purchase Agreement, which includes the form of the Notes and Certificates referred to below.*

*The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Purchase Agreement.*

*On 31 August 2018, following the approval of a STID proposal dated 4 June 2018 by the Majority Creditors on 26 June 2018 (the “**2018 STID Proposal**”), both TWUCFL and TWUCFH were removed from the TWU Financing Group. Pursuant to the 2018 STID Proposal, both TWUCFL and TWUCFH were also removed as guarantors of the Notes and Obligors under the Note Purchase Agreement. Any reference to the “Obligors” in this prospectus should therefore be read accordingly.*



## **PART A – PRINCIPAL TERMS OF THE NOTES**

### **1 Sale and Purchase of the Notes; Security**

#### **1.1 Sale and Purchase of the Notes**

The Issuer issued and sold to each Purchaser and each Purchaser purchased from the Issuer, on 22 March 2018 (“**Closing**”), the Notes in the principal amount and in the Series specified opposite such Purchaser’s name in Schedule A to the Note Purchase Agreement at the purchase price of 100% of the principal amount thereof. The Purchasers’ obligations thereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser thereunder.

#### **1.2 Guarantee and Security**

The Issuer’s obligations in respect of the Notes is guaranteed and secured on the terms set out in the Security Documents (including the STID) and the CTA, and the obligations of the Obligor under the Note Purchase Agreement, the Notes and such guarantees constitutes Class A Debt.

### **2 Interest**

On each Interest Payment Date the Issuer shall pay accrued interest on the principal amount of the Notes outstanding as of the relevant date at the rate per annum (expressed as a percentage) equal to the Rate of Interest.

### **3 Closing**

Closing occurred on 22 March 2018 in accordance with the Note Purchase Agreement.

### **4 Conditions to Closing**

Each Purchaser confirmed that the conditions to Closing set out in the Note Purchase Agreement were fulfilled to each Purchaser’s satisfaction.

### **5 Representation and Warranties of the Obligor**

Each Obligor on a several basis and jointly with each other Obligor represents and warrants to each Purchaser and each other holder of a Note on the terms of the representations and warranties contained in the CTA including, but not limited to those contained in paragraphs 30, 31 and 32 of Schedule 2 to the CTA, and at the times specified in the CTA (which includes the date of the Note Purchase Agreement and, if different, the date of Closing) and acknowledges that each Purchaser has entered into the Note Purchase Agreement in reliance on such representations and warranties.

### **6 Representations of the Purchasers**

Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser’s or their property shall at all times be within such Purchaser’s or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Issuer is not required to register the Notes under the Securities Act.

## 7 Covenants

### 7.1 Common Terms Agreement Covenants

From the date of the Note Purchase Agreement until the Closing and thereafter, so long as any of the Notes are outstanding, each Obligor on a several basis and jointly with each other Obligor covenants with the Purchasers and each other holder of a Note on the terms of the covenants contained in Schedule 4 (*Covenants*) to the CTA.

### 7.2 Use of Proceeds

The Issuer will apply the proceeds from the sale of the Notes to the financing, refinancing and/or investment in an Eligible Green Portfolio (as defined below) meeting the Eligibility Criteria (as defined below).

“**Eligible Green Projects**” means sustainable water management projects with a reduced climate footprint and water recycling projects with a reduced climate footprint.

“**Eligible Green Portfolio**” means a portfolio of Eligible Green Projects.

“**Eligibility Criteria**” means the criteria prepared by the Issuer.

Pending allocation of the net proceeds for investment in the Eligible Green Portfolio, the Issuer will hold such net proceeds in an operating account, at its discretion, in the form of cash or other investments (as permitted under the Common Terms Agreement). The balance of the Eligible Green Portfolio, until such amount is used in full, will be periodically adjusted to match allocations to Eligible Green Projects. The Issuer will establish systems to monitor and account for the net proceeds for investment in the Eligible Green Portfolio meeting the Eligibility Criteria.

In addition, the Issuer is expected to issue a report on (i) the portfolio to which proceeds of Notes have been allocated and the amounts allocated and (ii) the expected impact of the Eligible Green Portfolio on the environment. This report will be issued once a year until each Series of Notes is repaid in full or until the Maturity Date of each such Series of Notes. In addition, the Issuer is expected to provide regular information through its website [www.thameswater.co.uk](http://www.thameswater.co.uk) on the environmental outcomes of the Eligible Green Portfolio.

## 8 Payments and Prepayments of the Notes

### 8.1 Maturity

Unless otherwise previously prepaid, or purchased and cancelled, as provided therein, the entire unpaid principal balance of each Note shall be due and payable on the Maturity Date thereof, together with interest on such principal balance accrued to such date.

### 8.2 Optional Prepayments with Make-Whole Amount.

The Issuer may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes of all Series then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with accrued interest thereon and the Make-Whole Amount (if any), plus the Net Loss (if any) with respect to any Swapped Note and less the Net Gain (if any) with respect to any Swapped Note, in each case determined for the prepayment date with respect to such principal amount. The Issuer will give each holder of a Note irrevocable written notice of each optional prepayment under this Paragraph 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment unless the Issuer and the Required Holders agree to another time period pursuant to Paragraph 16

*(Amendments and Waiver)*. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Paragraph 8.5), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by an Officer's Certificate as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two (2) Business Days prior to such prepayment, the Issuer shall deliver to each holder of a Note an Officer's Certificate specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

### **8.3 Prepayment for Tax Reasons**

- 8.3.1 If at any time as a result of a Change in Tax Law (as defined below) the Issuer is or becomes obligated to make any Additional Payments (as defined below) in respect of any payment of interest on account of any of the Notes ("**Tax Affected Notes**"), the Issuer may give the holders of all Tax Affected Notes irrevocable written notice (each, a "**Tax Prepayment Notice**") of the prepayment of such Tax Affected Notes on a specified prepayment date (which shall be a Business Day not less than 30 days nor more than 60 days after the date of such notice) and the circumstances giving rise to the obligation of the Issuer to make any Additional Payments and the amount thereof and stating that all of the Tax Affected Notes shall be prepaid on the date of such prepayment, plus the Net Loss (if any) with respect to any Swapped Note and less the Net Gain (if any) with respect to any Swapped Note, determined for the prepayment date with respect to such principal amount, at a price equal to 100% of the principal amount so prepaid together with interest accrued thereon to the date of such prepayment but without any Make-Whole Amount, premium or penalty whatsoever, except in the case of a Tax Affected Note if the holder of such Tax Affected Note shall, by written notice given to the Issuer no more than 20 days after receipt of the Tax Prepayment Notice, reject such prepayment of such Tax Affected Note (each, a "**Rejection Notice**"). The form of Rejection Notice shall accompany the Tax Prepayment Notice, and the form of Rejection Notice shall state with respect to each Tax Affected Note covered thereby that execution and delivery thereof by the holder of such Tax Affected Note shall operate as a permanent waiver of such holder's right to receive the Additional Payments arising as a result of the circumstances described in the Tax Prepayment Notice in respect of all future payments of interest on such Tax Affected Note (but not of such holder's right to receive any Additional Payments that arise out of circumstances not described in the Tax Prepayment Notice or which exceed the amount of the Additional Payment described in the Tax Prepayment Notice), which waiver shall be binding upon all subsequent transferees of such Tax Affected Note. The Tax Prepayment Notice having been given as aforesaid to each holder of the Tax Affected Notes, 100% of the principal amount of such Tax Affected Notes together with interest accrued thereon to the date of such prepayment, plus the Net Loss (if any) with respect to any Swapped Note and less the Net Gain (if any) with respect to any Swapped Note, determined for the prepayment date with respect to such principal amount, but without any Make-Whole Amount, premium or penalty whatsoever, shall become due and payable on such prepayment date, except in the case of Notes the holders of which shall have timely given a Rejection Notice as aforesaid.
- 8.3.2 No prepayment of the Tax Affected Notes pursuant to this Paragraph 8.3 shall affect the obligation of the Issuer to pay Additional Payments in respect of any payment made on or prior to the date of such prepayment in respect of any Note. For the purposes of this Paragraph 8.3, any holder of more than one Tax Affected Note may act separately with respect to each Tax Affected Note so held (with the effect that a holder of more than one Tax Affected Note may accept such offer with

respect to one or more Tax Affected Notes so held and reject such offer with respect to one or more other Tax Affected Notes so held).

8.3.3 The Issuer may not offer to prepay or prepay Notes pursuant to this Paragraph 8.3 (i) if a Default or Event of Default then exists, (ii) until the Issuer shall have taken commercially reasonable steps to mitigate the requirement to make the related Additional Payments or (iii) if the obligation to make such Additional Payments directly results or resulted from actions taken by any Obligor (other than actions required to be taken under applicable law), and any Tax Prepayment Notice given pursuant to this Paragraph 8.3 shall certify to the foregoing and describe such mitigation steps, if any.

8.3.4 For purposes of this Paragraph 8.3:

“**Additional Payments**” means additional amounts required to be paid to a holder of any Note pursuant to Paragraph 11 by reason of a Change in Tax Law; and

“**Change in Tax Law**” means (individually or collectively with one or more prior changes) (i) an amendment to, or change in, any law, treaty, rule or regulation of a Taxing Jurisdiction after the date of the Closing, or an amendment to, or change in, an official interpretation or application of such law, treaty, rule or regulation after the date of the Closing, which amendment or change is in force and continuing and meets the opinion and certification requirements described below or (ii) in the case of any other jurisdiction that becomes a Taxing Jurisdiction after the date of the Closing, an amendment to, or change in, any law, treaty, rule or regulation of such jurisdiction, or an amendment to, or change in, an official interpretation or application of such law, treaty, rule or regulation, in any case after such jurisdiction shall have become a Taxing Jurisdiction, which amendment or change is in force and continuing and meets such opinion and certification requirements. No such amendment or change shall constitute a Change in Tax Law unless the same would in the opinion of the Issuer (which shall be evidenced by an Officer’s Certificate and supported by a written opinion of counsel having recognised expertise in the field of taxation in the relevant Taxing Jurisdiction, both of which shall be delivered to all holders of the Notes prior to or concurrently with the Tax Prepayment Notice in respect of such Change in Tax Law) affect the deduction or require the withholding of any Tax imposed by such Taxing Jurisdiction on any payment payable on the Notes.

8.3.5 The obligation of the Issuer to give the notices specified in this Paragraph 8.3 shall remain in effect so long as any Note remains outstanding.

#### **8.4 Prepayment in Connection with a Noteholder Sanctions Event**

8.4.1 Upon the Issuer’s receipt of notice from any Affected Noteholder that a Noteholder Sanctions Event has occurred (which notice shall refer specifically to this sub-Paragraph 8.4.1 and describe in reasonable detail such Noteholder Sanctions Event), the Issuer shall promptly, and in any event within ten (10) Business Days, make an offer (the “**Sanctions Prepayment Offer**”) to prepay the entire unpaid principal amount of Notes held by such Affected Noteholder (the “**Sanctions Affected Notes**”), together with interest thereon to the prepayment date selected by the Issuer with respect to each Sanctions Affected Note, plus the Net Loss (if any) with respect to any Swapped Note and less the Net Gain (if any) with respect to any Swapped Note, determined for the prepayment date with respect to such principal amount, but without payment of any Make-Whole Amount with respect thereto, which prepayment shall be on a Business Day not less than thirty (30) days and not more than sixty (60) days after the date of the Sanctions Prepayment Offer (the “**Sanctions Prepayment Date**”). Such Sanctions Prepayment Offer shall provide that such Affected Noteholder notify the Issuer in writing by a stated date (the “**Sanctions**

**Prepayment Response Date**”), which Sanctions Prepayment Response Date is not later than ten (10) Business Days prior to the stated Sanctions Prepayment Date, of its acceptance or rejection of such prepayment offer. If such Affected Noteholder does not notify the Issuer as provided above, then the holder shall be deemed to have accepted such offer.

- 8.4.2 Subject to the provisions of sub-Paragraphs 8.4.3 and 8.4.4, the Issuer shall prepay on the Sanctions Prepayment Date the entire unpaid principal amount of the Sanctions Affected Notes held by such Affected Noteholder who has accepted (or has been deemed to have accepted) such prepayment offer (in accordance with sub-Paragraph 8.4.1), together with interest thereon to the Sanctions Prepayment Date, plus the Net Loss (if any) with respect to any Swapped Note and less the Net Gain (if any) with respect to any Swapped Note, with respect to each such Sanctions Affected Note, but without payment of any Make-Whole Amount with respect thereto.
- 8.4.3 If a Noteholder Sanctions Event has occurred but the Issuer and/or its Controlled Entities have taken such action(s) in relation to their activities so as to remedy such Noteholder Sanctions Event (with the effect that a Noteholder Sanctions Event no longer exists, as reasonably determined by such Affected Noteholder) prior to the Sanctions Prepayment Date, then the Issuer shall no longer be obliged or permitted to prepay such Sanctions Affected Notes in relation to such Noteholder Sanctions Event. If the Issuer and/or its Controlled Entities shall undertake any actions to remedy any such Noteholder Sanctions Event, the Issuer shall keep the holders reasonably and timely informed of such actions and the results thereof.
- 8.4.4 If any Affected Noteholder that has given written notice to the Issuer of its acceptance of (or has been deemed to have accepted) the Issuer’s prepayment offer in accordance with sub-Paragraph 8.4.1 also gives notice to the Issuer prior to the relevant Sanctions Prepayment Date that it has determined (in its sole discretion) that it requires clearance from any Governmental Authority in order to receive a prepayment pursuant to this Paragraph 8.4, the principal amount of each Note held by such Affected Noteholder, together with interest accrued thereon to the date of prepayment, plus the Net Loss (if any) with respect to any Swapped Note and less the Net Gain (if any) with respect to any Swapped Note, determined for the prepayment date with respect to such principal amount, shall become due and payable on the later to occur of (but in no event later than the Maturity Date of the relevant Note) (i) such Sanctions Prepayment Date and (ii) the date that is ten (10) Business Days after such Affected Noteholder gives notice to the Issuer that it is entitled to receive a prepayment pursuant to this Paragraph 8.4 (which may include payment to an escrow account designated by such Affected Noteholder to be held in escrow for the benefit of such Affected Noteholder until such Affected Noteholder obtains such clearance from such Governmental Authority), and in any event, any such delay in accordance with the foregoing clause (ii) shall not be deemed to give rise to any Default or Event of Default.
- 8.4.5 Promptly, and in any event within five (5) Business Days, after the Issuer’s receipt of notice from any Affected Noteholder that a Noteholder Sanctions Event shall have occurred with respect to such Affected Noteholder, the Issuer shall forward a copy of such notice to each other holder of Notes.
- 8.4.6 The Issuer shall promptly, and in any event within ten (10) Business Days, give written notice to the holders after the Issuer or any Controlled Entity having been notified that (i) its name appears or may in the future appear on a State Sanctions List or (ii) it is in violation of, or is subject to the imposition of sanctions under, any U.S. Economic Sanctions Laws, in each case which notice shall describe the facts and circumstances thereof and set forth the action, if any, that the Issuer or a Controlled Entity proposes to take with respect thereto.

8.4.7 The foregoing provisions of this Paragraph 8.4 shall be in addition to any rights or remedies available to any holder of Notes that may arise under the Note Purchase Agreement as a result of the occurrence of a Noteholder Sanctions Event; provided, that, if the Notes shall have been declared due and payable pursuant to this Paragraph 8.4 as a result of the events, conditions or actions of the Issuer or its Controlled Entities that gave rise to a Noteholder Sanctions Event, the remedies set forth in Paragraph 10 shall control.

#### **8.5 Allocation of Partial Prepayments**

In the case of each partial prepayment of the Notes pursuant to Paragraph 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes (regardless of Series) at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

#### **8.6 Maturity; Surrender, Etc.**

In the case of each prepayment of Notes pursuant to this Paragraph 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any, and Net Loss (if any) with respect to any Swapped Note and less the Net Gain (if any) with respect to any Swapped Note, determined for the prepayment date with respect to such principal amount. From and after such date, unless the Issuer shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, and Net Loss, if any, or as applicable less the Net Gain, if any, each as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Issuer and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

#### **8.7 Purchase of Notes**

The Issuer will not, and will not permit any Affiliate to, purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of the Note Purchase Agreement and the Notes, (b) pursuant to an offer to purchase made by the Issuer or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions (except to the extent necessary to reflect differences in the interest rates and maturities of the Notes of different Series) (and for the avoidance of doubt, an offer to pay the Net Loss (if any) with respect to any Swapped Note or deduct the Net Gain (if any) from the amount to be paid with respect to any Swapped Note, determined for the date of purchase with respect to such principal amount in connection with any such offer complies with this sub-Paragraph 8.7(b)), or (c) in the event a purchase by tender offer has been made available to all (but not less than all) of the bondholders pursuant to, and in accordance with, condition 8(f) (*Purchase of Bonds*) of the conditions of the Bonds issued under the Programme, then a tender offer shall also be made to each holder of a Note alike by the Issuer for each Note at the time outstanding upon the same terms and conditions (except to the extent necessary to reflect differences in the interest rates and maturities of the Notes of different Series), at 100% of the outstanding principal amount thereof together with interest accrued to the date of purchase and without payment of the Make-Whole Amount (and for the avoidance of doubt, an offer to pay the Net Loss (if any) with respect to any Swapped Note or deduct the Net Gain (if any) from the amount to be paid with respect to any Swapped Note, determined for the date of purchase with respect to such principal amount in connection with any such offer complies with this sub-Paragraph 8.7(c)). Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least ten (10) Business Days. If the

holders of more than 10% of the principal amount of the Notes then outstanding accept such offer, the Issuer shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least ten (10) Business Days from its receipt of such notice to accept such offer. The Issuer will promptly cancel all Notes acquired by it or any affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of the Note Purchase Agreement and no Notes may be issued in substitution or exchange for any such Notes.

## 8.8 Make-Whole Amount

8.8.1 *Make-Whole Amount with respect to Non-Swapped Notes.* The term “**Make-Whole Amount**” means, with respect to any Non-Swapped Note of any Series, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Non-Swapped Note over the amount of such Called Principal: provided that the Make-Whole Amount may in no event be less than zero. All payments of the Make-Whole Amount in respect of any Non-Swapped Note (i) denominated in sterling shall be made in sterling and (ii) denominated in Dollars shall be made in Dollars. For the purposes of determining the Make-Whole Amount in respect of any Non-Swapped Note, the following terms have the following meanings:

“**Applicable Percentage**” means 0.50% (50 basis points).

“**Called Principal**” means, with respect to any Non-Swapped Note of any Series, the principal of such Non-Swapped Note that is to be prepaid pursuant to Paragraph 8.2 or has become or is declared to be immediately due and payable as a result of an Acceleration, as the context requires.

“**Discounted Value**” means, with respect to the Called Principal of any Non-Swapped Note of any Series, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from its scheduled due date to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Non-Swapped Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“**Non-Swapped Note**” means any Note other than a Swapped Note.

“**Reinvestment Yield**” means:

- (a) with respect to the Called Principal of any Non-Swapped Note denominated in sterling, the sum of the (x) Applicable Percentage plus (y) the yield to maturity implied by (i) the mid points between the bid and the ask yields reported as of 2:00pm (London time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PXUK” (or such other display as may replace Page PXUK) on Bloomberg Financial Markets for the then most actively traded “on-the-run” UK Gilt securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date or (ii) if (a) Page PXUK on Bloomberg Financial Markets (or such other display as may replace Page PXUK) is not published on that day, or (b) the calculation in Page PXUK ceases to be in keeping with the Formula for the Calculation of Redemption Yields indicated by the Joint Index and Classification Committee of the Faculty of Actuaries as reported in the Journal of the Institute of Actuaries Volumes 105, Part I, 1978, page 18, the gross redemption yield as published in the Financial Times of London on the second Business Day preceding the Settlement Date with respect to such Called Principal, for the then most actively traded “on-the-run” UK

Gilt securities having a maturity equal to the Remaining Average Life of such Called Principal as at such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting UK Gilt quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable UK Gilt security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable UK Gilt security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Non-Swapped Note;

- (b) with respect to the Called Principal of any Non-Swapped Note denominated in Dollars, the sum of (x) the Applicable Percentage plus (y) the yield to maturity implied by the ask yield(s) reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities (“**Reported**”) having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the ask yields Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Non-Swapped Note. If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then “**Reinvestment Yield**” means, with respect to the Called Principal of any Non-Swapped Note, the sum of the (x) Applicable Percentage plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields Reported, for the latest day for which such yields have been so Reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so Reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so Reported with the term closest to and less than such Remaining Average Life.

“**Remaining Average Life**” means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“**Remaining Scheduled Payments**” means, with respect to the Called Principal of any Non-Swapped Note of any Series, all payments of such Called Principal and interest thereon that would



be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which an interest payment is due to be made under the terms of such Non-Swapped Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Paragraph 8.2 or as a result of an Acceleration.

“**Settlement Date**” means, with respect to the Called Principal of any Non-Swapped Note of any Series, the date on which such Called Principal is to be prepaid pursuant to Paragraph 8.2 or has become or is declared to be immediately due and payable as a result of an Acceleration, as the context requires.

8.8.2 *Make-Whole Amount with respect to Swapped Notes.* The term “**Make-Whole Amount**” means, with respect to any Swapped Note of any Series, an amount equal to the excess, if any, of the Swapped Note Discounted Value with respect to the Swapped Note Called Notional Amount related to such Swapped Note over such Swapped Note Called Notional Amount, provided that the Make-Whole Amount may not in any event be less than zero. All payments of Make-Whole Amount with respect to any Swapped Note shall be made in Dollars. For the purposes of determining the Make-Whole Amount with respect to any Swapped Note (and for the purposes of determining any Net Loss or Net Gain with respect to any Swapped Note in accordance with Paragraph 8.9 below), the following terms have the following meanings:

“**New Swap Agreement**” means any cross-currency swap agreement pursuant to which the holder of a Swapped Note is to receive payment in Dollars and which is entered into in full or partial replacement of an Original Swap Agreement as a result of such Original Swap Agreement having terminated for any reason other than a non-scheduled prepayment or a repayment of such Swapped Note prior to its scheduled maturity. The terms of a New Swap Agreement with respect to any Swapped Note do not have to be identical to those of the Original Swap Agreement with respect to such Swapped Note; provided, that the terms of such New Swap Agreement are (i) in a form consistent with the customary market practices for currency risk hedging arrangements and (ii) provided to the Issuer in writing promptly upon the entry into such New Swap Agreement.

“**Original Swap Agreement**” means, with respect to any Swapped Note:

- (a) a cross-currency swap agreement and annexes and schedules thereto (an “**Initial Swap Agreement**”) that is entered into on an arm’s length basis by the original purchaser of such Swapped Note (or any affiliate thereof) in connection with the execution of the Note Purchase Agreement and the purchase of such Swapped Note and relates to the scheduled payments by the Issuer of interest and principal on such Swapped Note, under which the holder of such Swapped Note is to receive payments from the counterparty thereunder in Dollars and which is more particularly described in the Schedule to such holder’s Investor Letter;
- (b) any Initial Swap Agreement that has been assumed (without any waiver, amendment, deletion or replacement of any material economic term or provision thereof) by a holder of a Swapped Note in connection with a transfer of such Swapped Note; and
- (c) any Replacement Swap Agreement; and a “**Replacement Swap Agreement**” means, with respect to any Swapped Note, a cross-currency swap agreement and annexes and schedules thereto with payment terms and provisions (other than a reduction in notional amount, if applicable) identical to those of the Initial Swap Agreement with respect to such Swapped Note that is entered into on an arm’s length basis by the holder of such

Swapped Note in full or partial replacement (by amendment, modification or otherwise) of such Initial Swap Agreement (or any subsequent Replacement Swap Agreement) in a notional amount not exceeding the outstanding principal amount of such Swapped Note following a non-scheduled prepayment or a repayment of such Swapped Note prior to its scheduled maturity. Any holder of a Swapped Note that enters into, assumes or terminates an Initial Swap Agreement or Replacement Swap Agreement shall within a reasonable period of time thereafter deliver to the Issuer a description of such Initial Swap Agreement or Replacement Swap Agreement, assumption or termination related thereto.

“**Swap Agreement**” means, with respect to any Swapped Note, an Original Swap Agreement or a New Swap Agreement, as the case may be.

“**Swapped Note**” means any Note that as of the date of the Closing is subject to a Swap Agreement. A “Swapped Note” shall no longer be deemed a “Swapped Note” at such time as the related Swap Agreement ceases to be in force in respect thereof and, in the case of an Original Swap Agreement which has terminated, a New Swap Agreement is not entered into in replacement thereof.

“**Swapped Note Applicable Percentage**” means 0.50% (50 basis points).

“**Swapped Note Called Notional Amount**” means, with respect to any Swapped Note Called Principal of any Swapped Note, the payment in Dollars due to the holder of such Swapped Note under the terms of the Swap Agreement to which such holder is a party, attributable to and in exchange for such Swapped Note Called Principal and assuming that such Swapped Note Called Principal is paid on its scheduled maturity date, provided that if such Swap Agreement is not an Initial Swap Agreement, then the “Swapped Note Called Notional Amount” in respect of such Swapped Note shall not exceed the amount in Dollars which would have been due to the holder of such Swapped Note under the terms of the Initial Swap Agreement to which such holder was a party (or if such holder was never party to an Initial Swap Agreement, then the last Initial Swap Agreement to which the most recent predecessor in interest to such holder as a holder of such Swapped Note was a party), attributable to and in exchange for such Swapped Note Called Principal and assuming that such Swapped Note Called Principal is paid on its scheduled maturity date.

“**Swapped Note Called Principal**” means, with respect to any Swapped Note of any Series, the principal of such Swapped Note that is to be prepaid pursuant to Paragraph 8.2 (*Optional Prepayments with Make-Whole Amount*) or has become or is declared to be immediately due and payable as a result of an Acceleration, as the context requires.

“**Swapped Note Discounted Value**” means, with respect to the Swapped Note Called Notional Amount of any Swapped Note of any Series, the amount obtained by discounting all Swapped Note Remaining Scheduled Swap Payments corresponding to the Swapped Note Called Notional Amount of such Swapped Note from their respective scheduled due dates to the Swapped Note Settlement Date with respect to such Swapped Note Called Notional Amount, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on such Swapped Note is payable) equal to the Swapped Note Reinvestment Yield with respect to such Swapped Note Called Notional Amount.

“**Swapped Note Reinvestment Yield**” means, with respect to the Swapped Note Called Notional Amount of any Swapped Note, the sum of the (x) Swapped Note Applicable Percentage plus (y) the yield to maturity implied by the “Ask Yield(s)” reported as of 10:00am (New York time) on the second Business Day preceding the Swapped Note Settlement Date with respect to such

Swapped Note Called Notional Amount, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities (“**Reported**”) having a maturity equal to the Swapped Note Remaining Average Life of such Swapped Note Called Notional Amount as of such Swapped Note Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Swapped Note Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the “**Ask Yields**” Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Swapped Note Remaining Average Life and (2) closest to and less than such Swapped Note Remaining Average Life. The Swapped Note Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Swapped Note.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then “**Swapped Note Reinvestment Yield**” means, with respect to the Swapped Note Called Notional Amount of any Swapped Note, the sum of (x) the Swapped Note Applicable Percentage plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Swapped Note Settlement Date with respect to such Swapped Note Called Notional Amount, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Swapped Note Remaining Average Life of such Swapped Note Called Notional Amount as of such Swapped Note Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Swapped Note Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Swapped Note Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Swapped Note Remaining Average Life. The Swapped Note Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Swapped Note.

“**Swapped Note Remaining Average Life**” means, with respect to any Swapped Note Called Notional Amount, the number of years obtained by dividing (x) such Swapped Note Called Notional Amount into (y) the sum of the products obtained by multiplying (1) the principal component of each Swapped Note Remaining Scheduled Swap Payments with respect to such Swapped Note Called Notional Amount by (2) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Swapped Note Settlement Date with respect to such Swapped Note Called Notional Amount and the scheduled due date of such Swapped Note Remaining Scheduled Swap Payments.

“**Swapped Note Remaining Scheduled Swap Payments**” means, with respect to the Swapped Note Called Notional Amount relating to any Swapped Note of any Series, the payments due to the holder of such Swapped Note in Dollars under the terms of the Swap Agreement to which such holder is a party which correspond to all payments of the Swapped Note Called Principal of such Swapped Note corresponding to such Swapped Note Called Notional Amount and interest on such Swapped Note Called Principal (other than that portion of the payment due under such Swap Agreement corresponding to the interest accrued on the Swapped Note Called Principal to the Swapped Note Settlement Date) that would be due after the Swapped Note Settlement Date in respect of such Swapped Note Called Notional Amount assuming that no payment of such

Swapped Note Called Principal is made prior to its originally scheduled payment date, provided that if such Swapped Note Settlement Date is not a date on which an interest payment is due to be made under the terms of such Swapped Note, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Swapped Note Settlement Date and required to be paid on such Swapped Note Settlement Date pursuant to Paragraph 8.2 (*Optional Prepayments with Make-Whole Amount*) or as a result of an Acceleration.

“**Swapped Note Settlement Date**” means, with respect to the Swapped Note Called Notional Amount of any Swapped Note Called Principal of any Swapped Note of any Series, the date on which such Swapped Note Called Principal is to be prepaid pursuant to Paragraph 8.2 (*Optional Prepayments with Make-Whole Amount*) or has become or is declared to be immediately due and payable as a result of an Acceleration, as the context requires.

## 8.9 Swap Breakage

- 8.9.1 If any Swapped Note is prepaid pursuant to Paragraphs 8.2, 8.3 or 8.4, is purchased pursuant to Paragraph 8.7 on terms which provide for the calculation of a Swap Breakage Amount, or has become or is declared to be immediately due and payable or as a result of an Acceleration then (i) any resulting Net Loss in connection therewith shall be reimbursed to the holder of such Swapped Note by the Issuer in U.S. Dollars upon any such prepayment or repayment of such Swapped Note and (ii) any resulting Net Gain in connection therewith shall be deducted (x) from the Make-Whole Amount, if any, or any Swapped Note Called Principal or interest to be paid to the holder of such Swapped Note by the Issuer upon any such prepayment of such Swapped Note pursuant to Paragraphs 8.2, 8.3 or 8.4 or purchase of such Swapped Note pursuant to Paragraph 8.7 or (y) from the Make-Whole Amount, if any, to be paid to the holder of such Swapped Note by the Issuer upon any such repayment of such Swapped Note that became or was declared to be immediately due and payable as a result of an Acceleration, provided that, in either case, the Make-Whole Amount in respect of such Swapped Note may not in any event be less than zero. Each holder of a Swapped Note shall calculate reasonably and in good faith its own Net Loss or Net Gain, as the case may be, and Swap Breakage Amount in U.S. Dollars upon the prepayment or repayment of all or any portion of such Swapped Note, and such calculations as reported to the Issuer in reasonable detail shall be binding on the Issuer absent demonstrable error (and, for the avoidance of doubt, in the case where there is demonstrable error, the Issuer shall have the right to dispute such computations).
- 8.9.2 As used in this Paragraph 8.9 with respect to any Swapped Note that is prepaid or accelerated: “**Net Loss**” means the amount, if any, by which the total of the Swapped Note Called Notional Amount and the Swapped Note Called Notional Accrued Interest Amount exceeds the sum of (x) the total of the Swapped Note Called Principal and the Swapped Note Called Accrued Interest Amount plus (or minus in the case of an amount paid) (y) the Swap Breakage Amount received (or paid) by the holder of such Swapped Note; and “**Net Gain**” means the amount, if any, by which the total of the Swapped Note Called Notional Amount and the Swapped Note Called Notional Accrued Interest Amount is exceeded by the sum of (x) the total of the Swapped Note Called Principal and the Swapped Note Called Accrued Interest Amount plus (or minus in the case of an amount paid) (y) the Swap Breakage Amount received (or paid) by such holder. For purposes of any determination of any “Net Loss” or “Net Gain”, the Swapped Note Called Principal and the Swapped Note Called Accrued Interest Amount shall be determined by the holder of the affected Swapped Note reasonably and in good faith by converting sterling into U.S. Dollars at the current sterling/U.S. Dollar exchange rate, as determined as of 10:00 A.M. (New

York time) on the day such Swapped Note is prepaid or accelerated as indicated on the applicable screen of Bloomberg Financial Markets and any such calculation shall be reported to the Issuer in reasonable detail and shall be binding on the Issuer absent demonstrable error (and, for the avoidance of doubt, in the case where there is demonstrable error, the Issuer shall have the right to dispute such computations).

- 8.9.3 As used in this Paragraph 8.9, “**Swapped Note Called Accrued Interest Amount**” means, with respect to a Swapped Note, the accrued but unpaid interest of such Swapped Note to the Swapped Note Settlement Date that is to be prepaid or has become immediately due and payable, as the context requires.
- 8.9.4 As used in this Paragraph 8.9, “**Swapped Note Called Notional Accrued Interest Amount**” means, with respect to any Swapped Note Called Notional Amount, the payment in U.S. Dollars due to the holder of the related Swapped Note under the terms of the Swap Agreement to which such holder is a party attributable to and in exchange for the Swapped Note Called Accrued Interest Amount assuming such interest is paid on the scheduled interest payment date, provided that if such Swap Agreement is not an Initial Swap Agreement, then the “**Swapped Note Called Notional Accrued Interest Amount**” in respect of such Swapped Note shall not exceed the amount in the applicable currency of such Swap Agreement that would have been due with respect to such Swapped Note under the terms of the Initial Swap Agreement related to such Swapped Note.
- 8.9.5 As used in this Paragraph 8.9, “**Swap Breakage Amount**” means, with respect to the Swap Agreement associated with any Swapped Note, in determining the Net Loss or Net Gain, the amount that would be received (in which case the Swap Breakage Amount shall be positive) or paid (in which case the Swap Breakage Amount shall be negative) by the holder of such Swapped Note as if such Swap Agreement had terminated due to the occurrence of an event of default or an early termination under the ISDA 1992 Multi-Currency Cross Border Master Agreement or ISDA 2002 Master Agreement, as applicable (the “**ISDA Master Agreement**”); provided, however, that if such holder (or its predecessor in interest with respect to such Swapped Note) was, but is not at the time, a party to an Original Swap Agreement but is a party to a New Swap Agreement, then the Swap Breakage Amount shall mean the lesser of (x) the gain or loss (if any) which would have been received or incurred (by payment, through offset or netting or otherwise) by the holder of such Swapped Note under the terms of the Original Swap Agreement (if any) in respect of such Swapped Note to which such holder (or any affiliate thereof) was a party (or if such holder was never a party to an Original Swap Agreement, then the last Original Swap Agreement to which the most recent predecessor in interest to such holder as a holder of a Swapped Note was a party) and which would have arisen as a result of the payment of the Swapped Note Called Principal on the Swapped Note Settlement Date and (y) the gain or loss (if any) actually received or incurred by the holder of such Swapped Note, in connection with the payment of such Swapped Note Called Principal on the Swapped Note Settlement Date, under the terms of the New Swap Agreement to which such holder (or any affiliate thereof) is a party. The holder of such Swapped Note will make all calculations related to the Swap Breakage Amount reasonably and in good faith and in accordance with its customary practices for calculating such amounts under the ISDA Master Agreement pursuant to which such Swap Agreement shall have been entered into and assuming for the purpose of such calculation that there are no other transactions entered into pursuant to such ISDA Master Agreement (other than such Swap Agreement).

- 8.9.6 The Swap Breakage Amount shall be payable in Dollars (save where any proportion of a Net Gain is to be deducted from principal or interest to be paid to a holder of a Swapped Note which shall be payable in sterling). For purposes of applying any Net Gain (in whole or in part) against amounts owing in sterling in respect of any principal or interest under any Swapped Note, the holder of the affected Swapped Note shall convert Dollars into sterling at the current the Dollar/sterling exchange rate, as determined at 10:00 A.M. (New York time) on that date as indicated on the applicable screen of Bloomberg Financial Markets on the day such Swapped Note is prepaid or is declared to be immediately due and payable and any such calculation shall be reported to the Issuer in reasonable detail and shall be binding on the Issuer absent demonstrable error (and for the avoidance of doubt in the case where there is demonstrable error the Issuer shall have the right to dispute such calculations).
- 8.9.7 Any Swap Breakage Amount calculated for the purpose of a purchase of a Swapped Note pursuant to Paragraph 8.7 shall be calculated *mutatis mutandis* as if such Swapped Note were prepaid on the date on which such Note is purchased.

## **9 Events of Default**

Each of the events set out in Schedule 6 (*Events of Default*) to the CTA constitutes an Event of Default under The Note Purchase Agreement and each Note.

## **10 Remedies on Default, Etc.**

### **10.1 Rights of Security Trustee and Holders Upon an Event of Default**

Upon the occurrence of any Event of Default, the Security Trustee and the Secured Creditors (including the holders of the Notes) shall have the rights and remedies given to them in the CTA and the STID (including clause 11.7 (*Acceleration of Secured Liabilities*) thereto). Upon any Notes being Accelerated following an Enforcement Action under the terms of the STID, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon in respect of any Series of the Notes at the Default Rate for such Series, if applicable) and (y) the Make-Whole Amount and with a payment of any Net Loss or deduction of any Net Gain with respect to any Swapped Note, if applicable, determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Issuer acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Issuer (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Issuer in the event that the Notes are prepaid or accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

### **10.2 Acceleration**

In addition to the rights described in Paragraph 10.1 hereof:

- 10.2.1 If any Event of Default has occurred and is outstanding, the Required Holders may by notice to the Issuer, exercise the rights of the holders of Notes set out in (and subject to and in accordance with) clause 7.2 (*Consequences of an Event of Default*) of the CTA.
- 10.2.2 If any Event of Default of the kind described in paragraph 1 (*Non-Payment*) of Part 1 (*TWH*) of Schedule 6 (*Events of Default*) to the CTA or paragraph 1 (*Non-Payment*) of Part 2 (*TWUL, TWUF and the Issuer*) of Schedule 6 (*Events of Default*) to the CTA has occurred and is outstanding, any holder of any Note may, by notice to the Issuer, exercise its rights as set out in

(and subject to and in accordance with) clause 7.2 (*Consequences of an Event of Default*) of the CTA.

### **10.3 Other Remedies**

Subject to the terms of the STID, if any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable as a result of an Acceleration, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note or other applicable Finance Document, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

### **10.4 Rescission**

At any time after any Notes have been declared due and payable pursuant to Acceleration, the Required Holders, by written notice to the Issuer, may rescind and annul any such declaration and its consequences if (a) the Issuer has paid all overdue interest on the Notes, all principal of and Make-Whole Amount and Net Loss, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount and Net Loss, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate for the applicable Series, (b) neither the Issuer nor any other Person shall have paid any amounts that have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts due on the Notes that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Paragraph 16 and the terms of the STID, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Paragraph 10.4 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

### **10.5 No Waivers or Election of Remedies, Expenses, Etc.**

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by the Note Purchase Agreement, any Note or any other Finance Document upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Issuer under Paragraph 14, the Issuer will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Paragraph 10, including, without limitation, reasonable counsel's fees, expenses and disbursements and any Registration Duty.

## **11 Tax Gross Up, FATCA Information**

### **11.1 Tax Gross Up**

11.1.1 Each Obligor shall make all payments required to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

11.1.2 The Issuer shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Purchasers accordingly. Similarly, each Purchaser shall promptly notify the Issuer on becoming so aware in respect of a payment payable to that Purchaser. In addition, a Purchaser shall promptly notify the Issuer if it ceases to be a Qualifying Purchaser.

- 11.1.3 If a Tax Deduction on account of Tax imposed by or under any law or regulation of the United Kingdom or any other jurisdiction (i) in which any Obligor is incorporated or otherwise resides for tax purposes, or (ii) where the permanent establishment of any Obligor is located through which that Obligor is acting for the purposes of any Finance Document (a “**Taxing Jurisdiction**”) is required by law to be made by an Obligor, the amount of the payment due from the relevant Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- 11.1.4 A payment shall not be increased under sub-Paragraph 11.1.3 above by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due:
- (a) that Purchaser is not a Qualifying Purchaser and, if the Purchaser was a Qualifying Purchaser (other than a QPP Purchaser), it has ceased to be a Qualifying Purchaser other than as a result of any change after the date it became a Purchaser under the Note Purchase Agreement in (or in the interpretation, administration, or application of) any law or Treaty or any published practice or published concession of any relevant taxing authority; or
  - (b) the relevant Purchaser is a Qualifying Purchaser solely by virtue of Paragraph (a)(i) of the definition of Qualifying Purchaser and:
    - (I) an officer of HM Revenue & Customs has given (and not revoked) a direction (a “**Direction**”) under section 931 of the Income Tax Act which relates to the payment and that Purchaser has received from the Obligor making the payment or from the Issuer a certified copy of that Direction; and
    - (II) the payment could have been made to the Purchaser without any Tax Deduction if that Direction had not been made; or
  - (c) the relevant Purchaser is a Qualifying Purchaser solely by virtue of Paragraph (a)(i) of the definition of Qualifying Purchaser and:
    - (I) the relevant Purchaser has not given a Tax Confirmation to the Issuer; and
    - (II) the payment could have been made to the Purchaser without any Tax Deduction if the Purchaser had given a Tax Confirmation to the Issuer, on the basis that the Tax Confirmation would have enabled the Issuer to have formed a reasonable belief that the payment was an “excepted payment” for the purpose of section 930 of the Income Tax Act; or
  - (d) the relevant Purchaser is a QPP Purchaser but a QPP Certificate has not been delivered by it to the Issuer at least 10 Business Days prior to the date on which the payment falls due.
- 11.1.5 If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- 11.1.6 Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Issuer shall deliver to the Purchaser entitled to the payment a statement under section 975 of the Income Tax Act or other evidence reasonably satisfactory to that Purchaser that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.



- 11.1.7 A UK Non-Bank Purchaser which becomes a Party on the day on which the Note Purchase Agreement is entered into gives a Tax Confirmation to the Issuer by entering into the Note Purchase Agreement.
- 11.1.8 A UK Non-Bank Purchaser shall promptly notify the Issuer and the other Purchasers if there is any change in the position from that set out in the Tax Confirmation.
- 11.1.9 If the Issuer receives a notification from HM Revenue & Customs that a QPP Certificate given by a Purchaser has no effect, the Issuer shall promptly deliver a copy of that notification to that Purchaser.

## **11.2 Tax Credit**

If an Obligor makes a Tax Payment and the relevant Purchaser determines that:

- 11.2.1 a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and
- 11.2.2 that Purchaser has obtained and utilised that Tax Credit,

to the extent that it can do so without prejudice to the retention of the amount of such refund, the Purchaser shall pay an amount to the Obligor which that Purchaser determines will leave it (after that payment) in the same after Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor. Nothing herein contained shall interfere with the right of any Purchaser to arrange its tax affairs in whatever manner it thinks fit and, in particular, no Purchaser shall be under any obligation to claim relief from its corporate profits or similar tax liability in respect of such Tax in priority to any other claims, reliefs, credits or deductions available to it or oblige any Purchaser to disclose any information relating to its tax affairs or any computations in respect thereof.

## **11.3 Purchaser Status Confirmation**

- 11.3.1 Each Purchaser which becomes a Party to the Note Purchase Agreement or acquires any Notes after the date of the Note Purchase Agreement (including any Substitute Purchaser) shall indicate, in a Qualifying Purchaser Certificate, without liability to any Obligor, which of the following categories it falls in:
- (a) not a Qualifying Purchaser;
  - (b) a Qualifying Purchaser (other than a Purchaser which would be a Treaty Purchaser but for being a QPP Purchaser); or
  - (c) a Purchaser which would be a Treaty Purchaser but for being a QPP Purchaser.
- 11.3.2 Such confirmation shall be given, in the case of a Purchaser which becomes a party on the day on which the Note Purchase Agreement is entered into, in Schedule A to the Note Purchase Agreement and, in respect of a Purchaser which becomes a party after the date hereof, in the Accession Memorandum which it executes on becoming a party.
- 11.3.3 If a New Purchaser fails to indicate its status in accordance with this Paragraph 11.3 then such New Purchaser shall be treated for the purposes of the Note Purchase Agreement and the Notes (including by each Obligor) as if it is not a Qualifying Purchaser until such time as it notifies the Issuer which category applies. For the avoidance of doubt, an Accession Memorandum shall not be invalidated by any failure of a Purchaser to comply with this Paragraph 11.3.

11.3.4 If, after the date on which a Purchaser becomes a Party, there is any relevant change in (or in the interpretation, administration, or application of) any law or Treaty or any published practice or published concession of any relevant taxing authority or any relevant change in the facts or circumstances relating to such Purchaser (including, without limitation, any QPP Certificate delivered by such Purchaser becoming a Withdrawn Certificate or a Cancelled Certificate), such Purchaser may provide an updated Qualifying Purchaser Certificate to the Issuer.

11.3.5 If:

- (a) a Purchaser would be a Treaty Purchaser (but for the fact it does not meet the requirement in limb (iii) thereof) and holds a passport under the HM Revenue & Customs Double Tax Treaty Passport Scheme, such Purchaser may confirm its scheme reference number and jurisdiction of tax residence in Schedule A to the Note Purchase Agreement; or
- (b) a New Purchaser would be a Treaty Purchaser (but for the fact it does not meet the requirement in limb (iii) thereof) and holds a passport under the HM Revenue & Customs Double Tax Treaty Passport Scheme, such Purchaser may confirm its scheme reference number and jurisdiction of tax residence in its Qualifying Purchaser Certificate,

and, if such Purchaser is not a QPP Purchaser, upon receipt of such information or, if later, on the date the Purchaser ceases to be a QPP Purchaser, and without liability to any Purchaser, the Issuer shall file a DTTP2 form with HM Revenue & Customs in respect of such Treaty Purchaser's Notes.

#### **11.4 FATCA Information**

11.4.1 Subject to sub-Paragraph 11.4.3 below, each Purchaser shall, within ten (10) Business Days of a reasonable request by the Issuer:

- (a) confirm whether it is:
  - (I) a FATCA Exempt Party; or
  - (II) not a FATCA Exempt Party;
- (b) supply such forms, documentation and other information relating to its status under FATCA as the Issuer reasonably requests for the purposes of compliance with FATCA; and
- (c) supply such forms, documentation and other information relating to its status for the purposes of the Issuer's compliance with any other law, regulation, or exchange of information regime.

11.4.2 If a Purchaser confirms pursuant to sub-Paragraph 11.4.1(a) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Purchaser shall notify the Issuer reasonably promptly.

11.4.3 Sub-Paragraph 11.4.1 above shall not oblige any Purchaser to do anything, and sub-Paragraph 11.4.1(c) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

- (a) any law or regulation;
- (b) any fiduciary duty; or
- (c) any duty of confidentiality.

11.4.4 If a Purchaser fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with sub-Paragraph 11.4.1(a) or 11.4.1(b) above (including, for the avoidance of doubt, where sub-Paragraph 11.4.3 above applies), then such Purchaser shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Purchaser in question provides the requested confirmation, forms, documentation or other information.

## **11.5 FATCA Deduction**

11.5.1 The Issuer may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and the Issuer shall not be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

11.5.2 The Issuer shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Purchaser to whom it is making the payment and, in addition, shall notify the Issuer.

## **12 Registration; Exchange; Substitution of Notes**

### **12.1 Registration of Notes**

The Issuer shall keep at its registered office a register for the registration and registration of transfers of Notes (or shall procure that a registrar is appointed and that such registrar shall keep such register at its registered office and in accordance with the terms of the Note Purchase Agreement). The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial owner or its nominee may execute any amendment, waiver or consent pursuant to the Note Purchase Agreement. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Issuer shall not be affected by any notice or knowledge to the contrary. The Issuer shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

### **12.2 Transfer and Exchange of Notes**

12.2.1 Within ten (10) Business Days of surrender of any Note to the Issuer at the address and to the attention of the designated officer (all as specified in Paragraph 17) for registration of exchange, and, in the case of a surrender for registration of transfer, within ten (10) Business Days of the later of (i) the surrender of any Note to the Issuer at the address and to the attention of the designated officer (all as specified in Paragraph 17), (ii) the delivery of a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorised in writing and accompanied by the relevant name, address and other details for notices of each transferee of such Note or part thereof, (iii) receipt of a fully executed Investor Letter and (iv) receipt of a fully executed Accession Memorandum substantially in the form attached to the Note Purchase Agreement as Exhibit 4.13 executed by each transferee, the Obligors and the Security Trustee (which the Obligors shall, and shall use reasonable endeavours to procure that the Security Trustee does, execute as soon as possible upon receipt), the Issuer shall execute and deliver, at the Issuer's expense (except as provided below), one or more new Notes of the same Series (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount

equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1-B (*Form of Series 5 Note*), Exhibit 1-C (*Form of Series 6 Note*), Exhibit 1-D (*Form of Series 7 Note*) or Exhibit 1-E (*Form of Series 8 Note*) to the Note Purchase Agreement as applicable. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Issuer may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$500,000 in the case of any Note denominated in Dollars and £500,000 in the case of any Note denominated in sterling, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$500,000 in the case of any Note denominated in Dollars and £500,000 in the case of any Note denominated in sterling. For the avoidance of doubt, such New Note is not the entry into a new security, but just evidence of the New Noteholder's ownership of the relevant security. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in Paragraph 6. The Issuer shall not be required to recognise any sale or other transfer of a Note which is in contravention of this Paragraph 12.2 and no such transfer shall confer any rights hereunder upon such transferee.

- 12.2.2 If a holder assigns or transfers any of its rights or obligations under the Note Purchase Agreement or the Notes or changes the address specified for the purpose of payments of interest under the Note Purchase Agreement or the Notes (as provided for in Paragraph 13.2 (*Payment by Wire Transfer*)) and, as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the new holder or holder acting through its new address under Paragraph 11 (*Tax Gross Up; FATCA Information*), then the new holder or holder acting through its new address is only entitled to receive payment under that Paragraph to the same extent as the transferring holder or holder acting through its new address would have been if the assignment, transfer or change had not occurred.

### **12.3 Replacement of Notes**

Upon receipt by the Issuer at the address and to the attention of the designated officer (all as specified in Paragraph 17.3) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and:

- 12.3.1 in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$50,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory); or

- 12.3.2 in the case of mutilation, upon surrender and cancellation thereof,

within ten (10) Business Days thereafter the Issuer at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

## **13 Payments on Notes**

### **13.1 Place of Payment**

Subject to Paragraph 13.2, payments of principal, Make-Whole Amount, if any, and Net Loss, if any, and interest becoming due and payable on the Notes shall be made, at the principal office of the Issuer in the United Kingdom. The Issuer may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Issuer in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

### **13.2 Payment by Wire Transfer**

So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Paragraph 13.1 or in such Note to the contrary, the Issuer will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and Net Loss, if any, interest and all other amounts becoming due hereunder by the method and at the address specified for such purpose below such Purchaser's name in the Schedule A to the Note Purchase Agreement, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Issuer in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Issuer made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Issuer at its principal executive office or at the place of payment most recently designated by the Issuer pursuant to Paragraph 13.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Issuer in exchange for a new Note or Notes pursuant to this Paragraph 13.2. The Issuer will afford the benefits of this Paragraph 13.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under the Note Purchase Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Paragraph 13.2.

## **14 Expenses, etc.**

### **14.1 Transaction Expenses**

Whether or not the transactions contemplated hereby are consummated, the Issuer will pay all costs and expenses (including reasonable fees of U.S. and English special counsel and, if reasonably required by the Required Holders, local or other counsel) reasonably incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of the Note Purchase Agreement, the Notes or any other Finance Document (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under the Note Purchase Agreement, the Notes or any other Finance Document or in responding to any subpoena or other legal process or informal investigative demand issued in connection with the Note Purchase Agreement, the Notes or any other Finance Document, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisers' fees, incurred in connection with the insolvency or bankruptcy of any Obligor or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and any other Finance Document and (c) the costs and expenses incurred in connection with the initial filing of the Note Purchase Agreement and all related documents and financial information with the SVO, provided that

such costs and expenses under this clause (c) shall not exceed \$4,250 per Series. If required by the NAIC, the Issuer shall obtain and maintain at its own cost and expense a legal entity identifier.

The Issuer will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

#### **14.2 Certain Taxes**

The Issuer agrees to pay all stamp, documentary or similar taxes or fees which may be payable in respect of the execution and delivery or the enforcement of the Note Purchase Agreement or any other Finance Document or the execution and delivery (but not the transfer) or the enforcement of any of the Notes in the United Kingdom or of any amendment of, or waiver or consent under or with respect to, the Note Purchase Agreement, any of the Notes or any other Finance Document, and to pay any value added tax due and payable in respect of reimbursement of costs and expenses by the Issuer pursuant to this Paragraph 14, and will save each holder of a Note to the extent permitted by applicable law harmless against any loss or liability resulting from non-payment or delay in payment of any such tax or fee required to be paid by the Issuer hereunder.

#### **14.3 Survival**

The obligations of the Issuer under this Paragraph 14 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of the Note Purchase Agreement, the Notes or any other Finance Document, and the termination of the Note Purchase Agreement.

### **15 Survival of Representations and Warranties**

All representations and warranties contained or incorporated by reference herein shall survive the execution and delivery of the Note Purchase Agreement and the issue and sale of the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of any Obligor pursuant to the Note Purchase Agreement shall be deemed representations and warranties of that Obligor under the Note Purchase Agreement except to the extent such representations and warranties would, if set out in the Note Purchase Agreement, be rendered unenforceable pursuant to clause 4.1.3 (*Representations*) of the CTA. Subject to the preceding sentence, the Note Purchase Agreement, the Notes and any other Finance Document embody the entire agreement and understanding between each Purchaser and the Issuer and supersede all prior agreements and understandings relating to the subject matter hereof.

### **16 Amendments and Waiver**

#### **16.1 Requirements**

16.1.1 Subject to the terms of the CTA and the STID, the Note Purchase Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Obligors and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Sections 1, 2, 3, 4, 5, 6 or 20 of the Note Purchase Agreement, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of each Purchaser and the holder of each Note at the time outstanding, (i) subject to the provisions of Paragraph 10 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal

of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount, Net Loss, Net Gain or Swap Breakage Amount on the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8 (except as set forth in the second sentence of Section 8.2), 9, 10, 11, 16, 19 or 22.10 of the Note Purchase Agreement.

16.1.2 Any modification, consent or waiver of any of the terms of the Common Agreements shall be subject to the provisions of clause 8 of the STID.

## **16.2 Solicitation of Holders of Notes**

16.2.1 *Solicitation.* The Issuer will provide each holder of a Note (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes or any other applicable Finance Document, in accordance with the STID. The Issuer will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Paragraph 16 to each holder of a Note promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

16.2.2 *Payment.* No Obligor will directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of a Note as consideration for or as an inducement to the entering into by such holder of any waiver or amendment of any of the terms and provisions hereof or of any Note unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, rateably to each holder of a Note then outstanding even if such holder did not consent to such waiver or amendment.

16.2.3 *Consent in Contemplation of Transfer.* Any consent given pursuant to this Paragraph 16.2 by the holder of any Note that has transferred or has agreed to transfer such Note to the Issuer or any Affiliate of the Issuer and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such transferring holder.

## **16.3 Binding Effect, Etc.**

Any amendment or waiver consented to as provided in this Paragraph 16 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Obligors without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between any Obligor and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term “the Note Purchase Agreement” and references thereto shall mean the Note Purchase Agreement as it may from time to time be amended or supplemented.

#### **16.4 Notes Held by an Obligor, Etc.**

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under the Note Purchase Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by an Obligor or any of its Affiliates shall be deemed not to be outstanding.

#### **17 Notices; English Language**

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognised international commercial delivery service (charges prepaid), or (b) by a recognised international commercial delivery service (with charges prepaid). Any such notice must be sent:

- 17.1** if to a Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A to the Note Purchase Agreement, or at such other address as such Purchaser or nominee shall have specified to the Issuer in writing;
- 17.2** if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Issuer in writing; or
- 17.3** if to any Obligor, to that Obligor at the address specified for notices to that Obligor pursuant to clause 17 (*Notices*) of the CTA. Notices under this Paragraph 17 will be deemed given only when actually received.

#### **18 Reproduction of Documents**

The Note Purchase Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital or other similar process and such Purchaser may destroy any original document so reproduced. Each Obligor agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Paragraph 18 shall not prohibit any Obligor or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

#### **19 Confidential Information**

- 19.1** For the purposes of this Paragraph 19, “**Confidential Information**” means information delivered to any Purchaser by or on behalf of any Obligor in connection with the transactions contemplated by or otherwise pursuant to the Note Purchase Agreement that is proprietary in nature and that was clearly marked or labelled or otherwise adequately identified when received by such Purchaser as being confidential information of such Obligor, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through



disclosure by any Obligor or (d) constitutes financial statements delivered to such Purchaser under Paragraph 7 and the terms of the CTA that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, external legal advisers, auditors and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisers and other professional advisers who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Paragraph 19, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Paragraph 19), (v) any Person from which it offers to purchase any security of any Obligor (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Paragraph 19), (vi) any United States federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organisation, or any nationally recognised rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser (including the listing rules or similar rules of any stock exchange or listing authority), (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes and the Note Purchase Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Paragraph 19 as though it were a party to the Note Purchase Agreement. On reasonable request by the Issuer in connection with the delivery to any holder of a Note of information required to be delivered to such holder under the Note Purchase Agreement or requested by such holder (other than a holder that is a party to the Note Purchase Agreement or its nominee), such holder will enter into an agreement with the Issuer embodying the provisions of this Paragraph 19.

**19.2** Each Obligor hereby confirms that this Paragraph 19 constitutes an agreement of each Obligor for the purposes of clause 14.1.10 (*Disclosure of Information*) of the CTA.

**19.3** In the event that as a condition to receiving access to information relating to the Obligors or their Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to the Note Purchase Agreement, any Purchaser or holder of a Note is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) which is different from this Paragraph 19, this Paragraph 19 shall not be amended thereby and, as between such Purchaser or such holder and the Issuer, this Paragraph 19 shall supersede any such other confidentiality undertaking.

## **20 Substitution of Purchaser**

Each Purchaser shall have the right to substitute any one of its Affiliates or another Purchaser or any one of such other Purchaser's Affiliates (a "**Substitute Purchaser**") as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Obligors, which notice shall be signed by both such Purchaser and such Substitute Purchaser, shall contain such Substitute Purchaser's agreement to be bound by the Note Purchase Agreement and shall contain a confirmation by such Substitute Purchaser of the accuracy with respect to it of the representations set forth in Paragraph 6 and attach a Qualifying Purchaser Certificate in respect of

the Substitute Purchaser. Upon receipt of such notice, the Obligors will enter into, and will use reasonable endeavours to procure that the Security Trustee enters into, an Accession Memorandum with respect to the STID with such Substitute Purchaser any reference to such Purchaser in the Note Purchase Agreement (other than in this Paragraph 20), shall be deemed to refer to such Substitute Purchaser in lieu of such original Purchaser. In the event that such Substitute Purchaser is so substituted as a Purchaser hereunder and such Substitute Purchaser thereafter transfers to such original Purchaser all of the Notes then held by such Affiliate, upon receipt by the Issuer of notice of such transfer, any reference to such Substitute Purchaser as a “Purchaser” in the Note Purchase Agreement (other than in this Paragraph 20), shall no longer be deemed to refer to such Substitute Purchaser, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under the Note Purchase Agreement.

## **21 Incorporation of Common Terms Agreement and STID**

- 21.1** The Note Purchase Agreement and the rights and obligations of the Parties under the Note Purchase Agreement are subject to the terms and conditions of the CTA and the STID and each of the parties hereto agrees to be bound by the terms of the CTA and the STID as if they had been set out in full (*mutatis mutandis*) in the Note Purchase Agreement.
- 21.2** Each Purchaser acknowledges and agrees that the Note Purchase Agreement and the rights and obligations of each Purchaser under the Note Purchase Agreement and the Notes, including any right of payment or repayment (including any prepayment) of any sums due by an Obligor to such Purchaser, are subject in all respects to the CTA and the STID and that the Security Trustee holds the benefit of the Security on trust for the Purchasers and the other Secured Creditors in accordance with the terms of the CTA and the STID.
- 21.3** If there is any conflict between the provisions of the CTA or the STID and the provisions of the Note Purchase Agreement and the Notes, the provisions of the CTA or the STID, as applicable, will prevail.
- 21.4** The Note Purchase Agreement and the Notes issued hereby will collectively constitute an Authorised Credit Facility for all purposes under the Finance Documents and the Security Documents. Accordingly, each Obligor and each Purchaser acknowledges that the Note Purchase Agreement and the Notes will be designated as a Finance Document and that each Obligor has assigned all of its rights, title and interest in, to and under the Finance Documents to which it is party to the Security Trustee for and on behalf of itself and the Secured Creditors under the Security Documents to which it is party.
- 21.5** Each Obligor acknowledges and agrees that the obligations of each Obligor under the Note Purchase Agreement and the obligations of the Issuer under the Notes benefit from the guarantees set out in clause 3 (*Guarantee and Indemnity*) of the Security Agreement.

## **22 Miscellaneous**

### **22.1 Successors and Assigns**

All covenants and other agreements contained in the Note Purchase Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not; *provided*, that nothing herein shall prevent or restrict the Issuer from complying with its obligations to assign rights in each Finance Document pursuant to the terms of Section 5.3.1 of the Security Agreement. Nothing in the Note Purchase Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of the Note Purchase Agreement.

### **22.2 Payments Due on Non-Business Days**

Anything in the Note Purchase Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Paragraph 8.6 that notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or Net Loss or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

### **22.3 Accounting Terms**

All accounting terms used herein which are not expressly defined in the Note Purchase Agreement or the MDA have the meanings respectively given to them in accordance with Applicable Accounting Principles.

### **22.4 Severability**

Any provision of the Note Purchase Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

### **22.5 Construction, Etc.**

22.5.1 Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

22.5.2 For the avoidance of doubt, all Schedules and Exhibits attached to the Note Purchase Agreement shall be deemed to be a part hereof.

22.5.3 The provisions contained in, Part 2 (*Construction*) of Schedule 2 (*Common Definitions*) to the MDA apply to the Note Purchase Agreement as if they were set out in full in the Note Purchase Agreement.

22.5.4 Notwithstanding anything to the contrary in sub-Paragraph 22.5.3 immediately above, the following shall apply (unless the context requires otherwise) to the Note Purchase Agreement and the Notes:

- (a) Defined terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.
- (b) The word “will” shall be construed to have the same meaning and effect as the word “shall”.
- (c) Unless the context requires otherwise (A) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise

modified (subject to any restrictions on such amendments, supplements or modifications set forth herein) and, for purposes of the Notes, shall also include any such notes issued in substitution therefor pursuant to Paragraph 12, (B) subject to Paragraph 22.1, any reference herein to any Person shall be construed to include such Person's successors and assigns, (C) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to the Note Purchase Agreement in its entirety and not to any particular provision hereof, (D) all references herein to Sections, Schedules and Exhibits shall be construed to refer to Sections of and Schedules and Exhibits to the Note Purchase Agreement, (E) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, (F) United States federal and state law concepts shall be construed in accordance with applicable provisions of United States federal and state law, respectively; and (G) any reference to a Paragraph or sub-Paragraph shall be to a paragraph or sub-paragraph as set out in this Prospectus and the numbering does not necessarily correspond to the numbering of the corresponding Section of the Note Purchase Agreement.

## **22.6 Counterparts**

The Note Purchase Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

## **22.7 Governing Law**

The Note Purchase Agreement and the Notes, and any non-contractual obligations arising out of or in connection with them, are governed by the laws of England.

## **22.8 Jurisdiction**

22.8.1 The English courts have exclusive jurisdiction to settle any dispute in connection with the Note Purchase Agreement and the Notes (including a dispute relating to the existence, validity or termination of the Note Purchase Agreement or any Note or any non-contractual obligation arising out of or in connection with the Note Purchase Agreement or any Note).

22.8.2 The English courts are the most appropriate and convenient courts to settle any such dispute and each Obligor waives objection to those courts on the grounds of inconvenient forum or otherwise in relation to proceedings in connection with the Note Purchase Agreement or any Note.

22.8.3 This Paragraph 22.8 is for the benefit of the holders only. To the extent allowed by law, the holders may take:

- (a) proceedings in any other court; and
- (b) concurrent proceedings in any number of jurisdictions.

## **22.9 Third Party Rights**

The Note Purchase Agreement confers benefits on each holder of a Note and is intended to be enforceable by each such holder. A Person who is not a party to the Note Purchase Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce any terms of the Note Purchase Agreement but this does not affect any right or remedy of a third party which exists or is available apart from the Third Parties Act.

## **22.10 Obligation to Make Payment in the Applicable Currency**

22.10.1 Any payment on account of an amount that is payable hereunder or under the Notes in the currency of any jurisdiction (the “**Applicable Currency**”) which is made to or for the account of any holder of a Note in the lawful currency of any other jurisdiction (the “**Other Currency**”), whether as a result of any judgment or order or the enforcement thereof or the realisation of any Security or the liquidation of any Obligor, as applicable, shall constitute a discharge of the obligation of the Obligors under the Note Purchase Agreement, or in the case of the Issuer, the Notes only to the extent of the amount of the Applicable Currency which such holder could purchase in exchange markets in New York or London, England, as applicable with the amount of such Other Currency in accordance with normal banking procedures at the rate of exchange prevailing on the Banking Day following receipt of the payment first referred to above. If the amount of the Applicable Currency that could be so purchased is less than the amount of the Applicable Currency originally due to such holder, each Obligor agrees to the fullest extent permitted by law and subject to sub-Paragraph 22.10.2 below, to indemnify and save harmless such holder from and against all loss or damage arising out of or as a result of such deficiency. This indemnity shall, to the fullest extent permitted by law and subject to sub-Paragraph 22.10.2 below, constitute an obligation separate and independent from the other obligations contained in the Note Purchase Agreement, the Notes, the CTA, the STID and the other Finance Documents, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of a Note from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under the Notes or under any judgment or order. As used herein the term “**Banking Day**” shall mean any day other than Saturday or Sunday or a day on which commercial banks are required or authorised by law to be closed in New York, New York or London, England, as applicable.

22.10.2 Notwithstanding sub-Paragraph 22.10.1, under no circumstances whatsoever will a holder of the Notes:

- (a) be entitled to recover amounts under the indemnity in sub-Paragraph 22.10.1 above, to the extent the holder has made a recovery in respect of the same amounts under the indemnity in clause 10.1 (*Currency indemnity*) of the CTA; or
- (b) be entitled to recover amounts under the indemnity in clause 10.1 (*Currency indemnity*) of the CTA to the extent the holder has made a recovery in respect of the same amounts under the indemnity in sub-Paragraph 22.10.1 above.

## 23 Definitions.

Unless otherwise defined in the Note Purchase Agreement or the Notes or the context requires otherwise, words and expressions used in the Note Purchase Agreement or the Notes have the meanings and constructions ascribed to them in the Master Definitions Agreement.

“**Accession Memorandum**” means the Accession Memorandum for the accession of each Purchaser as an Additional Secured Creditor under the STID with the Obligors and the Security Trustee substantially in the form set out in Exhibit 4.13 to the Note Purchase Agreement.

“**Additional Payments**” is defined in Paragraph 8.3 (*Prepayment for Tax Reasons*).

“**Affected Noteholder**” is defined within the definition of “Noteholder Sanctions Event”.

“**Applicable Currency**” is defined in sub-Paragraph 22.10.1 (*Obligation to Make Payment in the Applicable Currency*).

“**Applicable Percentage**” is defined in sub-Paragraph 8.8.1 (*Make Whole Amount with respect to Non-Swapped Notes*).

“**Banking Day**” is defined in sub-Paragraph 22.10.1 (*Obligation to Make Payment in the Applicable Currency*).

“**Blocked Person**” means (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (ii) a Person, entity, organisation, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws, Canadian Economic Sanctions Law or any similar sanctions laws of the United Nations, the European Union, or the United Kingdom, (iii) a Canada Blocked Person; or (iv) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organisation, country or regime described in clause (i), (ii) or (iii) above.

“**Business Day**” means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York, or London, England are required or authorised to be closed.

“**Called Principal**” is defined in sub-Paragraph 8.8.1 (*Make-Whole Amount with respect to Non-Swapped Notes*).

“**Canada Blocked Person**” means (i) a “terrorist group” as defined for the purposes of Part II.1 of the Criminal Code (Canada), as amended or (ii) a Person identified in or pursuant to (x) Part II.1 of the Criminal Code (Canada), as amended or (y) regulations or orders promulgated pursuant to the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, or the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, the Justice for Victims of Corrupt Foreign Officials Act (Canada) in any case pursuant to this clause (ii) as a Person in respect of whose property or benefit a holder of Notes would be prohibited from entering into or facilitating a related financial transaction.

“**Canadian Economic Sanctions Laws**” means those laws, including enabling legislation, orders-in-council or other regulations administered and enforced by Canada or a political subdivision of Canada pursuant to which economic sanctions have been imposed on any Person, entity, organisation, country or regime, including Part II.1 of the Criminal Code (Canada), as amended, the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, the Export and Import Permits Act (Canada), as amended, and the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, the Justice for Victims of Corrupt Foreign Officials Act (Canada) or any other economic sanctions laws administered by Global Affairs Canada or the Department of Public Safety Canada and including all regulations promulgated under any of the foregoing, or any other similar sanctions program or action.

“**Cancelled Certificate**” means any QPP Certificate in respect of which HM Revenue & Customs has given a notification under regulation 7(4)(b) of the QPP Regulations so that such QPP Certificate is a cancelled certificate for the purposes of the QPP Regulations.

“**Change in Tax Law**” is defined in Paragraph 8.3 (*Prepayment for Tax Reasons*).

“**Closing**” is defined in Paragraph 1.1 (*Sale and Purchase of the Notes*).

“**Code**” means the Internal Revenue Code of 1986 of the United States of America, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“**Issuer**” means Thames Water Utilities Limited, a company incorporated in England with limited liability with registered number 02366661.

“**Confidential Information**” is defined in Paragraph 19 (*Confidential Information*).

“**Control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms “**Controlled**” and “**Controlling**” shall have meanings correlative to the foregoing.

“**Controlled Entity**” means (i) any of the Subsidiaries of the Obligors and any of their or the Obligors’ respective Controlled Affiliates and (ii) if any of the Obligors has a parent company, such parent company and its Controlled Affiliates.

“**Corporation Tax Act**” means the United Kingdom Corporation Tax Act 2009.

“**Default Rate**” means that rate of interest that is the greater of (i) 1.00% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes. and (ii) 1.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. in New York, New York as its “base” or “prime” rate.

“**Discounted Value**” is defined in sub-Paragraph 8.8.1 (*Make-Whole Amount with Respect to Non-Swapped Notes*).

“**Dollars**” or “**\$**” or “**U.S. Dollars**” means the lawful currency of the United States of America.

“**FATCA**” means (a) Sections 1471 to 1474 of the Code and any associated regulations; (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; and (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

“**FATCA Deduction**” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“**FATCA Exempt Party**” means a Party that is entitled to receive payments free from any FATCA Deduction.

“**GBP**” or “**£**” or “**sterling**” means the lawful currency of England.

“**Governmental Authority**” means:

- (a) the government of:
  - (i) the United States of America, Canada, the United Kingdom or any state or other political subdivision of either thereof; or
  - (ii) any other jurisdiction in which the Obligors or any of their Subsidiaries conducts all or any part of its business, or which asserts jurisdiction over any properties of the Obligors or any of their Subsidiaries; or
- (b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“**holder**” means, with respect to any Note the Person in whose name such Note is registered in the register maintained by the Issuer pursuant to Paragraph 12.1.

“**Income Tax Act**” means the United Kingdom Income Tax Act 2007.

“**Initial Swap Agreement**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with Respect to Swapped Notes*).

“**Interest Payment Date**” is specified in each Note and set out in “Part B – Pricing and Additional Terms” of this Prospectus.

“**Institutional Investor**” means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

“**Investor Letter**” means an executed investor letter received from each Purchaser substantially in the form set out in Exhibit 4.12 to the Note Purchase Agreement.

“**ISDA Master Agreement**” is defined in sub-Paragraph 8.9.5.

“**Make-Whole Amount**” with respect to any Non-Swapped Note, is defined in sub-Paragraph 8.8.1 (*Make-Whole Amount with respect to Non-Swapped Notes*) and, with respect to any Swapped Note, is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Master Definitions Agreement**” or “**MDA**” means the amended and restated master definitions agreement, dated 30 August 2007 as amended and restated from time to time and made by, amongst others, the Issuer, Thames Water Utilities Finance Plc, Thames Water Utilities Holdings Limited and Deutsche Trustee Company Limited as Security Trustee.

“**Maturity Date**” is defined in the first paragraph of each Note and set out in “Part B – Pricing and Additional Terms” of this Prospectus.

“**NAIC**” means the National Association of Insurance Commissioners or any successor thereto.

“**Net Gain**” is defined in Paragraph 8.9 (*Swap Breakage*).

“**Net Loss**” is defined in Paragraph 8.9 (*Swap Breakage*).

“**New Purchaser**” or “**New Purchasers**” means each party to whom a Purchaser has assigned or transferred its rights under the Note Purchase Agreement (so long as any such assignment or transfer complies with Paragraph 12.2 (*Transfer and Exchange of Notes*)).

“**New Swap Agreement**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Non-Swapped Note**” is defined in sub-Paragraph 8.8.1 (*Make-Whole Amount with respect to Non-Swapped Notes*).

“**Noteholder Sanctions Event**” means, with respect to the holder of a Note, such holder (being an “**Affected Noteholder**”) or any of its affiliates being in violation of or subject to sanctions under (a) any U.S. Economic Sanctions Laws or Canadian Economic Sanctions Laws as a result of the Issuer or any Controlled Entity becoming a Blocked Person or, directly or indirectly, having any investment in or engaging in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Notes) with any Blocked Person, or (b) any similar laws, regulations or orders adopted by any state within the United States as a result of the name of the Issuer or any Controlled Entity appearing on a State Sanctions List, or (c) any similar laws, regulations or orders adopted by the United Nations, the European Union, the United Kingdom or any other Governmental Authority.

“**Notes**” means the \$285,000,000 3.57% Guaranteed Secured Senior Class A Series 5 Notes due 2025 (the “**Series 5 Notes**”), the £216,000,000 2.45% Guaranteed Secured Senior Class A Series 6 Notes due 2028 (the “**Series 6 Notes**”), the £210,000,000 2.55% Guaranteed Secured Senior Class A Series 7 Notes due 2030 (the “**Series 7 Notes**”) and the £40,000,000 2.62% Guaranteed Secured Senior Class A Series 8 Notes due 2033 (the “**Series 8 Notes**”) and together with the Series 5 Notes, the Series 6 Notes and the Series Notes, the “**Notes**”).



“**Obligors**” means TWH, TWUF and the Issuer, together with any other entity which accedes to the Finance Documents as an Obligor in accordance with the terms thereof, “**Obligor**” means any of them.

“**OFAC**” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“**OFAC Sanctions Program**” means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

“**Officer’s Certificate**” means a certificate of an Authorised Signatory of the Issuer.

“**Original Swap Agreement**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Other Currency**” is defined in sub-Paragraph 22.10.1 (*Obligation to Make Payment in the Applicable Currency*).

“**Person**” means individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

“**property**” or “**properties**” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

“**QPP Certificate**” means a creditor certificate for the purposes of the QPP Regulations, given, in the case of any Purchaser which becomes a Party on the day on which the Note Purchase Agreement is entered into, in the form set out in Schedule C (*Form of QPP Certificate*), or, in the case of a New Purchaser, in the form set out in Schedule D (*Form of Qualifying Purchaser Certificate*) to the Note Purchase Agreement.

“**QPP Purchaser**” means a Purchaser which has delivered a QPP Certificate to the Issuer, provided that such QPP Certificate is not a Withdrawn Certificate or a Cancelled Certificate and provided that such Purchaser will not be a QPP Purchaser where, as a result of any change after the date it became a Purchaser under the Note Purchase Agreement in (or in the interpretation, administration, or application of) any law or any published practice or published concession of any relevant taxing authority, such QPP Certificate does not entitle the Issuer to pay interest to such Purchaser without any Tax Deduction.

“**QPP Regulations**” means the Qualifying Private Placement Regulations 2015 (2015 No. 2002).

“**Qualifying Purchaser**” means:

- (a) a Purchaser which is beneficially entitled to interest payable to that Purchaser in respect of the Notes and is:
  - (i) a Purchaser which is:
    - (A) a company resident in the United Kingdom for United Kingdom tax purposes;
    - (B) a partnership each member of which is:
      - (I) a company so resident in the United Kingdom; or
      - (II) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of Section 19 of the Corporation Tax Act) the whole of any share of interest

payable in respect of that advance that falls to it by reason of Part 17 of the Corporation Tax Act;

- (C) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of Section 19 of the Corporation Tax Act) of that company; or
- (ii) a Treaty Purchaser which was but has ceased to be a QPP Purchaser solely as a result of any change after the date it became a Purchaser under the Note Purchase Agreement in (or in the interpretation, administration, or application of) any law or any published practice or published concession of any relevant taxing authority; or
- (iii) a QPP Purchaser; or
- (b) a Purchaser which is the scheme administrator of a registered pension scheme (as those terms are defined in Section 989 of the Income Tax Act).

**“Qualifying Purchaser Certificate”** means a certificate in the form set out in Schedule D (*Form of Qualifying Purchaser Certificate*) to the Note Purchase Agreement.

**“Rate of Interest”** is specified in each Note and set out in “Part B – Pricing and Additional Terms” of this Prospectus.

**“Registration Duty”** means any registration duty or similar amount payable in connection with the use in a Cayman Islands or United Kingdom judicial proceeding of the Note Purchase Agreement, the Notes, any other Finance Document or any other agreement or document related hereto or thereto or the transactions contemplated herein or therein.

**“Reinvestment Yield”** is defined in sub-Paragraph 8.8.1 (*Make-Whole Amount with respect to Non-Swapped Notes*).

**“Rejection Notice”** is defined in sub-Paragraph 8.3.

**“Related Fund”** means, with respect to any holder of any Note, any fund or entity that (a) invests in securities or bank loans, and (b) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

**“Remaining Average Life”** is defined in sub-Paragraph 8.8.1 (*Make-Whole Amount with respect to Non-Swapped Notes*).

**“Remaining Scheduled Payments”** is defined in sub-Paragraph 8.8.1 (*Make-Whole Amount with respect to Non-Swapped Notes*).

**“Replacement Swap Agreement”** is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

**“Reported”** is defined with the definition of “Reinvestment Yield”.

**“Required Holders”** means, at any time (i) prior to the Closing, the Purchasers (ii) on or after the Closing, the holders of more than 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Issuer or any of its Affiliates); and (iii) in relation to any matter affecting only the Series 5 Notes, Series 6 Notes, Series 7 Notes or Series 8 Notes, the holders of more than 50% in principal amount of the Notes at the time outstanding of such Series 5 Notes, Series 6 Notes, Series 7 Notes or Series 8 Notes, as applicable

(exclusive of Series 5 Notes, Series 6 Notes, Series 7 Notes or Series 8 Notes, as applicable, then owned by the Issuer or any of its Affiliates);

“**Sanctions Affected Notes**” is defined in Paragraph 8.4 (*Prepayment in Connection with a Noteholder Sanctions Event*).

“**Sanctions Prepayment Date**” is defined in Paragraph 8.4 (*Prepayment in Connection with a Noteholder Sanctions Event*).

“**Sanctions Prepayment Offer**” is defined in Paragraph 8.4 (*Prepayment in Connection with a Noteholder Sanctions Event*).

“**Sanctions Prepayment Response Date**” is defined Paragraph 8.4 (*Prepayment in Connection with a Noteholder Sanctions Event*).

“**Securities Act**” means the Securities Act of 1933 and the rules and regulations promulgated thereunder from time to time in effect.

“**Settlement Date**” is defined in sub-Paragraph 8.8.1 (*Make-Whole Amount with respect to Non-Swapped Notes*).

“**State Sanctions List**” means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

“**Substitute Purchaser**” is defined in Paragraph 20 (*Substitution of Purchaser*).

“**SVO**” means the Securities Valuation Office of the NAIC or any successor to such Office.

“**Swap Agreement**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swap Breakage Amount**” is defined in Paragraph 8.9 (*Swap Breakage*).

“**Swapped Note**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swapped Note Applicable Percentage**” is defined sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swapped Note Called Notional Amount**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swapped Note Called Principal**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swapped Note Discounted Value**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swapped Note Reinvestment Yield**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swapped Note Remaining Average Life**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swapped Note Remaining Scheduled Swap Payments**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Swapped Note Settlement Date**” is defined in sub-Paragraph 8.8.2 (*Make-Whole Amount with respect to Swapped Notes*).

“**Tax Affected Notes**” is defined in Paragraph 8.3 (*Prepayment for Tax Reasons*).

“**Tax Confirmation**” means a confirmation by a Purchaser that the person beneficially entitled to interest payable to that Purchaser in respect of an advance under a Finance Document is:

- (i) a company resident in the United Kingdom for United Kingdom tax purposes;
- (ii) a partnership each member of which is:
  - (a) a company so resident in the United Kingdom; or
  - (b) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of Section 19 of the Corporation Tax Act) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the Corporation Tax Act;
- (iii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of Section 19 of the Corporation Tax Act) of that company; or
- (iv) a scheme administrator of a registered pension scheme (as those terms are defined in Section 989 of the Income Tax Act).

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“**Tax Payment**” means the increase in a payment made by an Obligor to a Purchaser under Paragraph 11.1 (*Tax Gross Up*).

“**Tax Prepayment Notice**” is defined in Paragraph 8.3 (*Prepayment for Tax Reasons*).

“**Taxing Jurisdiction**” is defined in Paragraph 11.1 (*Tax Gross Up*).

“**Treaty Purchaser**” means a Purchaser:

- (i) which is treated as a resident of a Treaty State for the purposes of the Treaty;
- (ii) which does not carry on a business in the United Kingdom through a permanent establishment with which that Purchaser’s ownership of the Notes is effectively connected; and
- (iii) in respect of which the Issuer has received a Direction from HM Revenue & Customs (whether under the HM Revenue & Customs Double Tax Treaty Passport Scheme or otherwise) confirming such Purchaser has full exemption from United Kingdom taxation on interest payable by the Obligors under the terms of the Note.

“**Treaty State**” means a jurisdiction having a double taxation agreement (a “**Treaty**”) with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

“**UK Non Bank Purchaser**” means:

- (i) where a Purchaser becomes a Party on the day on which the Note Purchase Agreement is entered into, a Purchaser listed as a UK Non Bank Purchaser in Schedule A to the Note Purchase Agreement; and

- (ii) where a Purchaser becomes a Party after the day on which the Note Purchase Agreement is entered into, a Purchaser which gives a Tax Confirmation in a Qualifying Purchaser Certificate.

“**U.S. Economic Sanctions Laws**” means the laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organisation, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

“**Withdrawn Certificate**” means a withdrawn certificate for the purposes of the QPP Regulations.

## **24 Prescription**

The Notes are constituted by the Note Purchase Agreement, which is a simple contract. Therefore, pursuant to section 5 of the Limitation Act 1980, an action founded on the Note Purchase Agreement cannot be brought after the expiration of six years from the date on which the cause of action accrued.

## PART B – PRICING AND ADDITIONAL TERMS

### 1 Pricing

<b>Maturity Date</b>	For the Series 5 Notes, 22 March 2025 For the Series 6 Notes, 22 April 2028 For the Series 7 Notes, 22 March 2030 For the Series 8 Notes, 22 March 2033
<b>Currencies</b>	For the Series 5 Notes, U.S. dollars For the Series 6 Notes, Sterling For the Series 7 Notes, Sterling For the Series 8 Notes, Sterling
<b>Interest Payment Date</b>	For the Series 5 Notes, 22 March and 22 September in each year, commencing with 22 September 2018 For the Series 6 Notes, 22 March and 22 September in each year, commencing with 22 September 2018 For the Series 7 Notes, 22 March and 22 September in each year, commencing with 22 September 2018 For the Series 8 Notes, 22 March and 22 September in each year, commencing with 22 September 2018
<b>Rate of Interest</b>	<p>For the Series 5 Notes, 3.57% per annum and to the extent permitted by law, on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount, payable semi-annually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 4.57% and (ii) 1% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its “base” or “prime” rate. Interest is computed on the basis of a 360-day year of twelve 30-day months.</p> <p>For the Series 6 Notes, 2.45% per annum and to the extent permitted by law, on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount, payable semi-annually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 3.45% and (ii) 1% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its “base” or “prime” rate. Interest is computed on the basis of a 360-day year of twelve 30-day months.</p> <p>For the Series 7 Notes, 2.55% per annum and to the extent permitted by law, on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount, payable semi-</p>

annually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 3.55% and (ii) 1% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its “base” or “prime” rate. Interest is computed on the basis of a 360-day year of twelve 30-day months.

For the Series 8 Notes, 2.62% per annum and to the extent permitted by law, on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount, payable semi-annually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 3.62% and (ii) 1% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its “base” or “prime” rate. Interest is computed on the basis of a 360-day year of twelve 30-day months.

**Issue Price** 100 per cent.

## 2 Additional Terms

2.1 In respect of the Series 5 Notes:

**Indication of yield** Calculated as 3.57% (on an annual basis) on the Issue Date. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**ISIN** GB00BDC5BJ90

**Common Code** 00BDC5BJ9

2.2 In respect of the Series 6 Notes:

**Indication of yield** Calculated as 2.45% (on an annual basis) on the Issue Date. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**ISIN** GB00BDC5BK06

**Common Code** 00BDC5BK0

2.3 In respect of the Series 7 Notes:

**Indication of yield** Calculated as 2.55% (on an annual basis) on the Issue Date. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**ISIN** GB00BDC5BL13

**Common Code** 00BDC5BL1

**2.4** In respect of the Series 8 Notes:

**Indication of yield** Calculated as 2.62% (on an annual basis) on the Issue Date. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**ISIN** GB00BDC5BM20

**Common Code** 00BDC5BM2



## **CHAPTER 4**

### **USE OF PROCEEDS**

The Issuer applied the proceeds from the sale of the Notes to the financing, refinancing and/or investment in an Eligible Green Portfolio (as defined below) meeting the Eligibility Criteria (as defined below).

For the purposes of this Chapter:

**“Eligible Green Projects”** means sustainable water management projects with a reduced climate footprint and water recycling projects with a reduced climate footprint.

**“Eligible Green Portfolio”** means a portfolio of Eligible Green Projects.

**“Eligibility Criteria”** means the criteria prepared by the Issuer.

Pending allocation of the net proceeds for investment in the Eligible Green Portfolio, the Issuer held such net proceeds in an operating account, at its discretion, in the form of cash or other investments (as permitted under the Common Terms Agreement). The balance of the Eligible Green Portfolio, until such amount is used in full, was periodically adjusted to match allocations to Eligible Green Projects. The Issuer established systems to monitor and account for the net proceeds for investment in the Eligible Green Portfolio meeting the Eligibility Criteria.

The Issuer is expected to issue a report on (i) the portfolio to which proceeds of the Notes were allocated and the amounts allocated and (ii) the expected impact of the Eligible Green Portfolio on the environment. This report will be issued once a year until each such Series of Notes are repaid in full or until the Maturity Date of each such Series of Notes. In addition, the Issuer is expected to provide regular information through its website [www.thameswater.co.uk](http://www.thameswater.co.uk) on the environmental outcomes of the Eligible Green Portfolio.

## **CHAPTER 5**

### **TAX CONSIDERATIONS**

#### **General**

The comments below are of a general nature and are not intended to be exhaustive. Any Noteholders who are in doubt as to their own tax position should consult their professional advisers. In particular, Noteholders should be aware that the tax legislation of any jurisdiction where a Noteholder is resident or otherwise subject to taxation (as well as the jurisdictions discussed below) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

#### **UK Tax Considerations**

*The following is a general summary of the UK withholding tax treatment in relation to payments of principal and interest in respect of the Notes as at the date of this Prospectus. These comments do not deal with other UK tax aspects of acquiring, holding or disposing of (including redeeming) Notes. Prospective purchasers who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their professional advisers. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK. This summary as it applies to UK taxation is based upon UK law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs) as in effect on the date of this Prospectus and is subject to any change in law or practice (including retrospective change) that may take effect after such date.*

#### **UK Withholding Tax on UK Source Interest**

While the Notes are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of UK income tax. The London Stock Exchange is a “recognised stock exchange” for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List of the Financial Conduct Authority and are admitted to trading on the Main Market of the London Stock Exchange. In addition, even if the Notes were not so listed, no withholding or deduction for or on account of UK income tax will apply if the relevant interest is not “yearly interest”.

In cases falling outside the exemption described above, interest on the Notes will generally, unless another exemption or relief is available, be paid under deduction of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs under domestic law or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

#### **Payments in respect of the Guarantee**

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption in respect of securities listed on a recognised stock exchange described above in relation to payments

of interest by the Issuer. Accordingly, if the Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.).

### **Other Rules relating to United Kingdom Withholding Tax**

Where interest has been paid under deduction of UK income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “interest” above mean “interest” as understood in UK tax law. The above statements do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

### **Foreign Account Tax Compliance Act (“FATCA”)**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” 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. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. 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.

Certain aspects of the application of FATCA and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply to foreign passthru payments prior to 1 January 2019 and Notes that have a fixed term and that are not treated as equity for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations.

Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## CHAPTER 6

### DISTRIBUTION, TRANSFER AND SELLING RESTRICTIONS

#### Transfers of the Notes

Each prospective Noteholder is, among other conditions, required to (i) accede as a Secured Creditor to the Common Terms Agreement, the Master Definitions Agreement and the STID and accede to the Note Purchase Agreement; and (ii) provide an executed investor letter to the Issuer as a condition to a transfer of the Notes.

As a result, each purchaser or holder of the Notes will make certain representations and agreements intended to restrict the resale or other transfer of such Notes:

- (a) it understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Notes and agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (b) it understands that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes may not be offered or sold except as permitted in the following sentence. It agrees, on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated, not to offer, sell or otherwise transfer such Notes except (a) to the Issuer or any affiliate thereof, (b) inside the United States to a Person whom it reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction which meets the requirements of Rule 144A, (c) to an Institutional Accredited Investor that, prior to such transfer, furnishes to the Issuer a signed letter, substantially identical to the investor letter provided by the Purchasers, containing certain representations and agreements relating to the transfer of the Notes, (d) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (e) pursuant to an effective registration statement under the Securities Act or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction. It understands that, on any proposed resale of any Notes, it and each subsequent holder will be required to deliver to the transferee of the Notes or any interest or participation therein a notice substantially to the foregoing effect;
- (c) in the normal course of business, it invests in or purchases securities similar to the Notes. It is an Institutional Accredited Investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of the investment;
- (d) it is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction;
- (e) it understands that, on any proposed resale of any Notes, it will be required to furnish to the Issuer such certifications and other information (including a letter substantially similar to the investor letter provided by the Purchasers from any purchaser who is an Institutional Accredited Investor) as the Issuer may reasonably require to confirm that the proposed sale complies with the foregoing restrictions; and

- (f) the Notes bear a legend to the following effect:

THIS SECURITY AND THE GUARANTEES IN RESPECT HEREOF HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; OR AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN “INSTITUTIONAL ACCREDITED INVESTOR”); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) TO ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, SUBJECT TO DELIVERY TO THE COMPANY OF A DULY EXECUTED INVESTMENT LETTER FROM THE RELEVANT TRANSFEREE, (5) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (7) PURSUANT TO ANY OTHER EXEMPTION AVAILABLE FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

Further, Canadian Noteholders and prospective Canadian Noteholders will make certain additional representations and agreements intended to restrict the resale or other transfer of such Notes:

- (a) it has provided a certificate (the form of which is appended to the Note Purchase Agreement) to the Issuer prior to the Issue Date confirming certain factual matters;
- (b) it understands that the Notes are being offered in Canada on a “private placement” basis, no prospectus has been prepared or filed with any securities commission or similar regulatory authority in Canada in connection with the offering of the Notes and no securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon the merits of the Notes;
- (c) where required by law, it is, or is deemed to be, purchasing the Notes as principal in accordance with the applicable securities laws of the province or territory in which it is resident for its own account and not as agent for the benefit of another person or as trustee. It agrees, on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated that any offer, sale or transfer of Notes by it to any purchaser in Canada or who is a resident thereof shall be made so as to be exempt from the prospectus filing requirements and in compliance with the registration requirements or in accordance with exemptions from the registration requirements of all applicable securities laws, regulations, rules, instruments, rulings and orders, and the applicable policy statements issued by any securities regulator or regulatory authority in the province or territory of Canada such purchaser is resident in;

- (d) it understands that the Issuer is not, and may never be, a “reporting issuer”, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there currently is no public market for any of the securities of the Issuer in Canada, including the Notes, and one may never develop and accordingly the Notes may be subject to an indefinite hold period under applicable Canadian securities laws unless resales are made in accordance with applicable prospectus requirements or pursuant to an available exemption from such prospectus requirements and otherwise in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction. It acknowledges these resale restrictions may under certain circumstances apply to resales of the Notes outside Canada. It acknowledges that it has been advised to consult with its own legal advisers for additional information on Canadian resale restrictions prior to any resale of the Notes; and
- (e) it or any ultimate purchaser for which it is acting as agent is resident in a province or territory of Canada, is an “accredited investor” as defined in section 1.1 of National Instrument 45-106 Prospectus Exemptions (“NI 45-106”) or section 73.3(1) of the Securities Act (Ontario), as applicable, is a “permitted client” as defined in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and is not a person created or used solely to purchase or hold the Notes as an “accredited investor” as described in paragraph (m) of the definition of “accredited investor” in section 1.1 of NI 45-106, and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of the investment.

### **Further Selling Restrictions**

The Notes and the Guarantees have not been, and will not be registered under the Securities Act, 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 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.

### **General**

Save for obtaining the approval of the Prospectus by the FCA for the Notes to be admitted to listing on the Official List and to trading on the Main Market, no action has been or will be taken in any jurisdiction by the Issuer or the other Obligors that would permit a public offering of Notes, or possession or distribution of the Prospectus or any other offering material, in any jurisdiction where action for that purpose is required.

## **CHAPTER 7**

### **ADDITIONAL ISSUER DISCLOSURE**

*As noted on page 16 of this Prospectus, Chapter 5 “Description of the TWU Financing Group” and Chapter 6 “Regulation of the Water and Wastewater Industry in England and Wales” of the EMTN Prospectus are incorporated by reference herein. This Chapter 7 “Additional Issuer Disclosure” shall be read in conjunction with the disclosure incorporated by reference herein from the EMTN Prospectus.*

#### **Shareholder Funding**

The Kemble Shareholders provided £500 million in shareholder funding in March 2023 by way of a £500 million convertible loan notes to KWHL. The proceeds of these loan notes were then downstreamed to the Issuer and were received by the TWU Financing Group as equity. The TWU Financing Group owes no obligations in respect of the convertible loan notes between the Kemble Shareholders and KWHL.

#### **Wastewater Treatment**

Wastewater is treated at 354 sewage treatment works, which are monitored to ensure that the treatment works comply with regulatory standards, through effective operation, risk assessments and focused investment.

The Issuer is not currently on track to meet its performance commitment target for total pollutions (category 1-3) for 2023 and has recently reported a year-on-year increase in pollution events from 217 to 257 in the interim results for 2023/24. The Issuer remains committed to improving its performance through its refocused turnaround plan where the Issuer is identifying root causes and solutions to address poor performance. The Issuer expects that there will be more pollution events as a result of the shift in approach by the Environment Agency (including those previously categorised as category 4 being graded as category 3), an increase in data availability following the installation of event duration monitors that enable the Issuer to identify when sewage has entered the environment outside of permit conditions and a deterioration in sewage treatment works performance driven by poor asset health, a lack of inbuilt resilience and resourcing challenges. The Issuer is currently forecasting sewage treatment works compliance below the performance commitment target of 100%. This reflects that a few sites that failed numeric wastewater quality compliance during 2023.

#### **Environmental Regulation**

In line with the EA’s push to improve day-to-day performance and meet progressively higher standards of environmental protection, it announced in November 2021 in conjunction with Ofwat a major investigation into sewage treatment works across the industry. The investigation involves all water and sewerage companies, more than 2000 sewage treatment works and continued throughout 2022 and into 2023. Companies could face enforcement action, including fines and prosecutions, as a result of breaches of their legal permits or obligations and in March and June 2022 Ofwat announced that it was opening enforcement cases into six water and wastewater companies as part of its ongoing investigation, one of which is the Issuer. Alongside that announcement Ofwat issued the relevant companies with notices to gather information for enforcement purposes, although it should be noted that the issuance of such notices is not necessarily an indicator that Ofwat intends to pursue formal enforcement action. On 12 December 2023, Ofwat announced that it had reached the next stage of its investigation into the Issuer’s management of its sewage treatment works and wider network and that it had notified the Issuer of its provisional findings (which are without prejudice to any further representation that the Issuer may make to Ofwat). Ofwat has not yet concluded whether there has been any contravention or failure by the Issuer, nor has it decided to issue a notice under section 22A of the WIA. Ofwat expects to publish its proposed decision for public consultation in the first quarter of 2024.

On 23 June 2023, the Environment Agency published an update on its investigation. The Environment Agency’s initial assessment indicates that there may have been widespread and serious non-compliance of environmental

permit conditions by all water companies. Throughout the coming months, the Environment Agency will conduct site visits to wastewater treatment works with specialist investigators. The purpose of these visits will be to secure and preserve evidence relevant to its inquiry. The companies could also incur material capital expenditure in updating and improving facilities to improve future performance and/or as a result of the EA removing or limiting the ability to make consented discharges as a result of CSOs. Such a change would mean that more investment would be needed in infrastructure to increase storm capacity. There is a risk that such expenditure will not be covered by the Periodic Review process and will require significant separate investment. See Chapter 2 “*Risk Factors*” and in particular, “*Environmental considerations*” and “*Environmental Pollution Offences*”.

### **Final Determination of 2022/23 In-Period ODI Outcomes**

On 26 September 2023, Ofwat published a draft determination of the Issuer’s in period ODI outcomes for 2022/23 (including C-MeX & D-MeX) and calculated that the Issuer would be required to reduce customer bills in 2024/25 by £100.719 million. In its final determination published on 14 November 2023, Ofwat’s decision to reduce the tax rate from 19% to 0% on future ODI payments means that the amount by which the Issuer is required to reduce customer bills in 2024/25 has been reduced by £26.953 million to £73.766 million.

### **Chief Executive Officer**

On 14 December 2023, Thames Water announced the appointment of Chris Weston as its Chief Executive Officer with effect from 8 January 2024.

Chris was formerly CEO of FTSE 250 Aggreko plc for seven years, a multi-national business operating in 45 countries. Previously he was at Centrica, where his last role was managing director of International Downstream and he was also a member of both the board and the executive committee. Prior to this, he held a number of roles in the Australian and UK telecoms sector in One.Tel and Cable and Wireless. He served in HM Armed Forces in the Royal Artillery and holds a PhD and MBA from Imperial College, London. He was a non-executive director of the Royal Navy between 2017 and 2023 and has been a non-executive director of Barratt Developments Plc since 2021.

### **Chairman**

Sir Adrian Montague was appointed as Chairman of the Issuer and KWHL in July 2023. Previous roles include Chairman of The City UK Advisory Council, Aviva Group plc, 3i Group, Anglian Water Group, Michael Page International plc, London First, British Energy Group plc, Friends Provident plc, Cross London Rail Links Ltd and Hurricane Exploration plc. Adrian was a former Deputy Chairman of Network Rail Ltd, Partnerships UK plc and UK Green Investment Bank plc.

### **Share Capital of TWH and the Issuer**

TWH is a wholly owned subsidiary of the Parent. Its authorised share capital is £520,428,002 divided into 520,428,002 ordinary shares of £1 each. 520,428,002 have been issued to the Parent and are fully paid-up.

The Issuer’s authorised and issued share capital is £49,478,000 divided into 49,478,000 ordinary shares of £1 each. All ordinary shares have been issued and have been fully paid-up. The Issuer is a wholly owned subsidiary of TWH. The business address of the directors of the Issuer is Clearwater Court, Vastern Road, Reading, Berkshire RG1 8DB.

### **CayCo Removal**

Pursuant to a STID Proposal dated 4 June 2018, which was approved the Majority Creditors on 26 June 2018, the Issuer received all necessary consents to remove TWUCFL and TWUCFH from the TWU Financing Group



(the “**CayCo Removal**”). The CayCo Removal took effect on 31 August 2018 and TWUCFL and TWUCFH were removed as Guarantors of the Notes and Obligors under the Note Purchase Agreement.

## CHAPTER 8 GENERAL INFORMATION

### **Listing**

1. It is expected that listing of the Notes on the Official List and admission of the Notes to trading on the Main Market will be granted on or before 17 January 2024. The total amount of the Notes to be admitted to the Official List and to trading on the Main Market is £466,000,000 (being the aggregate nominal amount of the Sterling denominated Notes, Series 6, Series 7 and Series 8) and \$285,000,000 (being the nominal amount of the U.S. dollars denominated Notes, Series 5).
2. The Issuer estimates the total expenses related to admission to trading of the Notes at £2,000.

### **Authorisation**

3. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 29 November 2023.

### **Significant or Material Change**

4. There has been no significant change in the financial performance or financial position of each of the Issuer and its subsidiaries or TWUF since 30 September 2023. There has been no significant change in the financial performance or financial position of TWH since 31 March 2023.
5. There has been no material adverse change in the financial position or prospects of each of the Issuer, TWUF or TWH since the date of its last published audited financial statements which were for the period ended 31 March 2023.

### **Litigation**

6. Save as disclosed in the section titled “Litigation” in Chapter 5 (*Description of the TWU Financing Group*) of the EMTN Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.
7. Save as disclosed in the section titled “Litigation” in Chapter 5 (*Description of the TWU Financing Group*) of the EMTN Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which TWH is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of TWH.
8. Save as disclosed in the section titled “Litigation” in Chapter 5 (*Description of the TWU Financing Group*) of the EMTN Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which TWUF is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of TWUF.

### **Third Parties**

9. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced, and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

### **Documents Available**

10. For so long as the Notes remain outstanding, copies of the following documents may (when published) be inspected physically during normal business hours at the registered office of the Issuer:
  - (a) the Memorandum and Articles of Association of each of the Issuer and the other Obligor;
  - (b) the audited financial statements of the Issuer for the year ended 31 March 2022 and the year ended 31 March 2023;
  - (c) the audited financial statements for TWUF for the year ended 31 March 2022 and the year ended 31 March 2023;
  - (d) the audited financial statements for TWH for the year ended 31 March 2022 and the year ended 31 March 2023;
  - (e) the unaudited interim financial statements of the Issuer for the financial half year ended 30 September 2023;
  - (f) the unaudited interim financial statements of TWUF for the financial half year ended 30 September 2023;
  - (g) a copy of the EMTN Prospectus;
  - (h) a copy of this Prospectus;
  - (i) each Investors' Report; and
  - (j) the Security Agreement.

### **Availability of Financial Statements**

11. The audited annual financial statements of the Issuer and the audited annual financial statements of TWUF and TWH will be prepared as at 31 March in each year. TWH has not published nor intends to publish any interim financial statements, but each of TWUF and the Issuer has published unaudited interim financial statements as at 30 September 2023 (which were subject to a review by the auditors in accordance with the International Standard on Review Engagements and are available at <https://www.thameswater.co.uk/about-us/investors/debt-information>) and intends to publish unaudited interim financial statements as at 30 September in each year. All future audited annual financial statements (and, in the case of TWUF and the Issuer only, any published interim financial statements) of each of the Issuer, TWUF and TWH will be available free of charge in accordance with "Documents Available" above.

### **Auditors**

12. The auditors of TWUF, TWH and the Issuer for the financial years ended 31 March 2022 and 31 March 2023 are PricewaterhouseCoopers LLP ("PwC"), of 3 Forbury Place, 23 Forbury Road, Reading,

Berkshire RG1 3JH which is a member firm of the Institute of Chartered Accountants in England and Wales. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The audited financial statements of TWUF and the Issuer as at and for the year ended 31 March 2022 and 31 March 2023 have been prepared under International Financial Reporting Standards (“IFRS”) as adopted by the UK Endorsement Board.

13. This change does not constitute a change in accounting policy but rather a change in the framework which is required to ground the use of the IFRS in the company law. The change in the framework, does not result in any impact on the recognition, measurement or disclosures.
14. The financial statements of TWH for the year ended 31 March 2022 and 31 March 2023 have been prepared in accordance with FRS 101. In each case, in respect of the 2022 financial statements and the 2023 financial statements, PwC have given unmodified reports which contained no statement under Section 498(2) or (3) of the Companies Act 2006. In TWH’s 2023 financial statements, the auditors noted that in forming their opinion on the financial statements (which is not modified), they considered that TWH relies on support from KWHL (its ultimate parent company) and that, as at the date of approval of the financial statements, there is a material uncertainty relating to going concern at KWHL as there are uncertainties disclosed in its accounts. This in turn creates a material uncertainty at TWH as it creates a material uncertainty as to whether KWHL would be able to extend the support committed if and when required. In the auditors’ view, these conditions, along with the other matters explained in note accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.
15. Notwithstanding the above, the auditors concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Furthermore, TWH is not reliant on support from KWHL given TWH’s liabilities are limited to those of guaranteeing TWUF and the Issuer (which are supported by the credit strength of the Issuer as the operating entity, as disclosed in this Prospectus).
16. The audited financial statements of each of the Issuer, TWUF and TWH for the year ending 31 March 2022 and 31 March 2023 have been delivered to the Registrar of Companies. Financial statements for 31 March 2022 and 31 March 2023 are available on the Thames Water website.
17. PwC has given, and not withdrawn, its written consent to the inclusion of its auditor’s reports incorporated by reference in this Prospectus.
18. For the purposes of Prospectus Rule 5.5.4R (2)(f), PwC has authorised the contents of its auditor’s reports referred to above as part of this Prospectus, has stated that it is responsible for those reports and has declared that it has taken all reasonable care to ensure that the information contained in those reports is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect their import.

### **Interest of natural and legal persons involved in the issue**

19. So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

### **Conflict of Interest**

20. There are no potential conflicts of interest between any duties to the Issuer of its directors or company secretary and their respective private interests or duties.

### **Major Shareholders**

21. The Issuer is a wholly owned subsidiary of TWH. The Issuer is ultimately owned by the Kemble Shareholders. The Kemble Shareholders have entered into a shareholders' agreement which complies with the Ofwat publication "*Board leadership, transparency & governance – principles*".

## GLOSSARY OF DEFINED TERMS

This section shall be read together with the section entitled “Glossary of Defined Terms” in the EMTN Prospectus, which is incorporated by reference herein.

The following terms are used throughout this Prospectus:

“**Business Day**” means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York, or London, England are required or authorised to be closed.

“**Certificates**” means the certificates representing the Notes.

“**Guarantee**” means, in relation to each Guarantor, the guarantee of such Guarantor given by it pursuant to the Security Document to which it is a party.

“**Guarantors**” means TWH, TWUF and the Issuer in their capacity as Guarantors pursuant to the Security Agreement together with any other entity which accedes to the Security Agreement as a Chargor in accordance with clause 22.3 (*Further Subsidiaries*) thereof, each in their capacity as a “Guarantor”.

“**Issue Date**” means 22 March 2018.

“**Issue Price**” means the price as stated in the Note Purchase Agreement, generally expressed as a percentage of the nominal amount of the Notes, at which the Notes will be issued.

“**Issuer**” means Thames Water Utilities Limited, a company incorporated in England with limited liability with registered number 02366661.

“**Kemble Shareholders**” means Ontario Municipal Employees Retirement System, Universities Superannuation Scheme, Infinity Investments S.A., British Columbia Investment Management Corporation, Hermes GPE, China Investment Corporation, Aquila Sonnet Limited Partnership/ Aquila GP Inc., QIC Infrastructure Management PTY LTD/Queensland Investment Corporation and Stichting Pensioenfonds Zorg en Welzijn (including any successors in title).

“**KWHL**” means Kemble Water Holdings Limited.

“**Licence**” means the instrument of appointment dated August 1989 granted by the Secretary of State for Environment for the Issuer as a water undertaking under Sections 11 and 14 of the Water Act 1989 (now Sections 6, 7, 11 and 12 of the WIA), as modified or amended from time to time.

“**London Stock Exchange**” means The London Stock Exchange Group Plc, trading as the London Stock Exchange. “**Maturity Date**” is defined in the first paragraph of each Note and set out in “Part B – Pricing and Additional Terms” of this Prospectus.

“**Note Purchase Agreement**” means the note purchase agreement dated 22 March 2018 and made between the Purchaser(s), the Security Trustee and the Obligors.

“**Noteholders**” means the persons whose name is registered in the register maintained by the Issuer in respect of a Note as the holder of such Note.

“**Notes**” means the Series 5 Notes, the Series 6 Notes, the Series 7 Notes and the Series 8 Notes.

“**Obligors**” means TWH, TWUF, and the Issuer, together with any other entity which accedes to the Finance Documents as an Obligor in accordance with the terms thereof, “**Obligor**” means any of them.

“**Prospectus**” means this prospectus prepared in connection with the listing of the Notes.

“**Purchaser(s)**” means the initial purchaser(s) of the Notes, whose name is listed in Schedule A to the Note Purchase Agreement.

“**Required Holders**” means, at any time (i) prior to the Closing, the Purchasers; (ii) on or after the Closing, the holders of more than 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Issuer or any of its Affiliates); and (iii) in relation to any matter affecting only the Series 5 Notes, Series 6 Notes, Series 7 Notes or Series 8 Notes, the holders of more than 50% in principal amount of the Notes at the time outstanding of such Series 5 Notes, Series 6 Notes, Series 7 Notes or Series 8 Notes, as applicable (exclusive of Series 5 Notes, Series 6 Notes, Series 7 Notes or Series 8 Notes, as applicable, then owned by the Issuer or any of its Affiliates).

“**Register**” means a register of the Noteholders of a kept at the registered office of the Issuer which records the registration and registration of transfers of Notes.

“**Section**” means a section of the Note Purchase Agreement.

“**Security**” means the security constituted by the Security Documents including any Guarantee or obligation to provide cash collateral or further assurance thereunder.

“**Security Agreement**” means the deed of charge and guarantee executed in favour of the Security Trustee by each of the Obligors (or to which any of the Obligors have subsequently acceded) on 30 August 2007.

“**Series**” means Notes which have (i) the same final maturity, (ii) the same principal prepayment dates (subject to different principal prepayment dates applying to the Notes from time to time), (iii) the same principal prepayment amounts (as a percentage of the original principal amount of each Note) (subject to different principal prepayment amounts applying to the Notes from time to time), (iv) the same interest rate, (v) the same interest payment periods, (vi) the same currency specification and (vii) the same date of issuance (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes the date on which such Note’s ultimate predecessor Note was issued).

“**Series 5 Notes**” means the \$285,000,000 3.57% Guaranteed Secured Senior Class A Series 5 Notes due 2025.

“**Series 6 Notes**” means the £216,000,000 2.45% Guaranteed Secured Senior Class A Series 6 Notes due 2028.

“**Series 7 Notes**” means the £210,000,000 2.55% Guaranteed Secured Senior Class A Series 7 Notes due 2030.

“**Series 8 Notes**” means the £40,000,000 2.62% Guaranteed Secured Senior Class A Series 8 Notes due 2033.

“**Thames Water Group**” means Kemble Water Holdings Limited and its Subsidiaries.

“**TWH**” means Thames Water Utilities Holdings Limited, a company incorporated in England and Wales (registered number 6195202).

“**TWU Financing Group**” means TWH, TWUF, the Issuer and any other Permitted Subsidiaries.

“**TWUCFH**” means Thames Water Utilities Cayman Finance Holdings Limited, a company incorporated in the Cayman Islands with limited liability under registration number MC-196364.

“**TWUCFL**” means Thames Water Utilities Cayman Finance Limited, a company incorporated in the Cayman Islands with limited liability under registration number MC-196364.

“**TWUF**” means Thames Water Utilities Finance Plc, a company incorporated in England and Wales (registered number 2403744).

“**TWUL**” means the Issuer.

**REGISTERED OFFICE OF THE ISSUER, TWUF and TWH**

Clearwater Court  
Vastern Road, Reading RG1 8DB

**SECURITY TRUSTEE**

**Deutsche Trustee Company Limited**  
Winchester House  
1 Great Winchester Street, London EC2N 2DB

**LEGAL ADVISERS**

*To the Issuer, TWUF and TWH as to English Law:*

**Linklaters LLP**  
One Silk Street, London EC2Y 8HQ

**AUDITORS**

*To the Issuer, TWUF and TWH:*

**PricewaterhouseCoopers LLP**  
3 Forbury Place, 23 Forbury Road, Reading, Berkshire RG1 3JH