

To: Deutsche Trustee Company Limited
21 Moorfields, London
United Kingdom, EC2Y 9DB
(the "**Security Trustee**")
Attention: The Managing Director

From: Thames Water Utilities Limited (the "**Proposer**" and "**TWUL**")

Date: 11 September 2026

Re: STID Proposal in respect of the Kemble Tax Loss Transaction (as defined below)

In accordance with clause 9.1 (*Instigation of STID Proposal*) of the security trust and intercreditor deed dated 30 August 2007 between, among others, the Proposer and the Security Trustee (as amended and restated from time to time) (the "**STID**"), please find below a request to the Security Trustee to concur with a waiver under the Finance Documents as detailed in paragraph 2 (*Detail of the proposed amendments and requested waivers*) below, in accordance with and subject to the votes of the Majority Creditors under Clause 8.2.2 (*Procedure for Modifications, Consents and Waivers*) of the STID (the "**STID Proposal**").

Capitalised terms used but not defined in this STID Proposal have the meanings ascribed to them in the STID or the master definitions agreement (the "**MDA**") dated 30 August 2007 (as amended and restated from time to time).

The Obligors hereby confirm their acknowledgement and acceptance of the proposal set out in the STID Proposal.

1 Reasons for the STID Proposal

- 1.1** Thames Water Utilities Holdings Limited ("**TWH**") and its Subsidiaries (including the Proposer) (the "**Thames Group**") are part of a wider corporate group comprising Kemble Water Holdings Limited ("**Kemble**") and its Subsidiaries (Kemble and its Subsidiaries (excluding the Thames Group) being the "**Kemble Group**").
- 1.2** The Kemble Group is expected to have taxable profits in respect of its 18-month accounting period ending 30 September 2024. TWH has therefore been in negotiations with the Kemble Group in relation to the potential surrender of tax losses by way of group relief by TWH.
- 1.3** The Tax Deed of Covenant permits the surrender of tax losses between members of the Thames Group (on the one hand) and members of the Kemble Group (on the other hand), provided that "*a payment must be made by the Recipient Company to the Surrendering Company which is equal to the amount of Tax saved by the Recipient Company as a result of the surrender*".
- 1.4** Discussions in relation to the surrender of losses remain ongoing. However, it is possible that, as part of those discussions, TWH could agree to surrender (by way of group relief) tax losses to certain members of the Kemble Group for use against their taxable profits arising in the 18-month corporation tax period ended 30 September 2024 in return for an amount which represents appropriate value for TWH in the circumstances, but which is an amount which is less than the Tax saved by the relevant Recipient Companies as a result of the surrender, including where such consideration is provided through non-cash assets and

such non-cash assets may be transferred to another member of the TWU Financing Group (the “**Kemble Tax Loss Transaction**”).

- 1.5 The Proposer wishes to seek consent for the Amendment and Waivers (as defined below) to facilitate the Kemble Tax Loss Transaction.

2 Detail of the proposed amendment and requested waivers

- 2.1 The Proposer hereby requests the following amendment to be made to the Tax Deed of Covenant, with text to be added in blue and underline:

Clause Reference	Summary of Changes
Clause 9.3 (<i>Group Relief</i>) of the Tax Deed of Covenant	“9.3 A payment must be made by the Recipient Company to the Surrendering Company which is equal to the amount of Tax saved by the Recipient Company as a result of the surrender, <u>provided that where (i) the Surrendering Company is TWH, and (ii) the surrender relates to the Recipient Company’s 18-month corporation tax period ended 30 September 2024, the Recipient Company and TWH may agree in writing the amount and form of the payment or other consideration (including whether it is to be provided in cash or in kind, and on an immediate, deferred or contingent basis), and the Recipient Company shall provide such consideration so agreed to TWH (or such other Obligor as TWH may direct) in exchange for the surrender.</u> ”

(the “**Amendment**”).

- 2.2 The Proposer hereby requests that the Majority Creditors consent to, in each case, in respect of the Kemble Tax Loss Transaction only:

- 2.2.1 a waiver of paragraph 10 (*Disposals*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) of the Common Terms Agreement;
- 2.2.2 a waiver of paragraph 13 (*Acquisitions and Investments*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) of the Common Terms Agreement;
- 2.2.3 a waiver of paragraph 29 (*Arm’s length terms*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) of the Common Terms Agreement;
- 2.2.4 a waiver of paragraph 16 (*Loans and Credit*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) of the Common Terms Agreement; and
- 2.2.5 a waiver of paragraph 1(a) and (c) (*Restricted Business of TWH*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) of the Common Terms Agreement,

(the “**Waivers**”, together with the Amendment, the “**Amendment and Waivers**”)

3 Certification by the Proposer

- 3.1 Pursuant to and in accordance with Clause 9.2 (*Minimum Content of STID Proposal*) of the STID, the Proposer hereby certifies to the Security Trustee that in its opinion, in relation to the STID Proposal:

- 3.1.1 only the consent of the Majority Creditors under Clause 9.2.1 (*Minimum Content of STID Proposal*) of the STID (such consent must be received by 25 September 2026

(the "**STID Voting Date**") is required to implement the STID Proposal in accordance with the terms of this STID Proposal; and

3.1.2 no Entrenched Right or Reserved Matter applies in respect of the STID Proposal contained herein in the manner prescribed above and, as such, the consent of no other Secured Creditor (or where applicable, their Secured Creditor Representative(s)) is required pursuant to the Entrenched Rights and Reserved Matters in the STID.

3.2 The Proposer also certifies that the STID Proposal will not impose any additional obligations or liabilities on the Security Trustee.

3.3 The Proposer notes that pursuant to Clause 9.5.1 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee is duly authorised and must promptly implement the STID Proposal following the earlier of:

3.3.1 the date on which the Security Trustee has received votes in favour of the STID Proposal from DIG Representatives representing more than 50 per cent. of the Outstanding Principal Amount of the Qualifying Class A Debt; and

3.3.2 the STID Voting Date if the Majority Creditors have voted in favour of the STID Proposal.

4 Implementation of the STID Proposal

4.1 Subject to Clause 9.5 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee shall notify each Secured Creditor (or, where applicable, its Secured Creditor Representative) and each Secondary Market Guarantor of the decision of the Majority Creditors on the STID Proposal promptly following the STID Voting Date (or such earlier date in accordance with the STID).

4.2 Provided that the Majority Creditors approve the STID Proposal:

4.2.1 the Amendment shall become effective upon execution of a deed of amendment and restatement deed in the form of the Appendix 1 (*Form of Deed of Amendment and Restatement Deed*) (the "**Deed of Amendment and Restatement**");

4.2.2 the Waivers shall become effective upon execution of a consent and waiver letter in the form of Appendix 2 (*Form of Consent and Waiver Letter*) (the "**Consent and Waiver Letter**"); and

4.2.3 pursuant to Clause 9.7 (*Binding Decisions of Majority Creditors*) of the STID, the Amendment and Waivers will bind the Secured Creditors and the Secondary Market Guarantors.

4.3 The STID Proposal constitutes a certificate for the purposes of Clause 8.18 (*Certificates Conclusive*) and Clause 15.4.3 (*Protections*) of the STID.

4.4 Contemporaneously with the implementation of the STID Proposal, the Proposer agrees to deliver a certificate to the Security Trustee certifying that: (a) all information provided to Secured Creditors in connection with the STID Proposal is true, accurate and not misleading in any material respect; and (b) the Finance Documents shall remain in full force and effect (subject to the terms of the Deed of Amendment and Restatement and the Consent and Waiver Letter executed in accordance with this STID Proposal).

Yours faithfully

THE PROPOSER

THAMES WATER UTILITIES LIMITED

DocuSigned by:
.....
586DA8DEC2B1439...
By: Julian Gelling
.....
Signed by:
.....
7164D0D159F04E5...
By: Chris Weston
.....

OBLIGORS

THAMES WATER UTILITIES FINANCE PLC

DocuSigned by:
Julian Gething
.....386DA6DEC2B1439.....
By:

Signed by:
Chris Weston
.....7164D0D159F04E5.....
By:

THAMES WATER UTILITIES HOLDINGS LIMITED

DocuSigned by:
Julian Gelling
.....586DA6DEC2B1439...

By:
Signed by:
Chris Weston
.....7164D0D159F04E5...

By:

Appendix 1
Form of Deed of Amendment and Restatement

Deed of Amendment and Restatement

Dated _____ 2026

THAMES WATER UTILITIES FINANCE PLC

THAMES WATER UTILITIES LIMITED

THAMES WATER UTILITIES HOLDINGS LIMITED

THAMES WATER LIMITED

KEMBLE WATER HOLDINGS LIMITED

DEUTSCHE TRUSTEE COMPANY LIMITED

THIS DEED is dated _____ 2026

BETWEEN:

- (1) **THAMES WATER UTILITIES FINANCE PLC** (registered number 02403744) ("**TWUF**");
- (2) **THAMES WATER UTILITIES HOLDINGS LIMITED** (registered number 06195202) ("**TWH**");
- (3) **THAMES WATER UTILITIES LIMITED** (registered number 02366661) ("**TWUL**");
- (4) **THAMES WATER LIMITED** (registered number 02366623) as Parent and Initial Subordinated Creditor;
- (5) **KEMBLE WATER HOLDINGS LIMITED** (registered number 05819262) ("**KWHL**"); and
- (6) **DEUTSCHE TRUSTEE COMPANY LIMITED** (registered number 00338230) as Security Trustee.

WHEREAS

- (A) On 11 September 2026, TWUL launched a STID Proposal, which sought the Majority Creditors' consent to, amongst others, amend the Tax Deed of Covenant (the "**STID Proposal**") to give effect to the Kemble Tax Loss Transaction (as defined in the STID Proposal).
- (B) On or around the date of this Deed, the Security Trustee is authorised to give effect to the STID Proposal by executing this Deed pursuant to a Consent and Waiver Letter (as defined in the STID Proposal).

IT IS WITNESSED AND DECLARED as follows:

1 Interpretation

1.1 Definitions

Terms defined in the master definitions agreement, originally dated 30 August 2007 (as amended and/or restated from time to time) between, among others, TWH, TWUL and TWUF as Obligors and the Security Trustee (the "**Master Definitions Agreement**"), have the same meaning when used in this Deed unless otherwise expressly defined herein.

In addition, the following terms have the following meanings for the purpose of this Deed:

"Amended and Restated Tax Deed of Covenant" means the Original Tax Deed of Covenant, as further amended and restated by this Deed, the terms of which are set out in Schedule 1 (*Amended and Restated Tax Deed of Covenant*);

"Original Tax Deed of Covenant" means the tax deed of covenant originally dated 30 August 2007 (as amended and/or restated from time to time prior to the date of this Deed) between, among others, TWH, TWUL, TWUF and the Security Trustee;

"Party" means a party to this Deed;

1.2 Construction

The provisions contained in Part 2 (*Construction*) of Schedule 2 (*Common Definitions*) to the Master Definitions Agreement apply to this Deed as though set out in full in this Deed.

2 AMENDMENT AND RESTATEMENT

2.1 Amendment and restatement

Each Party hereby agrees and acknowledges that, with effect from the date of this Deed, the Original Tax Deed of Covenant shall be amended and restated so that it shall be read and construed for all purposes as set out in Schedule 1 (*Amended and Restated Tax Deed of Covenant*).

2.2 Continuing obligations

The provisions of each of the Finance Documents shall, save as amended by this Deed, continue in full force and effect.

3 THIRD PARTY RIGHTS

No other person who is not a Party has a right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Deed.

4 COUNTERPARTS

This Deed may be executed manually or by facsimile in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

5 DESIGNATION

This Deed and the Amended and Restated Tax Deed of Covenant are each designated as a Finance Document.

6 INCORPORATION OF TERMS

The provisions of clause 15 (*Severability*), clause 17 (*Notices*) and clause 21 (*Enforcement*) of the Common Terms Agreement shall be incorporated into this Deed as if set out in full in this Deed and as if references in those clauses to "this Agreement" are references to this Deed.

7 DEED EXECUTION

Each of the Parties intends this Deed to take effect as a deed and confirms that it has executed and delivered this Deed as a deed, in each case notwithstanding that any one or more of the Parties may only execute this Deed under hand.

8 GOVERNING LAW

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

IN WITNESS of which **THIS DEED** has been executed and delivered as a **DEED** as at the date stated at the beginning of this Deed.

SIGNATORIES

Obligors

EXECUTED as a DEED by **THAMES
WATER UTILITIES FINANCE PLC**
acting by:

.....

Director

.....

Director/Secretary

EXECUTED as a DEED by **THAMES
WATER UTILITIES HOLDINGS LIMITED**
acting by:

.....

Director

.....

Director/Secretary

EXECUTED as a DEED by **THAMES
WATER UTILITIES LIMITED**
acting by:

.....

Director

.....

Director/Secretary

Parent and Initial Subordinated Creditor

EXECUTED as a DEED by **THAMES
WATER LIMITED**
acting by:

.....

Director

.....

Director/Secretary

KWHL

EXECUTED as a DEED by **KEMBLE
WATER HOLDINGS LIMITED**
acting by:

.....

Director

.....

Director/Secretary

Security Trustee

THE COMMON SEAL of)
DEUTSCHE TRUSTEE COMPANY)
LIMITED was)
affixed to this deed)
in the presence of:

Schedule 1
Amended and Restated Tax Deed of Covenant

Dated 30 August 2007, as amended and restated on 31 August 2018, 26 April 2019, and
as further amended and restated on _____ 2026

KEMBLE WATER HOLDINGS LIMITED

and

THAMES WATER LIMITED

and

THAMES WATER UTILITIES HOLDINGS LIMITED

and

THAMES WATER UTILITIES LIMITED

and

THAMES WATER UTILITIES FINANCE PLC

and

THAMES WATER UTILITIES CAYMAN FINANCE HOLDINGS LIMITED

and

THAMES WATER UTILITIES CAYMAN FINANCE LIMITED

and

DEUTSCHE TRUSTEE COMPANY LIMITED

AMENDED AND RESTATED TAX DEED OF COVENANT

Linklaters

Ref: 269684

Linklaters LLP

This Deed of Covenant was originally dated 30 August 2007, amended and restated on 31 August 2018, 26 April 2019, and as further amended and restated on _____ 2026 **between:**

- (1) **Kemble Water Holdings Limited** a company incorporated in England and Wales with registration number 05819262 whose registered office is at Level 28 Citypoint, 1 Ropemaker Street, London EC2Y 9HD ("**KWHL**");
- (2) **Thames Water Limited** a company incorporated in England and Wales with registration number 02366623 whose registered office is at Clearwater Court, Vastern Road, Reading, RG1 8DB ("**Parent**");
- (3) **Thames Water Utilities Holdings Limited** a company incorporated in England and Wales with registration number 06195202 whose registered office is at Clearwater Court, Vastern Road, Reading, RG1 8DB ("**TWH**");
- (4) **Thames Water Utilities Limited** a company incorporated in England and Wales with registration number 02366661 whose registered office is at Clearwater Court, Vastern Road, Reading, RG1 8DB ("**TWUL**");
- (5) **Thames Water Utilities Finance Plc** a company incorporated in England and Wales with registration number 02403744 whose registered office is at Clearwater Court, Vastern Road, Reading, RG1 8DB ("**TWUF**");
- (6) **Thames Water Utilities Cayman Finance Holdings Limited** a company incorporated in the Cayman Islands with registration number MC-196364 whose registered office is at c/o M&C Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands ("**HoldCo**"); and
- (7) **Thames Water Utilities Cayman Finance Limited** a company incorporated in the Cayman Islands with registration number MC-187772 whose registered office is at c/o M&C Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands ("**Issuer**"); and
- (8) **Deutsche Trustee Company Limited** acting in its capacity as security trustee (the "**Security Trustee**") which expression shall include such company and all other persons or companies for the time being acting as Security Trustee pursuant to the STID.

Whereas:

Since the Amended and Restated Tax Deed of Covenant was entered into, the 2018 Reorganisation Plan has been completed and TWUCFL and TWUCFH have ceased to be Obligors and parties to the Finance Documents.

This Deed of Covenant witnesses as follows:

1 Interpretation

1.1 In this Deed, unless the contrary intention appears:

- 1.1.1 terms defined in the master definitions agreement (the "**Master Definitions Agreement**") dated on or about the date of this Deed and signed by, *inter alios*, the Obligors and the Security Trustee shall, unless otherwise defined in this Deed or

the context requires otherwise, bear the same meanings in this Deed. The rules of interpretation set out in the Master Definitions Agreement shall apply to this Deed;

- 1.1.2 whether one person is connected with another shall be determined in accordance with Section 839 of ICTA;
- 1.1.3 “**Accession Memorandum**” means a deed in the form set out in the Schedule by which a Permitted Subsidiary accedes to this Deed;
- 1.1.4 “**control**” shall unless otherwise defined have the meaning set out in section 416 ICTA as modified by sections 767B (4) to (6) ICTA;
- 1.1.5 “**Covenantors**” means KWHL and Parent and “**Covenantor**” means any one of them;
- 1.1.6 “**CTA 2010**” means the Corporation Tax Act 2010;
- 1.1.7 “**Dormant Subsidiaries**” means County Wide Collections Ltd, Thames Water Drainage Services Ltd, Thames Water Procurement Ltd and the 50 per cent interest in Gemwel Ltd held by Parent;
- 1.1.8 “**Eligible Bank**” means the London branch of a bank which has permission under Part 4 of the Financial Services and Markets Act 2000 to accept deposits, with short term, unsecured, unsubordinated and unguaranteed debt which is rated at least A-1 by S&P and A-1 by Moody’s;
- 1.1.9 “**Excess Profits Tax Liability**” means a Tax liability of an Obligor to the extent that:
 - (i) the Tax liability is referable to any profit or gain deemed for Tax purposes to be made by the Obligor in excess of the profit or gain the Obligor actually realises in respect of a transaction except to the extent that such excess profit or gain is realised by another Obligor and is not subject to Tax in its hands; or
 - (ii) the Tax liability arises where neither the Obligor incurring the liability nor another Obligor actually receives the benefit of the proceeds referable to the profit or gain by reference to which the Tax liability is computed,but excluding (i) any Degrouping Charges, SDLT Clawback (as defined in clause 8.2) and Secondary Tax Liabilities (as defined in clause 2.1.14); (ii) any Tax liability arising from any balancing charge pursuant to the Capital Allowances Act 2001, to the extent that an Obligor has received the benefit of the writing down allowances by reference to which that balancing charge is computed; (iii) any Tax liability resulting from an adjustment under paragraph 1 Schedule 28AA ICTA to the extent that another Obligor is entitled to a compensating adjustment under paragraph 6, 6C or 6D Schedule 28AA ICTA in respect of the relevant provision; and (iv) any Tax liability to the extent that it has been increased by any claim for roll-over relief under section 152-154 TCGA or Part 7 of Schedule 29 to the Finance Act 2002, to the extent that the disposal or realisation to which the claim relates was made by an Obligor.
- 1.1.10 “**Existing Internal Swaps**” means the existing cross currency swaps between TWUL and Parent on back to back terms with swaps under the Existing Hedging Agreements;

- 1.1.11 “**FA 1996**” means the Finance Act 1996;
- 1.1.12 “**FA 2002**” means the Finance Act 2002;
- 1.1.13 “**FA 2003**” means the Finance Act 2003;
- 1.1.14 “**Finance Document Obligation**” means an obligation expressly undertaken by the relevant company under a Finance Document;
- 1.1.15 “**GAAP**” means Generally Accepted Accounting Practice as defined in Section 50 Finance Act 2004;
- 1.1.16 “**Group Relief**” means any losses or other amounts eligible for surrender under section 403 of ICTA;
- 1.1.17 “**HMRC**” means HM Revenue & Customs;
- 1.1.18 “**ICTA**” means the Income and Corporation Taxes Act 1988;
- 1.1.19 “**ITA**” means the Income Taxes Act 2007;
- 1.1.20 “**Kemble Water Group**” means KWHL and all its Subsidiaries from time to time;
- 1.1.21 “**KWL**” means Kemble Water Limited a company incorporated in England and Wales with registration number 05859424 whose registered office is at Level 28 Citypoint, 1 Ropemaker Street, London EC2Y 9HD;
- 1.1.22 “**Permitted Tax Loss Transaction**” means any surrender of tax losses or agreement relating to a Tax benefit or relief (including for the avoidance of doubt an election under section 171A or 179A TCGA) or any other agreement relating to Tax (including for the avoidance of doubt the payment of any balancing payment pursuant to and in accordance with the provisions of paragraphs 7A or 7C of Schedule 28AA ICTA) between:
- (a) an Obligor and another Obligor; or
 - (b) an Obligor and any other member of the Kemble Water Group (not being an Obligor)
- in either case in accordance with the provisions set out in clause 9 of this Deed to the extent applicable.
- 1.1.23 “**Ratings Downgrade**” means the downgrade by a Rating Agency of the credit rating of the Class A Unwrapped Bonds below the Threshold Rating Level.
- 1.1.24 “**Steps Papers**” means the letter to Ofwat dated 14 May 2007, entitled “Proposed Securitisation of Thames Water Utilities Limited” and the steps paper prepared for the Parent and dated 31 August 2018, entitled “Thames Water Group Simplification Strawman steps plan”;
- 1.1.25 “**Tax Acts**” has the meaning given in section 831 of ICTA;
- 1.1.26 “**Tax Authority**” means any local, municipal, governmental, state, federal or other fiscal or revenue authority, body or official competent to impose or administer Tax;
- 1.1.27 “**TCGA**” means the Taxation of Chargeable Gains Act 1992;
- 1.1.28 “**Threshold Rating Level**” means the minimum credit rating in respect of the Class A Unwrapped Bonds specified in the definition of Rating Requirement;

- 1.1.29 “**VAT**” means value added tax imposed by VATA and legislation supplemental thereto together with interest thereon and any penalties, surcharges, and fines with respect thereto;
- 1.1.30 “**VATA**” means the Value Added Tax Act 1994; and
- 1.1.31 “**VAT Group**” means a group of companies for the purposes of sections 43 to 43C of the VATA;
- 1.2 In this Deed any reference, express or implied, to an enactment includes references to:
- 1.2.1 that enactment as amended, extended or applied by or under any other enactment (before or after execution of this Deed);
- 1.2.2 any enactment which that enactment re-enacts (with or without modification); and
- 1.2.3 any subordinate legislation made (before or after execution of this Deed) under any enactment, as re-enacted, amended, extended or applied as described in clause 1.2.1 above, or under any enactment referred to in clause 1.2.2 above.
- 1.3 For the purposes of this Deed:
- 1.3.1 in determining whether any company “ought reasonably to be or have been aware” of any matter, such company and its directors shall be assumed to possess such relevant knowledge and information as to the UK Tax law or English law applicable to and governing such matter as an experienced tax professional or tax lawyer could reasonably be expected to possess and, in particular, where such matter relates to the availability or applicability of any UK Tax deduction, relief, or statutory provision, such company and its directors shall be taken to be aware of the scope, import and detail applicable to such deduction, relief or provision as the case may be of which such a tax professional or tax lawyer could reasonably be expected to be aware;
- 1.3.2 where there is any reference in this Deed to steps, course of action or course of inaction as a result of which a company “could reasonably be expected” to become liable under a relevant provision of UK Tax law, the standard to be applied in assessing whether there is a “reasonable” expectation of such liability is that of an experienced tax professional or tax lawyer possessing such relevant information as to such UK Tax law, including knowledge of the full scope, import and detail of all applicable statutory provisions, published HMRC practice and other relevant published material as such a tax professional or tax lawyer could reasonably be expected to possess; and
- 1.3.3 where there is any reference in this Deed to “reasonable” steps to be taken to ensure that a certain matter, situation or statutory provision obtains or applies, the standard to be applied in assessing whether such steps are “reasonable” is that of an experienced tax professional or tax lawyer possessing such relevant information as to applicable law, including knowledge of the scope, import and detail of all applicable statutory provisions, published HMRC practice and other relevant published material as such a tax professional or tax lawyer could reasonably be expected to possess.

2 Representations and Covenants by the Obligors

2.1 With effect on and from the date of this Deed and for so long as any of the Secured Liabilities remain outstanding, each Obligor represents and covenants to the Security Trustee as follows:

- 2.1.1** no Obligor is, or has ever been, treated as a member of a VAT Group apart from the TWUL VAT Group; no Obligor will, without the prior written consent of the Security Trustee, such consent not to be unreasonably withheld or delayed, be so treated and no Obligor has taken or will take any steps (whether by act, omission or otherwise), which might reasonably be expected to result, whether by direction pursuant to Schedule 9A to the VATA or otherwise, in any of the Obligors being treated as a member of a VAT Group apart from the TWUL VAT Group;
- 2.1.2** (a) (i) each Obligor (other than Issuer, TWH and HoldCo) has been for the last three years, (ii) Issuer, TWH and HoldCo have been since the date of the first meeting of their respective boards of directors, and (b) each Obligor will continue to be, (i) solely resident in the United Kingdom for United Kingdom Tax purposes and (ii) (save for any liability of the Issuer and/or HoldCo to pay fees or other amounts in lieu of Tax in the Cayman Islands) solely within the charge to United Kingdom corporation tax in respect of its activities;
- 2.1.3** to the extent that the Obligor concerned is or was aware or ought reasonably to be or have been aware, no Obligor has taken nor will it take any steps (otherwise than in complying with a Finance Document Obligation) which might result in the restriction or denial in a material amount of a Tax deduction otherwise arising to an Obligor:
 - (i) for any payment of interest, commission, premia, or fees (including any irrecoverable VAT on those fees) the Obligor makes pursuant to any of the Authorised Credit Facilities; or
 - (ii) for any payment the Obligor makes under a Hedging Agreement;
- 2.1.4** all Finance Documents to which any Obligor is a party and all documents executed pursuant to the intra-group reorganisation as described in the Steps Papers to which any Obligor is a party, if stampable with a material amount of UK ad valorem stamp duty, have been or will be duly stamped within 30 days of the execution thereof or have been or will be submitted for adjudication under section 42 Finance Act 1930 within 30 days of the execution thereof and all necessary information which ought to have been, or ought to be, given by the relevant Obligor or on its behalf to the HMRC Stamp Office in connection with any application for relief from or adjudication in respect of stamp duty has been or, as the case may be, will be properly and promptly given and was and remains or, as the case may be, will be true and accurate in all material respects;
- 2.1.5** any document effecting a transaction between an Obligor and any member of the Kemble Water Group, if stampable with a material amount of UK ad valorem stamp duty, will be duly stamped within 30 days of the execution thereof or will be submitted for adjudication under section 42 Finance Act 1930, within 30 days of the execution thereof and all necessary information which ought to be given to HMRC Stamp Office in connection with any such application for relief from or adjudication

in respect of stamp duty will be properly and promptly given and will be true and accurate in all material respects;

- 2.1.6 where a chargeable interest (as defined in section 48 FA 2003) has been or will be transferred to an Obligor, such Obligor (if required to deliver a land transaction return), has delivered or will deliver a land transaction return in accordance with the provisions of section 76 FA 2003 and in such return will claim all such available reliefs against any charge to stamp duty land tax;
- 2.1.7 At the time of the transfer of TWUL from Parent to TWH, Parent beneficially held the entire issued share capital of TWH and TWH was not a debtor under any loans other than “normal commercial loans” (as defined for the purposes of Schedule 18 ICTA), other than to Parent;
- 2.1.8 At the time of the transfers of the Dormant Subsidiaries from TWUL to Parent, Parent beneficially held the entire issued share capital of TWUL and TWUL was not a debtor under any loans other than “normal commercial loans” (as defined for the purposes of Schedule 18 ICTA) other than to Parent and the market value of each Dormant Subsidiary did not exceed £1;
- 2.1.9 At the time of the transfer of HoldCo (and indirectly, Issuer, being a subsidiary of HoldCo) from TWUL to Parent:
 - (i) Parent beneficially held the entire issued share capital of TWH and TWH was not a debtor under any loans other than “normal commercial loans” (as defined for the purposes of Part 5 CTA 2010) other than to Parent and the only equity holder (as defined in section 158 CTA 2010) is Parent;
 - (ii) TWH beneficially held the entire issued share capital of TWUL and TWUL was not a debtor under any loans other than “normal commercial loans” (as defined for the purposes of Part 5 CTA 2010) other than to TWH and the only equity holder (as defined in section 158 CTA 2010) is TWH;
 - (iii) TWUL beneficially held the entire issued share capital of TWUF and TWUF was not a debtor under any loans other than “normal commercial loans” (as defined for the purposes of Part 5 CTA 2010) other than to TWUL and the only equity holder (as defined in section 158 CTA 2010) is TWUL;
 - (iv) TWUL beneficially held the entire issued share capital of HoldCo as an investment and HoldCo was not a debtor under any loans other than “normal commercial loans” (as defined for the purposes of Part 5 CTA 2010) other than to TWUL and the only equity holder (as defined in section 158 CTA 2010) is TWUL;
 - (v) HoldCo beneficially held the entire issued share capital of Issuer as an investment and Issuer was not a debtor under any loans other than “normal commercial loans” (as defined for the purposes of Part 5 CTA 2010) other than to HoldCo and the only equity holder (as defined in section 158 CTA 2010) is HoldCo;
- 2.1.10 each Obligor other than the Issuer and HoldCo is entitled under section 402 of ICTA to surrender Group Relief to another Obligor;
- 2.1.11 no Obligor is party (whether on its own behalf or on behalf of or as agent for another person) to any arrangement of the type referred to in Section 36 of the

Finance Act 1998 unless solely with other Obligor and no Obligor will (whether on its own behalf or on behalf of or as agent for another person) enter into any such arrangement unless the Security Trustee give their written consent (such consent not to be unreasonably withheld or delayed);

- 2.1.12 no Obligor has held or will hold any “interest” (within the meaning of section 749B of ICTA) in any “controlled foreign company” (within the meaning of section 747(2) of ICTA);
- 2.1.13 other than in compliance with a Finance Document Obligation, no Obligor will take any steps (whether by act, omission or otherwise) outside the ordinary course of its business, which might reasonably be expected to result in an Excess Profits Tax Liability for any of the Obligor;
- 2.1.14 subject to clauses 6 and 8, and other than where the liability results from membership of the TWUL VAT Group, no Obligor has taken or will take any steps, and each Obligor will, so far as it is able, procure that no steps will be taken, under which any Obligor could reasonably be expected to become liable, either alone or on a joint and several basis, under:
 - (a) any of sections 43-43C or 77A of the VATA, section 199 or 202 Inheritance Tax Act 1984, sections 419, 754(6), 767A, 767AA, or paragraph 7B Schedule 28AA ICTA, section 131 or 132 Finance Act 1988, section 31A(9), 69(4), 82, 137, 139, 171A, 179A, 179B, 187, 189, 190, or 282 TCGA, regulation 21 of the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999, Schedule 28 of Finance Act 2000, paragraph 66, 68 or 69 Schedule 29 FA 2002, paragraph 8 of Schedule 34 FA 2002, paragraph 9 Schedule 35 FA 2002, or paragraph 5 or 12 of Schedule 7 FA 2003; or
 - (b) any other provision (including, in relation to any future actions or omissions, any future provision coming into effect before such actions and omissions),

for Tax which is primarily the liability of a person other than another Obligor (a “**Secondary Tax Liability**”).

- 2.1.15 each Obligor is party to all indebtedness incurred by it as at the date of this Deed pursuant to an Authorised Credit Facility for its business or other commercial purposes and not for a tax avoidance purpose within the meaning of paragraph 13(4), Schedule 9, FA 1996;
- 2.1.16 TWUL is a party to the Existing Hedging Agreements (and is or was a party to the Existing Internal Swaps) for the purpose of hedging its exposure to interest rate and/or exchange rate fluctuations in respect of its obligations under the TWUF/TWUL Loan Agreement and not for a tax avoidance purpose (within the meaning of paragraphs 23 and 24 of Schedule 26 FA 2002);
- 2.1.17 the Existing Internal Swaps are on back to back terms with the Existing Hedging Agreements and each of those agreements is on arms length terms;

- 2.1.18** each Obligor will prepare its accounts with respect to its loan relationships (as defined in section 81 FA 1996) and its derivative contracts (as defined in Part 2 of Schedule 26 FA 2002) in Sterling and in accordance with GAAP;
- 2.1.19** Issuer was incorporated in the Cayman Islands on 18 May 2007 and has not carried out any activities between that date and the date of entering into the Transaction Documents, save for:
- (i) certain administrative actions connected with its incorporation, including the receipt of US \$ 1 in respect of its issued share capital; and
 - (ii) certain actions necessary to enable Issuer to enter into the Finance Documents;
- 2.1.20** HoldCo was incorporated in the Cayman Islands and has not carried out any activities between its date of incorporation and the date of its accession to this Deed, save for:
- (i) certain administrative actions connected with its incorporation;
 - (ii) certain actions necessary to enable Issuer to enter into the Finance Documents;
 - (iii) the activities described in the Steps Papers; and
 - (iv) certain actions necessary to facilitate a Permitted Reorganisation;
- 2.1.21** As at the date of this Deed, TWUF's only activities have consisted of:
- (i) certain administrative actions connected with its incorporation;
 - (ii) the issue of the Existing Bonds and the on-loan of the issue proceeds to TWUL;
 - (iii) performance of its obligations under the relevant Finance Documents;
 - (iv) the activities described in the Steps Papers; and
 - (v) activities incidental thereto;
- 2.1.22** where chargeable securities (as defined in Section 99(3) Finance Act 1986) have been or will be transferred to an Obligor, such Obligor has or will make the correct notification to the HMRC Stamp Office and will claim all such available reliefs against any charge to stamp duty reserve tax;
- 2.1.23** TWUF has not made nor will it make any election pursuant to Regulation 13(2) of the Taxation of Securitisation Companies Regulations 2006 to be treated as a "securitisation company" for the purposes of those regulations;
- 2.1.24** none of the Obligors has any unrelieved surplus ACT as defined for the purposes of the Corporation Tax (Treatment of Unrelieved Surplus ACT) Regulations 1999;
- 2.1.25** no Obligor has, since the acquisition by KWL of Parent, transferred any assets to any person other than another Obligor otherwise than on arm's length terms and at less than market value other than the transfer by TWUL of its shares in Thames Water Drainage Services Ltd to Parent (or as described in the Steps Papers); and

- 2.1.26 all expenditure incurred in respect of the Finance Leases, except for £1.5 million, was incurred before 2 July 1998 and the original contract entered into in respect of each of the Finance Leases was entered into before 2 July 1997;
- 2.1.27 No shares in Issuer or HoldCo are registered in a register kept in the United Kingdom by or on behalf of Issuer;
- 2.1.28 At the time of the transfer by TWUL of shares in Issuer to a HoldCo pursuant to a Permitted Reorganisation, TWUL beneficially held the entire issued share capital of HoldCo and HoldCo was not a debtor under any loans.
- 2.2 The Obligors will not be in breach of clause 2.1.10 if an Obligor's inability to surrender Group Relief results from that Obligor's compliance with a Finance Document Obligation.
- 2.3 For the purposes of clauses 2.1.14 and 3.3, if an Obligor has the requisite association with another company such that the Obligor is potentially subject to a Tax charge under any of the provisions listed in clause 2.1.14 or otherwise potentially subject to a Tax liability which is the primary Tax liability of a person other than another Obligor, but where the actual imposition of such a liability on the Obligor is subject to the satisfaction of one or more conditions, no breach of clause 2.1.14 or 3.3 will occur unless and until each of those conditions has either been satisfied or could reasonably be expected to be satisfied.

3 Representations and Covenants by the Covenantors

3.1 Each Covenantor:

- 3.1.1 in relation to clauses 3.2 to 3.6, in respect of itself and any person which it currently or from time to time controls (within the meaning of section 840 ICTA); and
- 3.1.2 in relation to clause 3.3, also in respect of itself and any company currently or from time to time controlled by it (within the meaning of Section 416 of ICTA as modified by Section 767B(4) to (6) of ICTA) or of which it has had such control during the period of three years before a change in ownership of that company for the purposes of Section 767A or Section 767AA of ICTA

represents and covenants to the Security Trustee on the terms set out in clauses 3.2 to 3.6 below:

- 3.2 No steps have or will be taken other than those taken in compliance with a Finance Document Obligation that the relevant company referred to in clause 3.1 was or is aware or ought reasonably to have been or be aware might result in the restriction or denial in a material amount of a Tax deduction otherwise arising to an Obligor:
 - 3.2.1 for any payment of interest, commission, premia, or fees (including any irrecoverable VAT on those fees) the Obligor makes pursuant to any of the Authorised Credit Facilities; or
 - 3.2.2 for any payment the Obligor makes under a Hedging Agreement;
- 3.3 Subject to clauses 6 and 8 and other than where the liability results from membership of the TWUL VAT Group, no steps have been taken nor will any such steps be taken (whether by act, omission or otherwise) which might reasonably be expected to give rise to any liability of an Obligor for a Secondary Tax Liability;
- 3.4 All reasonable steps have and will be taken to ensure that each Obligor is entitled under section 402 of ICTA to surrender Group Relief to, or claim Group Relief from, another

Obligor provided that this sub-clause will not be breached if the relevant Obligor is unable to claim or surrender Group Relief as a result of the Obligor complying with a Finance Document Obligation or (in the case of the Issuer and HoldCo) by virtue of its incorporation in the Cayman Islands;

- 3.5 All reasonable steps have been and will be taken to ensure that the Obligors do not breach the representations and covenants they give under clause 2 of this Deed; and
- 3.6 No company in the Kemble Water Group holds shares in any of its Subsidiaries on trading account.
- 3.7 Parent represents and covenants to the Security Trustee that it prepares its accounts with respect to the Existing Hedging Agreements and the Existing Internal Swaps in accordance with GAAP.
- 3.8 KWHL represents and covenants to the Security Trustee that it will not, and no person that it controls (within the meaning of Section 87A Finance Act 1996) will hold any Bonds unless such person is within the charge to UK corporation tax and brings the full amount of all profits and gains arising in respect of their Bonds into account for the purposes of Chapter II Part IV Finance Act 1996.
- 3.9 The representations and covenants given by a Covenantor under this Deed are given with effect from the date of this Deed and for so long as the relevant Covenantor controls TWH.

4 Representations and Covenants as to Ownership etc.

- 4.1 TWUF represents and covenants to the Security Trustee that it has never had and unless the Security Trustee consents (such consent not to be unreasonably withheld or delayed) in writing otherwise will never have any directly held Subsidiaries;
- 4.2 Issuer represents and covenants to the Security Trustee that it has never had and unless the Security Trustee consents (such consent not to be unreasonably withheld or delayed) in writing otherwise will never have any directly held Subsidiaries;
- 4.3 TWH represents and covenants to the Security Trustee that it has never had, does not have and unless the Security Trustee consents (such consent not to be unreasonably withheld or delayed) in writing, otherwise will never have any directly held Subsidiaries other than TWUL and any other UK resident company of which TWUL is a Subsidiary; and
- 4.4 TWUL represents and covenants to the Security Trustee that it has never had any directly held Subsidiaries other than the Dormant Subsidiaries, TWUF, HoldCo and the Issuer and does not have and unless the Security Trustee consents (such consent not to be unreasonably withheld or delayed) in writing otherwise will never have any directly held Subsidiaries other than HoldCo, TWUF and the Issuer.

5 Breach, Notification, Cure and Materiality

- 5.1 A “TDC Event” will occur upon any breach of a covenant, representation or other obligation contained in this Deed.
- 5.2 Each of the Obligors and the Covenantors covenants to notify the Security Trustee in writing of any breach that has taken place of any covenant or representation given by, or other obligation imposed upon, it under this Deed; and within 15 days of becoming aware of any such breach **PROVIDED THAT** such obligation(s) to notify (1) may be satisfied by any

Obligor or Covenantor notifying the Security Trustee in writing of any relevant breach as referred to in this clause, and (2) will not arise to the extent that the Security Trustee has already been made aware of any such relevant breach.

5.3 Where, ignoring this clause 5.3, an act or omission has led to a breach of any covenant, representation or other obligation under this Deed, but subsequent to and in respect of that breach a Covenantor has made any payment(s) fully in compliance with clauses 8.5 to 8.6 or 10.1.3 in respect of such breach, then for the purposes of clauses 5.1 to 5.2 above there shall not be considered to have been any breach of this Deed in respect of such act or omission.

5.4 Any notification of a TDC Event pursuant to clause 5.2 (a "**Breach Notice**") shall contain:

5.4.1 (so far as possible) an estimate (expressed in pounds sterling) of the reasonably expected financial risk, cost, detriment or other impact, in any such case relating only to Tax to or on any of the Obligors (the "**Breach Effects**"), arising as a result of the TDC Event; and

a Breach Notice, or any further notice served in respect of the same TDC Event (which further notice may be served within 45 days after the service of such Breach Notice), may contain:

5.4.2 an opinion from a suitably qualified person as to whether the Breach Effects do or do not give rise to a TDC Breach (as defined in clause 5.5 below);

5.4.3 reasoned and appropriately detailed arguments supporting that opinion;

5.4.4 if the Breach Effects do or may give rise to a TDC Breach, proposals for improving, remedying or rectifying the facts or situation giving rise to the TDC Event;

5.4.5 any information or response available from any of the Rating Agencies in respect of the TDC Event (or of the facts or situation giving rise to the TDC Event), including a statement from any Rating Agencies as to whether the TDC Event (or the facts or situation giving rise to the TDC Event) would lead to a Ratings Downgrade; and

5.4.6 where a Potential Breach Notice has previously been served in respect of a Potential TDC Event that has become an actual TDC Event, confirmation that no other TDC Events or Potential TDC Events have occurred since the first Potential TDC Event and that the actual Breach Effects do not materially exceed the Potential Breach Effects as notified in the Potential Breach Notice.

5.5 For the purposes of this clause, a "**TDC Breach**" will occur when, whether judged alone or cumulatively with previous Breach Effects suffered by (and not otherwise reimbursed to, discharged on behalf of, or otherwise ameliorated in respect of) an Obligor, the Breach Effects give rise to, or could reasonably be expected to give rise to, a Material Adverse Effect for the TWU Financing Group taken as a whole or any member of it.

5.6 Provided that a Breach Notice is served in accordance with this clause 5 (whether or not within the time limit specified), then each party to this Deed agrees that:

5.6.1 the Security Trustee shall within 45 days of receipt of a Breach Notice confirm to the Obligors and Covenantors either that the Breach Effects do, or that the Breach Effects do not, in the opinion of the Security Trustee, acting reasonably, give rise to a TDC Breach;

- 5.6.2 if confirmation is given by the Security Trustee that the Breach Effects do give rise to a TDC Breach, then the TDC Breach shall be deemed to have occurred on the date that such confirmation is given;
 - 5.6.3 if the Security Trustee does not respond to a Breach Notice within 45 days of its receipt, then the company serving the Breach Notice shall re-issue the Breach Notice to the Security Trustee with a request for confirmation as to whether or not the Breach Effects do or do not, give rise to a TDC Breach;
 - 5.6.4 if confirmation is given by the Security Trustee on or within 45 days of receipt of the Breach Notice by the Security Trustee that the Breach Effects do not give rise to a TDC Breach, or if the Security Trustee does not respond to the re-issued Breach Notice as provided for in clause 5.6.3 above within 45 days of its receipt, then the TDC Event which is the subject of the Breach Notice shall not constitute a TDC Breach.
- 5.7 An Obligor or Covenantor may also notify the Security Trustee of any potential or impending occurrence of a TDC Event (a **"Potential TDC Event"**), in which case the notification (a **"Potential Breach Notice"**) shall contain:
- 5.7.1 (so far as possible) an estimate (expressed in pounds sterling) of the reasonably expected financial risk, cost, detriment or other impact in any such case relating only to Tax to or on any of the Obligors (the **"Potential Breach Effects"**), arising as a result of the Potential TDC Event (on the assumption that the Potential TDC Event were to result in a TDC Event); and
- a Potential Breach Notice, or any further notice served in respect of the same Potential TDC Event (which further notice may be served within 45 days after the service of such Potential Breach Notice), may contain:
- 5.7.2 an opinion from a suitably qualified person as to whether the Potential Breach Effects would or would not, if the Potential TDC Event were to occur, give rise to a TDC Breach;
 - 5.7.3 reasoned and appropriately detailed arguments supporting that opinion;
 - 5.7.4 if the Potential Breach Effects would or may, in either case if the Potential TDC Event were to result in an actual TDC Event, give rise to a TDC Breach, proposals for improving, remedying or rectifying the facts or situation that would, without such improvement, remedy or rectification, give rise to such TDC Event; and
 - 5.7.5 any information or response available from any of the Rating Agencies in respect of the Potential TDC Event (or of the facts or situation giving rise to the Potential TDC Event), including a statement from any Rating Agencies as to whether the Potential TDC Event (or the facts or situation giving rise to the Potential TDC Event) would, if the Potential TDC Event were to result in an actual TDC Event, lead to a Ratings Downgrade.
- 5.8 Provided that a Potential Breach Notice is served in accordance with this clause 5, then each party to this Deed agrees that the Security Trustee shall within 45 days of receipt of a Potential Breach Notice, confirm to the Obligors and Covenantors whether, in the opinion of the Security Trustee acting reasonably, if the relevant Potential TDC Event were to result in an actual TDC Event, the Potential Breach Effects whether judged alone or cumulatively with previous Breach Effects suffered by (and not otherwise reimbursed to, discharged on

behalf of, or otherwise ameliorated in respect of) an Obligor, would give rise to a TDC Breach.

- 5.9** Where a Potential Breach Notice has been served in accordance with clause 5.7 and the Security Trustee has confirmed pursuant to clause 5.8 that the Potential Breach Effects would not (if the Potential TDC Event were to result in an actual TDC Event) give rise to a TDC Breach, and subsequently the Potential TDC Event becomes an actual TDC Event then **PROVIDED THAT** TWUL certifies in writing on behalf of the Obligor (as contemplated by clause 5.4.6 or otherwise) that:

- 5.9.1** the actual Breach Effects do not materially exceed the Potential Breach Effects;
- 5.9.2** there have been no other TDC Events or Potential TDC Events after the time of the Potential TDC Event but before the actual TDC Event; and
- 5.9.3** the Security Trustee is satisfied, acting reasonably, that there has been no other material adverse change in the financial position of the TWH Financing Group (or any member of it) since the time of the Potential TDC Event,

then the actual TDC Event shall not give rise to a TDC Breach.

- 5.10** If a Breach Notice or a Potential Breach Notice (a “**Notice**”) contains:

- 5.10.1** an opinion and arguments which comply with clauses 5.4.2 and 5.4.3, or with clauses 5.7.2 and 5.7.3, as the case may be, and the conclusion reached in the opinion is that the TDC Event or Potential TDC Event (in either case an “**Event**”) referred to in clause 5.4 or 5.7 above, as the case may be, should not give rise to a TDC Breach (or would not give rise to a TDC Breach if the relevant Potential TDC Event were to result in an actual TDC Event), then the Security Trustee shall be obliged to consider reasonably the opinion and the arguments in deciding whether or not there is or would be a TDC Breach;
- 5.10.2** proposals which comply with clauses 5.4.4 or 5.7.4, as the case may be, the Security Trustee shall be obliged to consider reasonably those proposals in deciding whether or not there is or would be a TDC Breach;
- 5.10.3** information which complies with clauses 5.4.5 or 5.7.5, as the case may be, and which demonstrates that at least two Rating Agencies are able to affirm that the Event does not, or will not, or in the case of a Potential TDC Event if the relevant Potential TDC Event were to result in an actual TDC Event would not, lead to a Ratings Downgrade, then the Security Trustee will be obliged to confirm on or within 45 days of receipt of the Notice by the Security Trustee that the Breach Effects do not, or in the case of a Potential TDC Event if the relevant Potential TDC Event were to result in an actual TDC Event would not, give rise to a TDC Breach **PROVIDED THAT** (1) it must be demonstrated to the Security Trustee's satisfaction, acting reasonably, that those Rating Agencies have been provided with all information relevant to or reasonably necessary in order to form a view as to the need for a Ratings Downgrade, and (2) the Security Trustee will be deemed to be satisfied as described in (1) in this sub-clause if the Security Trustee has received sufficient proof that the two Rating Agencies in question have been provided with the same Notice (and in the same form) as that provided to the Security Trustee in respect of the relevant Event (or situation, facts or circumstances relating to that Event);

5.10.4 information which complies with clauses 5.4.5 or 5.7.5, as the case may be, and which demonstrates that there will be a Ratings Downgrade by at least one Rating Agency, then the Security Trustee shall be obliged to consider reasonably this information in deciding whether or not there should be a TDC Breach but shall not be obliged to confirm that the relevant Event does or would constitute a TDC Breach.

5.11 Irrespective of whether information complying with clauses 5.4.5 or 5.7.5, as the case may be, is supplied with a Notice, the Security Trustee shall be entitled upon receipt of a Notice to seek a response from the Rating Agencies in respect of the relevant Event, subject to the Security Trustee being indemnified by TWUL for any costs or expenses arising from such action.

5.12 The Security Trustee will not be liable for reasonable action taken by it in reliance on any information provided pursuant to clauses 5.4 or 5.7, as the case may be, or clause 5.10, including (for the avoidance of doubt) any information provided by any Rating Agency.

5.13

5.13.1 A TDC Breach that has occurred shall be treated as occurring, subject to the provisions of this clause, for the purposes of Schedule 6 to the Common Terms Agreement.

5.13.2 At any time when a TDC Breach has occurred and is occurring, any Obligor or Covenantor may serve a notice on the Security Trustee (a "**Further Notice**") setting out reasoned and appropriately detailed arguments as to (i) why the TDC Breach should be treated as no longer occurring for the purposes of Schedule 6 to the Common Terms Agreement and/or (ii) proposals for remedying or rectifying the facts of the situation giving rise to the TDC Breach such that it should be treated as no longer occurring for the purposes of Schedule 6 to the Common Terms Agreement. The Security Trustee shall be obliged to consider the Further Notice and clause 5.6 shall apply to the Further Notice as if it were a Breach Notice and the Security Trustee shall be obliged to confirm within 45 days of receipt of the Further Notice to the company serving the Further Notice whether or not the TDC Breach shall be treated as no longer occurring for the purposes of Schedule 6 to the Common Terms Agreement.

PROVIDED ALWAYS THAT:

- (i) if the relevant original TDC Event giving rise to the TDC Breach in question resulted in a Ratings Downgrade by two or more Rating Agencies and the relevant Rating Agencies have, since the TDC Event giving rise to the TDC Breach, upgraded the credit rating of the Class A Unwrapped Bonds above the Threshold Rating Level, then the TDC Breach shall be treated as no longer occurring for the purposes of Schedule 6 to the Common Terms Agreement; and
- (ii) if the relevant original TDC Event giving rise to the TDC Breach in question arose as a result of the failure or inability of a Covenantor (as the case may be) to procure a Replacement Deed and such Replacement Deed is subsequently provided in accordance with clause 6, the TDC Breach shall be treated as no longer occurring for the purposes of Schedule 6 to the Common Terms Agreement

6 Change of Control

6.1 In addition to any other restrictions in the Common Terms Agreement each of the Covenantors and each of the Obligors covenants to the Security Trustee that, for so long as any of the Secured Liabilities remain outstanding, it will not enter into any transaction or transactions or take any other steps (provided that the registration by or on behalf of a company of a transfer of its shares shall not, of itself, amount to the entry into a transaction or the taking of a step by that company for the purposes of this Clause 6.1) as a result of which (in each case a “**Disposal Event**”):

- 6.1.1** control of TWH would be acquired by any person or persons (other than a company which is a wholly owned Subsidiary of a Covenantor which at that time has control of TWH) who do not control TWH as at the date of this Deed (a “**TWH Change of Control**”) in circumstances where, immediately prior to the TWH Change of Control, the relevant Covenantor has control of TWH;
- 6.1.2** a TWH Change of Control would not occur but shares in TWH would be acquired by a person or persons which is/are not members of the Kemble Water Group; or
- 6.1.3** an Obligor would dispose of any of its material assets to another person otherwise than as permitted pursuant to this Deed, the Common Terms Agreement or as set out in the Steps Papers, where such disposal would result in an Excess Profits Tax Liability,

unless either the Disposal Event results directly from an Obligor complying with a Finance Document Obligation or unless the conditions in clause 6.2 are fulfilled and, where the Disposal Event results in a TWH Change of Control the additional condition in clause 6.3 is also fulfilled.

6.2 The conditions in this clause are that:

- 6.2.1** prior to the Disposal Event, the Security Trustee and the Rating Agencies are notified of the potential Disposal Event and are provided with full details of the relevant transaction or transactions and are kept fully informed of its or their progress; and
- 6.2.2** the Security Trustee gives its prior consent in writing to the Disposal Event. The Security Trustee undertakes promptly to give such prior consent if the conditions in clause 6.4 have been fulfilled or if the Security Trustee (acting reasonably and without delay) is satisfied that such conditions will be fulfilled.

6.3 The condition in this clause is that the relevant Covenantors, as the case may be, and the Obligors procure to the extent they are reasonably able to do so that, prior to the Disposal Event, each Relevant Person executes and delivers to the Security Trustee a deed, governed by English law and in a form satisfactory to the Security Trustee (the “**Replacement Deed**”). Each Obligor, and each Covenantor who, after the Disposal Event, will continue to control TWH and each Relevant Person must be party to the Replacement Deed which will replace this Deed. The Replacement Deed must incorporate all the terms, conditions and representations contained in this Deed subject to:

- 6.3.1** references to the Covenantors (or any of them) in this Deed being supplemented or replaced as appropriate by references to the Relevant Persons and references to

KWHL being replaced by references to the Ultimate Parent or (where relevant) the Consortium Company;

6.3.2 references to “**this Deed**” being replaced by references to the Replacement Deed; and

6.3.3 any other changes which, in the Security Trustee’s reasonable opinion, are necessary in order to maintain the financial position of the TWH Finance Group or to protect the interests of the Bondholders *mutatis mutandis*.

6.4 The conditions in this clause are that either:

6.4.1

- (i) prior to the Disposal Event, Parent obtains from the auditors of each Obligor a certificate (including such further certificate as may be considered necessary or appropriate, for example where the original certificate can be shown to have under-estimated the relevant liabilities to Tax) estimating the total amount of any liabilities to Tax of that Obligor arising or likely to arise as a result of the Disposal Event (the “**Certified Tax Liabilities**”) (including, for the avoidance of doubt, any liability under section 179 of TCGA and any liability otherwise arising as a result of the circumstances referred to in clause 6.1.3) and provides the certificate to the Security Trustee;
- (ii) prior to the Disposal Event and only if the Certified Tax Liabilities exceed zero, Parent pays or arranges the payment of a sum equal to the Certified Tax Liabilities into an account held by Parent with an Eligible Bank and which Parent holds pursuant to a declaration of trust on terms acceptable to the Security Trustee providing for Parent to hold such sum and such account on trust (the “**Trust Account**”) for (i) itself, and (ii) any Obligor which is or may be liable to discharge the Certified Tax Liabilities; and
- (iii) an amount is only paid out of the account referred to in clause 6.4.1(i) in the following circumstances:
 - (a) to HMRC to discharge the Certified Tax Liabilities;
 - (b) to Parent if the liability certified in a subsequent certificate from the auditors of the relevant Obligor is less than the Certified Tax Liabilities, in which case the payment must not exceed the difference;
 - (c) to another person under the terms of a warranty or indemnity given to that other person, to the extent that such other person has already discharged the Certified Tax Liabilities; or

6.4.2 an opinion is provided, based on current UK law and practice from a reputable firm of lawyers, stating that none of the Obligors would as a result of the relevant Disposal Event incur any material UK Tax liability.

6.5 In this clause 6:

6.5.1 “**Relevant Person**” means, subject to clause 6.5.3, any person who obtains or would obtain control of TWH as a result of a Disposal Event and (for the avoidance of doubt), where such a person is a company, any person who controls that company (and so on), up to and including the Ultimate Parent of the company;

- 6.5.2 subject to clause 6.5.4 a company ("**Company A**") is the Ultimate Parent of another company ("**Company B**") if Company A controls Company B but no other person controls Company A.
- 6.5.3 where any person mentioned in clause 6.5.1 is a Consortium Company then neither the members of the Consortium Company (the "**Consortium Members**") nor any person who controls any Consortium Member shall be a Relevant Person (if they otherwise would have been) **PROVIDED THAT** prior to the Disposal Event, each Consortium Member executes and delivers to the Security Trustee a deed of indemnity governed by English law in a form satisfactory to the Security Trustee (acting reasonably) pursuant to which each Consortium Member shall severally agree to indemnify the Obligors against any Tax liabilities that the Obligors may incur that are the primary liability of the Consortium Member or any person connected with the Consortium Member.
- 6.5.4 where the conditions in clause 6.5.3 are satisfied, the Consortium company shall be treated as the Ultimate Parent for the purposes of clause 6.5.1.
- 6.5.5 A "**Consortium Company**" means a company three quarters or more of the ordinary share capital of which is beneficially owned by persons of which none beneficially owns less than one twentieth of that share capital or, together with connected persons (excluding persons who are connected only by virtue of section 839(7) ICTA), more than half of it.

7 Trust Accounts

The account referred to in clause 6.4.1 above must be held with an institution which is an Eligible Bank. In the event that an institution ceases to be an Eligible Bank the company in the name of which the account is held shall within 10 days of that date procure the transfer of the relevant account to another Eligible Bank.

8 De-grouping Charges; Secondary Liabilities

- 8.1 As at the date of this Deed and with the exception of the transfer of TWUL to TWH and any of the actions contemplated by the Steps Papers as envisaged in the Steps Papers and any act, omission or other event that results from compliance with a Finance Document Obligation each Obligor and each Covenantor (in the case of the Parent, on behalf of each company controlled by it) represents to the Security Trustee that no steps have been taken of which it is aware or ought reasonably to have been aware (whether by act, omission or otherwise) whereby:
- 8.1.1 a transfer of assets falling within section 171 TCGA has been made within the last six years to any Obligor which would give rise to a chargeable gain in excess of £10 million if a deemed disposal under section 179 TCGA were to occur on the assumption that the Obligor were, immediately, after such transfer, to cease to be a member of a chargeable gains group of companies for the purposes of section 170 TCGA;
- 8.1.2 a transfer of property has been made within the last three years by any Covenantor, Obligor or other company under the control of Parent, which would give rise to an SDLT Clawback liability computed by reference to transfer consideration in excess of £10 million on the assumption that the Obligor were, immediately, after such

transfer, to cease to be a member of the same group as the transferor for the purposes of paragraph 3 Schedule 7 FA 2003; or

- 8.1.3 a transfer of a loan relationship falling within paragraph 12 of Schedule 9 FA 1996, a transfer of a derivative contract falling within paragraph 28 of Schedule 26 FA 2002 or a transfer of an intangible fixed asset falling within paragraph 56 of Schedule 29 FA 2002 has been made within the last six years to any Obligor which would give rise to a taxable credit by virtue of paragraph 12A of Schedule 9 FA 1996, paragraph 30A of Schedule 26 FA 2002 or paragraph 58 of schedule 29 FA 2002 in excess of £10 million on the assumption that the Obligor were, immediately after such transfer, to cease to be a member of a chargeable gains group of companies for the purpose of section 170 TCGA.

- 8.2 Each Obligor and each Covenantor covenants in respect of itself and in the case of Parent in respect of any person it controls at the date of this Deed in favour of the Security Trustee that, with effect on and from the date of this Deed and with the exception of any act, omission or other event that results from compliance with a Finance Document Obligation and for so long as any of the Secured Liabilities remain outstanding, it will not take any steps, and will procure that no steps are taken, which cause:

- 8.2.1 any Obligor to become subject to a charge to tax under Section 179 TCGA, paragraph 12A of Schedule 9 FA 1996, paragraph 30A of Schedule 26 FA 2002 or paragraph 58 of Schedule 29 FA 2002 (a "**De-grouping Charge**"); or

- 8.2.2 any liability to SDLT to be imposed on any Obligor under paragraphs 3 or 9 Schedule 7 FA 2003 ("**SDLT Clawback**").

- 8.3 For the avoidance of doubt, if the period specified in Section 179(1)(c) TCGA paragraph 12A(1)(b) of Schedule 9 FA 1996, paragraph 30A(1)(b) of Schedule 26 FA 2002 or paragraph 58(1) of Schedule 29 FA 2002 on the date of this Deed is extended by virtue of legislation enacted after the date of this Deed but on or before the expiry of such period, any tax charge imposed under Section 179 TCGA, paragraph 12A of Schedule 9 FA 1996, paragraph 30A of Schedule 26 FA 2002 or paragraph 58 of Schedule 29 FA 2002 by reference to that extended period shall be a De-grouping Charge. Any tax charge imposed under provisions enacted (which are substantively the same as Section 179 1992, paragraph 12A of Schedule 9 FA 1996, paragraph 30A of Schedule 26 FA 2002 or paragraph 58 of Schedule 29 FA 2002 (as referred to above)) in any consolidating or re-writing legislation shall also be a De-grouping Charge.

- 8.4 For the avoidance of doubt, if the period specified in paragraph 3(1)(a)(i) Schedule 7 FA 2003 on the date of this Deed is extended by virtue of legislation enacted after the date of this Deed but on or before the expiry of such period, any liability to SDLT under paragraph 3 Schedule 7 FA 2003 by reference to that extended period shall be a SDLT Clawback.

- 8.5 Subject to clause 8.8 below KWHL in favour of every Obligor and the Security Trustee, hereby covenants that it will:

- 8.5.1 pay or procure payment to any Obligor an amount equal to any Secondary Tax Liability, De-grouping Charge and SDLT Clawback liability (including any interest and penalties thereon) of the Obligor in consequence of, or by reference to, any breach by it of clause 8.2 or clause 3.3 above; or

- 8.5.2 discharge or procure the discharge of the Secondary Tax Liability, De-grouping Charge or SDLT Clawback Liability (including, where applicable, by making an

election under section 179A TCGA or paragraph 66 of Schedule 29 FA 2002) at no cost to any Obligor; or

- 8.5.3 otherwise procure (acting on and in accordance with the certification to the Security Trustee of the same by the Obligors' tax advisers), that the relevant Obligor is put in no worse financial position (after taking into account, without limitation, any costs incurred in connection with the Alternative Payment) than it would have been in had it received a payment pursuant to clause 8.5.1 above (an **"Alternative Payment"**).

8.6 The due date for payment pursuant to clauses 8.5, above shall be the later of:

- 8.6.1 the date falling seven Business Days after the date on which a notice is served on each or any Covenantor or Obligor pursuant to clause 8.9 below or otherwise; and

- 8.6.2 the date falling seven Business Days before the date on which the relevant Obligor is required to account for the Secondary Tax Liability, De-grouping Charge or SDLT Clawback, as the case may be, to the relevant Tax authority.

8.7 Each Obligor covenants in favour of the Security Trustee that it shall, and each Covenantor covenants in favour of the Security Trustee to procure, to the extent possible, that each Obligor shall, apply any payment it receives pursuant to clause 8.5, above to discharge, to the extent of the payment, the Secondary Tax Liability, De-grouping Charge or SDLT Clawback, as the case may be, giving rise to the liability to make a payment (including, for the avoidance of doubt, any Alternative Payment) pursuant to clause 8.5 above.

8.8 Each Obligor agrees on request from a Covenantor to agree to and to facilitate the implementation of arrangements pursuant to Sections 179A and 179B TCGA and/or paragraphs 66 and 67 of Schedule 29 FA 2002 in order to prevent a breach of the covenants in clause 8.2 above and/or to eliminate or reduce any person's liability to make a payment in respect of a De-grouping Charge pursuant to clause 8.5 above.

8.9 Without prejudice to clause 5 above, if an Obligor receives any notice, demand, assessment, letter or other document issued by the HMRC or other Tax authority in relation to any Secondary Tax Liability, De-grouping Charge or SDLT Clawback, it shall give or procure that notice in writing of that fact is given to the Security Trustee and each Covenantor and Obligor as soon as is reasonably practicable.

9 Group Relief

9.1 Subject to clause 9.6, each Obligor will prudently utilise all Tax reliefs and allowances available to that Obligor (being Tax reliefs and allowances which arise within that Obligor). If, in respect of any accounting period, an Obligor (the **"Surrendering Company"**) has available for surrender any Group Relief, and, in respect of its corresponding accounting period, another Obligor is able to utilise all or any part of such Group Relief, then the Surrendering Company may, as part of a Permitted Tax Loss Transaction, surrender it, or such part of it as may be required, to such of the Obligors as are able to utilise such Group Relief or any part of it.

9.2 Provided the Obligors have first surrendered the maximum amount of Group Relief that they can under clause 9.1, Group Relief may be surrendered as part of a Permitted Tax Loss Transaction to a member of the Kemble Water Group other than an Obligor (the **"Recipient Company"**) and further provided the condition in clause 9.3 has been satisfied.

- 9.3** A payment must be made by the Recipient Company to the Surrendering Company which is equal to the amount of Tax saved by the Recipient Company as a result of the surrender, **provided that** Where (i) the Surrendering Company is TWH, and (ii) the surrender relates to the Recipient Company's corporation tax period ended 30 September 2024, the Recipient Company and TWH may agree in writing the amount and form of the payment or other consideration (including whether it is to be provided in cash or in kind, and on an immediate, deferred or contingent basis), and the Recipient Company shall provide any consideration so agreed to TWH (or such other Obligor as TWH may direct) in exchange for the surrender.
- 9.4** Members of the Kemble Water Group other than the Obligors may agree with an Obligor to surrender Group Relief to such Obligor (a "**Claimant**") to the extent that such member(s) of the Kemble Water Group have Group Relief available for surrender and the Claimant is able to utilise such Group Relief. The Covenantors and each Claimant acknowledge that such surrenders of Group Relief are Permitted Tax Loss Transactions and each Claimant agrees to pay the relevant member(s) of the Kemble Water Group for such surrenders of Group Relief in such amounts as may be agreed subject always to a maximum equal to the amount of Tax saved by the Claimant as a result of the claim.
- 9.5** Where an Obligor or a Covenantor is required under this Deed or any other Finance Document to make or procure the making of any payment to or for the benefit of the Obligor in respect of a Tax liability of an Obligor, the Covenantor or Obligor may satisfy its obligation in whole or in part by surrendering or procuring the surrender of Group Relief (in respect of the accounting period to which the Tax liability relates) to the relevant Obligor for no payment and the Covenantor's obligation shall be discharged to the extent of the actual saving of Tax thereby obtained by the relevant Obligor.
- 9.6** An Obligor may (without there being a breach of clause 9.1) disclaim (or elect not to claim) any writing down allowances available to it in an accounting period pursuant to the Capital Allowances Act 2001 either:
- (i) to the extent that the Obligor does not have sufficient taxable profits in that accounting period against which to set off those writing down allowances; or
 - (ii) provided that a member of the Kemble Water Group makes a surrender of Group Relief to the relevant Obligor for no consideration in an amount equal to the amount of the writing down allowances disclaimed (or not claimed) in respect of that accounting period.

10 VAT

- 10.1** The Covenantors and the Obligors represent and covenant to each of the Obligors and the Security Trustee that:
- 10.1.1** all VAT payable by the representative member of the TWUL VAT Group for which any Obligor is liable has on or before the date of this Deed been paid to HMRC or will be paid to HMRC on or before the due date for the same;
 - 10.1.2** as at the date of this Deed, the members of the TWUL VAT Group are TWUL, TWH, TWUF, TWL, Kemble Water Finance Limited, KWHL and Kemble Water Eurobond plc, and save with the consent of the Security Trustee (not to be unreasonably withheld or delayed) no other person other than a Permitted Subsidiary shall become treated as a member of the TWUL VAT Group;

- 10.1.3 KWHL shall indemnify TWUL or shall procure that TWUL is indemnified in respect of any Tax liability which TWUL may incur by virtue of any member of the Kemble Water Group (other than an Obligor) being or having been a member of the TWUL VAT Group;
- 10.1.4 No Obligor has been, is or will be party to a partnership registration pursuant to section 45 of the VATA; and
- 10.1.5 Each member of the TWUL VAT Group was at the time it was included in the TWUL VAT Group eligible to be treated as a member of the TWUL VAT Group.
- 10.2 The Covenantors and the Obligors represent and covenant to the Security Trustee that there have been no transfers of assets to TWUL, which fall within paragraph 5(1) of the VAT (Special Provisions) Order 1995 within the three years preceding the date of this Deed.
- 10.3 TWUL represents that it is the representative member of the TWUL VAT Group.
- 10.4 The Covenantors and the Obligors shall procure that each of TWL, Kemble Water Finance Limited, KWHL and Kemble Water Eurobond plc, represent and covenant to each of the Obligors and the Security Trustee it shall not:
 - 10.4.1 carry on or transact any business or other activity other than: (i) ownership of the shares of its subsidiaries held by it from time to time; (ii) the giving of guarantees or security in accordance with the Finance Documents and intra-group lending; (iii) the performance of obligations required or exercise of any rights under the Finance Documents (including the entry into Permitted Tax Loss Transactions in accordance with the Tax Deed of Covenant); (iv) any lending or borrowing to or from other members of the Thames Water Group or its shareholders; (v) any activity in connection with the Thames Water Group's pension obligations; (vi) any treasury, finance or hedging activities for the Thames Water Group; and (vii) management of its investments and management activities on behalf of the Thames Water Group which includes the provision and/or recharge of services to other members of the Thames Water Group; or
 - 10.4.2 take any steps to enforce any claims it may have against any Obligor, without the prior written consent of the Security Trustee.

11 Interest

- 11.1 Issuer represents and covenants to TWUL that it is and will continue to be until such time as Issuer transfers the various loans to which the Issuer/ TWUL Loan Agreement relates to TWUF (the "**Issuer/ TWUL Loans**"), beneficially entitled to all interest payments under any Issuer/TWUL Loan Agreement.
- 11.2 TWUL represents and covenants to the Security Trustee that it has reasonable grounds for believing that, until such time as Issuer transfers the benefit of the Issuer/ TWUL Loans to TWUF, Issuer is beneficially entitled to all interest payments under any Issuer/TWUL Loan Agreement and with respect to such interest is within the charge to UK corporation tax and will hold this belief provided there is no substitution of Issuer and no breach of the representations and covenants made by Issuer either in this Deed or the Common Terms Agreement and provided that HMRC have not issued a direction under section 931 ITA in respect of Issuer.

- 11.3** TWUF represents and covenants to TWUL that it is and will continue to be for as long as any of the Secured Liabilities remain outstanding beneficially entitled to all interest payments under any TWUF/TWUL Loan Agreement.
- 11.4** TWUL represents and covenants to the Security Trustee that it has reasonable grounds for believing that TWUF is beneficially entitled to all interest payments under any TWUF/TWUL Loan Agreement and with respect to such interest is within the charge to UK corporation tax and will hold this belief provided there is no substitution of TWUF and no breach of the representations and covenants made by TWUF either in this Deed or the Common Terms Agreement and provided that HMRC have not issued a direction under section 931 ITA in respect of TWUF.
- 11.5** TWUL represents and covenants to TWH that it is and will continue to be for as long as any of the Secured Liabilities remain outstanding beneficially entitled to all interest payments under the TWUL/TWH Loan Agreement.
- 11.6** TWH represents and covenants to the Security Trustee that it has reasonable grounds for believing that TWUL is beneficially entitled to all interest payments under the TWUL/TWH Loan Agreement and with respect to such interest is within the charge to UK corporation tax and will hold this belief provided there is no substitution of TWUL and no breach of the representations and covenants made by TWUL either in this Deed or the Common Terms Agreement and provided that HMRC have not issued a direction under section 931 ITA in respect of TWUL.

12 Withholding; Gross up

- 12.1** All sums payable under this Deed to an Obligor (including, for the avoidance of doubt, any Alternative Payment) shall be paid free and clear of all deductions or withholdings except as may be required by law. If any person is required by law to make a deduction or withholding from a payment made to an Obligor (including, for the avoidance of doubt, a deduction or withholding from any Alternative Payment), that person shall pay to the Obligor such additional amount as shall be required to ensure that the Obligor will be left in the same after-Tax position after the payment of such additional amount as if no such deduction or withholding had been required to be made.
- 12.2** Where a person has paid any additional amounts pursuant to Clause 12.1 and any Obligor obtains and retains any credit or relief against or a right to repayment of Tax (a “**Credit**”) as a result of the additional payment or the matter giving rise to the additional payment then the Obligor shall refund to the person such amount as will leave the Obligor in the same after-tax position as if no additional amount had been payable.
- 12.3** If an Obligor is subject to a liability to Tax in respect of any indemnity payment it receives under clause 8.5 or clause 10.1.3 (including, for the avoidance of doubt, a liability to Tax in respect of any Alternative Payment) or in respect of the discharge of a liability on behalf of an Obligor under clause 8.5.2, the person making that payment or discharging the liability shall pay to the relevant Obligor such additional amount as shall be required to ensure that the Obligors (taken together) will be left in the same after-Tax position after the payment of such additional amount as they would have been in had the indemnified liability to Tax not arisen.

13 Accession of Permitted Subsidiaries

- 13.1** The Covenantors, the Obligors and the Security Trustee agree that each Permitted Subsidiary which, pursuant to clause 2.7 of the STID, has delivered to the Security Trustee an Accession Memorandum duly executed by such Permitted Subsidiary shall become a party to this Deed as an Obligor and be bound by and benefit from this Deed subject to and in accordance with this clause 13, with effect from the date specified in the relevant Accession Memorandum.
- 13.2** The Permitted Subsidiary shall become a party to this Deed subject to such amendments as may be agreed between the Permitted Subsidiary, the Obligors, the Covenantors and the Security Trustee (acting in accordance with the STID) and set out in the Annex to the relevant Accession Memorandum.
- 13.3** The Obligors and the Covenantors agree to be bound by the terms of an Accession Memorandum duly executed in accordance with clause 2.7 of the STID and this clause 14.

14 General

- 14.1** Other than in accordance with the Security Agreement, none of the Obligors, or the Covenantors may assign, transfer, novate, dispose of, grant or declare any interest in respect of, or any interest in, any of their rights or Obligations under this Deed.
- 14.2** Each of the Obligors hereby gives notice to the Covenantors and the Covenantors hereby acknowledge that, pursuant to Clause 5.3 of the Security Agreement it has assigned its rights, title and interest in this Deed, including any monies which may be payable in respect thereof, to the Security Trustee.
- 14.3** The Security Trustee may assign or transfer all or any part of its rights under this Deed in accordance with the terms of the Finance Documents.
- 14.4** This Deed may be executed in any number of counterparts, all of which when taken together shall constitute one and the same Deed and any party may enter into this Deed by executing a counterpart.

15 Notices

Any notice or other document required to be given, made or served under this Deed shall be made in writing (by first class post, personal delivery or fax) and shall be sent as follows:

To the Covenantors:

Address: Kemble Water Holdings Limited
Level 28
Citypoint
One Ropemaker Street
London
EC2Y 9HD

Attention: Company Secretary

Facsimile Number: +44 (0) 118 373 8199

to the Obligors:

Address: Thames Water Utilities Limited
Clearwater Court
Vastern Road
Reading
RG1 8DB

Attention: Company Secretary

Facsimile Number: +44(0) 118 373 8199

to the Security Trustee:

Address: Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Attention: Managing Director (TSS-SFS)

Facsimile Number: +44 (0) 20 7547 5919

or, in any case, to such other address or fax number or for the attention of such other person or department as the addressee has by prior notice to the sender specified for the purpose.

16 Governing Law

16.1 This Deed is governed by and shall be construed in accordance with English law.

16.2 The parties to this Deed irrevocably agree that the English courts shall have exclusive jurisdiction in relation to any lawsuit, action, or proceedings to enforce this Deed and to settle any disputes which may arise out of or in connection with this Deed.

Schedule

FORM OF ACCESSION MEMORANDUM

THIS DEED dated [•], is supplemental to the Tax Deed of Covenant dated 30 August 2007 and made between Deutsche Trustee Company Limited as "**Security Trustee**", Thames Water Utilities Cayman Finance Limited, Thames Water Utilities Finance Plc, Thames Water Utilities Limited and Thames Water Utilities Holdings Limited as "**Obligors**" and Thames Water Limited, Kemble Water Limited and Kemble Water Holdings Limited as "**Covenantors**" [as amended and restated on 31 August 2018, and as further amended and restated on [•] 2019] (as may from time to time be amended, restated, novated or supplemented).

Words and expressions defined or incorporated by reference in the Tax Deed of Covenant have the same meaning when used in this Deed.

[Permitted Subsidiary] ("**Permitted Subsidiary**") of [address] agrees with each Obligor, each Covenantor, the Security Trustee and each person who is or who becomes a party to the Tax Deed of Covenant that, with effect from the date on which the provisions of clause 2.7 of the STID have been complied with, Permitted Subsidiary will become a party to and be bound by and benefit from the Tax Deed of Covenant as an Obligor [, subject to the amendments set out in the Annex]¹.

This Deed is governed by English law.

This Deed has been entered into as a deed on the date stated at the beginning of this Deed.

[This Deed shall be effective as of [insert date]]²

EXECUTED as a Deed by
[Permitted Subsidiary]
acting by
and

}

EXECUTED as a Deed by
Deutsche Trustee Company Limited
acting by
and

}

¹ Delete if not applicable

² Option to specify a date upon which this Accession Memorandum will become effective

Annex

With effect from the date on which this Deed becomes effective, the Tax Deed of Covenant is amended as follows:

[insert amendments as agreed between the Obligors, the Covenantors, Permitted Subsidiary and the Security Trustee (acting in accordance with the STID)]

EXECUTED as a Deed by
Kemble Water Holdings Limited
acting by its attorney in the presence of:
Name:
Address:

Occupation:



EXECUTED as a Deed by
Thames Water Limited
acting by its attorney in the presence of:
Name:
Address:

Occupation:



EXECUTED as a Deed by
Thames Water Utilities Holdings Limited
acting by its attorney in the presence of:
Name:
Address:

Occupation:



EXECUTED as a Deed by
Thames Water Utilities Limited
acting by its attorney in the presence of:
Name:
Address:

Occupation:



EXECUTED as a Deed by
Thames Water Utilities Finance Plc
acting by its attorney in the presence of:
Name:
Address:

Occupation:



Appendix 2
Form of Consent and Waiver Letter

CONSENT AND WAIVER LETTER

Deutsche Trustee Company Limited
21 Moorfields
London EC2Y 9DB

28 September 2026

To: Thames Water Utilities Limited (the “**Proposer**”)

Dear Sir or Madam

- 1 We refer to (i) the STID Proposal dated 11 September 2026 (the “**STID Proposal**”) delivered pursuant to Clause 9.1 (*Instigation of STID Proposal*) of the Security Trust and Intercreditor Deed dated 30 August 2007 (as amended and restated from time to time) and entered into between, among others, the Proposer and Deutsche Trustee Company Limited (the “**Security Trustee**”) (the “**STID**”) and (ii) the notice of the decision of the Majority Creditors in respect of the STID Proposal dated on or around the date hereof (the “**Notice of Approval**”).
- 2 Terms defined in the STID Proposal have the same meaning when used in this letter unless otherwise expressly defined herein.
- 3 As set out in the Notice of Approval, the Security Trustee has received sufficient votes from the Majority Creditors in favour of the STID Proposal (the “**Approved STID Proposal**”).
- 4 Pursuant to Clause 9.5.1 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee is duly authorised and must promptly implement the Approved STID Proposal following the earlier of:
 - (a) the date on which the Security Trustee has received votes in favour of the Approved STID Proposal from DIG Representatives representing more than 50 per cent. of the aggregate Outstanding Principal Amount of the Qualifying Class A Debt; and
 - (b) the STID Voting Date if the Majority Creditors have voted in favour of the Approved STID Proposal.
- 5 The consents in paragraph 3 above is binding in accordance with Clause 9.7 (*Binding Decisions of Majority Creditors*) and Clause 9.8 (*Binding Vote of DIG Representatives*).
- 6 For the purposes of Clause 9.5 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, and in order to implement the Approved STID Proposal, the Security Trustee with effect on the date hereof consents to the Amendment and Waivers and the execution of the Deed of Amendment and Restatement as set out in the STID Proposal.
- 7 This letter and all non-contractual or other obligations arising out of or in connection with it are governed by and shall be construed in accordance with English law.
- 8 Clause 21.1 (*Jurisdiction*) of the Common Terms Agreement applies to this letter and is binding on the Security Trustee and the Proposer as if set out in full in this letter.

Yours faithfully

Deutsche Trustee Company Limited (as Security Trustee)

By: _____

By: _____

We acknowledge receipt of the Waiver Letter.
THE PROPOSER

THAMES WATER UTILITIES LIMITED

.....
By:

.....
By:

OBLIGORS

THAMES WATER UTILITIES FINANCE PLC

.....
By:

.....
By:

THAMES WATER UTILITIES HOLDINGS LIMITED

.....
By:

.....
By: